

## GENERAL NOTICE

### NOTICE 1446 OF 2009

(DEPARTMENT OF TRADE AND INDUSTRY)  
CODES OF GOOD PRACTICE ON BROAD BASED BLACK  
ECONOMIC EMPOWERMENT

I, **Dr Rob Davies**, Minister of Trade and Industry, hereby:

- (a) Issues for public comment, the **DRAFT CHARTERED ACCOUNTANCY CHARTER** (The Draft Code) as provided for in Code 000 Statement 003 of the Codes of Good Practice under **Section 9 (5)** of the Broad Based Black Economic Empowerment (Act No. 53 of 2003) and
- (b) Invite interested persons and the public to submit comments on the draft code within **60 days** from the date of this publication.

Interested persons must forward their comments in writing for the attention of **Xolisile Zondo** and **Jacob Maphutha**, to the following address (es):

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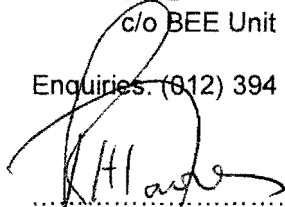
or

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**Dr Rob Davies**  
MINISTER OF TRADE AND INDUSTRY  
**DATE: 12/10/09**

# **THE CHARTERED ACCOUNTANCY PROFESSION CHARTER**

**OCTOBER 2009**

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## SECTION A BACKGROUND

### 1 PREAMBLE

Our country requires an economy that can meet the needs of our economic citizens, our people and their enterprises – in a sustainable manner.

'This will only be possible if our economy builds on the full potential of all persons and communities across the length and breadth of this country. Government's objective is to achieve this vision of an adaptive economy characterised by growth, employment and equity by 2014.'

(Department of Trade and Industry, March 2003, *South Africa's transformation: a strategy for broad-based B-BBEE*.)

The disempowerment systems and mechanisms used under apartheid purposefully restricted the majority of South Africans from meaningful participation in the economy. This has resulted in massive economic imbalances, with the majority of South African citizens being excluded from the economic mainstream and the creation of wealth being confined to a racial minority. The apartheid system literally imposed underdevelopment on black communities.

Over the past five years South Africa has experienced gross domestic product growth that is better than the world average. Despite this the growth factors have been small and the process of economic empowerment and the redress of economic inequalities have been much lower than desired. One of the most critical reasons stated for the disappointing pace of transformation is the scarcity of skills. In order to create an enabling environment in which economic growth may continue while allowing effective transformation to take place, the skills profile of the South African population needs to change and move towards reflecting the demographics of the country, while still meeting growth needs and maintaining standards.

### 2 VISION

The vision of the Chartered Accountancy (CA) profession Charter:

To grow the number of Black people in the CA profession to reflect the country's population demographics, to empower and enable them to meaningfully participate in and sustain the growth of the economy, thereby advancing equal opportunity and equitable income distribution

### 3 SCOPE

The scope of the Charter is broad-based black economic empowerment (B-BBEE) for the Chartered Accountancy (CA) profession and sector. In particular, this Charter focuses on the CA sector (CAs and Registered Auditors (RAs)), SAICA, TOPP and accredited education institutions that together constitute the CA profession.

While the Charter's primary objective is the transformation of the CA profession and sector, for practical purposes all staff, partners and directors employed by firms in public practice are included in the ambit of this Charter.

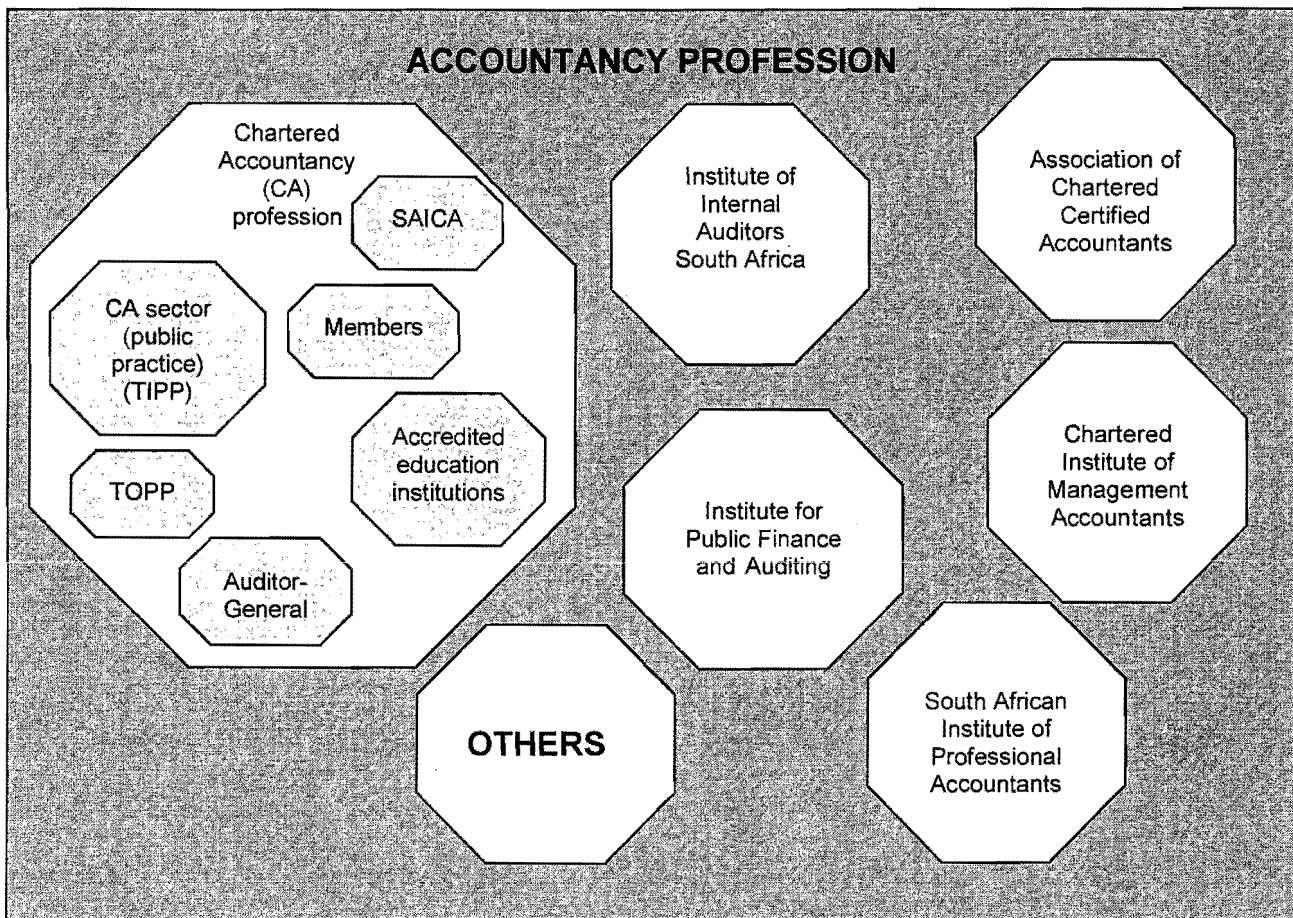
#### 3.1 Introduction

The Accountancy profession comprises numerous organised membership bodies with members employed throughout the economy, including commerce and industry, the public sector, academia and those in public practice, either as owners or employees. Those non-members of organised accountancy membership bodies, but performing similar functions or offering similar services, are deemed to be part of the Accountancy profession.

The CA profession is one segment of the Accountancy profession. It comprises members of the South African Institute of Chartered Accountants (SAICA), the regulatory body of the public practice profession, being the Independent Regulatory Board for Auditors (IRBA), organisations (in commerce and industry, government and parastatal organisations) offering training outside public practice (known as TOPP), academic institutions offering under- and postgraduate education aimed at qualifications necessary for the CA(SA) designation, SAICA the institution, and public practices. These groups shall be known as the CA profession sector (see figure 1).

The purpose of figure 1 is not to define each membership body, but to position the CA profession within the wider Accountancy profession. Furthermore, each octagon depicted in the figure (and indeed every organisation and institute) will break down into its own individual sub-sectors, such as for example membership body, practitioners and members in business.

**Figure 1 Diagrammatic representation of the wider Accountancy profession**



Bodies contemplated in the others octagon include organisations and institutes in the Accountancy profession such as the following:

- ABASA (Association for the Advancement of Black Accountants of Southern Africa)
- AWCA (African Women Chartered Accountancy Forum)
- BMA (Board of Municipal Accountants);
- IAC (Institute of Administration and Commerce);
- ICB (Institute of Certified Bookkeepers);
- ICSA (Institute of Chartered Secretaries and Administrators);
- IMC (Institute of Management Consultants);
- IMFO (Institute of Municipal Finance Officers);
- SAIBA (South African Institute of Business Accountants); and
- SAIGA (South African Institute of Government Auditors).

Note that the above list is not inclusive of all organisations and institutes in the Accountancy profession.



The scope of this Charter is the CA profession only. In developing a charter (and scorecard) for the CA profession it is recognised that the primary focus should be on skills development aimed at increasing the number of black (especially black women) CAs in South Africa.

Chartered Accountants are trained in commerce and industry, government and parastatal organisations (TOPP) and in public practice. Unlike other industry sector charters this Charter addresses a profession that not only spans a unique industry sector (public practice), but also reaches across many other industry sectors. This uniqueness is recognised in the Charter.

### **3.2 The CA profession**

As indicated in figure 1, the CA profession consists of the following:

#### **3.2.1 The CA sector (public practice) – Registered Auditors**

The IRBA was instituted in terms of the Auditing Profession Act (Act 26 of 2005) (the AP Act), and took over the functions of the Public Accountants and Auditors Board (PAAB) in 2006. It is the statutory body regulating that part of the Accountancy profession involved in statutory audits, a component part of what is referred to in this Charter as the CA sector, in the Republic of South Africa.

In terms of the AP Act a 'firm' means an RA, also known as an RA, a number of RAs in partnership or a company referred to in section 38(3) of the AP Act.

In terms of the AP Act a 'firm' means an RA, a number of RAs in partnership or a company referred to in section 38(3) of the AP Act.

The IRBA is accordingly the body designated by the AP Act to determine who may or may not register as an auditor, to place his or her services at the disposal of the public for reward. One of the education and experience requirements for qualifying as a CA is that prospective members need to undergo a learnership at an approved training organisation in public practice. (This is known as Training Inside of Public Practice, or TIPP.)

Thus an RA may engage in public practice by him- or herself or in partnership with other RAs. In addition persons registered in terms of the AP Act as auditors may in terms of the Companies Act, 1973 (Act 61 of 1973) form a company to engage in public practice through its members, provided that the company is incorporated with a share capital and that every shareholder of the company is a natural person, an RA and a director. Therefore only such a shareholder may be a director of such a company. The CA sector consists mainly of the big four firms, and numerous small and medium size firms as well as the Auditor-General.

As part of the determination process the IRBA may adopt an accreditation model whereby the IRBA recognises the qualification of members of other accountancy bodies for purposes of registration with the IRBA as RAs. However, in terms of the AP Act no person may engage in public practice as an auditor unless he or she is registered as an auditor with the IRBA.

At this point in time the only accountancy body whose members are recognised by the IRBA for purposes of registering as RAs, is SAICA. It is likely that members of other accountancy bodies may be accredited by the IRBA for purposes of registration as RAs in the future, subject to their meeting the requirements set by IRBA. One of these recognition requirements would be that such a body should have its own charter or have agreed to adopt the CA profession Charter for B-BBEE purposes.

The direct link between the CA profession and the IRBA is based on the fact that CAs are accredited by the regulatory body to perform as RAs and the public practice firms serve as a training ground for future CAs.

### **3.2.2 The South African Institute of Chartered Accountants (SAICA)**

Whereas the IRBA is the regulatory body for RAs, SAICA is the membership body for CAs. This membership body determines the pre- and post-education and experience requirements for CAs, and prospective members need to meet all the education and experience requirements before registration as a member will be permitted.

In terms of the Designators Act, only persons who are registered with SAICA as a member may use the designation 'Chartered Accountant'.

The mission of SAICA is to serve the interests of the CA profession and society by amongst others delivering competent entry level members; running and facilitating programmes to transform the profession and facilitate community upliftment; and fulfilling a leadership role regarding relevant business related issues. Accordingly, one of SAICA's key strategic objectives is to transform the profession, the ultimate objective being that membership demographics reflect the country's population demographics.

The decision that SAICA should provide the underlying support structure and administration for the development of a charter for the CA sector, on the one hand, and on the other to play an active role in helping the sector to achieve its transformation objectives, is influenced by a number of issues:

- The great diversity in the CA sector (with members working in public practice, in the public and private sectors and in education and many running their own businesses).
- SAICA is the common denominator in this diversity, being the organisation of which all CAs in South Africa are members.
- SAICA already provides support services to its members, and its role in furthering the objectives of the CA profession Charter could be a natural extension of this service.
- In agreeing to provide this function, SAICA will be working towards the fulfilment of its mission.

### **3.2.3 The Office of the Auditor-General**

The Auditor-General conducts audits of government departments and other public sector bodies to provide assurance to Parliament that these entities have achieved their financial objectives and managed their financial affairs according to sound financial principles and in accordance with the legal framework created by Parliament.

The vision of the Office of the Auditor-General is to be the independent world-class provider of public sector audits and related value-adding services, and its mission is to provide independent and objective quality audit and related value-adding services in the management of public resources, thereby enhancing good governance in the public sector.

The Office of the Auditor-General is accredited by SAICA as a training office, within the TIPP framework.

### **3.2.4 Training Outside of Public Practice (TOPP) organisations**

One of the experience requirements is that prospective CAs must enter into learnership agreements with approved training organisations. Such organisations can be inside of public practice (see par. 3.2.1) or outside of public practice, generally known as Training Outside of Public Practice (TOPP). While TOPP organisations will have their own sector charters on which they will be measured, they do also play an important role in the transformation of the CA profession as a whole through their learnership programmes for the delivery of CAs.

### **3.2.5 Members**

Members include all persons registered with SAICA and / or IRBA as members and who may consequently use the designation Chartered Accountants (South Africa) (CA(SA)) and / or RAs.

These members work in an array of sectors such as public practice, public sector, private sector and education.

### **3.2.6 Accredited education institutions**

As part of the education requirements for becoming a CA, SAICA accredits higher education institutions through which the education programmes are delivered to prospective CAs.

At present there are 12 such accredited higher education institutions. These providers also play a critical role in the transformation of the CA profession.

## **4 WHY A CHARTER FOR SPECIFICALLY THE CA PROFESSION**

In Statement 300 of code series 000 it is stated that there should be common commercial and other characteristics within the entities operating in the sector which would make it feasible to formulate a transformation charter.

This is indeed the case in the CA profession, where the entities operating in the sector share a number of commercial and other characteristics which makes it feasible to formulate a common transformation charter for this sector of the Accountancy profession.

The vision of this transformation Charter is to grow the number of black people in the CA profession to reflect the country's population demographics and to empower and enable them to meaningfully participate in and sustain the growth of the economy, in the process advancing equal opportunity and equitable income distribution.

The CA profession believes that this can be achieved by bringing together all the entities (indicated in paragraph 3.2) operating in this sector, by means of a transformation charter in which all participants will contribute to the achievement of this vision.

Having people with proper financial and management skills is vital to any economy. CAs provide these much needed skills, but in South Africa at present there is a shortage of CAs and in particular black CAs. This is on the agenda of National Treasury and the Auditor-General. The development of a charter for the CA profession in fact stems from the numerous interactions with the organs of state; specifically National Treasury, the Office of the Auditor-General, the IRBA (previously the PAAB), and the Financial Services Board.

CAs, and particularly black CAs, have been identified as being a critical skill which is in short supply and the CA profession is of national strategic importance. This situation needs to be rectified, hence the need to develop a charter for the CA profession.

The CA profession currently runs numerous programmes to assist students from disadvantaged backgrounds with entry into the profession. However, since 1976 when the first African, Professor Wiseman Nkuhlu, qualified as a CA, only 912 Africans have registered as CAs.

The CA sector has thus come to realise that transformation will take too long if left purely to economic forces, and that active intervention on a very large scale will be required to redress the situation so as to achieve a restructured business environment in which business and organisational composition reflect population demographics.

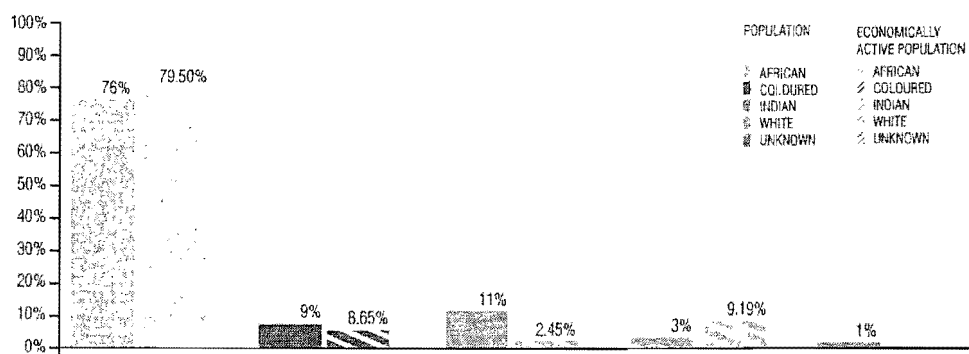
The aim of black economic empowerment (BEE) initiatives in the CA sector is therefore to significantly increase the number of black people that manage, own and control enterprises in the sector as well as to contribute to decreases in income inequalities in the country in general. This is to be achieved by means of an integrated and coherent socio-economic process that directly contributes to the economic transformation of South Africa.

Within the CA sector, the first step and primary focus will be on dramatically increasing the numbers of all black participants (Africans, Indians and Coloureds) and particularly African CAs.

The figures below illustrate the population demographics of South Africa, according to population, in comparison to the economically active population, and the demographics of SAICA membership and trainees:

Figure 2.1 illustrates the economically active population as at March 2007: In the first graphic this is compared to the South African population and the second contains a comparison to membership of SAICA.

Figure 2.1 SOUTH AFRICAN POPULATION DEMOGRAPHICS



Current actual statistics on membership of SAICA, compared to economically active population at March 2007

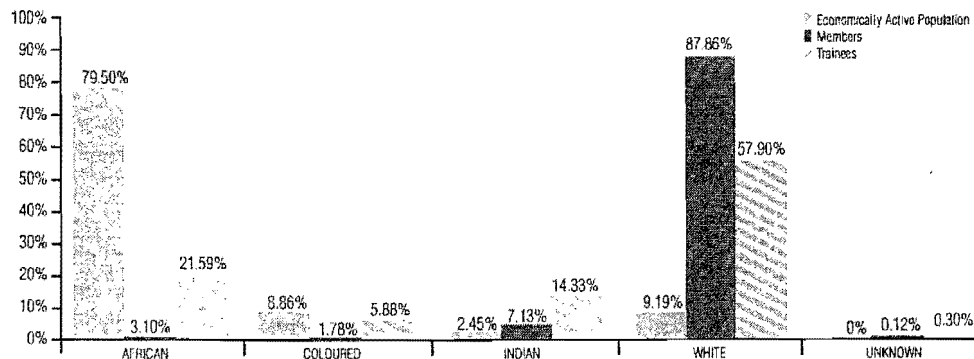
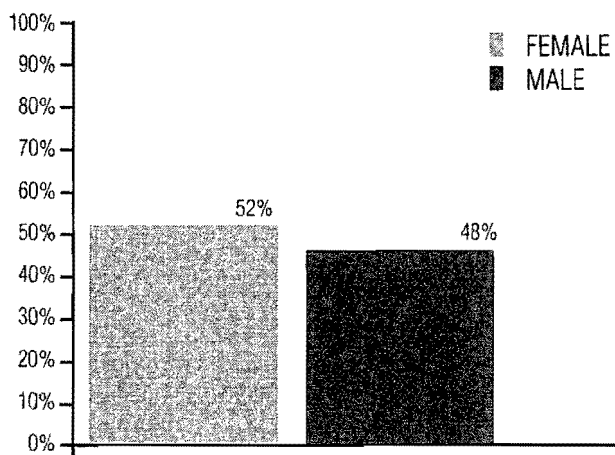


Figure 2.2 illustrates the South African demographics according to gender:  
SOUTH AFRICAN POPULATION DEMOGRAPHICS ACCORDING TO GENDER

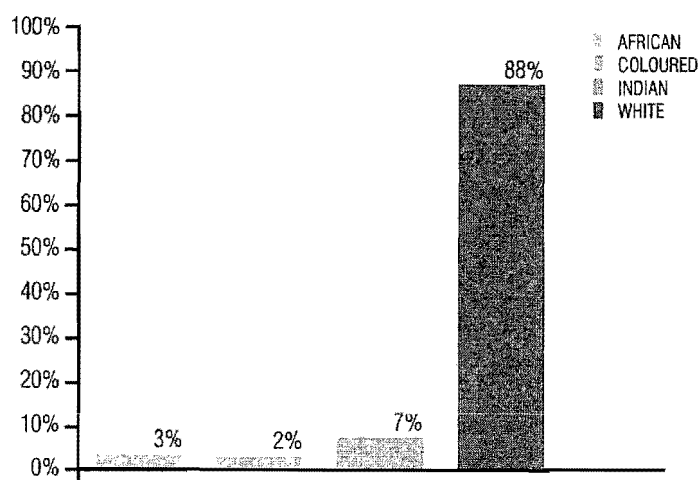




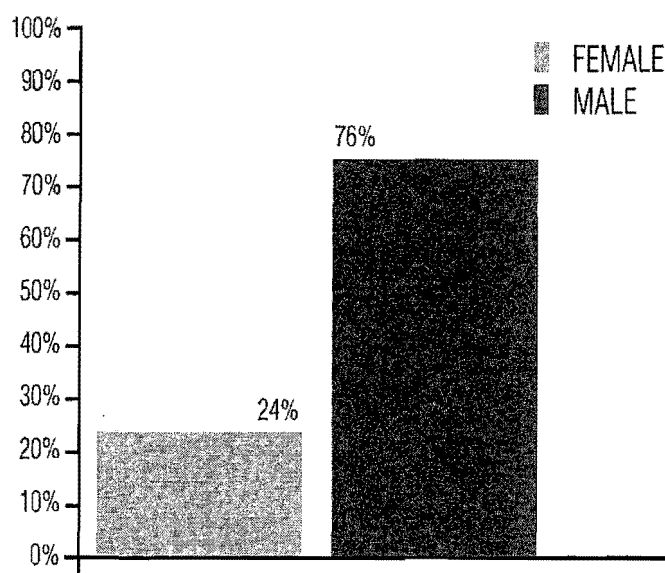
Current actual statistics on membership of SAICA, **excluding overseas members**, are represented in figure 2.3 according to race and in figure 2.4 according to gender:

**Figure 2.3**

Current actual statistics on membership of SAICA, excluding overseas members: SAICA MEMBERSHIP ACCORDING TO RACE AT MARCH 2007

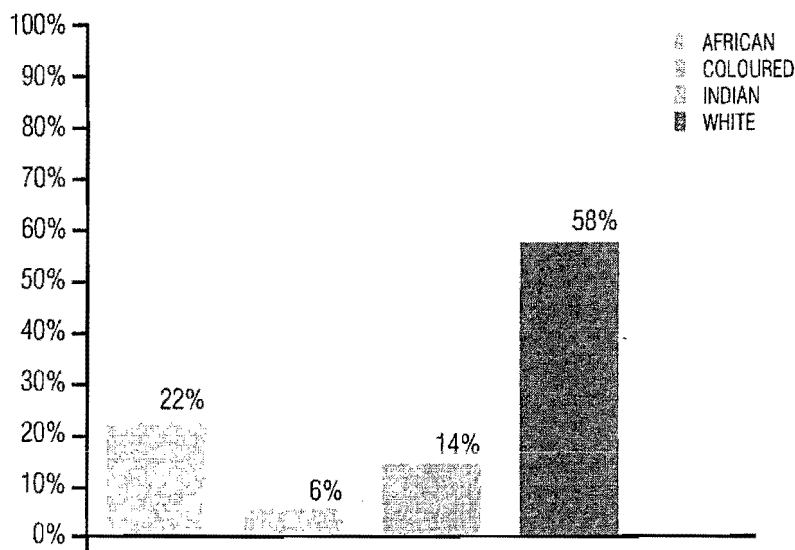


**Figure 2.4 SAICA MEMBERSHIP ACCORDING TO GENDER AT MARCH 2007**



The current actual statistics of trainees registered with SAICA as at the end of March 2007 are illustrated in figure 2.5:

Figure 2.5 SAICA TRAINEES ACCORDING TO RACE AT MARCH 2007



The actual numbers bear witness to the extent of the challenge facing the CA profession, and hence, the South African economy.

We, as parties to the CA profession Charter, therefore commit ourselves to actively promoting a transformed, dynamic and globally competitive CA profession that will reflect the demographics of the South African population and contribute to the establishment of an equitable society by implementing a strategy that will –

- improve both access to the profession and progress towards becoming CAs; and
- uplift communities for the benefit of the South African society and the economy as a whole.

The Charter of the CA profession is characterised by the following:

- It embraces the spirit of what government intends to achieve with B-BBEE rather than being rules driven;
- The CA profession is unique in that it is directly involved in the development of CAs and RAs who often take up leadership positions in the economy and society as a whole;
- It was developed voluntarily;
- It is a charter aimed to transforming the CA profession in accordance with the spirit of B-BBEE legislation;
- It constitutes a framework and establishes principles from which B-BBEE will be implemented in the CA profession and sector;
- It represents a partnership programme with government as outlined in the government's strategy for B-BBEE;
- It provides the basis for engagement with other stakeholders, including but not limited to, providers of education and training, regulators, government and labour;

- It establishes quantitative targets and qualitative responsibilities in respect of each indicator of the scorecard; and
- It outlines processes for implementing the Charter and mechanisms for monitoring, measuring and progress reporting.

We, as the CA profession and sector, have the skills to contribute to the transformation strategy as set out by government and as such also to contribute towards increasing equitable income distribution and equal opportunities.

## 5 OBJECTIVES

The overall objective of this Charter is to promote economic growth and transformation to enable meaningful participation of black people so as to increase equitable income distribution and bring about equal opportunities. In real terms, and given that our profession is that of Chartered Accountancy, this objective should find expression in the achievement of CA membership and sector composition that reflects the demographics of our country. To this end, the Charter has the following objectives:

### CA profession

- 1 The achievement of a meaningful change in racial and gender composition as well as throughput pass percentages of persons studying towards a CTA or equivalent at accredited higher education institutions, so that ultimately the membership of the CA profession will reflect the demographics of South Africa.
- 2 Bringing about a meaningful change in both the racial and gender composition of persons on accountancy learnerships, so that ultimately the CA membership composition will reflect the demographics of the country.
- 3 Supporting the development and upliftment of rural and local communities through wealth creation, by means of skills development (of school learners and educators as well as black businesses) on the one hand and socio-economic development projects on the other, thereby increasing equitable income distribution and equal opportunities for all.

### CA sector

- 1 Bringing about a meaningful change in the racial and gender composition of ownership and management structures within the CA sector so as to reflect the demographics of the country.
- 2 Achieving meaningful change in the racial and gender composition of all persons employed in the sector, including the granting of bursaries to black students and learners on learnerships, by means of skills development programmes, so that ultimately the composition of the CA sector will reflect the demographics of South Africa.
- 3 Promoting and using preferential procurement policies that will provide emerging black enterprises, and especially those in the CA sector, with opportunities to expand their output so as to attain sustainable development
- 4 Supporting the development and upliftment of local and rural communities through socio-economic development projects, thereby increasing equitable income distribution and equal opportunities for all.

## 6 CHARTER DEVELOPMENT PROCESS

- 1 The process commenced with discussions with organs of state in 2004/2005. This was followed by discussions at a board level of SAICA.
- 2 Following the decision in principle to draw up a charter, all major shareholders (as listed in appendix 3) were consulted, through regional structures, where appropriate, within the profession. Agreement was reached on developing a charter specifically for the CA profession.
- 3 The first step was to make the decision public, by statements in the press as well as in *Accountancy SA* and *Communique* and communicating with parties concerned via e-mail.
- 4 A meeting was set up at which the initiators of the charter process proposed the setting of a mandate for a charter forum and determining the charter forum's overall objectives.
- 5 This was again followed up by a consultation process with the relevant stakeholders.
- 6 The next step was the formal agreement to set up a B-BBEE negotiation forum. All major stakeholders who attended the meeting were requested to put forward names of representatives to drive the charter development process. It should be noted that these representatives, who were nominated by the relevant stakeholders, are senior and influential members of their organisations.
- 7 At the first meeting of the newly constituted B-BBEE Negotiation Forum a chairman and vice-chairman were elected. It was further agreed that SAICA would take on all the secretarial responsibilities of this process, to ensure that it was administered from a central point and in a co-ordinated manner.
- 8 In addition to the B-BBEE Negotiation Forum working groups, referred to as task teams, were set up to draft sections and put forward recommendations. Task teams, consisting of experienced members, were constituted for direct empowerment, indirect empowerment, human resource development, and definitions.
- 9 A steering committee was appointed to consolidate the work of the task teams and prepare the documentation for the B-BBEE Negotiation Forum meetings. Steering Committee meetings were held regularly, sometimes every two weeks, and the B-BBEE Negotiation Forum (usually) met on a monthly basis. Minutes of all the meetings are available from SAICA for inspection.
- 10 Numerous drafts of the Charter were produced, each draft being subject to comprehensive consultation and discussions.
- 11 A website was set up for the CA profession Charter, calling for comment from the public at large at critical times in the process.
- 12 Country-wide meetings and consultation have taken place with the relevant stakeholders.
- 13 A DVD, and TV coverage, has also been prepared with regard to the CA profession Charter.

## **SECTION B FRAMEWORK**

### **7 APPLICATION AND IMPLEMENTATION OF THE CHARTER**

#### **7.1 Application**

- 1 This Charter applies to the CA profession in South Africa and therefore the South African firms making up the CA sector. The provisions specific to the CA sector Qualifying Small Enterprises (QSEs) are set out in paragraph 13.2. Unless expressly stated otherwise, the provisions stated here will apply to both general constituents of the CA sector and QSE constituents.
- 2 The Charter will be effective from the date it is approved as a Sector Code.
- 3 In 2011 (based on reports for the year ended 31 December 2010), the Charter Council will undertake a comprehensive mid-term review and make decisions regarding the implementation of the Charter in its second term so as to achieve its ten-year targets. While no mid-term targets have been set, the mid-term revision will entail an extensive overview of achievements and if necessary, re-assessment of activities that need to be undertaken to ensure that the ultimate targets are indeed met. Results of the final examination written in the year 2010 will be taken into account even if these results are only available the following year.
- 4 While this Charter is effective up to 31 December 2016, the parties to this Charter agree that the principles contained in the Charter may be relevant beyond 31 December 2016, which is to be determined by the Charter Council prior to this date.
- 5 All the provisions of this Charter are to be achieved in a manner consistent with sound business practice.
- 6 In the measurement of B-BBEE compliance, substance will take precedence over legal form.
- 7 All measurement of B-BBEE initiatives will be based on the actual level of B-BBEE compliance at the date of measurement.
- 8 Any representation made by an entity with respect to B-BBEE compliance will be supported by appropriate evidence or documentation.



## **7.2 Guiding principles**

The following key principles have been adopted by the CA profession with regard to the implementation of the Charter:

- 1 All B-BBEE initiatives of the CA profession will be measured and reported on an annual basis.
- 2 The fundamental principle that all measurement of B-BBEE initiatives is based on the actual level of B-BBEE compliance at the date of measurement, will be adhered to.
- 3 The CA profession will adhere to economic principles when implementing the B-BBEE initiatives so as to ensure the sustainability of the B-BBEE process.
- 4 The CA profession will account for and present all B-BBEE initiatives in accordance with the substantive and economic reality and not merely the legal form.
- 5 The CA profession will ensure that there is uniformity on how B-BBEE initiatives are recognised and measured so as to facilitate a comparison of B-BBEE progress between different constituencies.
- 6 The CA profession undertakes to promote information that is free from material error and bias and can be depended upon by users to be a faithful representation of that which it could reasonably be expected to represent. Any representations made will be capable of being supported by appropriate evidence and documentation
- 7 The CA profession undertakes to provide information pertaining to the B-BBEE initiatives that is complete.
- 8 The CA profession undertakes to provide available information on a timely basis.
- 9 The Codes make provision for a transitional period where measurement may be undertaken in accordance with the Generic Scorecard or score achieved in respect of code 100 and 200 based on a formula. For purposes of the CA profession there will be no transitional period and measurement will be undertaken in accordance with the gazetted scorecards.

## **8 IMPLEMENTATION**

### **8.1 Charter Council**

- 1 A Charter Council will be established as an independent body with a mandate to oversee the implementation of the Charter.
- 2 The Charter Council membership will be drawn equitably from stakeholders (see Appendix 3 for a list of stakeholders).

- 3 The Charter Council will consist of representatives from each of the following stakeholder groups:

	Members
Small practices	1
Large firms	1
Medium size firms	1
Black Firms Forum	1
IRBA	1
SAICA	1
ABASA	1
AWCA	1
Commerce and Industry	1
Academics	1
Trainees	1
Auditor-General	1
<b>Total</b>	<b>12</b>

- 4 The B-BBEE Negotiation Forum will set up the Charter Council by calling for nominations from the stakeholder groups. It will consider diversity in terms of gender, race and disability. The B-BBEE Negotiation Forum will dissolve once the Charter has been completed and signed and the first Charter Council has been established. The Charter Council will then take the process forward.
- 5 At the first Charter Council meeting members will determine amongst themselves a term of office ranging from one to three years, which could be renewable.
- The intention is that there will be rotation, on an annual basis, of one third ( $\frac{1}{3}$ ) of the Charter Council members.
- 6 The Charter Council will operate on a part-time basis with secretarial and administrative support being provided by SAICA so as to keep any additional costs of running such a Charter Council at a minimum. All such costs will be borne by SAICA.
- 7 In the appointment of the chairman of the Charter Council, the need for independence from the CA sector will be considered.
- 8 The Charter Council will address issues of principle and in particular –
- supply guidance on sector specific matters affecting B-BBEE to the entities within the sector;
  - compile reports on the status of B-BBEE within the sector;
  - share information with the national monitoring mechanism and approved accreditation agencies that may have specific relevance to B-BBEE in the sector;
  - undertake ongoing monitoring of the pipeline of undergraduates, postgraduates and trainees as they relate to the CA profession to ensure a positive shift in terms of race, gender and pass percentages; and
  - undertake ongoing monitoring of the achievement of targets as set out in the scorecard. If it is deemed appropriate, new targets will be set if these targets are achieved during the period.

## **8.2 Administration**

- 1 The Charter Council will agree with the SAICA Executive President on an executive of SAICA to attend to its work and specifically to –
  - receive and consider audited scorecards and reports,
  - confirm ratings, where appropriate,
  - issue guidance notes on the interpretation and application of the Charter,
  - prepare an annual review which outlines progress and evaluates new areas of intervention,
  - submit the annual review to the B-BBEE Advisory Council, and
  - engage with government and the B-BBEE Advisory Council as well as regulatory agencies to promote the implementation of the Charter.
- 2 The Charter Council will ensure that the executive, through SAICA, has adequate resources and capacity and is supported in the fulfilment of its mandate as envisaged in the Charter.

## **8.3 Reporting and review**

- 1 The Charter Council will report annually on the progress made by the CA sector to the Minister of Trade and Industry and to the B-BBEE Advisory Council.  
 The report shall outline the following:
  - Baseline indicators for all the different elements of B-BBEE;
  - Aggregate scores of all the indicators of the B-BBEE scorecard for all the entities reporting within the ambit of the Charter;
  - Types of initiatives that are undertaken by the entities within the sector; and
  - Any other relevant information that would be useful in assessing the state of B-BBEE within the sector.
- 2 Each entity will report annually within the stipulated time frames to the Charter Council on its progress and implementation of the provisions of the Charter.
- 3 The first annual report will be for the year ending 31 December 2007 and must be submitted by 30 April 2008 and annually thereafter. This timetable should be adopted irrespective of whether this Charter has been gazetted by 30 April 2008.

## **8.4 Verification of compliance**

- 1 In terms of statement 000 of code series 000, verification of B-BBEE compliance is encouraged and to this end the dti will from time to time issue clear guidelines on the verification process.
- 2 The Charter Council will report to the dti annually on the consolidated position of the CA sector. It will thus be incumbent on the CA sector to provide the Charter Council with their individual scorecards. These scorecards must either have been verified by an accredited verification agency, or the relevant entities should be able to provide evidence or documentation to substantiate all measured items.



## 9 RISK MANAGEMENT

The following potential risks have been identified which may impact negatively on the successful implementation of this Charter. Additional risks and unintended consequences may arise during the implementation phase of the Charter. The Charter Council will need to monitor these and any other risks, ensuring appropriate strategies are put in place to mitigate any risks and unintended consequences.

For each potential risk identified possible mitigating actions have been recommended. These will need to be considered and adapted if necessary, rather than simply adopted without considering the circumstances at the time.

RISK	POSSIBLE MITIGATING ACTIONS
1 Certain constituencies may not buy into the Charter and either passively or actively not support its implications.	<ul style="list-style-type: none"> <li>During the formulation process, we ensured all parties did participate regularly and fully and requested them to report back to and regularly consult with their respective constituencies.</li> <li>The Forum chairperson and / or steering committee engaged Forum members and / or constituencies to address any unresolved issues.</li> </ul>
2 This Charter addresses only the CA profession, omitting many other accounting bodies, their members and others offering similar accountancy services.	<ul style="list-style-type: none"> <li>A letter was sent to all other known accountancy related membership organisations advising them of the CA B-BBEE Negotiating Forum, and recommended they run similar processes. We offered experiences from this process and suggested that in due course it may be appropriate for a larger group to meet to share experiences and maybe work together.</li> </ul>
3 Charters may be gazetted as Sector Codes or transformation charters. The latter has no legal status and are for informational purposes only. Sector Codes will have the same status as the Codes of Good Practice.	<ul style="list-style-type: none"> <li>In order to have maximum impact, the Forum needs to ensure that the Charter is gazetted as a Sector Code. This requires a stringent process and close alignment to the Codes of Good Practice with any deviations being fully justified.</li> <li>Appropriate consultation with the Forum, with constituencies and with other professional advisers is necessary to ensure the Charter is gazetted as a Sector Code.</li> </ul>
4 There are risks that different scorecards may be required or indeed used, for different geographic locations of a national business with multiple locations.	<ul style="list-style-type: none"> <li>Where the ownership and management of a practice is regarded as being national a single scorecard should be applied. In the case of independently owned and managed franchise operations, each franchise should have its own scorecard.</li> </ul>

RISK	POSSIBLE MITIGATING ACTIONS
5 There have been suggestions that different Sector Codes will need to be used for different service disciplines within a multidisciplinary firm (e.g. audit, tax, legal services may be different).	<ul style="list-style-type: none"> <li>The philosophy of one firm one charter / scorecard nationally and for all offerings has been strongly advocated.</li> </ul>
6 The targets set in the scorecard must be challenging to make a difference, but some may regard them as unrealistic. In developing the Charter and scorecard, the assumption is that the economy will continue to grow at an average of 5% per annum or more. Growth makes the targets more achievable than when there is low or no growth.	<ul style="list-style-type: none"> <li>Should the economy not reflect constant growth of 5% per annum or more, additional strategies may be required to ensure the targets are met.</li> </ul>
7 There is currently a corporate law review being undertaken by dti. This is expected to result in new legislation by 2008, which is currently causing uncertainty about the future of the audit of small and medium sized enterprises. Should the requirement for an audit be removed, this will significantly impact on the ability of small and medium firms to train auditors.	<ul style="list-style-type: none"> <li>A regulatory change of this nature will significantly reduce the number of audit trainees. The impact of this on the Charter goals and scorecard targets will need to be considered and factored into strategies agreed by the Charter Council.</li> </ul>
8 The Codes of Good Practice have become increasingly complex, which will result in greater complexity in this Charter and scorecard. Small and medium enterprises will find it difficult and expensive to administer and move away from compliance.	<ul style="list-style-type: none"> <li>Requirements for compliance with the Charter and scorecard must be kept as simple as possible, particularly for small and medium enterprises.</li> </ul>
9 The role of the membership body, SAICA, must be clearly reflected together with the resource requirements to discharge any responsibilities it assumes.	<ul style="list-style-type: none"> <li>The SAICA Board must approve any recommended role for SAICA during the implementation process.</li> </ul>
10 The training platform for CAs is well defined as being training inside and outside of public practice. This platform could be significantly increased by extending training in the public sector.	<ul style="list-style-type: none"> <li>SAICA should work in partnership with the public sector and the profession to develop a training model for implementation in the public sector.</li> </ul>
11 Due to the length of time taken for a CA to qualify (minimum of seven years, assuming the correct school exit pass), there is a risk that after the ten-year period there may be a perception that not enough CAs have been trained.	<ul style="list-style-type: none"> <li>As well as focusing on the number of CAs, the pipeline of trainees and post-graduate students must be monitored. This may also include relevant undergraduate students.</li> </ul>

RISK	POSSIBLE MITIGATING ACTIONS
<p>12 The definition of 'black people' includes African, Coloured and Indian groups. The ultimate objective of the Charter is to achieve equitable representation of the different race groups and gender in its membership. In the CA profession Africans and Coloureds are substantially underrepresented in the membership demographics and we would expect particular emphasis to be placed on these groups, including women in general.</p>	<ul style="list-style-type: none"> <li>• The reason for the less inclusive focus is that in terms of the B-BBEE measures applied by the CA profession, and particularly membership, the Indian population group already satisfies the indicators. However, measures should be put in place to ensure that the situation is monitored, and any deterioration addressed by including the Indian group in the initiatives.</li> </ul>

## 10 REGULATORY ISSUES

- 1 The regulatory environment and architecture of this sector must promote the empowerment objectives of this Charter, ensure appropriate standards of entry, operation and disclosure and facilitate competition.
- 2 It is the intention that this Charter be gazetted both as a Code of Good Practice under Section 9 of the B-BBEE Act and as a transformation charter under Section 12 of the B-BBEE Act. In doing so government will be bound by such a transformation charter and Sector Code.

## **SECTION C**

### **FROM THEORY TO PRACTICE: THE SCORECARD**

## **11 GUIDING PRINCIPLES FOR THE PREPARATION OF THE SCORECARD**

### **11.1 Adoption of the Generic Scorecard**

In the process of developing a scorecard specifically for the CA profession, the decisions of the participants were first and foremost informed by their determination to use this Charter, and the scorecard(s) included herein, to make a difference to the profession and the country in general.

Despite the fact that the CA profession has some unique characteristics that make comparison with other industries such as the IT, mining or financial services sectors incongruous, members of the CA profession were determined to conform to government guidelines regarding the scorecard and all the aspects related to it. The fundamental point of departure was thus to begin with the Generic Scorecard. Any deviations were supported by sound economic principles, unique sectoral characteristics or empirical research.

The most important of these is that while firms in the CA sector may be structured either as sole proprietorships, partnerships or companies, eligibility as an RA is strictly circumscribed by legislation. Ownership and management at the highest levels are bound together – neither responsibility nor 'wealth' (which would constitute equity interest in terms of the Codes) may be shared with or sold to individuals who are not RAs. This aspect finds expression in the definitions, which are tailored to circumstances unique to the CA sector.

The uniqueness of the CA sector also extends to its training and development focus: The sector lends itself ideally to being a 'training ground' for future CAs for the country, thereby enhancing the economy and not just the CA sector itself. Therefore, on the one hand, many of the definitions are aimed at building a pipeline of trainees and CAs. On the other hand, however, once qualified CAs choose from a wide variety of employment opportunities in commerce and industry. Although the CA sector may thus be offering opportunities for, and recruiting and training particularly the black CAs, this increase is not reflected in the numbers of qualified black CA(SA)s and RAs that remain in the sector.

A factor that could strongly impact on the goals and targets the CA sector has set for itself, is that the environment in which the CA profession operates is presently subject to far-reaching change. The introduction of two new acts could fundamentally change the way the profession and its constituents operate. The first of these is the Auditing Profession Act, which created a new regulatory organisation, the IRBA. The functions with which the IRBA has been charged have already resulted in changes to the regulatory environment of auditors in particular, and is likely to result in further changes. The profession's response to these changes could in turn impact on the parameters of the CA Charter.

The second piece of legislation which is likely to change the environment and functioning of audit firms is the Corporate Laws Amendment Act of 2007 on corporate reform. The suggestions contained in this Act will in all probability bring about a fundamental change with



regard to the requirements for the audit of companies, in that audits will possibly no longer be mandatory for 'closely held' companies that do not meet the threshold requirements for a 'public interest' company designation.

This is likely to have a fundamental effect on small audit firms, who currently employ the majority of trainees. If such firms no longer perform the audits of closely held companies, it could impact on their ability to comply with accreditation requirements regarding the depth and range of training experience that has to be provided to TIPP trainees. In terms of the CA Charter as it stands, small firms are expected to contribute significantly to the CA profession pipeline. Should this contribution decline appreciably, the profession will need to search for innovative ways of dealing with the challenge this will present.

## 11.2 The application of two scorecards

The CA sector can be stratified into the following main constituencies:

- Big four firms;
- Medium sized firms; and
- Small firms.

The majority of trainees (approximately 70%) are employed by small and medium sized firms with approximately 25% of the learnership contracts being held by black trainees. On the other hand the big four, who employ approximately 28% of all trainees, employ 36% of black trainees.

The Codes take cognisance of the fact that it would be difficult, and possibly unfair, to apply the same indicators to the evaluation of B-BBEE across the board to large, medium, small and micro enterprises.

Therefore statement 000 of series code 000 provides a framework for the measurement of B-BBEE for Qualifying Small Enterprises (QSEs). It contains the following definition, which will also be applied to QSEs in the CA sector:

'Any enterprise with an annual total revenue of between R5 million and R35 million qualifies as a qualifying small enterprise.'

A further guiding principle of this Charter is thus that small firms in the CA sector to whom these indicators apply, will be measured in terms of the QSE Scorecard, as set out in paragraph 13.1, while all other firms will be measured in terms of the Generic Scorecard, which is set out in paragraph 12.1.

A micro enterprise is defined as an enterprise with an annual revenue of R5 million or less (statement 000, code series 000). Such a micro enterprise is deemed to have B-BBEE status of a level four contributor with a B-BBEE procurement recognition of 100%. The statement also sets out conditions that would enable it to qualify for a B-BBEE status of a level three contributor.

Start-up enterprises are measured as exempted micro enterprises for the first year following their formation or incorporation. This provision applies regardless of the expected total revenue of the start-up enterprise.

### 11.3 Element Weightings

There are seven key Elements that form the pillars to B-BBEE. The Elements, which provide a common base for measuring the impact of policy objectives of B-BBEE across different entities and sectors within the economy, are the following:

- 1 Ownership
- 2 Management Control
- 3 Employment Equity
- 4 Skills Development
- 5 Preferential Procurement
- 6 Enterprise Development
- 7 Socio-Economic Development

In terms of the Codes of Good Practice it is recommended that the overall Weightings attached to the different Elements of the scorecard follow the Generic Scorecard as presented in statement 000 of the Codes of Good Practice as closely as possible with a minimum of deviation.

However, in terms of code series 000, statement 003, the following principles need to be applied in developing and gazetting Sector Codes:

- 1 There must be common commercial and other characteristics within those enterprises operating in the sector which would make it feasible to formulate a transformation charter subject to the proposed Sector Code.
- 2 The proposed Sector Code must firstly address all the Elements in the Generic Scorecard.
- 3 The proposed Sector Code must use the same definitions in respect of all beneficiaries as those used in the Codes.
- 4 The proposed Sector Code must use the same calculation methodologies to measure compliance as those used in the Codes.
- 5 The proposed Sector Code may deviate from Targets and Weightings used in the Codes only where the deviations are justifiable based on sound economic principles, sectoral characteristics or empirical research.
- 6 The proposed Sector Code may introduce a new additional Element for measurement where such addition is justifiable based on sound economic principles, sectoral objectives or empirical research.
- 7 The proposed Sector Code must clearly define its scope of application.

In paragraph 11.1 of the CA Charter it was stated that the aim of the guiding principles was to closely align the CA sector Charter with that of the Generic Scorecard. However, as highlighted above, the Codes do make provision for deviations based on sound economic principles or sectoral characteristics or empirical research. The CA sector has come to the conclusion that there are sound economic principles, sectoral characteristics and empirical research to justify deviations from Element Weightings and even certain Targets. The justification is based on the following:

#### 1 Sound economic principles

- The South African economy needs more CAs and it is incumbent on the CA sector to meet the demands of the country by supplying sufficient numbers of these highly skilled individuals to the economy.
- As indicated in paragraph 4 of the Charter, not only growth in the number of African and Coloured CAs in general but also in female numbers is essential if the CA profession is to reflect the population demographics.

## 2 Sectoral characteristics

- A study of the statistics in appendix 4 clearly indicates that there is no growth in the 'pipeline' to deliver the CAs. In fact, in 2007 there was a decrease in the number of candidates presenting themselves for the Qualifying Examination.
- It takes seven years to qualify as a CA. The commitment required, in terms of entry requirements, time and level of difficulty, has a far-reaching effect on the ability of the sector to deliver the required number of CAs.
- The CA sector does not only serve its own interests in terms of education and training people for its own sector, but also provides financially and managerially skilled persons for other sections of the business world and the broader economy.
- The CA(SA) designation is internationally recognised as being of a very high standard. The reality of this is that it is a designation that is internationally transferable, as is endorsed by the fact that 20% of SAICA members reside outside the borders of the country.
- Limited or no capital is required to become an owner / partner in a firm of RAs. However, this is offset by the significant skills and experience required for partnership / ownership status.
- Member firms of global networks are required to procure in terms of global firm policies.

## 3 Empirical research

- In terms of an independent research report, the CA sector is experiencing an enormous shortage of trainees.
- A great deal of work and analysis has been done with regard to the 'pipeline' needs, which has to show a substantial growth if the CA sector is able to meet the demands of the economy.
- A research report was commissioned by the Human Sciences Research Council to identify the indicators / attributes required by learners to qualify as CAs. Two skills were identified as being essential, namely a proficiency in mathematics and literacy in English (numeracy and literacy skills).

As has already been stated, the vision of the CA profession Charter is to grow the number of Black people in the CA profession to reflect the country's population demographics, to empower and enable them to meaningfully participate in and sustain the growth of the economy, thereby advancing equal opportunity and equitable income distribution.

In order to achieve this vision and based on the economic principles and sectoral characteristics as well as the empirical research set out above, the focus of the CA Charter needs to be more on Employment Equity and Skills Development. Accordingly, five additional Weighting points were allocated to each of the Employment Equity and Skills Development scorecards. To balance the CA sector scorecard, ten Weighting points were then removed from the Preferential Procurement scorecard as this is not an area in which the CA sector can contribute greatly based on the nature of the CA sector business.

As a result, the Weighting points per the Codes of Good Practice compared to the CA profession Charter are as follows:

	Code	CA sector
Ownership	20%	20%
Management Control	10%	10%
Employment Equity	15%	20%
Skills Development	15%	20%
Preferential Procurement	20%	10%
Enterprise Development	15%	15%
Socio-Economic Development	5%	5%
<b>Total</b>	<b>100%</b>	<b>100%</b>

#### 11.4 Indicator Weightings

In addition to the Weighting points assigned to each Element, the Codes of Good Practice have attached Weighting points to different indicators within each Element. The main reasons for these indicator Weightings are to make the B-BBEE scorecards for different enterprises and sectors easier to understand and interpret as well as allow a comparison of progress across sectors and industries while working from an equitable baseline.

Based on the reasons set out in paragraph 11.3, the CA sector has adjusted the recommended indicator Weightings of the Codes to take account of the unique conditions of the CA sector and the advantages such an adjustment would have in the long run.



## 12 THE GENERIC SCORECARD FOR THE CA SECTOR

### 12.1 The CA sector scorecard

BEE Element	Code	Element Weighting		Indicator	Indicator Weighting		Compliance Target
		Ge- ne- ric	CA Sect- or		Ge- ne- ric	CA Sect- or	
							<b>10 years To 2016</b>
<b>Ownership</b>	100	20	20	<i>Voting Rights</i>			
				▪ Exercisable Voting Rights in the enterprise in the hands of Black People	3	3	25% + 1 vote
				▪ Exercisable Voting Rights in the enterprise in the hands of black women	2	2	10%
				<i>Economic Interest</i>			
				• Economic Interest of Black People in the enterprise	4	4	25%
				• Economic Interest of black women in the enterprise	2	2	10%
				• Economic Interest of the following black natural people in the enterprise: Black Designated Groups	1	1	2.5%
				<i>Realisation Points</i>			
				• Ownership Fulfilment	1	1	
				• Net Value	7	7	
				<i>Bonus points</i>			
				• Involvement in the ownership of Black New Entrants	2		10%
				• Involvement in the ownership of black Participants in	1		10%
				- Employee Ownership Schemes			
				- Broad-Based Ownership Schemes			
				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
<b>Management Control</b>	200	10	10	<i>Board participation</i>			
				• Exercisable Voting Rights of black board members using the adjusted recognition for gender	3	3	50%
				• Black executive directors using the adjusted recognition for gender	2	2	50%
				<i>Top Management</i>			
				• Black Senior Top Management using the adjusted recognition for gender	3	3	40%
				• Black other Top Management using the adjusted recognition for gender	2	2	40%
				<i>Bonus points</i>			
				• Black Independent Non-Executive Board Members	1	1	40%

BEE Element	Code	Element Weighting		Indicator	Indicator Weighting		Compliance Target					
		Ge-neric	CA Sect-or		Ge-neric	CA Sect-or						
							5 years To 2011		10 years To 2016			
							Ge-neric	CA Sect-or	Ge-neric	CA Sect-or		
Employment Equity	300	15	20	Black Disabled Employees as a percentage of all Employees using the adjusted recognition for gender	2	2	2%	2%	3%	3%		
				Black Employees in Senior Management as a percentage of all such Employees using the adjusted recognition for gender	5	6	43%	40%	60%	50%		
				Black Employees in middle Management as a percentage of all such Employees using the adjusted recognition for gender	4	6	63%	50%	75%	60%		
				Black Employees in junior Management as a percentage of all such Employees using the adjusted recognition for gender	4	6	68%	60%	80%	70%		
				Bonus points								
Meeting or exceeding the Economically Active Population (EAP) Targets in each category		3	3									
							10 years To 2016					
Skills Development	400	15	20	Skills Development Expenditure on any programme specified in the Learning Programmes Matrix –								
				• for black Employees as a percentage of Leviable Amount using the adjusted recognition for gender	6	6	3%		3%			
				• for black Employees with disabilities as a percentage of Leviable Amount using the adjusted recognition for gender	3	3	0,3%		0,3%			
				Bursary expenditure								
				• Specific bursary expenditure on potential black Employees, which includes amounts spent on the Thuthuka Bursary Fund as a percentage of NPAT or turnover	0	5	4% of NPAT or 0,5% of turnover		4% of NPAT or 0,5% of turnover			
Learnerships												
Number of black Employees participating in learnerships or category B, C and D programmes as a percentage of total Employees using the adjusted recognition for gender		6	6	5%		18%						
							5 years To 2011		10 years to 2016			
Preferential Procurement	500	20	10	B-BBEE procurement spend from all Suppliers based on the B-BBEE Procurement Recognition Levels as a percentage of total measured procurement spend	12	5	50%		70%			
				B-BBEE procurement spend from Qualifying Small Enterprises or Exempted Micro Enterprises based on the applicable B-BBEE Procurement Recognition Levels as a percentage of total measured procurement spend	3	2	10%		15%			
				B-BBEE procurement spend from any of the following Suppliers as a percentage of total measured procurement spend	3	2	9%		12%			
				- Suppliers that are 50% black owned	2	1	6%		8%			
- Suppliers that are 30% black owned												
							10 years To 2016					
Enterprise Development	600	15	15	Average annual value of all Enterprise Development Contributions and Sector Specific Programmes made by the Measured Entity as a percentage of NPAT or turnover	15	15	3% of NPAT or 0,375% of turnover					
Socio-economic Development	700	5	5	Average annual value of all Socio-Economic Development contributions by a Measured Entity as a percentage of NPAT or turnover	5	5	1% of NPAT or 0,125% of turnover					

## 12.2 Application of the CA sector scorecard

### *Adjusted recognition for women*

In a number of the Elements of the Scorecard, the indicators are adjusted to take into account the participation of black women. In each case the following formula is used to calculate the adjusted recognition for gender:

$$A = \frac{B}{2} + C$$

C is limited to a maximum of 50% the Target

- Where
- A = Adjusted recognition for gender
  - B = percentage of Employees in the measurement category that are Black People
  - C = percentage of Employees in the measurement category that are black women

### 12.2.1 The ownership scorecard

The ownership Element measures the effective ownership of enterprises (CA sector) by Black People. It is measured on the basis of the following indicator Weightings:

Ownership indicators	Weighting points		Compliance Target for 2016
	Code	CA sector	
<b>Voting Rights</b>			
• Exercisable Voting Rights in the enterprise in the hands of Black People	3	3	25% + 1 vote
• Exercisable Voting Rights in the enterprise in the hands of black women	2	2	10%
<b>Economic Interest</b>			
• Economic Interest of Black People in the enterprise	4	4	25%
• Economic Interest of black women in the enterprise	2	2	10%
• Economic Interest of the following black natural people in the enterprise: Black Designated Groups	1	1	2,5%
<b>Realisation Points</b>			
• Ownership Fulfilment	1	1	
• Net Value	7	7	
<b>Bonus points</b>			
Involvement in the ownership of the enterprise of –			
• Black New Entrants	2		10%
• black Participants in <ul style="list-style-type: none"> <li>○ Employee Ownership Schemes,</li> <li>○ Broad-Based Ownership Schemes; or</li> <li>○ co-operatives</li> </ul>	1		10%

Ownership indicators	Weighting points		Compliance Target for 2016
	Code	CA sector	
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

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

• **Voting Rights**

- Voting Rights means a Voting Right attaching to an Equity Instrument owned by or held for a Participant.
- Measurement of Voting Rights

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

- Where
- A = score achieved by the enterprise for the measured ownership indicator
  - B = percentage that Exercisable Voting Rights in the hands of the category of Participants who are Black People in that enterprise holds to all Voting Rights held by all Participants of that enterprise
  - C = percentage compliance Target for Exercisable Voting Rights for the applicable measured ownership indicator
  - D = Weighting points allocated to the applicable measured ownership indicator

- If an entity gains a score in the formula above that exceeds the Weighting points, that entity will only receive the Weighting points.

• **Economic Interest**

- Economic Interest means a claim against an entity representing a return on ownership of the entity, similar in nature to a dividend right.
- Broad-Based Ownership Schemes as defined in the Codes are not expected to be relevant to the CA sector due to the ownership and management constraints brought about by the regulation of the auditing profession. However, it might be applicable to audit firms who have affiliated entities who do have such schemes.

○ Measurement of Economic Interest

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

- Where
- A = recognisable percentage of black Participants' claim to Economic Interest in the enterprise
  - B = percentage that Economic Interest which Participants who fall within the category of Black People in the enterprise holds to all Economic Interest which all Participants of that enterprise holds
  - C = percentage compliance Target for Economic Interest for the applicable measured ownership indicator
  - D = Weighting points allocated to the applicable measured ownership indicator

- If an entity gains a score in the formula above that exceeds the Weighting points, that entity will only receive the Weighting points.

• **Ownership Fulfilment**

- Ownership Fulfilment occurs –
- on the release of all black Participants in a Measured Entity from all Third Party Rights arising from the financing of their transaction with the Measured Entity (this is not likely to be applicable to the CA profession), or
  - if all black Participants in the Entity have never been subject to any such Third Party Rights.
- A score of 7 points for Net Value is a requirement for awarding the Ownership Fulfilment point.

• **Net Value**

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

○ Calculation of deemed Net Value

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

- 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.

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

- 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

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

- 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.

- o 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

- **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.

### 12.2.2 Management Control scorecard

The Management Control Element measures the effective control of an enterprise by Black People.

The Management Control Element aims at addressing certain key issues surrounding black Management and control of enterprises. These issues include the following:

- Representation of Black People at executive board level: This provides incentives for the representation of Black People as executive directors, in order to reverse the trend that companies hire Black People as non-executive directors only.

- Involvement of Black People in daily operations and strategic decision making at the most senior level: This Code encourages the inclusion of Black People in driving the implementation of operational and strategic decisions.
- Black People represented in positions that are key to the functioning of companies: This Code encourages the employment of Black People in positions that are core to the operations of a company.

The measurement takes place through indicator Weightings which are as follows:

Management Control indicators	Weighting points		Compliance Target for 2016
	Code	CA sector	
<b>Board participation</b>			
• Exercisable Voting Rights of black board members using the adjusted recognition for gender	3	3	50%
• Black executive directors using the adjusted recognition for gender	2	2	50%
<b>Top Management</b>			
• Black Senior Top Management using the adjusted recognition for gender	3	3	40%
• Black other Top Management using the adjusted recognition for gender	2	2	40%
<b>Bonus point</b>			
• Black Independent Non-Executive Board Members	1	1	40%

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

- **Board participation**
  - Board means the body consisting of persons appointed to undertake the executive management of the enterprise: Their main functions are to design, formulate and implement policy and undertake strategic planning, as well as to plan, direct and co-ordinate the overall policies and activities of the enterprise. These are also the persons responsible for governance of the enterprise as defined in the King Report.
  - Board participation refers to the level of control exercised by a person over the decisions of the board. In the CA sector this usually means that the black persons participating in the board have Exercisable Voting Rights that are not subject to any limitation.
- **Top Management**
  - Top Management is a collective term for 'other Top Management' despite the fact that the EE Act does not contain these sub-categories.
  - The EE Act contains a category for 'Top Management'. However, this is measured under Management Control and NOT under Employment Equity. Thus, if an Employee who is categorised as senior Management as per the EEA9 schedule is



included in Top Management under Management, this Employee will not be accounted for under the Measured Entity's Employment Equity Element for the year under measurement.

- In certain instances where Senior Management is included in the calculation of Top Management, the Weightings should be adjusted as follows:
  - Black Senior Top Management 6
  - Black other Top Management 5
  - Senior Management (code 300) 0
- The Target for Top Management will then be adjusted to reflect the ten-year Target for Senior Management under code 300, being 60%.
- Management means those persons who undertake the executive or operational Management of the enterprise, as well as operational implementation which includes directing and coordinating the policies and activities of the enterprise. Within the CA sector, this usually refers to the partners of the enterprise. The Management category can be subdivided into the following, where decision-making level and level of responsibility within the enterprise determine their title:
  - In terms of the Code, Senior Top Management positions would include the chief executive officer, the chief operating officer, the chief financial officer and other people holding similar positions.
  - For the CA Charter, Senior Top Management means Employees of a Measured Entity who are appointed by or on the authority of the board to undertake the day-to-day management, both with regard to general and financial management functions. These persons are actively involved in the development and/or implementation of strategy.
  - In terms of the Code, other Top Management positions would include the chief information officer, the heads of marketing, sales, public relations, transformation and human resources as well as other people holding similar positions.
  - For the CA Charter, other Top Management means Employees of a Measured Entity, other than Senior Top Management, who undertake the day-to-day management and are actively involved in the development and/or implementation of strategy, but limited to their area of responsibility.
- 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.
- Where a Measured Entity does not distinguish between Top Management and other Top Management, Top Management is measurable as a single indicator with a Weighting of 5 points. It may include its Senior Management in this section. If a Measured Entity adopts this approach then the compliance Targets will be as follows:
  - Years 0–5 43%
  - Years 6–10 60%
- If in practice it is found that certain entities do not have a component of executive directors at all, the points for board participation should be collapsed into one indicator and the Weighting should be adjusted to 5 points and the Target will

remain the same at 50% of Exercisable Voting Rights not in the hands of Black People.

- However, if Senior Management is included here, it will not be measured under Employment Equity (see statement 300).
- If Measured Entities do appoint Independent Non-executive Board Members, they are encouraged to appoint persons who do not serve in that capacity for any other Measured Entity.
- The adjusted recognition for gender should be calculated as per paragraph 12.2 and used in the calculations below.
- 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  
 C = Target for that measurement category  
 D = Weighting for measured indicator

• **Bonus point**

- In this section 1 bonus point can be achieved through the percentage that Black People, who are Independent Non-Executive Board Members, constitute of the total number of Independent Non-Executive Board Members. Particularly in the medium and small firms, this is not necessarily applicable to the CA sector.
- Measurement of the bonus point

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

Where A = score for the Management indicator of the number of black Independent Non-Executive Board Members of the Measured Entity as a percentage of the total number of Independent Non-Executive Board Members of the Measured Entity  
 B = *not defined in the Codes, but assumed to be the adjusted recognition for gender*  
 C = Target for Independent Non-Executive Board Members of the Measured Entity  
 D = Weighting points

### 12.2.3 The Employment Equity scorecard

The objective is to measure initiatives targeted to achieve equity in respect of all Measured Entities (CA sector) in the workplace in terms of the Act and the EE Act.

The aim of the Employment Equity Element is to address certain key issues surrounding the representation of black Employees as well as black Employees with disabilities, in the workplace.

In order to contribute to the achievement of the vision of the CA profession Charter and based on sound economic principles, sectoral characteristics and empirical research in line with the principles set out in paragraph 11.3, five additional Weighting points were allocated to the Employment Equity scorecard.

In addition the compliance Targets were amended to reflect more realistic targets for the CA sector. This is based on actual trainee and university statistics (see the 'pipeline' statistics in appendix 4), which substantiate that the gazetted Targets cannot realistically be achieved based on 'students' in the pipeline and the time it takes before a student is able to take up a position within the CA sector.

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

Employment Equity indicators	Weighting points		Compliance Target			
	Code	CA sector	For 2011		For 2016	
			Code	CA sector	Code	CA sector
(a) Black Disabled Employees as a percentage of all Employees using the adjusted recognition for gender	2	2	2%	2%	3%	3%
(b) Black Employees in Senior Management as a percentage of all such Employees using the adjusted recognition for gender	5	6	43%	40%	60%	50%
(c) Black Employees in middle Management as a percentage of all such Employees using the adjusted recognition for gender	4	6	63%	50%	75%	60%
(d) Black Employees in junior Management as a percentage of all such Employees using the adjusted recognition for gender	4	6	68%	60%	80%	70%
<b>Bonus points</b>						
• For meeting or exceeding the EAP Targets in categories (b) to (d) above	3	3				

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

- When calculating the score under this section Measured Entities must, where possible, use the data that it files with the Department of Labour under the EE Act. This has been included to encourage entities to avoid duplication of data collection for B-BBEE reporting purposes.
- If a Measured Entity is exempt from filing such returns, then it must complete its data using the guidelines set out in the EE Act.

- As the EE Act seeks to encourage companies to meet the Economically Active Population (EAP) Targets, the Codes have also embedded this principle as a Target toward which Measured Entities should be aspiring.
- The Codes require that a Measured Entity should only start being allocated points on its EE scorecard provided it achieves a minimum of 40% of its Target in each measurement category.
- This implies that for a Measured Entity to obtain points in the Senior Management category it would have to meet a minimum of 40% of its Target of 43% in each of the first five years of application of the Codes. Therefore at least 17% of the Employees of a Measured Entity at Senior Management level must be Black People, using the adjusted recognition for gender, before it can start scoring points in that occupational level.
- The same principle would apply to other categories.
- If the organisation structure of a Measured Entity does not distinguish between middle Management and junior Management, it can consolidate these categories against the Targets for junior Management. The Weighting points will be adjusted as follows:
  - Senior Management      10 points
  - Junior Management      8 points

The bonus points will be apportioned equally between these two categories as 1,5 each for exceeding the EAP Targets.

- Senior Management level means a senior audit manager / principal consultant in a practice, whose role is to manage either client and / or certain administrative functions. This is the person, who would generally have 5–10 years' relevant experience, who would be entrusted with large or key accounts or responsibilities in an administrative or support function.
- Middle Management means the equivalent of a manager, assistant manager or senior consultant who has at least 2–4 years' relevant experience and is entrusted with a supervisory or managerial role. In the audit context it would involve the senior on the assignment.
- Junior Management means all employees not defined as senior or mid-Management. In the audit context it would comprise all trainee accountants and other consultants and practitioners in other divisions.
- ***Measurement of the economic Employment Equity indicators***
  - Calculate the adjusted recognition for gender as per paragraph 12.2.
  - 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

- **Bonus points**

A Measured Entity will be allocated bonus points for meeting or exceeding the EAP Targets in the Senior, middle and junior Management levels of the scorecard (except for the disabled (a) category). Each occupational category will be allocated a bonus point if the Target is met.

#### **12.2.4 Skills Development scorecard**

Through the indicators listed below the objective is to measure the extent of initiatives desired by the CA sector (employers) to develop the competencies of black Employees within the organisation.

This section of the scorecard requires that Measured Entities prove that programmes have been implemented which target the development for SETA-defined core, critical and scarce skills. The Skills Development spend recognition is not restricted to SETA-acquired training only. The Learning Programmes Matrix lists Learning Programmes that result in tangible outcomes such as degrees, diplomas, certificates, etc.

The Skills Development scorecard comprises three indicators: the first two measure monetary spend on black Employees, whilst the third measures the number of black Employees who are enrolled in learnerships and / or structured work-based Learning Programmes as set out in the Learning Programmes Matrix.

In order to contribute to the achievement of the vision of the CA profession Charter and based on sound economic principles, sectoral characteristics and empirical research in line with the principles set out in paragraph 11.3, five additional Weighting points were allocated to the Skills Development scorecard.

All five Weighting points have been allocated to one specific indicator, namely bursary expenditure. The CA sector aim of improving the pipeline numbers with the ultimate objective of increasing the output and number of qualified CAs will only become possible if more funds are allocated to providing black learners with bursaries. This was the motivation for the increase in focus on Skills Development Expenditure.

Secondly, the Generic Scorecard compliance Targets for learnerships, which is set at 5%, is far too low for the CA sector. This statement is based on data obtained from a number of CA sector organisations which indicated that the present learnership figure is already 13%. Accordingly the compliance Target has been set at 18%. This will be re-evaluated by the Charter Council once credible information has been collected on the status of all organisations making up the CA sector, as indicated in paragraph 8.1, item 8.

It should be noted that as far as learnership positions are concerned, this is the one area where the CA sector can make a significant contribution (for the reasons stated above). In fact, trainees who are developed and groomed for leading positions in the country and the economy make up the majority of the CA sector Employees.



The indicators and Weightings are as follows:

Skills Development indicators	Weighting points		Compliance Target for 2016	
	Code	CA sector	Code	CA sector
Skills Development Expenditure on any programme specified in the Learning Programmes Matrix –				
• for black Employees as a percentage of Leviable Amount using the adjusted recognition for gender	6	6	3%	3%
• for black Employees with disabilities as a percentage of Leviable Amount using the adjusted recognition for gender	3	3	0,3%	0,3%
<b>Bursary expenditure</b>				
• Specific bursary expenditure on potential black Employees, which includes amounts spent on the Thuthuka Bursary Fund as a percentage of NPAT or turnover	0	5	4% of NPAT or 0,5% of turnover	4% of NPAT or 0,5% of turnover
<b>Learnerships / Learning Programmes</b>				
• Number of black Employees participating in learnerships or category B, C and D programmes as a percentage of total Employees using the adjusted recognition for gender	6	6	5%	18%

- Measured Entities will receive points for this part of the scorecard only if –
  - they are in compliance with the Skills Development Act and Skills Development Levies Act;
  - they have registered with the appropriate SETA;
  - they have developed a Workplace Skills Plan; and
  - they have implemented programmes targeted at developing Priority Skills generally and specifically for black Employees.
- **Skills Development Expenditure**
  - This will include 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 Adult Basic Education and Training (ABET) programme is recognisable at a multiple of 1,25 to the actual value of such expenditure.
  - Legitimate training expenses include –
    - cost of training material
    - cost of trainers
    - cost of training facilities (including catering)
    - 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.

- The opportunity cost of an Employee's time may NOT be included as a legitimate training expense EXCEPT where the Employee participates in Learning Programmes.
  - Overhead costs should be allocated according to the amount of time administrative staff spends on different areas of skills training.
- **Salaries and wages**

Payment to an Employee participating as a learner in any Learning Programme only constitutes Skills Development Expenditure if the Learning Programme is a learnership or falls within category B, C or D of the Learning Programme Matrix.

- **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

Cat.	Narrative description	Delivery mode	Learning site	Learning achievement
				issued by an accredited or 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

- The Learning Programmes Matrix was introduced to ensure that skills spend initiatives have clear learning outcomes.
- The Learning Programmes Matrix comprises the following:
  - Institutional based theoretical instruction. It must be formally assessed by the institution.
  - Institutional based theoretical instruction as well as some practical learning with an employer or in a simulated work environment. It must be formally assessed through the institution.
  - Recognised or registered structured experiential learning in the workplace that is required after the achievement of a qualification. It must be formally assessed by a statutory occupational or professional body.
  - Occupationally directed instructional and work-based Learning Programmes that require a formal contract. It must be formally assessed by an accredited body.
  - Occupationally-directed instructional and work-based Learning Programmes that do not require formal contracts. It must be formally assessed by an accredited body.
  - Occupationally-directed internal instructional programmes.
  - Work-based internal programmes.

- **Measurement of Skills Development indicators**

- The adjusted recognition for gender, as calculated in paragraph 12.2, is taken into account.
- Measurement of the Skills Development indicators

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

Where A = score for any given indicator 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

- **Bursaries and scholarships**

- The Target is the greater of NPAT or turnover calculations, using the specified percentages.
- Expenses on scholarships and bursaries do not constitute Skills Development Expenditure if the Measured Entity can recover any portion of the expenses from the Employee or if the grant of the scholarship or bursary is conditional.
- If however the right of recovery or the condition involves either of the following obligations, the expenses are recognised, also in the case of all Thuthuka Bursary Fund contributions:
  - The obligation of successful completion in their studies within the time period allocated; or
  - The obligation of continued employment by the Measured Entity for a period following successful completion of their studies of not more than their study period.
- Bursary and scholarship expenditure include all legitimate related expenditure, similar to those mentioned under legitimate training expenses.

#### 12.2.5 Preferential Procurement scorecard

By means of the indicators listed below, the objective is to measure the extent to which the CA sector buys goods and services from companies with strong B-BBEE economic procurement recognition levels.

This is the section of the scorecard to which meaningful contributions by the CA sector are most limited in scope. 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 is such that a large portion of the procurement spend is not discretionary. This applies particularly to member firms of global networks. Therefore, based on sound economic principles, sectoral characteristics and empirical research in line with the principles set out in paragraph 11.3, the Preferential Procurement Weighting points of 20 were reduced to 10 Weighting points. The goal of this redistribution is to contribute to the achievement of the vision of the CA profession Charter.

The indicators and Weightings are as follows:

Preferential Procurement indicators	Weighting points		Compliance Target	
	Code	CA sector	For 2011	for 2016
• B-BBEE procurement spend from all Suppliers based on the B-BBEE Procurement Recognition Levels as a percentage of total measured procurement spend	12	5	50%	70%
• B-BBEE procurement spend from Qualifying Small enterprises or Exempted Micro Enterprises based on the applicable B-BBEE Procurement Recognition Levels as a percentage of total measured procurement spend	3	2	10%	15%
• B-BBEE procurement spend from any of the following Suppliers as a percentage of total measured procurement spend				
○ Suppliers that are 50% black owned	3	2	9%	12%
○ Suppliers that are 30% black owned	2	1	6%	8%

- **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 12.2.6 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 (this list is not exhaustive) –
  - Accounting and Auditing
  - Actuarial Sciences
  - Advertising and marketing
  - Any other professional and consulting services
  - Architectural services
  - Asset/fund management 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 Socio-Economic Development (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 = sum of (B x 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

#### 12.2.6 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, more specifically black-owned entities that struggle to take their business from survivable and / or micro level to a level of sustainability and profitability. The challenges the Code seeks to address are –

- the high failure rate amongst black-owned start-ups due to a lack of access to financing and other business support; and
- job creation.

The indicators and Weighting points are as follows:

Enterprise Development indicator	Weighting points		Compliance Target for 2016
	Code	CA sector	
<ul style="list-style-type: none"> <li>• Average annual value of all Enterprise Development Contributions and Sector Specific Programmes made by the Measured Entity as a percentage of NPAT or turnover</li> </ul>	15	15	3% of NPAT or 0,375% 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:

- 3% of NPAT or 0,375% 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 & Exempted Micro Enterprises (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
<b>Equity investments and related contributions</b>		
Minority investment in Black-Owned EME and QSEs	Investment amount	100%



Qualifying contribution type	Contribution amount	Benefit Factor
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 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

**12.2.7 The Socio-Economic Development (SED) scorecard**

The objective of this section is to measure initiatives that contribute towards SED or to Sector Specific Programmes that promote access to the economy for Black People. The challenges which this section of the scorecard seeks to address can be summarised as follows:

- The majority of Black People in South Africa are still unable to access the mainstream economy owing to poverty and a lack of education.
- The most critical aspect of this Element is that SED initiatives should result in sustainable economic participation by its intended beneficiaries and discourage dependence on hand-outs.

The indicators and Weightings are as follows:

SED indicator	Weighting points		Compliance Target for 2016
	Code	CA sector	
Average annual value of all SED contributions by the Measured Entity as a percentage of NPAT or turnover	5	5	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 Codes 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

## 13 THE QSE SCORECARD FOR THE CA SECTOR

### 13.1 THE CA sector QSE scorecard

BEE Elements	Code	Element Weighting	Indicators	Indicator Weighting	Compliance Target	
					10 years to 2016	
Ownership	801	25	<i>Voting Rights</i>			
			• Exercisable Voting Rights in the enterprise in the hands of Black People	6	25% + 1 vote	
			<i>Economic Interest</i>			
			• Economic Interest of Black People in the enterprise	9	25%	
			<i>Realisation Points</i>			
			• Ownership Fulfilment	1		
			• Net equity value	9		
			<i>Bonus points for the Generic Scorecard</i>			
			Involvement in the ownership of the enterprise of			
			• black women; and/or	2	10%	
			• black Participants in	1	10%	
			◦ Employee Ownership Schemes			
			◦ Broad-based Ownership Schemes			
			◦ co-operatives			
			<i>Bonus points for the CA sector Scorecard</i>			
			Exercisable Voting Rights in the enterprise in the hands of Black People, for having achieved the following Targets:			
			• Between 30% and 39%	1	30–39%	
			• Between 40% and 49%; or	2	40–49%	
			• 50% or more	3	50% or more	
Management Control	802	25	• Black representation at Top Management level	25	50,1%	
			<i>Bonus points</i>			
			• Black women representation at Top Management level	2	25%	
					5 years To 2011	10 years To 2016
Employment Equity	803	25	• Black Employees of the Measured Entity who are Management as a percentage of all Management adjusted using the adjusted recognition for gender	15	40%	60%
			• Black Employees of the Measured Entity as a percentage of all Employees using the adjusted recognition for gender	10	60%	70%
			<i>Bonus points</i>			
			• For meeting or exceeding the EAP Targets in each category above	2		
					10 years to 2016	
Skills Development	804	25	• Adjusted Skills Development spend on Learning Programmes for black Employees as a percentage of Leverage Amount (including amount spent on learnerships)	25	2%	
					5 years To 2011	10 years To 2016
Preferential Procurement	805	25	• BEE procurement spend from all Suppliers based on the B-BBEE Procurement Recognition Levels as a percentage of total measured procurement spend	25	40%	50%
					10 years to 2016	
Enterprise Development	806	25	• Average annual value of all qualifying contributions made by the Measured Entity as a percentage of NPAT or turnover	25	2% of NPAT or 0,25% of turnover	
Socio-economic Development	807	25	• Average annual value of all SED contributions and Approved SED contributions made by the Measured Entity as a percentage of NPAT or turnover	25	1% of NPAT or 0,125% of turnover	



### 13.2 Application of the CA sector QSE scorecard

The table below represents the QSE Scorecard and contains the Elements and Weighting points attached to each Element:

Element	Weighting (points)
Framework	
Ownership	25
Management Control	25
Employment Equity	25
Skills Development	25
Preferential Procurement	25
Enterprise Development	25
Socio-Economic Development contributions	25

- Any enterprise with an annual Total Revenue of between R5 million and R35 million qualifies as a QSE.
- A QSE must select any four of the seven Elements of B-BBEE for purposes of measurement under the QSE Scorecard.
- A QSE will be scored in proportion to the extent that it meets the compliance Targets of those four Elements.
- Wherever a Standard Valuation Method applies to measuring an indicator, the same standard should apply, as far as reasonably possible, in all other applicable calculations.
- The **adjusted recognition for gender** must be used for the purposes of calculating the Employment Equity, Skills Development and Management Control Elements of the QSE Scorecard. In each case the following formula is used for the calculation:

$$A = \frac{B}{2} + C$$

C is limited to a maximum of 50% the Target

Where A = Adjusted recognition for gender  
 B = percentage of Employees in the measurement category that are Black People  
 C = percentage of Employees in the measurement category that are black women

### 13.2.1 The QSE Ownership Scorecard

The ownership Element measures the effective ownership of enterprises (QSE CA sector) by Black People. It is measured on the basis of the following indicator Weightings:

QSE Ownership indicators	Weighting points		Compliance Target for 2016
	Code	CA sector	
<b>Voting Rights</b> • Exercisable Voting Rights in the enterprise in the hands of Black People	6	6	25% + 1 vote
<b>Economic interest</b> • Economic Interest of Black People in the enterprise	9	9	25%
<b>Realisation Points</b> • Ownership Fulfilment • Net Value	1 9	1 9	
<b>Bonus points</b> Involvement in the ownership of the enterprise of – • black women • black Participants in o Employee Ownership Schemes, o Broad-Based Ownership Schemes; or o co-operatives	2 1		10% 10%
Exercisable Voting Rights in the enterprise in the hands of Black People, for having achieved the following Targets: • Between 30% and 39%; or • Between 40% and 49%; or • 50% or more		1 2 3	30–39% 40–49% 50% or more

An Entity receives points for participation by Black People in its rights of ownership, using the QSE ownership scorecard. Black People may hold their rights of ownership in a Measured Entity as direct Participants through a business such as –

- a company with shares,
- a close corporation,
- a co-operative,
- any form of juristic person recognised under South African law,
- a partnership or other association of natural persons,
- an Employee Ownership Scheme,
- a Broad-Based Ownership Scheme, or
- a trust.

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

- **Voting Rights**
  - o Voting Rights means a Voting Right attaching to an Equity Instrument owned by or held for a Participant.

○ Measurement of Voting Rights

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

- Where
- A = score achieved by the enterprise for the measured ownership indicator
  - B = percentage that Exercisable Voting Rights in the hands of the category of Participants who are Black People in that enterprise holds to all Voting Rights held by all Participants of that enterprise
  - C = percentage compliance Target for Exercisable Voting Rights for the applicable measured ownership indicator
  - D = Weighting points allocated to the applicable measured ownership indicator

- If an entity gains a score in the formula below that exceeds the Weighting points, that entity will only receive the Weighting points.

● ***Economic Interest***

- Economic Interest means a claim against an entity representing a return on ownership of the entity, similar in nature to a dividend right.
- Broad-Based Ownership Schemes as defined in the Codes are not expected to be relevant to the CA sector due to the ownership and Management constraints brought about by the regulation of the auditing profession. However, it might be applicable to audit firms who have affiliated entities who do have such schemes.

○ Measurement of Economic Interest

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

- Where
- A = recognisable percentage of black Participants' claim to Economic Interest in the enterprise
  - B = percentage that Economic Interest which Participants who fall within the category of Black People in the enterprise holds to all Economic Interest which all Participants of that enterprise holds
  - C = percentage compliance Target for Economic Interest for the applicable measured ownership indicator
  - D = Weighting points allocated to the applicable measured ownership indicator

- If an entity gains a score in the formula above that exceeds the Weighting points, that entity will only receive the Weighting points.

● ***Ownership Fulfilment***

- Ownership Fulfilment occurs –
- on release of all black Participants in a Measured Entity from all Third Party Rights (this is not likely to be applicable to the CA profession); or
  - if black Participants have never been subject to any Third Party Rights.
- A minimum score of 7 points for Net Value is a requirement for the award of the Ownership Fulfilment point.

• **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><i>Equity investments and related contributions</i></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><i>Contributions made in the form of human resource capacity</i></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><i>Other contributions</i></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>

15.2.4 Training level	
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.	
Current situation / challenges	Recommended activities
<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>



#### 15.2.5 Employment level

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.

Current situation / challenges	Recommended activities
<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><u>Administrative and support positions</u></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

CHALLENGES	STRATEGY	PROGRAMMES	MEASURES
<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>

**(b) Undergraduate level**

CHALLENGES	STRATEGY	PROGRAMMES	MEASURES
<ul style="list-style-type: none"> <li>• Poor throughput pass percentages at undergraduate and postgraduate levels amongst black students (mainly due to socio-economic problems)</li> <li>• A focus primarily on technical skills, which leaves students unprepared for the life skills in their professions</li> <li>• Many historically black institutions are still unable to achieve accreditation</li> <li>• A lack of funding leads to many black students studying on a part-time basis. This in turn means that they take longer to obtain a tertiary qualification</li> <li>• Lack of an effective learning model – many students work hard, but not effectively</li> <li>• Lack of mentoring and monitoring contribute to a high dropout level and poor throughput pass percentages</li> </ul>	<ul style="list-style-type: none"> <li>• To widen the scope of tertiary education to include life skill training and socio-economic coping mechanisms</li> <li>• To attain uniformity of standards among all tertiary institutions</li> <li>• To improve the provision of bursaries for the development of black CAs</li> <li>• To provide more and better supervision with regard to bursaries</li> <li>• To provide support mechanisms for black students at tertiary level, financially and particularly socially</li> <li>• To work with accredited universities in increasing the black student numbers and pass percentages of students not on a Thuthuka programme</li> </ul>	<ul style="list-style-type: none"> <li>• RAU Ex-CIDA: Undergraduate students project 2004</li> <li>• University of Fort Hare/Limpopo: Workplace readiness project 2005</li> <li>• University of Fort Hare/Limpopo: Workplace readiness project 2006 (approved in 2005)</li> <li>• Eastern Cape: Education upliftment project</li> <li>• KwaZulu-Natal/Limpopo: Education upliftment project</li> <li>• University of Fort Hare: Fourth-year student support</li> <li>• University of Johannesburg: Third-year student support</li> <li>• Thuthuka Board Fund programme</li> </ul>	<ul style="list-style-type: none"> <li>• Increased number of students entering tertiary institutions studying towards CA(SA)</li> <li>• Students numbers that are representative of the population demographics both with regard to gender and race</li> <li>• Pass percentages of all race and gender groups are equal</li> </ul>

**(c) Postgraduate and QE level**

CHALLENGES	STRATEGY	PROGRAMMES	MEASURES
<ul style="list-style-type: none"> <li>• Poor throughput pass percentages at undergraduate and postgraduate levels amongst black students (mainly due to socio-economic problems)</li> <li>• Poor pass percentage achieved by black entrants in the QE</li> <li>• Perceived lack of transparency of the whole examination process (i.e. the setting, marking and adjudication of the QE)</li> <li>• A focus primarily on technical skills, which leaves students unprepared for the life skills in their professional lives</li> <li>• Many historically black institutions are still unable to achieve accreditation</li> <li>• CTA (postgraduate level study) standards vary considerably</li> <li>• A lack of funding leads to many black students studying on a part-time basis. This in turn means that they take longer to obtain a tertiary qualification</li> <li>• Lack of an effective learning model – many students work hard, but not effectively</li> </ul>	<ul style="list-style-type: none"> <li>• To widen the scope of tertiary education to include life skill training and socio-economic coping mechanisms</li> <li>• To attain uniformity of standards among all tertiary institutions</li> <li>• To improve the provision of bursaries for the development of black CAs</li> <li>• To provide more and better supervision with regard to bursaries</li> <li>• To provide support mechanisms for black students at tertiary level, financially and particularly socially</li> <li>• To ensure that (black) students are aware of all career and training opportunities at not just the bigger firms but also small and medium firms and all accredited training organisations</li> <li>• To ensure, by means of the current education programmes and working with tertiary institutions, that black pass percentages in the QE equate to or are better than their white counterparts</li> </ul>	<ul style="list-style-type: none"> <li>• CTA/QE project 2005/6</li> <li>• CTA/QE project 2004/5</li> <li>• Thuthuka Small Practices Project 2006 to 2009 (Approved in 2005)</li> <li>• University of Fort Hare Postgraduate Project 2006 (Approved in 2005)</li> <li>• University of Johannesburg Postgraduate Project 2006 (Approved in 2005)</li> </ul>	<ul style="list-style-type: none"> <li>• Increased number of students entering tertiary institutions studying towards CA(SA)</li> <li>• Students numbers that are representative of the population demographics both with regard to gender and race</li> <li>• Pass percentages of all race and gender groups are equal</li> </ul>



**(c) Postgraduate and QE level (cont.)**

CHALLENGES	STRATEGY	PROGRAMMES	MEASURES
<ul style="list-style-type: none"> <li>Lack of mentoring and monitoring contribute to a high dropout level and poor throughput pass percentages</li> </ul>	<ul style="list-style-type: none"> <li>To introduce a formal education programme for repeat black QE candidates</li> <li>To publicise and communicate the marking and adjudication process</li> <li>To involve more black CAs in the setting, marking and adjudication process of the QE</li> </ul>		

**17.4.2 Training**

CHALLENGES	STRATEGY	PROGRAMMES	MEASURE
Insufficient training opportunities in commerce and industry and the public sector	<ul style="list-style-type: none"> <li>To put strategies in place to increase the training opportunities both with in commerce and industry and the public sector</li> </ul>		

**17.5 Black enterprise development**

The objective is to help black enterprises within the CA sector to accelerate their development, sustainability and ultimate financial and operational independence through the expansion of their financial and operational abilities, tasks that could be undertaken in partnership with private practice firms. However, specifically with regard to technical assistance to black firms, SAICA is in the position to extend help and provide assistance.

**17.6 Socio-economic development**

The changing nature of the economic landscape in our country is resulting in a review of our values and social responsibility. It is the view of SAICA that it can play a leading role in the development of socio-economic development in South Africa. This is also in line with SAICA's mission is to run and facilitate programmes to transform the profession, and to facilitate community upliftment.

In early 2005, SAICA developed a socio-economic development strategy that was approved by the SAICA Board. Three flagship projects were selected: The Hope Factory, the Black Entrepreneurship Programme and the Member Giving Programme.

PROGRAMMES	MEASURE
<p><b><u>The Hope Factory</u></b></p> <p>A training and job creation project, aimed at wealth creation. It consists of two divisions, namely a training division and a job creation division:</p> <ul style="list-style-type: none"> <li>The training division, which is a three-month integrated programme teaching business, technical and life skills, as follows: <ul style="list-style-type: none"> <li>Technical skills: sewing, pattern making, paper products, beadwork, crochet</li> <li>Business skills: basic entrepreneurship and small business skills</li> <li>Life skills: for example communication, interview skills, time management, HIV/AIDS.</li> </ul> </li> </ul> <p>Throughout the process The Hope Factory provides mentorship, evaluations, advice and support. It also offers networking opportunities, contacts with other training centres and employment opportunities. During the course, learners meet with a mentor on a monthly basis to discuss their future options. Mentors then follow up with each learner for a two-year period after they have graduated from the course.</p> <p>On completion graduates either start their own small business, seek formal sector employment, study further or join the job creation project.</p> <ul style="list-style-type: none"> <li>The job creation division provides graduates with an opportunity to earn an income and gain work experience. Graduates are employed on a contract basis, and they manufacture products for the corporate gift, conference and tourist market.</li> </ul>	Number of people trained and jobs created
<p><b><u>The black entrepreneurship programme</u></b></p> <ul style="list-style-type: none"> <li>The aim of the project is to partner with black entrepreneurs and their businesses to assist with providing training, consulting and mentoring.</li> </ul>	Number of black entrepreneurs assisted (this is done with the assistance of the teaching profession)
<p><b><u>The Member Giving Programme</u></b></p> <ul style="list-style-type: none"> <li>Via this project members and firms receive the opportunity to participate in socio-economic development, by contributing to the Thuthuka Bursary fund. This is done firstly by setting up an online giving website and secondly by marketing and communicating the function of the website to members and firms.</li> </ul>	Number of bursaries provided
<p><b><u>Building financial capacity in the public sector</u></b></p> <ul style="list-style-type: none"> <li>SAICA will oversee projects to assist the public sector in building financial capacity where needed. The first project identified is 15 municipalities in the Gauteng area. This will be a private / public sector partnership, with the 'private sector' consisting of the CA sector.</li> </ul>	Improvement within the public sector

## 17.7 Sharing of best practice

Acknowledging the sensitivity of firm specific competence information, SAICA will share best practice amongst all shareholders.

## 17.8 Future initiatives

SAICA, in consultation with all major stakeholders and the Charter Council, will continue to monitor the current transformation initiatives and where possible and appropriate introduce new programmes and projects so as to facilitate the transformation of the profession and achieve set targets.

## SIGNATORIES TO THE CHARTER

### 1 Signatories of the B-BBEE Negotiation Forum

- Chairman

\_\_\_\_\_  
Ignatius Sehoole

- Vice-chairman

\_\_\_\_\_  
Tsakani Matshazi

### 2 Signatories on behalf of private practice

#### Big four firms

- Deloitte

\_\_\_\_\_  
Trevor Brown

- Ernst & Young

\_\_\_\_\_  
Sindi Koyana

- KPMG Inc

\_\_\_\_\_  
Moses Kgosana

- PwC Inc

\_\_\_\_\_  
Stanley Subramoney

#### Medium size firms

\_\_\_\_\_  
Leonard Brehm

\_\_\_\_\_  
Brian Eaton

#### Small practices

\_\_\_\_\_  
Liza Wood

\_\_\_\_\_  
Heinrich Regenass

#### Black Firms Forum

\_\_\_\_\_  
Victor Sekese

## **2 Public entities and organs of state**

### **Auditor-General**

Pramesh Bhana

### **Financial Services Board**

Dawood Seedat

### **National Treasury**

Lindy Bodewig

### **Independent Regulatory Board for Auditors**

Kariem Hoosain

## **3 Professional bodies and other interest groups**

### **African Women Chartered Accountants**

Melanie Elephant

### **Association for the Advancement of Black Accountants of Southern Africa**

Avhashoni Ramikosi

### **Commerce and Industry**

Ewald Muller

### **Financial, accounting and services sector SETA**

Cheryl James

### **South African Institute of Chartered Accountants**

Philip Hourquebie

### **Academics**

Michael Wormald

### **Trainees**

Deane Lo Ning

## APPENDICES

### APPENDIX 1 INTERPRETATIONS

This section provides a glossary of all relevant and known B-BBEE terms and definitions applicable to this Charter. Definitions marked by an asterisk (\*), are definitions that have been extracted from the Codes of Good Practice. Where these have been added to for the sake of clarity, the additions have been italicised.

With regard to the definitions extracted from the Codes of Good practice, the following provisions of the code will also apply to these definitions:

- 1 When interpreting the provisions of the Code, any reasonable interpretation consistent with the objectives of the Act and the B-BBEE Strategy must take precedence.
- 2 Words importing persons shall, where the context so requires or admits, include individuals, firms, partnerships, trusts, corporations, governmental bodies, authorities, agencies, unincorporated bodies of persons or associations and any organisation having legal capacity.
- 3 The schedules and annexes to the Codes are an integral part of the Codes and a reference to the Codes includes a reference to the schedules.

**'ABET'**\* means Adult Based Education and Training as determined by the National Qualifications Authority.

**'Accountancy profession'** means, for the purpose of this document, the professional accountancy bodies and their members recorded in figure 1 (and its footnote), but not limited to those. In addition it includes organisations predominantly owned by members of these professional bodies offering accounting, audit, tax, consulting and advisory, internal auditing and other related services.

**'Accreditation Body'**\* means the South African National Accreditation System or any other Entity appointed by the Minister from time to time *for the purpose of* –

- (a) accrediting of Verification Agencies; and
- (b) developing, maintaining and enforcing the Verification Standards.

**'Affiliated entities'** mean those incorporated entities, trusts, partnerships and other business forms in the CA sector in which a participant, partner and/or partnership controls in excess of 25% of the voting power and which provide accountancy and related professional services to their clients, which collectively constitute a Measured Entity.

**'Approved Socio-economic Development Contributions'**\* mean monetary or non-monetary contributions carried out for the benefit of any projects approved for this purpose by any organ of state or sectors including without limitation –

- (a) projects focusing on environmental conservation, awareness, education and waste management; and
- (b) projects targeting infrastructural development, enterprise creation or reconstruction in underdeveloped areas, rural communities or geographic areas identified in the government's integrated sustainable rural development or urban renewal programmes.

**'Associated Enterprise'**\* means an Entity with which a Seller has concluded a Qualifying Transaction.

**'B-BBEE'**\* means Broad-Based Black Economic Empowerment.

**'BEE Controlled Company'**\* means a juristic person, having share holding or similar members' interest, in which black participants enjoy a right to Exercisable Voting Rights that is more than 50% of the total such rights measured using the Flow Through Principle.



**'BEE Owned Company'**\* means a juristic person, having share holding or similar members' interest, that is B-BBEE controlled, in which black participants enjoy a right to Economic interest that is more than 50% of the total such rights measured using the Flow Through Principle.

**'BEE Procurement Recognition Level'**\* means the percentage B-BBEE Procurement Recognition Levels as determined –

- (a) for Enterprises that are neither Qualifying Small Enterprises nor Exempted Micro Enterprises, using statement 000;
- (b) for Qualifying Small Enterprises, using statement 800; and
- (c) for Exempted Micro Enterprises, a deemed B-BBEE Procurement Recognition of 100% and B-BBEE Status of Level 4 Contributor under statement 800.

**'BEE Status'**\* means the B-BBEE status of a beneficiary of Enterprise Development Contributions as determined under –

- (a) statement 800 for Qualifying Small Enterprises and Exempted Micro Enterprises; and
- (b) statement 000 for all other Enterprises.

**'Benefit Factor'**\* means a factor specified in the Benefit Factor Matrix applicable to fixing the monetary value of Enterprise Development and Socio-economic Development Contributions claimable under statements 600, 700, 806 and 807.

**'Benefit Factor Matrix'**\* means the Benefit Factor Matrix for Enterprise Development and Socio-economic Development Contributions annexed to statements 600, 700, 806 and 807.

**'Black Designated Groups'**\* mean –

- (a) unemployed black people not attending and not required by law to attend an educational institution and not awaiting admission to an educational institution
- (b) black people who are youth as defined in the National Youth Commission Act of 1996; *as persons between the ages of 14 and 35.*
- (c) black people who are persons with disabilities as defined in the Code of Good Practice on employment of people with disabilities issued under the Employment Equity Act; *In terms of the Employment Equity Act 'people with disabilities' means people who have a long-term or recurring physical or mental impairment which substantially limits their prospects of entry into, or advancement in, employment.; and*
- (d) black people living in rural and underdeveloped areas.

**'Black New Entrants'**\* mean black participants who hold rights of ownership in a Measured Entity and who, before holding the Equity Instrument in the Measured entity, have not held equity instruments in any other Entity which has a total value of more than R20 million, measured using a standard valuation method.

**'Black People'**\* has the meaning defined in the Act qualified as including only natural persons who are citizens of the Republic of South Africa by birth or descent; or are citizens of the Republic of South Africa by naturalisation –

- (a) occurring before the commencement date of the Constitution of the Republic of South Africa Act of 1993; or
- (b) occurring after the commencement date of the Constitution of the Republic of South Africa Act of 1993, but who, without the Apartheid policy would have qualified for naturalisation before then.

**'Black Professional Service Provider'**\* means black individuals who provide services of a professional nature.

**'Certified Learning Programme'**\* means any Learning Programme for which the Measured Entity has –

- (a) any form of independent written certification as referred to in the 'Learning Achievements' column of the Learning Programmes Matrix, or if it does not have such certification;
- (b) an enrolment certificate issued by the independent person responsible for the issue of certification referred to in statement 400 and 804 confirming the employee has –
  - (i) enrolled for, is attending and is making satisfactory progress in the Learning Programme; or
  - (ii) enrolled for but not attended the Learning; or
  - (iii) attended the Training Programme but has failed an evaluation of their learning progress.

**'Charter Council'** means a council established in terms of code 000, statement 010 to fulfil the functions set out in annex 010-A.

**'CA profession'** means

- anyone who holds or is working towards obtaining the CA(SA) designation inside and outside of public practice,
- those persons employed by an accredited CA(SA) education provider who are directly involved in providing such education,
- the South African Institute of Chartered Accountants with which holders of the designation CA(SA) are registered, and
- organisations registered and practising as CAs(SA) and/or RAs and affiliated entities of all such organisations (to be known as the CA sector for purposes of this Charter) and people employed by such organisations.

**'Charter scorecard'** means the scorecard for the measurement of broad-based B-BBEE in terms of this Charter.

**'Companies Act'**\* means the Companies Act 61 of 1973, as amended or substituted.

**'Company Limited by Guarantee'**\* means a company as referred to in section 19(1)(b) of the Companies Act.

**'Competent Person'**\* means a person who has acquired through training, qualification and experience the knowledge and skills necessary for undertaking any task assigned to them under the codes.

**'Core Skills'**\* mean skills that are –

- (a) value-adding to the activities of the Measured Entity in line with its core business;
- (b) in areas the Measured Entity cannot outsource; or
- (c) within the production / operational part of the Measured Entity's value chain, as opposed to the supply side, services or downstream operations.

**'Critical Skills'**\* mean those skills to be identified by any SETA.

**'Disabled Employees'**\* has the meaning defined in the Code of Good Practice on Key Aspects of Disability in the Workplace issued under section 54 of the Employment Equity Act.

**'dti'** means the Department of Trade and Industry.

**'EAP'**\* means Economically Active Population as determined and published by Stats SA. The operative EAP for the purposes of any calculation under the Codes will be the most recently published EAP.

**'Economic Interest'**\* means a claim against an Entity representing a return on ownership of the Entity similar in nature to a dividend right, measured in accordance with the Flow-Through and Modified Flow-Through Principles.

**'EE Act'**\* means the Employment Equity Act of 1998, as amended.

**'EE Regulations'**\* mean the regulations under the Employment Equity Act.

**'Elements'**\* mean the measurable quantitative or qualitative elements of B-BBEE compliance in the generic Scorecard and the Primary Codes.

**'Employee'**\* bears the meaning as defined in the Labour Relations Act 66 of 1995, as amended.

**'Employee Ownership Scheme'**\* means a worker or employee scheme.

**'Employment equity'** means, in terms of the Employment Equity Act, 1998, that its purpose is to achieve equality in the workplace by –

- promoting equal opportunity and fair treatment in employment through the elimination of unfair discrimination; and
- Implementing affirmative action measures to redress the disadvantages in employment experienced by black designated groups, in order to ensure their equitable representation in all occupational categories and levels in the workforce.

**'Entity'**\* means a natural or juristic person conducting a business, trade or profession in the Republic of South Africa.

**'Entrepreneur'**\* means a person who starts and / or operates a business which includes identifying opportunities in the market, taking risks with a view of being rewarded with profits.

**'Enterprise Development Contributions'**\* mean monetary or non-monetary contributions carried out for the following beneficiaries, with the objective of contributing to the development, sustainability and financial and operational independence of those beneficiaries.

- (a) Category A Enterprise Development Contributions involve enterprise Development Contributions to Exempted Micro Enterprises or Qualifying Small Enterprises which are 50% black owned or black woman owned; and
- (b) Category B Enterprise Development Contributions involve enterprise Development Contributions to any other Entity that is 50% black owned or black woman owned or 25% black owned or black woman owned with a B-BBEE Status of between Level One and Level Six.

**'Equity Instrument'**\* means the instrument by which a Participant holds rights of ownership in an enterprise.

**'Executive committee'** means, for purposes of direct empowerment in the CA profession, the committee responsible for the design and / or implementation of strategy and the executive or operational management of the organisation.

**'Executive Members of the Board'**\* mean those members of the Board who are executive directors as defined in the King Report.

**'Exempted Micro Enterprise'** means an Entity with an annual turnover of less than R5 million.

**'Exercisable Voting Right'**\* means a voting right of a participant that is not subject to any limit.

**'GAAP'** means either International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board, or Standards of Generally Accepted Accounting

Practice (SA GAAP) codified by the Accounting Practices Board and issued by the South African Institute of Chartered Accountants, whichever is applicable to the entity.

**'Global Practice'**\* means a globally and uniformly applied practice of a Multinational, restricting alienation of equity in or the sale of businesses in its regional operations. The practice must have existed before the promulgation of the Act.

**'Grant Contribution'**\* means the monetary value of Qualifying Contributions made by the Measured Entity to a beneficiary in the form of grants, donations, discounts and other similar quantifiable benefits which are not recoverable by the Measured Entity.

**'Higher Education Institution'**\* means a Higher Education Institution as defined under the Higher Education Act of 1997.

**'Inception Date'**\* means a date specified by a Measured Entity as being the date from which its Contributions are measurable before the commencement date of statements 600, 700, 806 and 807.

**'Independent Non-Executive Board Members'**\* mean those members of the Board that are independent directors as defined in the King Report.

**'Independent Regulatory Board for Auditors'** means the Independent Regulatory Board for Auditors established in terms of section 3 of the AP Act, 2005.

**'King Report'**\* means the King Report on Corporate Governance for South Africa 2002 authored by the King Committee on Corporate Governance of the Institute of Directors in Southern Africa.

**'Learning Programmes'**\* mean any Learning Programmes set out in the Learning Programmes Matrix.

**'Learning Programmes Matrix'**\* means the Learning Programmes Matrix annexed as Annexure 400A 804(A) in statement 400 and 804.

**'Leviable Amount'**\* bears the meaning as defined in the Skills Development Levies Act of 1999 as determined using the Fourth Schedule of the Income Tax Act.

**'Management'** typically means those persons who would form the governing body, executive committee or others who take responsibility for managing and implementing significant parts of the strategy. Such other persons would include representatives whose main task consist of –

- determining and formulating policy and strategic planning; or
- operational implementation which includes the planning, directing and coordination of the policies and activities of the enterprise.

Management, in terms of the definitions to the AP Act, 2005, in relation to an entity which is a company, means the board of directors of the company and, in relation to any other entity, means the body or individual responsible for the management of the business of the entity.

In terms of code series 200, statement 200, management\* includes

- Senior Top Management, such as the chief executive officer, the chief operating officer, the chief financial officer and other people holding similar positions; and
- Other Top Management, such as the chief information officer, the heads of marketing, sales public relations, transformation and human resources as well as other people holding similar positions.



**'Management Fees'**\* mean the total Economic Interest received by a Broad-Based Ownership Scheme in any year less the amounts distributed or applied to beneficiaries and the amounts reserved for future distribution or application.

**'Measured Entity'**\* means any Entity as well as any organ of state or public entity subject to measurement under the Codes.

**'50% black owned'**\* means an Entity in which –

- (a) black people hold more than 50% of the Exercisable Voting Rights as determined under Code series 100;
- (b) black people hold more than 50% of the economic interest as determined under Code series 100; and
- (c) has earned all the points for Net Value under statement 100.

**'50% black woman owned'**\* means an Entity in which –

- (a) black women hold more than 50% of the Exercisable Voting Rights as determined under Code series 100;
- (b) black women hold more than 50% of the Economic Interest as determined under Code series 100; and
- (c) has earned all the points for Net Value under statement 100.

**'30% black owned'**\* means an Entity in which –

- (a) black women hold more than 30% of the Exercisable Voting Rights as determined under Code series 100;
- (b) black women hold more than 30% of the Economic Interest as determined under Code series 100; and
- (c) has earned all the points for Net Value under statement 100.

**'Multinational Business'**\* means a Measured Entity with a business in the Republic of South Africa and elsewhere which maintains its international headquarters outside the Republic.

**'National Skills Development Strategy'**\* means the National Skills Development Strategy referred to in section 5(1)(a)(ii) of the Skills Development *Its mission is to contribute to sustainable development of skills growth, development and equity of skills development institutions by aligning their work and resources to the skills needs for effective delivery and implementation.*

**'Net Profit After Tax'**\* means the operating profit of a Measured Entity after tax. It incorporates both the equity / loss figures and abnormal items, but excludes extraordinary items as determined by Generally Accepted Accounting Practices (GAAP) (see the definition of GAAP).

**'Net Profit Before Tax'**\* means the operating profit of a Measured Entity before tax. It incorporates both the equity / loss figures and abnormal items, but excludes extraordinary items as determined by Generally Accepted Accounting Practices (GAAP).

**'Net Value'**\* means the percentage resulting from the formula in Annexe 100(C) of statement 100.

**'Non-profit Organisation'**\* means a non-profit organisation registered under the Non-profit Organisation Act of 1997.

**'Occupational levels'** mean the occupational levels specified in Form EEA9 gazetted as a regulation under the Employment Equity Act.

**'Outsourced Labour Expenditure'**\* means any expenditure incurred in –



- (a) procuring the services of or from a labour broker; and
- (b) procuring the services of any person who receives any remuneration or to whom any remuneration accrues because of any services rendered by such person to or on behalf of a labour broker.

**'Ownership Fulfilment'**\* has the same meaning as referred to in the ownership Scorecard in statement 100.

**'Participant'**\* means a natural person holding rights of ownership in a Measured Entity.

**'Partners/partnership'** means, in addition to partners of a duly constituted partnership, also the following:

- Sole practitioners, incorporated practices and, for the purpose of this document, affiliated entities.
- Sole practitioners, directors of incorporated entities and directors and individuals who are shareholders of affiliated entities.
- Persons in the employ of a partnership who, but for regulatory constraints, would have been partners and who are accorded the same equity interest and status as partners and enjoy rights and benefits commensurate with and equivalent to partners.

**'Population demographics'** mean, for the purpose of this document, the South African demographics in terms of race, gender and disability.

**'Priority Skills'**\* mean Core, Critical and Scarce Skills as well as any skills specifically identified –

- (a) in a Sector Skills Plan issued by the Department of Labour of the Republic of South Africa; and
- (b) by the Joint Initiative for Priority Skills Acquisition (JIPSA) established as part of the Accelerated and Shared Growth Initiative – South Africa (ASGISA).

**'Public accountant'** means any person who is engaged in public practice.

**'Public Benefit Organisation'**\* means an Entity as defined in section 30 of the Income Tax Act of 1962.

**'Public practice'** means the practice of a Registered Auditor who places professional services at the disposal of the public for reward, and 'practice' has a similar meaning.

**'QSE'**\* means a Qualifying Small Entity that qualifies for measurement under the Qualifying Small Enterprise Scorecard, with a turnover of between R5 and R35 million. 'Qualifying Enterprise Development Contributions' is a collective term describing Category A and B Enterprise Development Contributions and in particular Enterprise Development Contributions targeting black-owned EMEs and QSEs, and black youth in rural and underdeveloped areas in statement 600.

**'Realisation Points'**\* mean the Ownership Fulfilment point added to the Net Value points in the ownership Scorecard.

**'Registered Auditor'** means an individual or firm registered as an auditor with the Independent Regulatory Board for Auditors.

**'Related enterprise'** means an Entity controlled by a Measured Entity whether directly or indirectly controlled by the natural persons who have direct or indirect control over that Measured Entity or the immediate family of those natural persons.

**'Rights of Ownership'** is a collective term for the right to Economic Interest and the right to Exercisable Voting Rights.

**'Scarce Skills'** are those skills identified as being scarce by any SETA.

**'Section 21 company'**\* means an association not for gain incorporated under section 21 of the Companies Act.

**'Sector Code'** means a code in statement 003 which is applicable to a particular sector.

**'Sector Specific Programmes'** mean Sector Specific Programmes that are recognised on the bases set forth in the Sector Code governing them.

**'Senior Top Management'**\* means Employees of a Measured Entity who are

- (a) members of the occupation category of 'Top Management' as determined using the EE Regulations as qualified in a Sector Code;
- (b) appointed by or upon the authority of the Board to undertake the day-to-day management of that Measured Entity and who
  - (i) have individual responsibility for the overall management and for the financial management of that Measured Entity; and
  - (ii) actively involved in developing and implementing the Measured Entity's overall strategy.

**'Skills Development'** means, for purposes of this document, the following: While there is no definition in the Skills Development Act of 'skills development', *per se*, the Skills Development Act (Act 97 of 1998) was enacted to –

- provide an institutional framework to devise and implement national, sector and workplace strategies to develop and improve the skills of the South African workforce;
- integrate those strategies within the National Qualifications Framework contemplated in the South African Qualifications Act, 1995;
- provide for learnerships that lead to recognised occupational qualifications;
- provide for the financing of skills development by means of a levy-financing scheme and a National Skills Fund;
- provide for and regulate employment services; and
- provide for matters connected therewith.

**'Skills Development Act'**\* means the Skills Development Act of 1998.

**'Skills Development Expenditure'**\* comprises the money that a Measured Entity spends on skills development. It excludes the skills development levy payable by the Measured Entity under the Skills Development Levies Act.

**'Skills Development Levies Act'**\* means the Skills Development Levies Act of 1999.

**'Socio-economic Development Programmes'**\* commonly take the following forms:

- (a) development programmes for women, youth, people with disabilities, people living in rural areas;
- (b) support for healthcare and HIV/AIDS programmes;
- (c) support for education programmes, resources and materials at primary, secondary and tertiary education level, as well as bursaries and scholarships;
- (d) community training skills development for unemployed people and adult basic education and training; or
- (e) support for arts, cultural or sporting development programmes.

**'Standard Valuation Method'**\* means a Standard Valuation Method for an asset, an Economic Interest or any other instrument or right relevant to measurement under statement 100, undertaken using normal valuation methods that represent standard market practise.

**'Start-up Enterprise'**\* means a recently formed or incorporated Entity that has been in operation for less than one year. A start-up enterprise does not include any newly constituted enterprise which is merely a continuation of a pre-existing enterprise.

**'Strategy Document'**\* means the document entitled 'South Africa's Economic Transformation – A strategy for Broad-Based Black Economic Empowerment' published by the Department of Trade and Industry in March 2003, as amended or substituted in terms of section 11 of the Act.

**'Subsidiary'**\* has the meaning defined in section 1(3) of the Companies Act.

**'Superior Contributor to B-BBEE'**\* is a Level One to Level Four Contributor to B-BBEE.

**'Supplier'**\* means any supplier or service provider to a Measured Entity if any portion of the supply or service provision within the definition of Total Measured Procurement Spend.

**'Target'**\* means the targets for the various Elements in the Generic, QSE *and the CA sector* scorecard.

**'The Act'**\* means the Broad-Based Black Economic Empowerment Act, 2003 (Act 53 of 2003).

**'The Codes'**\* mean the Codes of Good Practice including all the statements as issued in terms of section 9 of the Act.

**'The Generic Scorecard'**\* means the balanced B-BBEE scorecard as contained in statement 100.

**'The PFMA'**\* means the Public Finance Management Act, 1 of 1999, as amended.

**'The QSE Scorecard'**\* means the QSE scorecard referred to in statement 800.

**'Third Party Rights'**\* mean third party legal or commercial rights that restrict, withhold or defer any benefit associated with ownership of any Equity instrument. Third party rights include only those rights

- (a) created against a black Participant to secure, for a lender, repayment of a loan advanced to that Participant for financing their purchase of their equity instrument in the Measured Entity;
- (b) held against a juristic person or trust that is in the chain of ownership between the Measured Entity and that the eventual black Participant serving the same purpose mentioned in (a) above.

**'Top Manager'**\* means the employees of a Measured Entity who hold rights of ownership, serve on the Board, undertake the 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.

**'Total Labour Cost'**\* means the total amount of remuneration paid by an Entity to its employees determined using section 3(4) of the Skills Development Levies Act of 1999 and the Forth Schedule of the Income Tax Act of 1962.

**'Total Revenue'**\* means the total income of an Entity from its operations as determined under South African Generally Accepted Accounting Practice.

**'Training Inside Public Practice (TIPP)'** means training that takes place at a registered training office in public practice or the office of the Auditor-general that is approved and

registered with SAICA as an office where prospective Chartered Accountants may be trained.

**'Training Outside Public Practice (TOPP)'** means training that takes place at a training organisation in commerce and industry or public practice or the public sector that is approved and registered with SAICA as an office where prospective Chartered Accountants may be trained.

**'Transformational Charters'**\* means the sectoral transformation charters referred to in section 12 of the Act.

**'Turnover'** means the revenue of the entity which refers only to income that arises in the course of the ordinary activities of the entity and includes fees from rendering services and royalties.

**'Uncertified Learning Programme'**\* means any Learning Programme of the Measured Entity that is not a certified Learning Programme.

**'Value-adding Enterprise'**\* means an Entity registered as a vendor under the Value Added Tax of 1991, whose Net Profit Before Tax summed with its Total Labour Cost exceeds 25% of the value of its Total Revenue.

**'Voting Right'**\* means a Voting Right attaching to an Equity Instrument owned by or held for a Participant measured using the Flow Through Principle or the Control Principle.

**'Weighting'**\* means the Weightings applied to various Elements in the Generic Scorecard.

**'Workplace Skills Plan'**\* means the plan of a Measured Entity approved by the relevant SETA.

## APPENDIX 2 LIST OF ABBREVIATIONS

ABASA	Association for the Advancement of Black Accountants of Southern Africa
ABET	Adult Basic Education and Training
ACCA	Association of Chartered Certified Accountants
AP Act	Auditing Profession Act, 2005 (Act 26 of 2005)
AWCA	African Women Chartered Accountants
B-BBEE	Broad-Based Black Economic Empowerment
BEE	Black Economic Empowerment. This usually refers to B-BBEE
BMA	Board of Municipal Accountants
CA(SA)	Chartered Accountant (South Africa)
CIMA	Chartered Institute of Management Accountants
dti	Department of Trade and Industry
EAP	Economically Active Population
EBITDA	Earnings before interest, tax, depreciation and amortisation
EME	Exempted Micro Enterprise
FASSET	Financial, accounting and services sector SETA
IAC	Institute of Administration and Commerce
IASA	Institute of Internal Auditors South Africa
ICB	Institute of Certified Bookkeepers
ICSA	Institute of Chartered Secretaries and Administrators
IMFO	Institute of Municipal Finance Officers
IPFA	Institute for Public Finance and Auditing
IRBA	Independent Regulatory Board for Auditors
NPAT	Net Profit after Tax
PPE	Public Practice Exam
QE	Qualifying Examination
QSE	Qualifying Small Enterprises
RA	Registered Auditor
SAIBA	South African Institute of Business Accountants
SAICA	South African Institute of Chartered Accountants
SAIGA	South African Institute of Government Auditors
SANAS	South African National Accreditation Agency
SED	Socio-economic development
SMME	Small, medium and micro enterprises
TIPP	Training Inside Public Practice
TOPP	Training Outside Public Practice



### APPENDIX 3 LIST OF MAJOR STAKEHOLDERS IN THE BEE NEGOTIATION CHARTER FORUM

STAKEHOLDERS	REPRESENTATIVE/S	E-MAIL	CONTACT DETAILS	
Chairman	Ignatius Sehoole	<a href="mailto:ignatiuss@saica.co.za">ignatiuss@saica.co.za</a>	(011) 621 6622	PO Box 783347, Sandton, 2146
Vice-Chairman	Tsakani Matshazi	<a href="mailto:tsakani@izingwe.com">tsakani@izingwe.com</a>	(011) 784 3886	
ABASA	Avhashoni Ramikosi	<a href="mailto:Avhashoni.Ramikosi@standardbank.co.za">Avhashoni.Ramikosi@standardbank.co.za</a>	(011) 636 5545	PO Box 61344, Marshalltown, 2107
IRBA	Kariem Hoosain	<a href="mailto:khoosain@irba.co.za">khoosain@irba.co.za</a>	(011) 622 8533	PO Box 751595, Gardenview , 2047
SAICA	Philip Hourquebie	<a href="mailto:Philip.hourquebie@za.ey.com">Philip.hourquebie@za.ey.com</a>	(011) 772 3004	PO Box 2322, Johannesburg, 2000
Auditor-General	Pramesh Bhana	<a href="mailto:pramesh.bhana@agsa.co.za">pramesh.bhana@agsa.co.za</a>	(012) 428 8261	PO Box 446, Pretoria, 0001
Financial Services Board	Dawood Seedat	<a href="mailto:dawoods@fsb.co.za">dawoods@fsb.co.za</a>	(012) 428 8112	PO Box 35655, Menlo Park, 0102
Big four firms				
• Deloitte	Trevor Brown	<a href="mailto:trevbrown@deloitte.co.za">trevbrown@deloitte.co.za</a>	(011) 806 5164	Private Bag X6, Gallo Manor , 2052
• Ernst & Young	Sindi Koyana	<a href="mailto:sindi.koyana@za.ey.com">sindi.koyana@za.ey.com</a>	(011) 772 3368	PO Box 656, Cape Town, 8000
• KPMG Inc	Moses Kgosana	<a href="mailto:Moses.Kgosana@kpmg.co.za">Moses.Kgosana@kpmg.co.za</a>	(011) 647 7111	PO Box 2322, Johannesburg, 2000
• PwC Inc	Stanley Subramoney	<a href="mailto:Stanley.subramoney@za.pwc.com">Stanley.subramoney@za.pwc.com</a>	(011) 797 4000	Private Bag 9, Parkview , 2122
	<b>Alternate</b> Funeka Ntombela	<a href="mailto:Funeka.Ntombela@za.pwc.com">Funeka.Ntombela@za.pwc.com</a>		Private Bag X36, Sunninghill, 2157

**APPENDIX 3 LIST OF MAJOR STAKEHOLDERS (cont.)**

STAKEHOLDERS	REPRESENTATIVE/S	E-MAIL	CONTACT DETAILS	
Medium size firms <ul style="list-style-type: none"> <li>• BDO Spencer Steward</li> <li>• PKF</li> <li>• Grant Thornton</li> <li>• Horwath Leveton Boner</li> <li>• Moores Rowland</li> <li>• Nexia Levitt Kirson</li> <li>• RSM Betty &amp; Dickson</li> </ul>	Leonard Brehm Brian Eaton <b>Alternate</b> John Spencer	<a href="mailto:lbrehm@gt.co.za">lbrehm@gt.co.za</a> <a href="mailto:brian@rsmbettyanddickson.co.za">brian@rsmbettyanddickson.co.za</a>  <a href="mailto:ispencer@bdo.co.za">ispencer@bdo.co.za</a>	(011) 322 4565 (011) 329 6000  (011) 643 7271	Private Bag X28, Benmore, 2010 PO Box 1734, Randburg, 2125 P O Box 8813, Johannesburg, 2000
Black Firms Forum <ul style="list-style-type: none"> <li>• Gobodo Inc</li> <li>• Ngubane &amp; Co</li> <li>• Sithole Inc</li> <li>• SAB &amp; T</li> <li>• Sizwe Ntsaluba VSP</li> <li>• Xabiso Chartered Accountants</li> </ul>	Sathie Gounden Wilfred Ngubane  Stefaan Sithole  Lily Zondo Victor Sekese Nondumiso Medupe <b>Alternate</b> Lindani Dhlamini	<a href="mailto:gounden@gobodo.co.za">gounden@gobodo.co.za</a> <a href="mailto:ngubanew@ngubane.co.za">ngubanew@ngubane.co.za</a>  <a href="mailto:stefaans@sitholesa.co.za">stefaans@sitholesa.co.za</a>  <a href="mailto:lily@sab-t.co.za">lily@sab-t.co.za</a> <a href="mailto:victors@sizwentsaluba.co.za">victors@sizwentsaluba.co.za</a> <a href="mailto:ndumi@xabiso.co.za">ndumi@xabiso.co.za</a>  <a href="mailto:lindani@xabiso.co.za">lindani@xabiso.co.za</a>	(011) 358 5000 (031) 307 4794  (011) 643 3802  (012) 665 0950 (011) 231 0600 (011) 805 91 00  082 419 1491	P O Box 87452, Houghton, 2041 P O Box 8468, Halfway House, 1685 P O Box 3327, Houghton, 2041  P O Box 10512, Centurion, 0046 P O Box 2939, Saxonwold, 2132 P O Box 2439, Halfway House, 1685
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Commerce & industry	Ewald Muller <b>Alternate</b> Greg Field Miles Sinclair	<a href="mailto:ewaldm@icon.co.za">ewaldm@icon.co.za</a>  <a href="mailto:greg.field@bmw.co.za">greg.field@bmw.co.za</a> <a href="mailto:myles@twoinc.co.za">myles@twoinc.co.za</a>	083 255 9595  (012) 522 2262	P O Box 2866 Parklands 2121 P O Box 2955, Pretoria, 0001

### APPENDIX 3 LIST OF MAJOR STAKEHOLDERS (cont.)

STAKEHOLDERS	REPRESENTATIVE/S	E-MAIL	CONTACT DETAILS	
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Fasset	Cheryl James	<a href="mailto:Cheryl.james@fasset.org.za">Cheryl.james@fasset.org.za</a>	(011) 476 8570	P O Box 6801, Cresta, 2118
National Treasury	Freeman Nomvalo <b>Alternate</b> Msulwa Daca	<a href="mailto:Freeman.nomvalo@treasury.gov.za">Freeman.nomvalo@treasury.gov.za</a> <a href="mailto:Msulwa.daca@treasury.gov.za">Msulwa.daca@treasury.gov.za</a>	(012) 315 5417	Private Bag X1115, Pretoria, 0001
Trainees • Gauteng • PE  • Durban • Western Cape	Mava Dada Deanne Lo Ning  <b>Alternate</b> Leanne Marshbank Reyna Chetty Carmen Dell <b>Alternate</b> Eleanor Reinecke	<a href="mailto:Mava.Dada@kpmg.co.za">Mava.Dada@kpmg.co.za</a> <a href="mailto:deanne.loning@pe.mr.co.za">deanne.loning@pe.mr.co.za</a>  <a href="mailto:lmashbank@deloitte.co.za">lmashbank@deloitte.co.za</a> <a href="mailto:rchetty@qtdbn.co.za">rchetty@qtdbn.co.za</a> <a href="mailto:CDell@deloitte.co.za">CDell@deloitte.co.za</a>  <a href="mailto:Eleanor@ct.mr.co.za">Eleanor@ct.mr.co.za</a>	(011) 800 4688 (041) 501 9700  (041) 396 9444 (031) 576 5570 (021) 670 1500  084 514 6778	Private Bag 9, Parkview, 2122 PO Box 285, Port Elizabeth, 6000  PO Box 752, Durban, 4000 PO Box 578, Cape Town, 8000  PO Box 2817, Cape Town, 8000
AWCA (African Women CAs)	Melanie Elephant <b>Alternate</b> Lesego Sennelo	<a href="mailto:secretarial@awca.co.za">secretarial@awca.co.za</a>	(011) 772 5301	Private Bag X14, Northlands, 2116
Student Chapter of ABASA	Awaiting a nomination			

## APPENDIX 4 STATISTICS AND PIPELINE INFORMATION

### Introduction

This section includes both the national population demographic statistics and the membership demographic statistics as at 31 December 2006. The ultimate objective for the CA profession is to ensure firstly that there is membership growth through representativity both in terms of race and gender and secondly that growth in the membership numbers continues.

In order to achieve this, the CA profession will need to ensure that the pipeline, consisting of all aspiring CAs (that is, students in the system at both undergraduate and postgraduate levels and candidates presenting themselves for the Qualifying Examination) are representative of the demographics and achieve equal pass percentages. The same principle applies to the continuation into learnerships. To this end baseline statistics have been included which will form the start of the pipeline, and provide an objective basis for monitoring by the Charter Council.

### 1 Summary of the pipeline statistics

School*	Undergraduate	Postgraduate	QE	Trainees
<ul style="list-style-type: none"> <li>1,6 million started school 12 years ago</li> </ul>	2006 1 <sup>st</sup> year – <u>10 621</u> A = 39% C = 7% I = 16% W = 31% O = 7%	2006 7 138 A = 27% C = 5% I = 19% W = 44% O = 5%	2006/2007 1 985 A = 16% C = 5% I = 16% W = 63%	2006 10 206 A = 20% C = 5% I = 15% W = 60%
<ul style="list-style-type: none"> <li>550k wrote matric</li> </ul>	2 <sup>nd</sup> year – <u>9 554</u> A = 32% C = 6% I = 18% W = 35% O = 9%			
<ul style="list-style-type: none"> <li>330k passed matric</li> </ul>	3 <sup>rd</sup> year – <u>5 424</u> A = 35% C = 7% I = 15% W = 43%			
<ul style="list-style-type: none"> <li>26k passed Maths HG</li> </ul>				
<ul style="list-style-type: none"> <li>2500 African children passed Maths HG</li> </ul>				
<ul style="list-style-type: none"> <li>700 African children got C and above for Maths HG</li> </ul>				
Pages 113-116	Pages 117-118	Page 119	Pages 120-121	Pages 122-127

\* This excludes results of the Independent Examining Board schools.

## 2 Population demographics

The population demographics of South Africa as per Statistics 2006 (obtained from [www.statssa.gov.za](http://www.statssa.gov.za)), are as follows:

Total population			As per Labour Force Survey, September 2006			
Population group	All ages		Total	% Representation		
African male	18 430	38,93%	37 638	79,50%	South African population by gender	
African female	19 208	40,57%			Male	49,20%
Coloured male	2 053	4,34%	4 197	8,86%	Female	50,80%
Coloured female	2 144	4,53%				
Asian male	581	1,23%	1 160	2,45%		
Asian female	579	1,22%				
White male	2 232	4,71%	4 351	9,19%		
White female	2 119	4,48%				
Total	47 346	100,00%	47 346	100,0 %		

## 3 Membership statistics

Current actual statistics on membership of SAICA as at March 2007, **excluding overseas members**, are as follows at the end of March 2007:

Population group			Total	% Representation		
African male	517	2,00%	804	3,10%	Male	76,13%
African female	287	1,11%			Female	23,87%
Coloured male	263	1,02%	462	1,78%		
Coloured female	199	0,77%				
Asian male	1 237	4,78%	1847	7,13%		
Asian female	610	2,36%				
White male	17 682	68,26%	22758	87,86%		
White female	5 076	19,60%				
Other male	20	0,08%	31	0,12%		
Other female	11	0,04%				
Total	25 902	100,00%	25902	100,00%		

## 4 School level statistics

With regard to the challenges section in the Charter, the pipeline starts at a school level.

The statistics from schools clearly shows that not enough African learners are taking Maths (HG), and this is a requirement for entry into the CA profession undergraduate programmes.

As a profession there needs to be interventions which will –

- (a) increase the number of learners taking Maths;
- (b) improve the quality of the passes in Maths; and
- (c) extend career promotion activities so as to identify talent, as this speaks to growth.



**School statistics and trends**

DEPARTMENT OF EDUCATION STATISTICS											
		Total	Candidate failures		Candidate passes						
					W/O endorsement		W endorsement		Total		
			No.	%	No.	%	No.	%	No.	%	
2001											
		449 332	172 126	38,3	209 499	46,6	67 707	15,1	277 206	61,7	
Male		202 191	73 562	36,4	97 090	48,0	31 539	15,6	128 629	63,6	
Female		247 141	98 564	39,9	112 409	45,5	36 168	14,6	148 577	60,1	
Maths HG	Male	18 163								19 504	
	Female	16 707									
	Total	34 870									
Maths SG	Male	104 327								78 181	Includes 5 880 HG conversions
	Female	124 748									
	Total	229 075									
2002											
		443 765	137 991	31,1	230 726	52,0	75 048	16,9	305 774	68,9	
Male		202 702	59 413	29,3	107 897	53,2	35 392	17,5	143 289	70,7	
Female		241 063	78 578	32,6	122 829	51,0	39 656	16,5	162 485	67,4	
Maths HG	Male	18 867								20 528	
	Female	16 598									
	Total	35 465									
Maths SG	Male	104 035								101 289	Includes 4 987 HG conversions
	Female	121 489									
	Total	225 524									

DEPARTMENT OF EDUCATION STATISTICS											
		Total	Candidate failures		Candidate passes						
					W/O endorsement		W endorsement		Total		
			No.	%	No.	%	No.	%	No.	%	
2003											
		440 096	117 604	26,7	240 482	54,6	82 010	18,6	322 492	73,3	
Male		201 335	50 335	24,9	112 003	55,6	39 124	19,4	161 127	75,1	
Female		238 761	67 396	28,2	128479	53,8	42 886	18,0	171 365	71,8	
Maths HG	Male	19 338								23 412	
	Female	16 618									
	Total	35 956									
Maths SG	Male	102 356								104 707	Includes 5 281 HG conversions
	Female	120 011									
	Total	222 367									
2004											
		467 890	137 173	29,3	245 600	52,5	85 117	18,2	330 717	70,7	
Male		214 866	60 086	28,0	114 091	53,1	40 689	18,9	154 780	72,0	
Female		253 024	77 987	30,5	131 509	52,0	44 428	17,6	175 937	69,5	
Maths HG	Male	21 819								24 143	
	Female	18 120									
	Total	39 939									
Maths SG	Male	108 668								109 664	Includes 5 943 HG conversions
	Female	127 487									
	Total	236 155									

DEPARTMENT OF EDUCATION STATISTICS										
		Total	Candidate failures		Candidate passes					
					W/O endorsement		W endorsement		Total	
			No.	%	No.	%	No.	%	No.	%
<b>2005</b>										
		508 181	160 997	31,7	260 653	51,3	86 531	17,0	347 184	68,3
<b>Male</b>		233 041	70 714	30,3	120 824	51,8	41 503	17,8	162 327	69,7
<b>Female</b>		275 140	90 283	32,8	139 829	50,8	45 028	16,4	184 857	67,2
<b>Maths HG</b>	<b>Male</b>	24 002								
	<b>Female</b>	20 051								
	<b>Total</b>	44 053							<b>26 383</b>	
<b>Maths SG</b>	<b>Male</b>	118 562								
	<b>Female</b>	140 537								
	<b>Total</b>	259 099							<b>112 279</b>	Includes 5 729 HG conversions

# 1 University pipeline statistics

## B COM ACCOUNTING (or equivalent) LEADING TO THE CTA - 3 year programme

Name of University:	Consolidated
Name of Programme:	B Com

### FIRST YEAR (enrolled for Fin Acc 1 - CA Stream).

	Enrolments			Withdrawn		No. students enrolled for & who wrote the final exam			Passes (ie achieved 50% or above)		Passed and meets the subminimum to proceed to Fin Acc 2			Throughput % Pass / no. enrolments		Throughput % Pass / No. candidates writing final exam		Throughput % Students with submin / no. students writing final exam		
	2006			2006		2006			2006		2006			2006		2006		2006		
	Male	Female	Total	Male	Female	Male	Female	Total	Male	Female	Male	Female	Total	Male	Female	Male	Female	Male	Female	Total
Non SA Citizens	423	301	724	73	24	350	277	627	258	201	233	186	419	81%	87%	74%	73%	87%	87%	87%
African (SA)	1949	2222	4171	323	349	1626	1673	3499	1014	1176	842	980	1822	82%	83%	82%	83%	82%	82%	82%
Coloured (SA)	301	442	743	52	73	248	368	616	183	242	141	186	327	81%	85%	73%	86%	87%	80%	83%
Indian (SA)	828	883	1711	33	66	795	817	1612	448	475	349	386	735	84%	84%	86%	86%	44%	47%	46%
White (SA)	1683	1589	3272	114	82	1569	1507	3076	1209	1185	980	983	1963	72%	75%	77%	79%	82%	85%	84%
Total	5184	5437	10621	585	594	4589	4843	9432	3112	3279	2645	2721	5266	80%	80%	88%	88%	85%	86%	86%

**SECOND YEAR (enrolled for Fin Acc 2 - CA Stream)**

Submin:																				
	Enrolments			Withdrawn		No. students enrolled for & who wrote the final exam			Passes (ie achieved 50% or above)		Passed and meets the subminimum to proceed to Fin Acc 3			Throughput % Pass / no. enrolments		Throughput % Pass / No. candidates writing final exam		Throughput % Sudents with submin / no. students writing final exam		
	2006			2006		2006			2006		2006			2006		2006		2006		
	Male	Female	Total	Male	Female	Male	Female	Total	Male	Female	Male	Female	Total	Male	Female	Male	Female	Male	Female	Total
Non SA Citizens	349	282	631	95	55	264	227	491	133	145	124	135	259	38%	61%	62%	64%	49%	59%	64%
African (SA)	1498	1642	3140	313	322	1185	1320	2505	562	698	448	555	1003	28%	43%	47%	53%	38%	42%	40%
Coloured (SA)	308	332	640	57	79	261	253	504	138	147	98	102	200	46%	44%	56%	58%	39%	40%	40%
Indian (SA)	819	948	1767	205	251	614	697	1311	318	347	231	289	520	38%	37%	62%	50%	36%	41%	40%
White (SA)	1671	1705	3376	278	273	1393	1432	2825	937	1027	694	803	1497	56%	60%	67%	72%	60%	56%	63%
Total	4845	4909	9754	948	880	3697	3929	7626	2088	2384	1695	1884	3479	45%	48%	56%	60%	43%	46%	46%

**THIRD YEAR (enrolled for Fin Acc 3 - CA stream)**

	Enrolments						Withdrawn			No. students enrolled for & who wrote the final exam			Passes (ie achieved 50% or above)		Passed Fin Acc 3 and meets the entrance requirements for CTA at YOUR university in 2007			Throughput % Pass / no. enrolments		Throughput % Pass / No. candidates writing final exam	
	2006						2006			2006			2006		2006			2006		2006	
	Male	Female	Total	Male	Female		Male	Female	Total	Male	Female	Total	Male	Female	Male	Female	Total	Male	Female	Male	Female
Non SA Citizens	206	190	396	7	1		199	189	388	134	126	260	55	54	109	55%	60%	67%	67%	67%	67%
African (SA)	970	996	1966	72	81		898	915	1813	336	429	765	157	237	394	35%	43%	37%	37%	47%	47%
Coloured (SA)	206	213	419	14	21		192	192	384	106	116	222	61	67	128	61%	64%	58%	58%	60%	60%
Indian (SA)	459	489	948	12	6		447	483	930	203	254	457	140	177	317	44%	52%	45%	45%	53%	53%
White (SA)	1353	1342	2695	53	38		1300	1304	2604	875	985	1860	448	490	938	65%	73%	67%	67%	76%	76%
Total	3194	3230	6424	158	147		3036	3053	6089	1654	1810	3464	861	1026	1887	62%	69%	64%	64%	62%	62%



## CTA OR EQUIVALENT

Name of university:

Name of programme:

	Enrolments			Withdrawn		No. students enrolled for & who wrote the final exam			Passes (i.e. eligible to write QE with CTA)		Throughput % Pass / no. enrolments		Throughput % Pass / No. candidates writing final exam	
	2006			2006		2006			2006		2006		2006	
	Male	Female	Total	Male	Female	Male	Female	Total	Male	Female	Male	Female	Male	Female
<b>Non SA Citizens</b>	140	151	291	38	24	102	127	229	29	40	21%	26%	28%	31%
<b>African (SA)</b>	992	986	1978	93	70	899	916	1815	134	166	14%	17%	15%	18%
<b>Coloured (SA)</b>	190	216	406	14	14	176	202	378	51	59	27%	27%	29%	29%
<b>Indian (SA)</b>	694	652	1346	73	47	621	605	1226	214	207	31%	32%	34%	34%
<b>White (SA)</b>	1615	1502	3117	199	122	1416	1380	2796	661	652	41%	43%	47%	47%
<b>Total</b>	3681	3507	7188	417	277	3214	3230	6444	1089	1124	30%	32%	34%	35%

## 6 QE pipeline statistics

The statistics for QE candidates for 2003, 2004 and 2005 in the pipeline with regard to Part 1 of the QE, the Public Practice Exam (PPE) and Financial Management Exam (FM) are as follows:

### Part 1 of the QE: All candidates

	Race	Total no. that entered	Total no. that passed		Pass %		Overall pass %
			Male	Female	Male	Female	
2004							
	Indian	747	140	121	18,7	16,2	35,0
	African	777	132	94	17,0	12,1	29,0
	Coloured	188	33	50	17,6	26,6	44,0
	White	2 145	690	523	32,2	24,4	57,0
	Total	3 857	995	788	25,8	20,4	46,2
2005							
	Indian	792	114	98	14,4	12,4	27,0
	African	928	130	116	14,0	12,5	27,0
	Coloured	189	42	38	22,2	20,1	43,0
	White	2 331	741	608	31,8	26,1	58,0
	Total	4 240	1 027	860	24,2	20,3	44,5
2006							
	Indian	846	126	111	29,0	27,0	28,0
	African	986	135	136	27,0	28,0	27,0
	Coloured	213	31	51	39,0	38,0	38,0
	White	2 254	625	569	51,0	56,0	53,0
	Total	4 299	917	867	41,0	42,0	41,0
2007							
	Indian	850	149	164	37,0	37,0	37,0
	African	951	142	150	30,0	32,0	31,0
	Coloured	226	45	55	47,0	42,0	44,0
	White	2 142	617	577	54,0	57,0	56,0
	Total	4 169	953	946	45,0	46,0	46,0

### Part 1 of the QE: First-time entrants

	African		Coloured		Comparative pass% for whites
	No.	Pass %	No.	Pass %	
2004	374	47%	70	57%	68%
2005	407	39%	85	60%	69%
2006	375	45%	112	54%	68%
2007	311	54%	107	70%	72%

From the above statistics it is clear that a worryingly small number of new entrants, both in the African and Coloured race groups, are entering the pipeline. There is a clear need for initiatives at school, under- and postgraduate levels to stimulate growth in real numbers.

**Public Practice Exam**

	Race	Total no. that entered	Total no. that passed		Pass %		Overall pass %
			Male	Female	Male	Female	
2004							
	Indian	355	118	105	33,2	29,6	62,8
	African	264	90	56	34,1	21,2	55,3
	Coloured	126	40	44	31,7	35,0	66,7
	White	1 663	689	533	41,4	32,1	73,5
		2 408					
2005							
	Indian	336	118	104	35,1	31,0	66,1
	African	292	76	60	26,0	20,5	46,5
	Coloured	119	28	40	23,5	33,6	57,1
	White	1 584	596	453	37,6	28,6	66,2
		2 331					
2006							
	Indian	304	127	108	73,0	83,0	77,0
	African	387	44	93	53,0	54,0	53,0
	Coloured	115	40	36	64,0	68,0	66,0
	White	1 645	673	553	72,0	78,0	75,0
		2 451					

**Financial Management exam**

	Race	Total no. that entered	Total no. that passed		Pass %		Overall pass %
			Male	Female	Male	Female	
2004							
	Indian	14	7	3	50,0	21,4	71,4
	African	33	11	3	33,3	9,1	42,4
	Coloured	2	1	0	50,0	0	50,0
	White	38	14	19	36,8	50,0	86,8
		87					
2005							
	Indian	18	8	4	44,4	22,2	66,6
	African	49	10	7	20,4	14,3	34,7
	Coloured	3	1	2	33,3	66,7	100,0
	White	53	18	18	34,0	34,0	68,0
		123					
2006							
	Indian	14	5	2	56,0	40,0	50,0
	African	56	8	3	28,0	11,0	20,0
	Coloured	5	1	2	100,0	50,0	60,0
	White	49	21	9	70,0	47,0	61,0
		124					

## Trainee statistics

### 7.1 Total annual number of trainees

TIPP	African		Coloured		Indian		White		Unknown		Total		Total	Female %	A%	Black %
TRAINEES	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male				
2004	644	745	178	168	670	724	2998	3596	42	45	4532	5278	9810	46%	14%	33%
2005	791	851	230	201	688	699	2766	3110	18	31	4493	4892	9385	48%	17%	37%
2006	971	1004	301	217	719	756	2767	3152	16	14	4774	5143	9917	48%	20%	40%
TOPP	African		Coloured		Indian		White		Unknown		Total		Total	Female %	A%	Black %
TRAINEES	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male				
2004	44	76	13	3	26	35	67	69	NIL	NIL	150	183	333	45%	36%	59%
2005	42	71	6	5	19	26	56	51	NIL	NIL	123	153	276	45%	41%	61%
2006	54	67	7	10	20	26	51	54	NIL	NIL	132	157	289	46%	42%	64%

## 7.2 New annual registrations

### 7.2.1 TIPP new training contract registrations for 2004, 2005 and 2006

TIPP	2004		Total	F %	A %	Black %
	Female	Male				
African	251	255	506	50%	17%	38%
Indian	244	224	468	52%		
Coloured	77	62	139	55%		
Other	3	3	6	50%		
White	852	971	1823	47%		
<b>Total</b>	<b>1427</b>	<b>1515</b>	<b>2942</b>	<b>49%</b>		

TIPP	2005		Total	F %	A %	Black %
	Female	Male				
African						
Indian	342	337	679	50%	21%	41%
Coloured	233	233	466	50%		
Other	95	79	174	55%		
White	2	3	5	50%		
<b>Total</b>	<b>899</b>	<b>987</b>	<b>1886</b>	<b>48%</b>		
	<b>1571</b>	<b>1639</b>	<b>3210</b>	<b>49%</b>		

TIPP	2006		Total	F %	A %	Black %
	Female	Male				
African						
Indian	445	410	855	52%	23%	61%
Coloured	267	282	549	49%		
Other	139	83	222	63%		
White	8	6	14	57%		
<b>Total</b>	<b>949</b>	<b>1078</b>	<b>2027</b>	<b>47%</b>		
	<b>1808</b>	<b>1859</b>	<b>3667</b>	<b>49%</b>		



7.2.2 TOPP new training contract registrations for 2004, 2005 and 2006

TOPP	2004		Total	F %	A %	Black %
	Female	Male				
African	23	35	58	40%	38%	65%
Indian	11	17	28	39%		
Coloured	6	6	12	50%		
Other	0	0	-	-		
White	26	27	53	49%		
<b>TOTAL</b>	<b>66</b>	<b>85</b>	<b>151</b>	<b>44%</b>		

TOPP	2005		Total	F %	A %	Black %
	Female	Male				
African	31	35	66	47%	51%	73%
Indian	10	10	20	50%		
Coloured	3	5	8	38%		
Other	0	0	-	-		
White	14	21	35	40%		
<b>TOTAL</b>	<b>58</b>	<b>71</b>	<b>129</b>	<b>45%</b>		

TOPP	2006		Total	F %	A %	Black %
	Female	Male				
African	24	33	57	42%	44%	65%
Indian	8	11	19	47%		
Coloured	4	7	11	36%		
Other	0	0	-	-		
White	17	27	44	37%		
<b>TOTAL</b>	<b>53</b>	<b>78</b>	<b>131</b>	<b>40%</b>		

## Major reasons for TIPP/TOPP contract cancellations

### 7.3.1 2004 TOPP cancellations

MAJOR REASONS	Indian		African		Coloured		Other		White		Total
	F	M	F	M	F	M	F	M	F	M	
Career change	1	1	2	5		1			2	2	14
Academic progress rule			4								4
Change in personal circumstances			1	2					2	1	6
<b>Totals</b>	<b>1</b>	<b>1</b>	<b>7</b>	<b>7</b>		<b>1</b>			<b>4</b>	<b>3</b>	<b>24</b>

### 2004 TIPP cancellations

MAJOR REASONS	Indian		African		Coloured		Other		White		Total
	F	M	F	M	F	M	F	M	F	M	
Career change	7	6	8	15	2	2	1		60	73	174
Academic progress rule	3	3	6	8			1		15	13	49
Change in personal circumstances	1	2		7	1	2			20	10	43
Full time study	4		1	6	3		1		7	9	31
<b>Totals</b>	<b>15</b>	<b>11</b>	<b>15</b>	<b>36</b>	<b>6</b>	<b>4</b>	<b>3</b>		<b>102</b>	<b>105</b>	<b>297</b>

### 2005 TOPP cancellations

MAJOR REASONS	Indian		African		Coloured		Other		White		Total
	F	M	F	M	F	M	F	M	F	M	
Career change			1	2		1			2		6
Academic progress rule	2	1	2	3							8
SAICA decision not to allow transfer	2		1							2	5
<b>Totals</b>	<b>4</b>	<b>1</b>	<b>4</b>	<b>5</b>	<b>0</b>	<b>1</b>	<b>0</b>		<b>2</b>	<b>2</b>	<b>19</b>

**Major reasons for TIPP/TOPP contract cancellations (cont.)**

**2005 TIPP cancellations**

MAJOR REASONS	Indian		African		Coloured		Other		White		Total
	F	M	F	M	F	M	F	M	F	M	
Career change	6	8	17	9	6	3		1	62	65	177
Academic progress rule	2	2	5	6	1	6			14	12	48
Change in personal circumstances	4	2	3	6	1	5			27	12	60
Full time study	2	1	7	5		2			9	15	41
<b>Totals</b>	<b>14</b>	<b>13</b>	<b>32</b>	<b>26</b>	<b>8</b>	<b>16</b>		<b>1</b>	<b>112</b>	<b>104</b>	<b>326</b>

**2006 TOPP cancellations**

MAJOR REASONS	Indian		African		Coloured		Other		White		Total
	F	M	F	M	F	M	F	M	F	M	
Career change		1								1	2
Academic progress rule		1	1	1		1					4
Full time study	1								1		2
<b>Totals</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>1</b>		<b>1</b>			<b>1</b>	<b>1</b>	<b>8</b>

**2006 TIPP cancellations**

MAJOR REASONS	Indian		African		Coloured		Other		White		Total
	F	M	F	M	F	M	F	M	F	M	
Career change	6	9	13	13	3	7			55	57	163
Academic progress rule	3	3	4	7	1	1			6	10	35
Change in personal circumstances	4	1	5	6	2	3			22	11	54
Full time study	5	3	2	5	2	1			8	15	41
Resigned	1	2	12	7					6	12	40
<b>Totals</b>	<b>19</b>	<b>18</b>	<b>36</b>	<b>38</b>	<b>8</b>	<b>12</b>		<b>0</b>	<b>97</b>	<b>105</b>	<b>333</b>

7.3.2 TIPP major reasons for cancellation for 2004, 2005 and 2006 (consolidated)

TIPP	Career		Academic		Personal		Full time		Resigned	
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
African	38	37	15	21	8	19	10	16	12	7
Indian	19	23	8	8	9	5	11	4	1	2
Coloured	11	12	2	7	4	10	5	3	0	0
Other	1	1	1	0	0	0	1	0	0	0
White	177	195	35	35	69	33	24	39	6	12
Total	246	268	61	71	90	67	51	62	19	21

TOPP	Career		Academic		Personal		Full time		Topp to tipp	
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
African	3	7	7	4	1	2	0	0	1	0
Indian	1	2	2	2	0	0	1	0	2	0
Coloured	0	2	0	1	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
White	4	3	0	0	0	0	1	0	0	2
Total	8	14	9	7	1	2	2	0	3	2