

THE CHARTERED ACCOUNTANCY PROFESSION SECTOR CODE

Reviewed 2014

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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 BEE*.)

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.

Globally, Human Resource Development is increasingly recognised as a key driver of socio-economic growth. In its 2013 Human Development Report, the United Nations Development Programme (UNDP) notes that all surveyed countries have, over the past decade, fast-tracked their education, health and income scopes as measured by the UNDP Human Development Index (HDI).

The UNDP notes a significant shift in global dynamics, with the rise of a number of developing countries such as China, Brazil, Mexico and South Africa. According to the 2012 HDI, South Africa is listed 121st among the almost 300 countries surveyed.

However, the global economy is still under strain, with economies in countries such as Greece and Spain on the verge of collapse. A report by the World Bank forecast that South Africa's economy is likely to grow by only 2,5% in 2013, 3,2% in 2014 and 3,3% in 2015. However, from the current situation it is clear that these predictions will not materialise, for none of the growth targets have been achieved. As a result, South Africa is currently a country with one of the highest unemployment rates in the world.

According to the African Development Bank (AfDB), this slow growth rate puts South Africa in the continent's ten slowest growing economies for 2013, along with countries such as Madagascar and Sudan. The AfDB attributes the country's economic growth challenges to the high level of inequality which still persists.

According to Statistics South Africa (Stats SA), employment increased by 100 000 between the first and second quarters of 2013. However, unemployment increased to 122 000, which resulted in the overall unemployment rate increasing from 25,2% to 25,6%.

Stats SA further reports that 97,3% of graduates are employed in the formal sector, compared to 52,9% of individuals with an education level lower than Grade 12. Simply put – graduates are more likely to be employed in the formal sector. Furthermore –

- one in every two unemployed South Africans does not have a matric;
- the youth (15–34) constitutes 71% of the unemployed;

- 82,6% of the labour supply has no tertiary education;
- six in every ten unemployed have less than a secondary level of education; and
- 4% of African people have attained higher education compared to 37% of White people.

It is clear therefore that Human Resource Development plays a critical role in socio-economic development, and key to this is education.

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 Sector Code:

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 Sector Code is broad-based black economic empowerment (B-BBEE) for the CA profession and sector. Employers and education institutions are only included in the scope of the Sector Code to the extent that they employ SAICA trainees and members of SAICA or offer accredited SAICA education and training programmes leading to the designation CA(SA).

While the Sector Code'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 Sector Code.

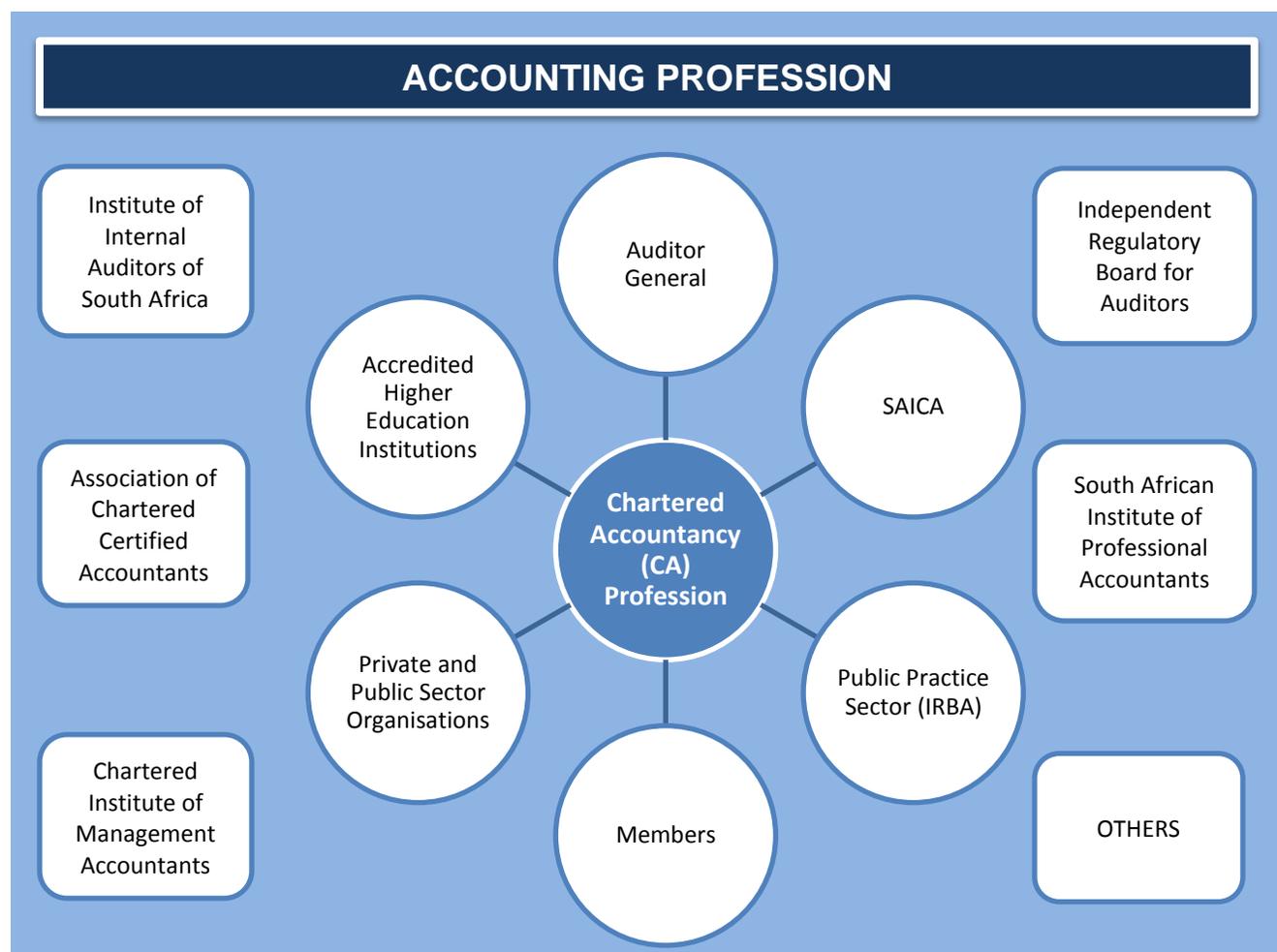
3.1 INTRODUCTION

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); organisations in public practice offering training; organisations in commerce and industry as well as government and parastatal organisations also offering training to the extent necessary to obtain the CA(SA) designation; academic institutions offering under- and postgraduate education aimed at qualifications necessary for the CA(SA) designation; and SAICA the institution, to the extent necessary to obtain the CA(SA) designation. 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 sector depicted in figure 1 (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 sectors include organisations and institutes in the Accountancy profession such as the following:

- AAT(SA) (Association of Accounting Technicians – South Africa)
- ABASA (Association for the Advancement of Black Accountants of Southern Africa)
- AWCA (African Women Chartered Accountancy Forum)
- BCAP (Black Chartered Accountant Practitioners)
- 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 Sector Code is the CA profession only. In developing a Sector Code (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(SA) in South Africa.

Chartered Accountants are trained in commerce and industry, government and parastatal organisations and in public practice. Unlike other industry Sector Codes, this Sector Code 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 Sector Code.

An important development that could have an impact on the CA Charter is the imminent regulation of accountants. While regulation exists for the auditing profession, none exists for professional accountancy organisations. The World Bank Report on the Observance of Standards and Codes (ROSC), which recommendations have been adopted by the Minister of Finance, proposes legislation which should provide the mandate for the creation of an institution (regulatory body) that would be responsible for –

- defining and categorising the education and training (frameworks) requirements for different accountancy services (e.g. audit, independent review, accounting officers, bookkeepers) and aligning the professional accountancy organisations' (PAOs) qualifications to these respective categories;
- accrediting, registering, monitoring, and sanctioning the PAOs;
- creating awareness of the qualifications of all accredited PAOs among employers, tertiary institutions, students and the public; and
- supporting and strengthening the PAOs, an action that would assist in designing a consolidated plan to develop more accountants to meet the existing demand. Such qualified accountants would contribute to the growth of the expanding economy.

These developments are expected to be implemented in the two to three years following the publication of the amended CA Charter in the *Government Gazette*.

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 Sector Code as the CA sector, in the Republic of South Africa.

In terms of the AP Act a 'firm' means a Registered Auditor, also known as 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(SA) is that prospective members need to undergo a learnership at an approved training organisation in public practice.

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, 2008 (Act 71 of 2008) 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 public practice sector consists of the large firms, and numerous small and medium size firms.

As part of the determination process the IRBA adopts an accreditation model whereby the IRBA recognises the qualifications 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 Sector Code or have agreed to adopt the CA profession Sector Code for B-BBEE purposes.

The direct link between the CA profession and the IRBA is based on the fact that SAICA is accredited by the regulatory body for audit and the public practice firms serve as a training ground for future CAs(SA).

Currently aspiring auditors sit for the Public Practice Examination but the last sitting will be in November 2014 for candidates who are repeating. From 2014, all first-time candidates wishing to write the final assessment for qualification as a CA(SA) will be required to write the Assessment of Professional Competence of SAICA. The Assessment of Professional Competence, which replaces the two separate specialist exams of auditing and financial management, focuses on the strategic and managerial aspects of the broader accountancy discipline. The primary objective is to assess the professional competence developed during the education and training programmes.

The Public Practice Examination served as the IRBA's mechanism for ensuring that candidates are sufficiently competent in audit to register as auditors. The Assessment of Professional Competence is a general assessment of the competence required of a CA and is not an assessment of audit competence as such. In order to still assess audit competence the IRBA has replaced the Public Practice Examination with the Audit Development Programme.

The Audit Development Programme is a period of specialisation undertaken by professional accountants who want to become registered auditors. The purpose of this programme is to consolidate and refine capabilities that are developed during the training programme. This takes place in a more complex learning environment and the aspiring auditors are required to perform roles more senior to those undertaken in the current training contract.

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(SA). This membership body determines the pre- and post-education, assessment and experience requirements for CAs(SA), and prospective members need to meet all the education and experience requirements before registration as a member will be permitted.

In terms of the Chartered Accountant Designation (Private) Act, Act 67 of 1993, only persons who are registered with SAICA as members 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 and grow 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 Sector Code 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(SA) in South Africa are members.
- SAICA already provides support services to its members, and its role in furthering the objectives of the CA profession Sector Code 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 unique position and role assigned to the Auditor-General of South Africa derives from the Constitution, which makes provision for an examination of the use of public funds to provide assurance on the proper and effective application thereof by public institutions and entities. While exercising its constitutional mandate, it remains focussed on its responsibility to provide deep insight into the financial discipline and delivery against predetermined objectives of those institutions and entities that will enable our democracy to go from strength to strength.

The vision of the Auditor-General of South Africa is to be recognised by all its stakeholders as a relevant supreme audit institution that enhances public sector accountability; and its mission is to fulfil its constitutional mandate and, in its role as the supreme audit institution of South Africa, to strengthen South Africa's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.

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

3.2.4 Training organisations other than in public practice

One of the experience requirements is that prospective CAs(SA) must enter into learnership agreements with approved training organisations. Such organisations can be within the public practice firm' environment, or in commerce and industry, or they can be government, and state-owned organisations. While these organisations will have their own Sector Codes 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(SA).

3.2.5 Members

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

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

3.2.6 Accredited higher education institutions

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

At present there are 15 such accredited higher education institutions. These providers also play a critical role in the transformation of the CA profession:

- Monash, South Africa (a private provider)
- Nelson Mandela Metropolitan University
- North-West University
- Rhodes University
- Stellenbosch University
- University of Cape Town
- University of Fort Hare
- University of Johannesburg
- University of KwaZulu-Natal
- University of Limpopo (at undergraduate degree level)
- University of Pretoria
- University of South Africa
- University of the Free State
- University of the Western Cape
- University of the Witwatersrand.

4 WHY A SECTOR CODE SPECIFICALLY FOR 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 Sector Code.

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 Sector Code for this sector of the Accountancy profession.

The vision of this transformation Sector Code 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 Sector Code 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(SA) provide these much needed skills, but in South Africa at present there is a shortage of CAs(SA) and in particular black CAs(SA).

The development of a Sector Code 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(SA), and particularly black CAs(SA), have been identified as being scarce professionals with specialised skills which is in short supply and of national strategic importance. This situation needs to be rectified, hence the need to develop a Sector Code 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(SA), only 912 Africans were registered as CAs(SA) in 2007, at the time of preparing the original Charter. Since then and to January 2014 2 845 African CAs(SA) have registered with SAICA, which is clear evidence that the strategy and initiatives implemented are bearing fruit.

The CA sector at the time realised 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, which is endorsed by the large increase over just six years.

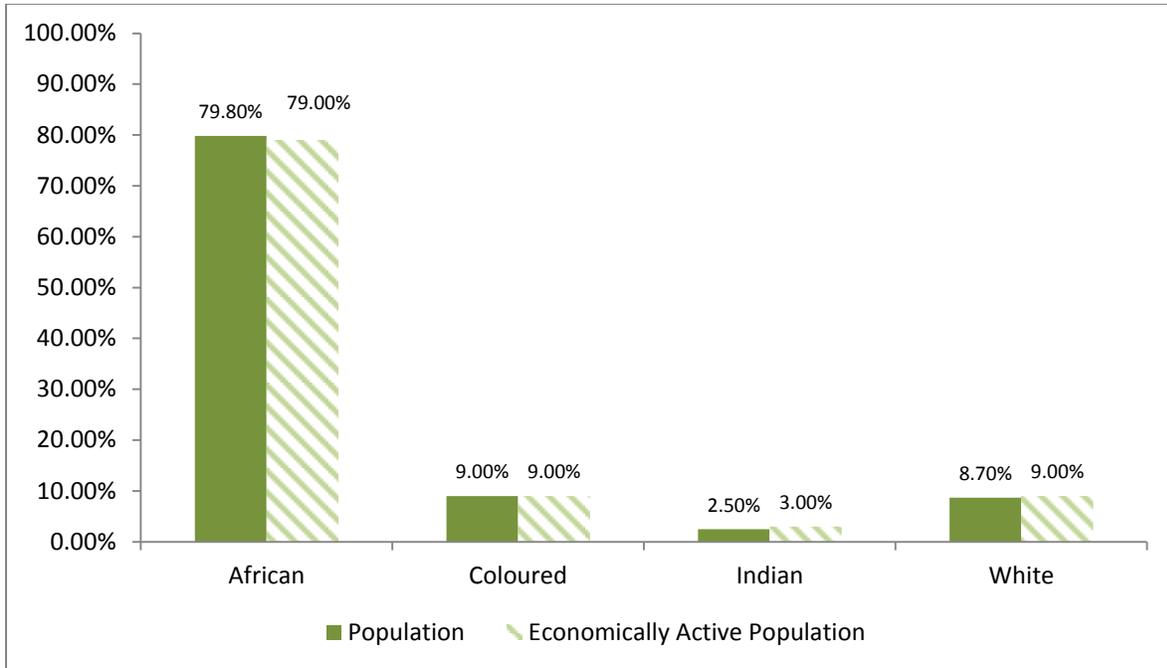
The aim of broad-based black economic empowerment (B-BBEE) initiatives in the CA sector is therefore to significantly increase the number of black people who manage, own and control enterprises in the sector as well as to contribute to decreases in income inequalities in the country in general. This 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(SA).

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

Figure 2.1 illustrates the population demographics and the economically active population as at January 2014.

Figure 2.1 South African population demographics, January 2014



	SA Population Demographics		Economically Active Population	
African	42 294	79.80%	27 679	79.00%
Coloured	4 766	9.00%	3 259	9.00%
Asian	1 329	3.00%	956	3.00%
White	4 603	8.70%	3 128	9.00%
	52 992	100.00%	35 022	100.00%

Current actual statistics on membership and trainees of SAICA, excluding overseas members, according to race:

Figure 2.2 SAICA membership and trainee race statistics, compared to the economically active population, January 2014

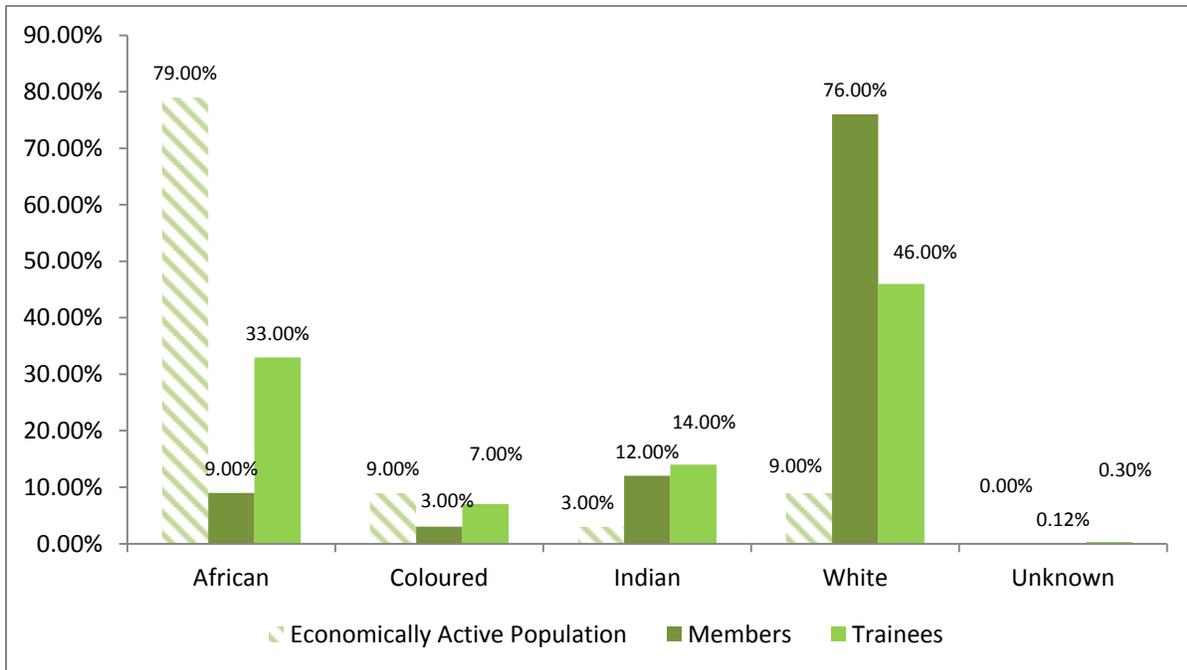


Figure 2.3 SAICA membership and trainee gender statistics, compared to the economically active population, January 2014

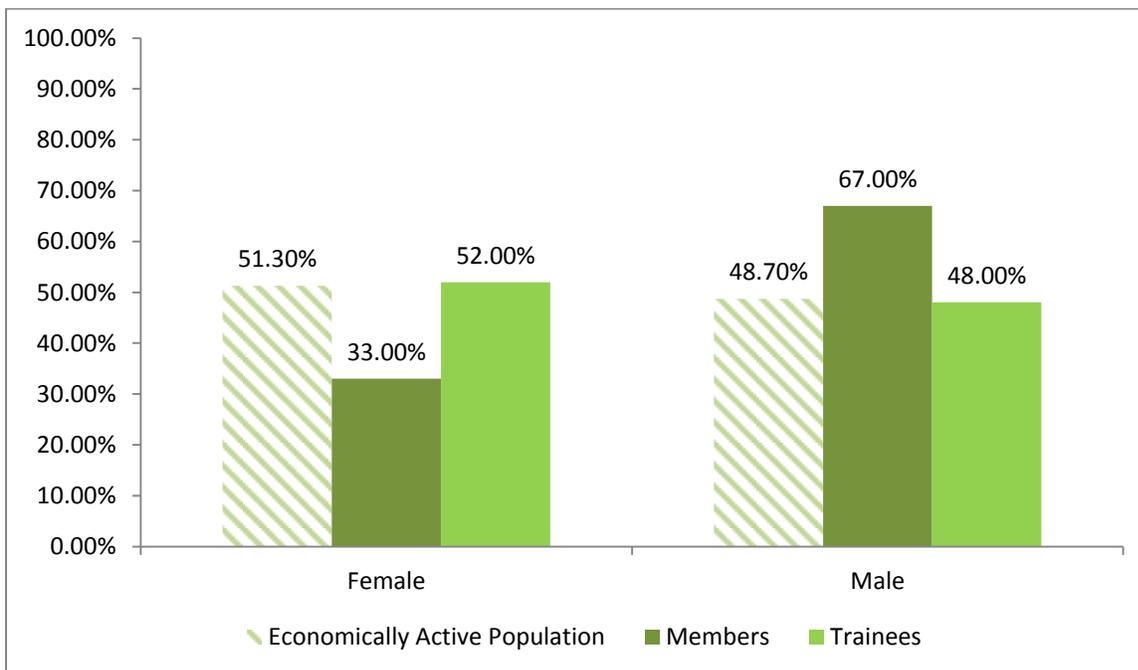


Figure 2.4 SAICA membership race statistics at 2007, as against 2014

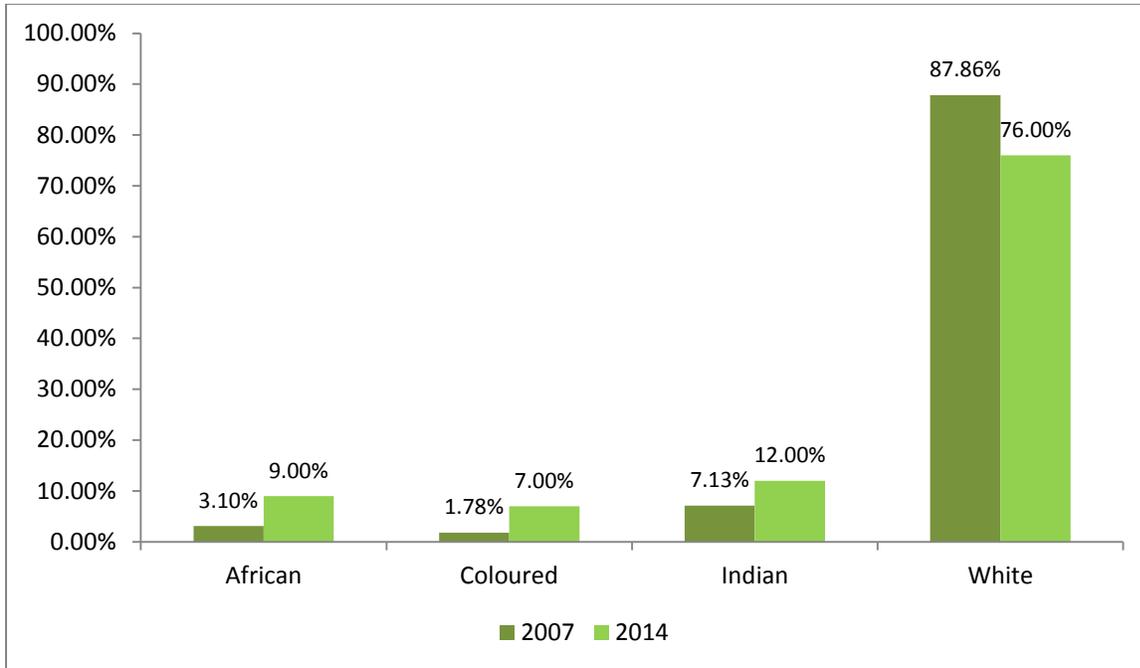
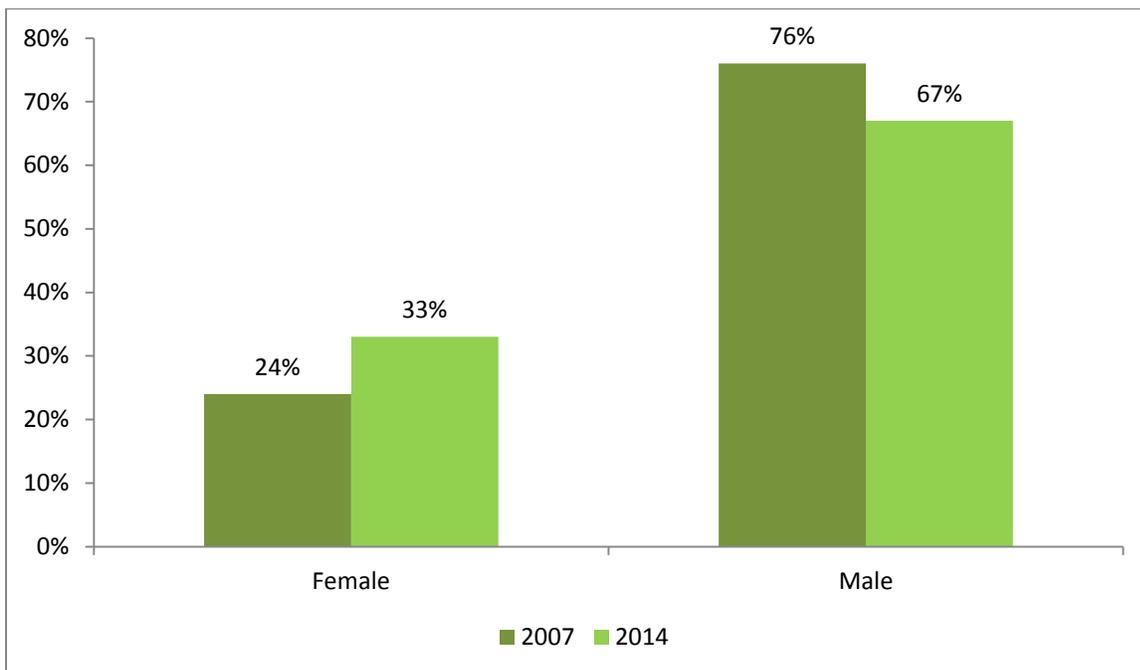


Figure 2.5 SAICA membership gender statistics at 2007, as against 2014



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 Sector Code, 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(SA); and
- uplift communities for the benefit of the South African society and the economy as a whole.

The Sector Code 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(SA) and RAs who often take up leadership positions in the economy and society as a whole;
- It was developed voluntarily;
- 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 Sector Code 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 are also to contribute towards increasing equitable income distribution and equal opportunities.

5 OBJECTIVES

The overall objective of this Sector Code 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(SA) membership and sector composition that reflect the demographics of our country. To this end, the Sector Code has the following objectives:

CA profession

- 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, and persons passing the professional examinations (known as the qualifying examinations). The ultimate aim is that the membership of the CA profession will reflect the demographics of South Africa.
- Bringing about a meaningful change in both the racial and gender composition of persons on accountancy learnerships, so that ultimately the CA(SA) membership composition will reflect the demographics of the country.
- Supporting the development and upliftment of rural and local communities through wealth creation, by means of skills development (of 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

- 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.
- 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 students on learnerships, by means of skills development programmes, so that ultimately the composition of the CA sector will reflect the demographics of South Africa.
- Promoting and using enterprise and supplier chain 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.
- 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 SECTOR CODE DEVELOPMENT PROCESS

6.1 THE ORIGINAL GAZETTING 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 sector code, all major shareholders (as listed in appendix 3) were consulted, through regional structures, where appropriate, within the profession. Agreement was reached on developing a Sector Code 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 Sector Code 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 Sector Code 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 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 Sector Code were produced, each draft being subject to comprehensive consultation and discussions.
- 11 A website was set up for the CA Sector Code, calling for comment from the public at large at critical times in the process.
- 12 Country-wide meetings and consultation took place with the relevant stakeholders.
- 13 A DVD, and TV coverage, was also prepared with regard to the CA Sector Code.
- 14 The CA Sector Codes were finally gazetted in 2011.

6.2 THE IMPLEMENTATION OF THE ORIGINAL CHARTER

- 1 The CA profession started to implement the Charter prior to the gazetting process in 2011.
- 2 Three Charter Council meetings were held on an annual basis, where progress on the achievement of targets was discussed and monitored. These were annually reported to the dti.
- 3 The CA Charter member provided regular feedback to their particular constituencies.
- 4 A CA Charter website was set up and members were provided with bi-annual updates on progress.

6.3 PROCESS FOR THE REVISION OF THE SECTOR CODES

- 1 The Codes of Good Practice were reviewed and changed. These new Codes were gazetted in October 2013 and Sectors have been given until April 2015 to have their new Sector Codes gazetted.
- 2 The CA Sector Charter Council embarked on a process to make the necessary amendments to its CA Sector Codes in line with the new amended Codes and at the same time a mid-term review of targets was undertaken.
- 3 The relevant members of the Charter Council consulted with their constituencies, in a process in which all changes and recommendations were discussed and deliberated upon.

SECTION B FRAMEWORK

7 APPLICATION AND IMPLEMENTATION OF THE SECTOR CODE

7.1 APPLICATION

- 1 This Sector Code 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. Unless expressly stated otherwise, the provisions stated here will apply to both general constituents of the CA sector and QSE constituents.
- 2 The revised Sector Code will be effective from the date it is gazetted as a Sector Code.
- 3 Four years after the date on which the revised Sector Code is published in the *Government Gazette*, the Charter Council will undertake another comprehensive review and make decisions regarding the implementation of the Sector Code in its third 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 2020 will be taken into account even if these results are only available the following year.
- 4 While this Sector Code is effective up to 31 December 2021, the parties to this Sector Code agree that the principles contained in the Sector Code may be relevant beyond 31 December 2021, which is to be determined by the Charter Council prior to this date.
- 5 All the provisions of this Sector Code 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 must be supported by appropriate evidence or documentation. If an entity does not provide appropriate evidence or documentation in support of any initiative, no recognition will be received for that initiative.

7.2 GUIDING PRINCIPLES

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

- 1 All B-BBEE initiatives of the CA profession will be measured and reported on an annual basis. This annual reporting date for B-BBEE purposes will be decided by the relevant

- measured entity. Once selected, it cannot be changed, so as to ensure consistency of measurement.
- 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.

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 Sector Code.
- 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 Chartered Accountant Practitioners (BCAP)*	1
IRBA	1
SAICA	1
ABASA	1
AWCA	1
Members in Business	1
Academics	1

* Its predecessor was the Black Firms Forum.

Trainees	1
Auditor-General	1
National Treasury	1
Total	13

- 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 Sector Code 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 Chief Executive Officer (CEO) 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 Sector Code,
 - 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 Sector Code.
- 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 Sector Code.

8.3 REPORTING AND REVIEWS

- 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 Sector Code;
 - 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 measured entity will report annually within the stipulated time frames to the Charter Council on its progress and implementation of the provisions of the Sector Code.
- 3 The reporting period will be 31 December of each year and an annual report will be submitted to the Department of Trade and Industry (dti) by 30 April of each year.

8.4 VERIFICATION OF COMPLIANCE

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.

The Charter Council will report to the dti annually (30 April of each year) 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 Sector Code. Additional risks and unintended consequences may arise during the implementation phase of the amended Sector Code. 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
Certain constituencies may not buy into the Sector Code and either passively or actively not support its implications.	On-going consultation through the representative CA Charter Council member.

RISK	POSSIBLE MITIGATING ACTIONS
<p>There are risks that different scorecards may be required or indeed used, for different geographic locations of a national business with multiple locations.</p>	<p>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.</p> <p>Measured entities need to take into account the definition of affiliated entities (see appendix 1).</p> <p>Inclusion of the template of information required on signature of the revised charter.</p>
<p>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).</p>	<p>The philosophy of one firm one Sector Code/scorecard nationally and for all offerings has been strongly advocated.</p>
<p>The targets set in the scorecard must be challenging to make a difference, but some may regard them as unrealistic. In developing the Sector Code 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.</p>	<p>Should the economy not reflect constant growth of 5% per annum or more, additional strategies may be required to ensure the targets are met.</p>
<p>The Codes of Good Practice have become increasingly complex, which will result in greater complexity in this Sector Code and scorecard. Small and medium entities will find it difficult and expensive to administer and thus move away from compliance.</p>	<p>Requirements for compliance with the Sector Code and scorecard must be kept as simple as possible, particularly for small and medium entities.</p>
<p>Due to the length of time taken for a CA(SA) 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(SA) have been trained.</p>	<p>As well as focusing on the number of CAs(SA), the pipeline of trainees and post-graduate students must be monitored. This may also include relevant undergraduate students.</p> <p>In addition, the grass-roots (schools) level must be monitored very carefully and encouraged by the profession through targeted interventions.</p>
<p>The definition of 'black people' includes African, Coloured and Indian groups. The ultimate objective of the Sector Code 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>	<p>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.</p>

10 REGULATORY ISSUES

The regulatory environment and architecture of this sector must promote the empowerment objectives of this Sector Code, ensure appropriate standards of entry, operation and disclosure and facilitate competition.

In terms of Statement 000, if an entity is within a sector of which all Sector Codes has been issued in terms of section 9 of the B-BBEE Act, as amended; such an entity may only be measured for compliance in accordance with that code.

In terms of Statement 005, Registered Auditors may perform B-BBEE Verification and issue B-BBEE Certificates, and B-BBEE Verification Services rendered by Registered will therefore fall within the IRBA's regulatory jurisdiction. However, the Auditing Profession Act has not yet been amended to provide the IRBA with a mandate to regulate the wider B-BBEE Verification Industry, and therefore inconsistencies currently exist between the oversight exercised over Registered Auditors and other Verification Agencies. Amendment of the Auditing Profession Act is subject to approval by the Minister of Finance, and such approval will depend on the availability of funding and resources.

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 Sector Code, 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(SA) 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(SA). On the other hand, however, once qualified CAs(SA) 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(SA), this increase is not reflected in the numbers of qualified black CAs(SA) 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 constantly subject to 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 Sector Code.

The second piece of legislation which at the time was thought likely to change the environment and functioning of audit firms is the Companies Laws Act (Act 71 of 2008). The regulations flowing from this Act brought about a fundamental change with regard to the requirements for the audit of companies, in that audits are no longer mandatory for ‘closely held’ companies that do not meet the threshold requirements for a ‘public interest’ company designation.

11.2 THE APPLICATION OF TWO SCORECARDS

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

- Large firms;
- Medium sized firms;
- Small firms;
- Auditor-General;
- Black Chartered Accountant Professionals (BCAP); and
- Affiliated entities.

Approximately 55% (2006: 70%) of all trainees are employed by small and medium sized firms with approximately 55% (2006: 25%) of the learnership contracts being held by black trainees. On the other hand the large firms, who employ approximately 45% (2006: 28%) of all trainees, employ 50% (2006: 36%) of black trainees.

Therefore Statement 000 of the Codes of Good Practice takes cognisance of the following, which will also be applied to the CA sector:

- Exempted micro enterprises (EMEs)
 - Any enterprise (firm) with an annual total revenue of R10 million or less will qualify as an EME.
 - The following recognition levels are applicable:
 - Total revenue < R10 million < 51% Black owned
Level four contributor with 100% recognition for B-BBEE procurement purposes
 - Total revenue < R10 million – 100% Black owned
Level one contributor with 135% recognition for B-BBEE procurement purposes
 - Total revenue < R10 million ≥ 51% Black owned
Level two contributor with 125% recognition for B-BBEE procurement purposes
 - An EME is allowed to be measured in terms of the QSE Scorecard should it wish to maximise its points and move to a higher B-BBEE recognition level for procurement purposes
 - An EME is only required to obtain, on an annual basis, a sworn affidavit confirming an annual total revenue of less than R10 million and its level of Black ownership on an annual basis. Any misrepresentation of the above constitutes a criminal offence as set out in the B-BBEE Act, as amended.
- Qualifying small entities (QSEs)
 - Any enterprise (firm) with an annual total revenue of between R10 million and R50 million qualifies as a QSE.
 - A QSE must comply with all of the elements of B-BBEE for purposes of measurement.
 - The following recognition levels are applicable:
 - QSEs which are 100% Black owned
Level one contributor with 135% recognition for B-BBEE procurement purposes
 - QSEs which are 51% Black owned
Level two contributor with 125% recognition for B-BBEE procurement purposes
 - A QSE is only required to obtain, on an annual basis, a sworn affidavit confirming an annual total revenue of between R10 million and R50 million and its level of Black ownership on an annual basis. Any misrepresentation of the above constitutes a criminal offence as set out in the B-BBEE Act, as amended.
- Start-up enterprises
 - Start-up enterprises are measured as 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.

- Start-up enterprises have the same recognition levels as indicated above for EMEs as far as ownership recognition is concerned.
- In order to qualify as a start-up enterprise, the enterprise must provide an independent confirmation of the fact that it is a start-up and of its level of Black ownership.

11.3 PRIORITY ELEMENTS, SUB-MINIMUM AND DISCOUNTING PRINCIPLE

- The priority elements are as follows:
 - Ownership – A sub-minimum of 40% of the weighting points. The percentage of economic interest of Black people in the measured entity (40% of the indicator weighting of 8 points) needs to be achieved.
 - Skills development – A sub-minimum of 40% of the total weighting points for skills development needs to be achieved.
 - Enterprise and supplier development – A sub-minimum of 40% for each of the three categories stated below:
 - Preferential procurement: 40% of 15 points
 - Supplier development: 40% of 10 points
 - Enterprise development: 40% of 5 points.
- Large entities need to comply with all the priority elements.
- QSEs need to comply with ownership as a compulsory element, and either skills development or supplier development.
- Non-compliance with the 40% in any of the priority elements as indicated above will result in the following for both large entities and QSEs:
 - The actual score achieved (regardless of the non-compliance with the sub-minimum requirements) will be discounted by one level down until the next applicable verification period in which the entity can demonstrate compliance with the 40% sub-minimum requirement, at which point the recorded level will become the applicable rating.

11.4 ELEMENT WEIGHTINGS

There are five 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 Skills Development
- 4 Enterprise and Supplier Development
- 5 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 entities operating in the sector which would make it feasible to formulate a transformation sector code 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 Sector Code it was stated that the aim of the guiding principles was to closely align the CA Sector Code 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(SA) 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 Sector Code, not only growth in the number of African and Coloured CAs(SA) in general but also in African and Coloured female numbers is essential if the CA profession is to reflect the population demographics.

2 Sectoral characteristics

- It takes seven years to qualify as a CA(SA). 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(SA).
- 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 approximately 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.

- The ownership in the profession in public practice is restricted to registered auditors.

3 Empirical research

- 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.
- Fasset Sector skills research reports identified the indicators/attributes required by learners to qualify as CAs(SA). 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 Sector Code 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 Sector Code needs to be far more on Skills Development. Accordingly, ten additional Weighting points were allocated to the Skills Development scorecard. To balance the CA sector scorecard, ten Weighting points were then removed from the Enterprise and Supplier Development 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 Sector Code are as follows:

	Code	CA sector
Ownership	25 points	25 points
Management Control	19 points	19 points
Skills Development	20 points	30 points
Enterprise and Supplier Development	40 points	30 points
Socio-Economic Development	5 points	5 points
Total	109%	109%

11.5 B-BBEE RECOGNITION LEVELS

B-BBEE status	Qualification	B-BBEE recognition level
Level one contributor	≥ 100 points on the Generic Scorecard	135%
Level two contributor	≥ 95 but < 100 points on the Generic Scorecard	125%
Level three contributor	≥ 90 but < 95 points on the Generic Scorecard	110%
Level four contributor	≥ 80 but < 90 points on the Generic Scorecard	100%
Level five contributor	≥ 75 but < 80 points on the Generic Scorecard	80%
Level six contributor	≥ 70 but < 75 points on the Generic Scorecard	60%
Level seven contributor	≥ 55 but < 70 points on the Generic Scorecard	50%
Level eight contributor	≥ 40 but < 55 points on the Generic Scorecard	10%
Non-compliant contributor	< 40 points on the Generic Scorecard	0

Enhanced recognition for certain categories of Black people:

- Black women should form between 40% and 50% of the beneficiaries of the relevant Elements of the Scorecard.
- Black people with disabilities, Black youth, Black people living in rural areas and Black

unemployed people should form part of the beneficiaries of the relevant Elements of the Scorecard.

11.6 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 entities 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	
		Generic	CA Sector		Generic	CA Sector		
Ownership	100	25	25	<i>Voting Rights</i>				
				▪ Exercisable Voting Rights in the Entity in the hands of Black People	4	6	25% + 1 vote	32,5%
				▪ Exercisable Voting Rights in the Entity in the hands of black women	2	4	10%	10%
				<i>Economic Interest</i>				
				• Economic Interest of Black People in the Entity to which Black people are entitled	4	8	25%	32,5%
				• Economic Interest of Black women in the Entity to which Black people are entitled	2	4	10%	10%
				• Economic Interest of the following black natural people in the measured Entity:				
				▪ Black Designated Groups				
				▪ Black participants in Employee Share Ownership Programmes	3	3	3%	3%
				▪ Black people in Broad-Based Ownership Schemes				
▪ Black participants in Co-operatives								
				New Entrants	2	-	2%	-
				<i>Realisation Points</i>				
				Net Value	8	0		
Management Control	200	10	10	<i>Board participation</i>				
				• Exercisable Voting Rights of black board members as a percentage of all board members	2	2	50%	50%
				• Exercisable Voting Rights of black female board members as a percentage of all board members	1	1	25%	25%
				• Black executive directors as a percentage of all executive directors	2	2	50%	50%
				• Black female executive directors as a percentage of all executive directors	1	1	25%	25%
				<i>Other Executive Management</i>				
				• Black executive management as a percentage of all executive management	2	2	60%	60%
				• Black female executive management as a percentage of all executive management	1	1	30%	30%
				<i>Senior management</i>				

BEE Element	Code	Element Weighting		Indicator	Indicator Weighting		Compliance Target	
		Generic	CA Sector		Generic	CA Sector	Generic	CA Sector
				<ul style="list-style-type: none"> Black employees in senior management as a percentage of all senior management 	2	2	60%	60%
				<ul style="list-style-type: none"> Black female employees in senior management as a percentage of all senior management 	1	1	30%	30%
				<i>Middle management</i>				
				<ul style="list-style-type: none"> Black employees in middle management as a percentage of all middle management 	2	2	75%	75%
				<ul style="list-style-type: none"> Black female employees in middle management as a percentage of all middle management 	1	1	38%	38%
				<i>Junior Management</i>				
				<ul style="list-style-type: none"> Black employees in junior management as a percentage of all junior management 	1	1	88%	88%
				<ul style="list-style-type: none"> Black female employees in junior management as a percentage of all junior management 	1	1	44%	44%
				<i>Employees with disabilities</i>				
				Black employees with disabilities as a percentage of all employees with disabilities	2	2	2%	2%
Skills Development	300	15	20	Skills Development Expenditure on any programme specified in the Learning Programmes Matrix –				
				<ul style="list-style-type: none"> for black people as a percentage of Leviable Amount 	8	8	6%	6%
				<ul style="list-style-type: none"> for black people with disabilities as a percentage of Leviable Amount 	4	4	0,3%	0,3%
				<i>Bursary expenditure</i>				
				<ul style="list-style-type: none"> 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
				<i>Learnerships, Apprenticeships and Internships</i>				
				<ul style="list-style-type: none"> Number of black people participating in learnerships, Apprenticeships and Internships as a percentage of total employees 	4	4	2,5%	18%
				<ul style="list-style-type: none"> Number of African and Coloured people who have completed their learnerships and qualifying successfully 	-	5	-	80%
<ul style="list-style-type: none"> Number of black unemployed people participating in training specified in the Learning Programme Matrix as a percentage of number of employees 	4	4	2,5%	2,5%				
				<i>Bonus points</i>				
				<ul style="list-style-type: none"> Number of black people completing learnerships absorbed by the Measured Entity or other industry at the end of the Learnership programme 	5	5	100%	100%
Enterprise and Supplier Development	400	20	10	<i>Preferential Procurement</i>				
				<ul style="list-style-type: none"> B-BBEE procurement spend from all Empowering Suppliers based on the B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend 	5	4	80%	80%
				<ul style="list-style-type: none"> B-BBEE procurement spend from all Empowering Suppliers that are Qualifying Small Enterprises based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend 	3	1	15%	15%
				<ul style="list-style-type: none"> B-BBEE procurement spend from all Exempted Micro Enterprises based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend 	4	2	12%	12%
				<ul style="list-style-type: none"> B-BBEE procurement spend from Empowering Suppliers that are at least 51% black owned based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend 	9	6	40%	40%
				<ul style="list-style-type: none"> B-BBEE procurement spend from Empowering Suppliers that are at least 30% black women 	4	2	12%	12%

			owned based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend					
			Bonus points					
			<ul style="list-style-type: none"> B-BBEE procurement spend from Designated Group Suppliers that are at least 51% black owned 	2	n.a.	2%	2%	
			Supplier development					
			Annual value of all Supplier Development Contributions made by the Measured Entity as a percentage of the target	10	10	2% of NPAT or 0,25% of turnover	2% of NPAT or 0,25% of turnover	
			Enterprise development					
			Average annual value of all Enterprise Development Contributions and Sector Specific Programmes made by the Measured Entity as a percentage of target	5	5	1% of NPAT or 0,125% of turnover	1% of NPAT or 0,125% of turnover	
			Bonus points					
			<ul style="list-style-type: none"> For graduation of one or more Enterprise Development beneficiaries to the Supplier Development level 	1	1			
			<ul style="list-style-type: none"> For creating one or more jobs directly as a result of Supplier Development and Enterprise Development initiatives by the Measured Entity 	1	1			
Socio-economic Development	500	5	5	<ul style="list-style-type: none"> Average annual value of all SED contributions by a Measured Entity as a percentage of the target 	5	5	1% of NPAT or 0,125% of turnover	1% of NPAT or 0,125% of turnover

12.2 APPLICATION OF THE CA SECTOR SCORECARD

12.2.1 The ownership scorecard

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

Indicator	Description	Weighting Points		Compliance targets	
		Code	CA sector	Code	CA sector
Voting Rights	Exercisable Voting Rights in the Entity in the hands of Black People	4	6	25% + one	32,5%
	Exercisable Voting Rights in the Entity in the hands of Black women	2	4	10%	10%
Economic Interest	Economic Interest in the Entity to which Black People are entitled	4	8	25% + one	32,5%
	Economic Interest in the Entity to which Black women are entitled	2	4	10%	10%
	Economic Interest of the following black natural people in the Entity: <ul style="list-style-type: none"> Black Designated Groups Black participants in Employee Share Ownership Programmes Black people in Broad-Based Ownership Schemes Black participants in Co-operatives 	3	3	3%	3%
	New entrants	2	-	2%	-
Realisation	Net Value	8	0		

Indicator	Description	Weighting Points		Compliance targets	
		Code	CA sector	Code	CA sector
Points					

Key measurement principles for the CA Sector are as follows:

An Entity receives points for participation by Black people in its rights of Ownership, using this Ownership scorecard. Black people may hold their rights of Ownership in a Measured Entity as direct Participants or as Participants through some form of Entity such as the following:

- A Company as defined in the Companies Act of 2008, as amended;
- A Close corporation;
- A Co-operative
- A Trust;
- A Broad-Based Ownership Scheme;
- An Employee Share Ownership Programme;
- A partnership or other association of natural persons; and
- Any form of juristic person recognised in terms of South African law.

Subminimum requirements

- A measured Entity is required to achieve a minimum of 40% of Economic Interest in the Entity to which Black people are entitled (40% x 8 points).
- Non-compliance with the sub-minimum target will result in the B-BBEE status level being discounted.

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 Entity 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 Entity holds to all Voting Rights held by all Participants of that Entity
 - 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. For the CA Sector it will mean any distribution to a partner or partner equivalent, this includes salaries, drawings and/or profit share paid to partners. Partner equivalent would include all persons who have an equivalent status to a partner per the IRBA rules, this will include individuals who are not necessarily registered accountants per the IRBA rules but are directors in the practice (should these individuals be regarded as partner equivalents).
- 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 Entity

B = percentage that Economic Interest to which Participants who fall within the category of Black People in the entity holds to all Economic Interest which all Participants of that Entity 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.
- New entrants – this is not applicable to the CA Sector and is all about B-BBEE deals.

Ownership Realisation

- Ownership realisation occurs on the release of all black participants in a measured entity from all third party rights arising from the financing of the transactions with the Measured Entity (this is not likely to be applicable to the CA profession) or if all black participants in the Measured Entity have never been subject to any third party rights.
- A score of 8 points for Net Value is a requirement for awarding the Ownership Realisation point.

Deemed Value

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

Calculation of deemed value

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

Where A = deemed 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 deemed 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 $A = B \times \left[\frac{1}{32.5\% \times C} \right] \times 8$

- Where
- A = the score obtained for deemed value
 - B = the deemed value for all black Participants in the Measured Entity determined using the formula for the calculation of deemed 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 $A = \frac{B}{C} \times 8$

- Where
- A = the score obtained for deemed 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 Entity

- If an Entity gains a score which exceeds the Weighting points for deemed 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 deemed Value percentage provided for in the calculation of deemed 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 entities is measurable as at the date of sale or loss
 - D = the most recently determined B-BBEE Recognition Level of the Measured Entity which is less than one year old, based on its applicable Scorecard result for all Elements other than ownership determined using statement 000

12.2.2 Management Control scorecard

The Management Control Element measures the effective control of entities by Black people.

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

- Representation of Black People at board and executive management level: This provides incentives for the representation of Black People as board members and 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 all management levels: 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 at all management levels.

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

Measurement category and criteria	Weighting points		Compliance targets Code and CA sector
	Code	CA sector	
Board participation			
• Exercisable Voting Rights of black board members as a percentage of all board members	2	2	50%
• Exercisable Voting Rights of black female board members as a percentage of all board members	1	1	25%
• Black executive directors as a percentage of all executive directors	2	2	50%
• Black female executive directors as a percentage of all executive directors	1	1	25%
Other executive management			
• Black executive management as a percentage of all executive management	2	2	60%
• Black female executive management as a percentage			

Measurement category and criteria	Weighting points		Compliance targets Code and CA sector
	Code	CA sector	
of all executive management	1	1	30%
Senior management			
• Black employees in senior management as a percentage of all senior management	2	2	60%
• Black female employees in senior management as a percentage of all senior management	1	1	30%
Middle management			
• Black employees in middle management as a percentage of all middle management	2	2	75%
• Black female employees in middle management as a percentage of all middle management	1	1	38%
Junior Management			
• Black employees in junior management as a percentage of all junior management	1	1	88%
• Black female employees in junior management as a percentage of all junior management	1	1	44%
Employees with disabilities			
Black employees with disabilities as a percentage of all employees with disabilities	2	2	2%

For purposes of the CA Sector, the following key measurement principles and definitions apply:

Board participation

- Board means the body consisting of persons appointed to undertake the executive management of the entity: 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 entity. These are also the persons responsible for governance of the entity as defined in the King III 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.
- Executive management positions include the following: chief executive officer, chief operating officer and other executive managers who serve on the board of directors of the Entity.

Other Executive Management

- Other Executive Management positions include all executive management who do not serve on the board, such as the human resource executive, transformation executive and other people holding similar positions.
- For the CA Sector, other executive management positions means employees of an 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 the strategy.
- If a Measured Entity does not distinguish between other executive management and senior management, then executive management is measurable as a single indicator with a weighting of 6 points split as 4 and 2 points respectively.

Management

- Principles
 - The Compliance targets for senior management, middle management and junior management are based on the overall demographic representation of Black people as defined in the Regulations of the EE Act, 1998 (Act 55 of 1998) (the EE Act) and the Commission on Employment Equity Report.
 - The requirement to submit data to the Department of Labour in terms of the EE Act is only applicable to “designated employers” who employ 50 or more employees. However, for the purpose of measurement for both the Generic and QSE scorecards, entities that employ less than 50 employees are required to submit sufficient evidence for verification purposes.
 - An Entity must use the current payroll data in calculating its score for the Management Control section of the Scorecard.
 - In determining a Measured Entity’s score, the targets should be further broken down into specific criteria according to the different race subgroups within the definition of black in accordance with the EE Act on an equitable representation and weighted accordingly.
- Management means those persons who undertake the executive operational management of the Entity, as well as operational implementation which includes directing and co-ordinating the policies and activities of the Entity. Within the CA Sector this usually refers to the partners of the Entity.
 - Senior management positions of the measured entity for purposes of the CA Sector Codes are those who undertake the day-to-day management and are actively involved in the development and/or implementation of strategy but limited to their areas of responsibility. This could mean a senior audit manager/principal consultant in practice whose role is to manage either client and/or certain administrative functions. This is a person who would generally have 5–10 years’ relevant experience, and who would be entrusted with large or key accounts or responsibilities in an administrative or support function.
 - Middle management for the CA Sector 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 for the CA Sector means all employees not defined as senior or middle management. In the audit context it would comprise all trainee accountants and other consultants and practitioners in other divisions.

Measurement of senior management, middle management and junior management

The calculation of the Management Control indicators is as follows:

$$\text{Formula A} \quad A = \left[\frac{AM}{C} + \frac{CM}{C} + \frac{IM}{C} + \frac{AF}{C} + \frac{CF}{C} + \frac{IF}{C} \right] \div 6$$

Where A = Percentage of Black employees for each occupational level as measured in the Management Control scorecard using the annual EAP targets as published in the Regulations of EE Act and Commission on Employment Equity Report, as amended from time to time

AM = Percentage of employees in the measurement category who are African males

CM = Percentage of employees in the measurement category who are Coloured males

- IM = Percentage of employees in the measurement category who are that are Indian males
- AF = Percentage of employees in the measurement category who are African females
- CF = Percentage of employees in the measurement category who are Coloured females
- IF = Percentage of employees in the measurement category who are Indian females
- C = Compliance target as per the Regulations of EE Act and Commission on Employment Equity Report, for that measurement sub-category

Measurement of Management Control

The calculation is based on the criteria in the Management Control scorecard D, measured in terms of formula A, B and C, as relates to board participation and other executive management:

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

- Where A = Score achieved in respect of a Measured Entity subject to measurement for management control
- B = Voting Rights in the hands of Black members of the Board as a percentage of Voting Rights of all members of the Board in the Measured Entity
or Percentage of all employees in the executive and other executive management category who are Black people of that Measured Entity
or Percentage of Black employees as calculated in Formula A
- C = Percentage compliance target in respect of the applicable management control criteria being measured
- D = Weighting points allocated to the applicable management control criteria being measured

Measurement of employees with disabilities

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

- Where A = Score for the given criteria
- B = Total number of Black employees with disabilities as a percentage of all employees
- C = Target for the applicable criteria as referred to in the scorecard
- D = Weighting for the applicable criteria

12.2.3 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 internally (within) the organisation as well as externally (not employed by the organisation). It is against this backdrop that Skills Development must contribute to the achievement of the country's economic growth and social development goals that will enrich the creation of decent work and sustainable livelihoods.

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 and certificates.

The Skills Development scorecard comprises four 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. The fourth indicator measures the number of black employed people participating in training specified in the Learning Programmes Matrix.

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

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 number of qualified CAs(SA) will only become possible if more funds are allocated to providing black learners with bursaries. This was the motivation for the increase in the focus on Skills Development expenditure.

The other five Weighting points were allocated to the number of black people participating in learnerships, as this is a core requirement for becoming a CA(SA). However, the target for learnerships which is set at 2,5% is far too low for the CA sector. At present the learnership figure is 13%. A compliance target of 18% has been set (same as for the previous CA Sector Codes).

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.

Skills Development element	Weighting points		Compliance target	
	Code	CA sector	Code	CA Sector
Skills Development Expenditure on any programme specified in the Learning Programmes Matrix –				
• for black people as a percentage of Leivable Amount	8	8	6%	6%
• black people with disabilities as a percentage of Leivable Amount	4	4	0,3%	0,3%
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
Learnerships, Apprenticeships and Internships				
• Number of black people participating in Learnerships, Apprenticeships and Internships as a percentage of total employees	4	4	2,5%	18%
• Number of African and Coloured people who have completed their learnerships and qualifying successfully	-	5	-	80%
• Number of black unemployed people participating in	4	4	2,5%	2,5%

Skills Development element	Weighting points		Compliance target	
	Code	CA sector	Code	CA Sector
training specified in the Learning Programme Matrix as a percentage of number of employees				
Bonus points <ul style="list-style-type: none"> Number of black people completing learnerships absorbed by the Measured Entity or other industry at the end of the Learnership programme 	5	5	100%	100%

For the CA Sector Skills Development scorecard the following key measurement principles will apply:

- The compliance targets for the Skills Development scorecard are based on the overall demographic representation of black people as defined in the Regulations of the EE Act and Commission of Employment Equity Report as amended from time to time.
- In determining a Measured Entity's score, the targets should be further broken down into specific criteria according to the different race subgroups within the definition of black in accordance with the EE Act and Commission of Employment Equity Report requirements on an equitable representation and weighted accordingly.
- The following criteria must be fulfilled in order for the Measured Entity to receive points on the Skills Development Element scorecard:
 - Workplace Skills Plan, an Annual Training Report and Pivotal Report, all SETA approved; and
 - The implementation of a Priority Skills programme (of which CAs(SA) are considered priority skills specifically for black people).
- The 6% compliance target includes external training expenditure for unemployed black people.
- A trainee tracking tool has to be developed in order for the Measured Entity to score points for the number of black people absorbed by the Measured Entity at the end of the learnership programme. If less than 100% of the trainees are absorbed, the percentage achieved or absorbed will be recognised.

Sub-minimum and discounting principle

- A Measured Entity must achieve a minimum of 40% of the targets set out in the Skills Development Element.
- Non-compliance with the threshold targets will result in the overall achieved B-BBEE status level being discounted in accordance with paragraph 3.4 of statement 000.

Skills Development Expenditure

- This includes legitimate expenses incurred in any Learning Programme offered by a Measured Entity to its employees, substantiated by an invoice or appropriate internal accounting record.
- Skills Development Expenditure arising from Informal and workplace Learning Programmes or from Category F and G Learning Programmes under the Learning Programmes Matrix cannot represent more than 15% of the total value of Skills Development Expenditure.
- Legitimate training costs such as accommodation, catering and travelling (non-exhaustive) cannot exceed more than 15% of the total value of Skills Development Expenditure.

- Salaries and wages paid to an employee participating as a learner in any Learning Programme only constitute Skills Development Expenditure if the Learning Programme is a Learnership, Internship and Apprenticeship (Category B, C and D) of the Learning Programme Matrix.
- Mandatory sectoral training does not qualify as a skills development contribution, i.e. health and safety in the construction sector (non-exhaustive list).
- Training outside the country in line with the Learning Programme Matrix under annexure 300 (A) is measurable if it meets the South African Qualification Authority requirements for recognition.
- Legitimate recognisable training expenses are as follows:
 - Costs of training materials;
 - Costs of trainers;
 - Costs of training facilities, including costs of catering;
 - Scholarships and bursaries;
 - Course fees;
 - Accommodation and travel; and
 - 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.
- Bursaries and Scholarships
 - The target is the greater of NPAT or turnover calculations, using the specified percentages.
 - Expenses on scholarships and bursaries for employees do not constitute Skills Development Expenditure if the Measured Entity can recover any portion of those expenses from the employee or if the grant of the scholarship or bursary is conditional. However, if the right of recovery or the condition involves either of the following obligations on the employee, the expenses are recognisable:
 - The obligation of successful completion in their studies within the time period allocated; and
 - The obligation of continued employment by the Measured Entity for a period following successful completion of their studies, provided it does not exceed the period of their studies.
 - Bursary and scholarship expenditure include all legitimate expenditure, similar to those mentioned above under legitimate recognisable training expenses.

Learning Programmes Matrix

Cat.	Programme	Narrative description	Delivery mode	Learning site	Learning achievement
A	Bursaries	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	Internships	Instruction-based theoretical instruction as well as some practical learning with an employer or in a simulated work	Mixed mode delivery with institutional instruction as well as supervised learning in an	Institutions such as universities and colleges, schools, ABET providers and workplace	Theoretical knowledge and workplace experience with set requirements resulting in the achievement of a

Cat.	Programme	Narrative description	Delivery mode	Learning site	Learning achievement
		environment – formally assessed through the institution	appropriate workplace or simulated work environment		degree, diploma or certificate issued by an accredited or registered formal institution of learning
C	Learnerships	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	Learnerships or apprenticeships	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	Institution 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 registered formal institution of learning
E	Work-integrated learning	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,, some institutional as well as ABET providers	Credits awarded for registered unit standards, continued professional development, improved performance or skills (e.g. evidence of outputs based on Performance Development Programme)i
F	Informal training	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)

Cat.	Programme	Narrative description	Delivery mode	Learning site	Learning achievement
G	Informal training	Work-based informal programmes	Informal training	Workplace	Increased understanding of job or work context or improved performance or skills

Measurement of Skills Development indicators

When determining the target for each racial group within the definition of black, the following should be utilised in C under Formula 1 below:

Formula 1

The calculation of the Skills Development indicators provided for in Skills Development Expenditure on Learning Programmes specified in the Learning Programme for black people and Learnerships, Apprenticeships and Internships are as follows:

$$A = \frac{\frac{AM}{C} + \frac{CM}{C} + \frac{IM}{C} + \frac{AF}{C} + \frac{CF}{C} + \frac{IF}{C}}{6}$$

- Where A = Percentage spend on Black people on any programme specified in the Learning Programmes Matrix or percentage of Black people participating in Learnerships, Apprenticeships and Internships for each indicator as measured in the Skills Development scorecard using the annual EAP targets as published in the Regulations of the EE Act and Commission on Employment Equity Report
- AM = Percentage spend on any programme specified in the Learning Programmes Matrix or people participating in Learnerships, Apprenticeships and Internships in the measurement category who are African males
- CM = Percentage spend on any programme specified in the Learning Programmes Matrix or people participating in Learnerships, Apprenticeships and Internships in the measurement category who are Coloured males
- IM = Percentage spend on any programme specified in the Learning Programmes Matrix or people participating in Learnerships, Apprenticeships and Internships in the measurement category who are that are Indian males
- AF = Percentage spend on any programme specified in the Learning Programmes Matrix or people participating in Learnerships, Apprenticeships and Internships in the measurement category who are African females
- CF = Percentage spend on any programme specified in the Learning Programmes Matrix or people participating in Learnerships, Apprenticeships and Internships in the measurement category who are Coloured females
- IF = Percentage spend on any programme specified in the Learning Programmes Matrix or people participating in Learnerships, Apprenticeships and Internships in the measurement category who are Indian females
- C = Compliance target as per the Regulations of the EE Act for that measurement sub-category

Formula 2

The formulas explain the method of measurement of the criteria for black people on any programme specified in the Learning Programmes Matrix or participating in Learnerships, Apprenticeships and Internships per the Skills Development Element of the scorecard:

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

- Where
- A = Score for the given criteria for black people on any programme specified in the Learning Programmes Matrix or participating in Learnerships, Apprenticeships and Internships per the scorecard under statement 300
 - B = Percentage of spend in the measurement category who are black people
or Percentage of people in the measurement category who are black people
or Percentage of spend in the measurement category who are black people with disabilities
 - C = Target for the applicable criteria as referred to in the scorecard
 - D = Weighting for the applicable criteria as referred to in the scorecard

12.2.4 Enterprise and Supplier Development 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 Empowering Suppliers with strong B-BBEE recognition levels. The intention of this scorecard is to strengthen local procurement from black-owned QSEs and EMSs so as to increase procurement from local suppliers in order to support employment creation.

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 11.4, the 25 Preferential Procurement Weighting points were reduced to 15 Weighting points. The goal of this redistribution is to contribute to the achievement of the vision of the CA profession Sector Code.

The indicators and Weightings are as follows:

Criteria	Weighting points		Compliance target Code and CA sector
	Code	CA sector	
Preferential procurement			
B-BBEE procurement spend from all Empowering Suppliers based on the B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	5	4	80%
B-BBEE procurement spend from all Empowering Suppliers who are Qualifying Small Enterprises based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	3	1	15%
B-BBEE procurement spend from all Exempted Micro Enterprises based on the applicable B-BBEE Procurement Recognition Levels as a percentage of	4	2	12%

Criteria	Weighting points		Compliance target Code and CA sector
	Code	CA sector	
Total Measured Procurement Spend			
B-BBEE procurement spend from Empowering Suppliers that are at least 51% black owned based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	9	6	40%
B-BBEE procurement spend from Empowering Suppliers that are at least 30% black women owned based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	4	2	12%
Bonus points B-BBEE procurement spend from Designated Group Suppliers that are at least 51% black owned	2	2	2%
Supplier development Annual value of all Supplier Development Contributions made by the Measured Entity as a percentage of the target	10	10	2% of NPAT or 0,25% of turnover
Enterprise Development Annual value of Enterprise Development Contributions and Sector Specific Programmes made by the Measured Entity as a percentage of the target	5	5	1% of NPAT or 0,125% of turnover
Bonus Points For graduation of one or more Enterprise Development beneficiaries to the Supplier Development level	1	1	
For creating one or more jobs directly as a result of Supplier Development and Enterprise Development initiatives by the Measured Entity	1	1	

Key measurement principles

- A measured entity must achieve a minimum of 40% for each of the targets set out in Preferential Procurement, Supplier Development and Enterprise Development.
- Non-compliance with the threshold targets will result in the overall achieved B-BBEE status level being discounted in accordance with paragraph 11.3.
- An Empowering Supplier within the context of B-BBEE is a B-BBEE compliant entity, which is a good citizen South African entity, complies with all regulatory requirements of the country and meets at least **two**, if it is a large enterprise, or **one**, if it is a QSE, of the following criteria:
 - At least 25% of cost of sales, excluding depreciation, must be procured from local producers or local suppliers in South Africa. For the CA sector labour costs are included but capped at 15%.
 - Job creation – 50% of jobs created are for black people provided that the number of black employees since the immediate prior verified B-BBEE Measurement is maintained.
 - Skills transfer – spend of at least 12 days of productivity per annum in assisting black EME or QSE beneficiaries with increasing their operations or financial capacity.

- Exempted Micro Enterprises and Start-Ups are automatically recognised as Empowering Suppliers.
- The Weighting points in the Enterprise and Supplier Development scorecard represent the maximum number of points possible for each of the criteria.
- If a Measured Entity procures goods and services from a supplier that is –
 - a recipient of supplier development contributions from a Measured Entity that has a minimum three-year contract with the Measured Entity, the recognisable B-BBEE Procurement Spend that can be attributed to that Supplier is multiplied by a factor of 1,2;
 - a black owned QSE or EME which is not a supplier development beneficiary but that has a minimum three-year contract with the Measured Entity, the recognisable B-BBEE Procurement Spend that can be attributed to that Supplier is multiplied by a factor of 1,2; and
 - a first time supplier to the Measured Entity, the recognisable B-BBEE Procurement Spend that can be attributed to that Supplier is multiplied by a factor of 1,2.
- Procurement of goods and services and any other activities that fall under Preferential Procurement will not qualify for scoring under supplier development and enterprise development and vice versa.
- Beneficiaries of Supplier Development and Enterprise Development are EMEs or QSEs which are at least 51% black owned or at least 30% black women owned.

Procurement spend

The following procurement is measurable within Total Measured Procurement spend:

- All goods and services procured that comprise the cost of sales of the Measured Entity.
- All goods and services procured that comprise operational expenditure of the Measured Entity.
- All capital expenditure incurred by the Measured Entity.
- Procurement of any goods or services procured from any organs of state and public entities. Procurement of any goods or services from any organ of state and public entity that enjoys a statutory or regulated monopoly in the supply of such goods and services is excluded.
- All goods and services procured from suppliers that enjoy a monopolistic position.
- All procurements for 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.
- Payments made 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).
- 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. The scheme or insurer must issue a certificate dividing payments between the capital investment portion and the balance to establish the amount that is measurable within Total Measured Procurement Spend.
- Any commissions or similar payments payable by a Measured Entity.
- All goods and services procured in carrying out B-BBEE initiatives. The Total Measured Procurement Spend does not include the actual contribution portion recognised under Supplier Development and Enterprise Development 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 or holding companies of the Measured Entity. (B-BBEE credentials of the entity supplying goods and/or services must be confirmed by way of a valid BEE certificate.)

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, including rates imposed by a municipality or other local government.
- Salaries, wages, remunerations and emoluments as well as any amount payable to an employee as an element of their salary or wage and any emolument or similar payment paid to a director of a Measured Entity.
- All procurement for a third party or a client that is recorded as an expense in the third party or client's annual financial statements but is not recorded as such in the Measured Entity's annual financial statements.
- Empowerment related procurement is excluded if it relates to –
 - investments in or loans to an Associated Entity; or
 - investments, donations or loans qualifying for recognition in terms of either Enterprise Development or SED contributions.
- Imported goods or components for value-added production in South Africa, provided that there is no existing local production of such capital goods and services and importing these goods and services further promotes value-added production within South Africa.
- 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. These exclusions are subject to the Measured Entity having developed and implemented an Enterprise Development and Supplier Development plan for imported goods and services. This plan should include a clear objective, priority interventions, key performance indicators and a concise implementation plan with clearly articulated milestones,
- 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 where no equivalent local supplier exists.

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 criterion in the scorecard
- D = The Weighting points allocated to each criterion in the scorecard

Supplier and Enterprise Development

Through the indicators listed earlier, the objectives of this section of the scorecard are to measure initiatives intended to develop black owned suppliers and small entities that struggle to take their businesses from survivable and/or a micro level to a level of sustainability and profitability.

The challenges that this section of the Codes 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.

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 establishing 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 for supplier development and 1% of NPAT or 0,125% of turnover for Enterprise Development, 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 the CA sector means capacity building of a monetary and non-monetary nature for black-owned firms within the profession and outside the profession.

Key principles

- Measured Entities are encouraged to align their Enterprise Development and Supplier Development initiatives with their supply chain requirements, thereby linking Enterprise Development and Supplier Development to Preferential Procurement.
- Qualifying Enterprise Development and Supplier Development Contributions of any Measured Entity are recognisable on an annual basis.
- In the case of contributions, programmes and/or initiatives that span multiple years, the total contribution amount must be divided by the number of years, and the average per year is then to be used for the annual contribution.
- Measured Entities are encouraged to develop and implement an Enterprise Development plan and a Supplier Development plan for Qualifying Beneficiaries. This plan should include –

- clear objectives;
- priority interventions;
- key performance indicators; and
- a concise implementation plan with clearly articulated milestones.
- Measured Entities will not receive recognition for the same activities undertaken under Enterprise Development and Supplier Development; they will only receive recognition for one of the two.
- No portion of the value of any Qualifying Enterprise Development and Supplier Development Contribution that is payable to the beneficiary after the date of measurement can form part of any calculation.

Enterprise Development and Supplier Development Contributions

- 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.
- Grant Contributions to Beneficiary Entities. This would include grants made to the SAICA Hope Factory Enterprise Development initiative.
- Direct costs incurred by a Measured Entity in assisting and hastening development of Beneficiary Entities.
- Overhead costs of a Measured Entity directly attributable to Enterprise Development and Supplier Development Contributions.
- Preferential credit terms granted by a Measured Entity to Beneficiary Entities.
- Preferential terms granted by a Measured Entity in respect of the supply of goods or services to Beneficiary Entities.
- Contributions made to settling service costs relating to the operational or financial capacity of Beneficiary Entities.
- Discounts given to Beneficiary Entities in relation to the acquisition and maintenance costs associated with the grant to those Beneficiary Entities of franchise, licence, agency, distribution or other similar business rights.
- The creation or development of capacity and expertise for Beneficiary Entities needed to manufacture or produce goods or services previously not manufactured, produced or provided in the Republic of South Africa is provided for the Government's economic growth and local supplier development and initiatives.
- Facilitating access to credit for Beneficiary Entities without access to similar credit facilities through traditional means owing to a lack of credit history, high risk or collateral.
- Provision of training or mentoring to suitably qualified entities or individuals to Beneficiary Entities which will assist the Beneficiary Entities to increase their operational or financial capacity.
- Maintaining an Enterprise Development and Supplier Development unit which focuses exclusively on support for Beneficiary Entities or candidate Beneficiary Entities.
- New projects promoting beneficiation by the Measured Entity for the benefit of Enterprise Development and Supplier Development Beneficiaries.
- Provision of preferential credit facilities to a Beneficiary Entity by a Measured Entity may constitute an Enterprise Development and Supplier Development Contribution. Examples of such contributions include, without limitation:
 - Provision of finance to Beneficiary Entities at lower than commercial rates of interest;
 - Relaxed security requirements or absence of security requirements for Beneficiary Entities unable to provide security for loans; and

- Settlement of accounts with Beneficiary Entities over a shorter period of time in relation to the Measured Entity's normal payment period, provided the shorter period is no longer than 15 days.
- Providing training or mentoring to Beneficiary communities by a Measured Entity. (Such contributions are measurable by quantifying the cost of time (excluding travel or commuting time) spent by staff or management of the Measured Entity in carrying out such initiatives. A clear justification, commensurate with the seniority and expertise of the trainer or mentor, must support any claim for time costs incurred.)
- Maintaining an Enterprise Development and Supplier Development 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 Enterprise Development and Supplier Development constitute contributions.)
- Payments made by the Measured Entity to suitably qualified and experienced third parties to perform Enterprise Development and Supplier Development on behalf of the Measured Entity.

Monetary and non-monetary contributions

Subject always to the definition of Qualifying Enterprise Development and Supplier Development Contributions, the following monetary/non-monetary contributions will, without limitations, be considered:

- The provision of seed or development capital.
- Contributions made towards the settlement of the cost of services relating to the operational or financial capacity and/or efficiency levels of a Qualifying Enterprise Development and Supplier Development Beneficiary, including, without limitation –
 - professional and consulting services;
 - licensing and/or registration fees;
 - industry specific levies and/or other such fees; and
 - IT services.
- Facilitation of access to credit for Beneficiary Entities unable to access similar credit facilities through traditional means owing to a lack of credit history, high risk and/or lack of collateral.
- Provision of training and/or mentoring to Beneficiary Entities which will assist the Beneficiary Entities to increase their operational and/or financial capacity.
- Maintenance by the Measured Entity of an Enterprise Development and Supplier Development unit which focuses exclusively on support of Beneficiary Entities or candidate Beneficiary Entities.
- Provision of preferential credit facilities to a Beneficiary Entity by a Measured Entity may constitute a Qualifying Enterprise Development and Supplier Development Contribution. Examples of such contributions include, without limitation –
 - provision of finance to Beneficiary Entities at rates of interest below the applicable rate. Such contributions will be measured as the value of the differential between the actual interest rate provided to the Beneficiary Entity and the applicable rate; and
 - relaxed security requirements or absence of security requirements for Beneficiary Entities unable to provide security for loans. Such contributions shall be measured as being 3% of any positive differential between the initial capital value of the loan and the value of security taken.
- Settlements of accounts with Beneficiary Entities over a shorter period of time in relation to the Measured Entity's normal payment period, provided the shorter period is no longer than 15 days. Preferential payment terms which extend beyond 15 days will not qualify as Qualifying Enterprise Development and Supplier Development Contributions.
- Provision of training and/or mentoring to a Beneficiary Entity by a Measured Entity may constitute a Qualifying Enterprise Development and Supplier Development Contribution. Such contributions will be measured by quantifying the cost of time spent by staff or

management of the Measured Entity in carrying out such initiatives. Any travel or commuting time may not be included in this cost. Furthermore, a clear justification must be supplied with respect to the calculation of such time costs incurred, commensurate with the level of seniority and expertise of the trainer or mentor. Common forms of such contributions include, without limitation –

- professional and consulting services;
 - IT services; and
 - any other services which help to increase the entity’s financial and/or operational capacity and which have not also been accounted for under skills development.
- The maintenance of an Enterprise Development and Supplier Development unit by the Measured Entity may constitute a Qualifying Enterprise Development and Supplier Development Contribution. Common examples of such contributions include, without limitation, the salaries and wages of staff involved in the operations of such Enterprise Development and Supplier Development unit. However, only that portion of salaries and wages which relate to time spent by the staff in and the other expenses related to the promotion and implementation of Enterprise Development and Supplier Development in respect of Beneficiary Entities or candidate Beneficiary Entities should be taken into consideration under Enterprise Development and Supplier Development Contributions.

Enterprise Development and Supplier Development Benefit Factor Matrix

Qualifying contribution type	Contribution amount	Benefit Factor
Grant and related contributions		
Grant contribution	Full grant amount	100%
Direct cost incurred in supporting Enterprise Development and Supplier Development	Verifiable cost (including both monetary and non-monetary)	100%
Discounts in addition to normal business practices supporting Enterprise Development and Supplier Development	Discount amount (in addition to normal business discount)	100%
Overhead costs incurred in supporting Enterprise Development and Supplier Development (including people appointed in Enterprise Development and Supplier Development)	Verifiable cost (including both monetary and non-monetary)	70%
Loans and related contributions		
Interest-free loan with no security requirements supporting Enterprise Development and Supplier Development	Outstanding loan amount	70%
Standard loan to Enterprise Development and Supplier Development Beneficiaries	Outstanding loan amount	50%
Guarantees provided on behalf of a Beneficiary Entity	Guarantee amount	3%
Lower interest rate	Outstanding loan amount	Prime rate – actual rate
Equity investments and related contributions		
Minority investment in Enterprise Development and Supplier Development Beneficiaries	Investment amount	100%
Minority investment in other	Investment amount	70%

Qualifying contribution type	Contribution amount	Benefit Factor
beneficiary entities		
Enterprise Development and Supplier Development investment with lower dividend to financier	Investment amount	Dividend rate of ordinary shareholders – actual dividend rate of contributor
Contributions made in the form of human resource capacity		
Professional services rendered at no cost and supporting Enterprise Development and Supplier Development	Commercial hourly rate of professional	60%
Professional services rendered at a discount and supporting Enterprise Development and Supplier Development	Value of discount based on commercial hourly rate of professional	60%
Time of employees of Measured Entity productively deployed in assisting beneficiaries	Monthly salary divided by 160	60%
Other contributions		
Shorter payment periods for Supplier Development	Percentage of invoiced amount X 15% (being an approximation of the cost of short-term financing)	Percentage being 15 days less the number of days from invoice to payment Maximum points that can be scored is 15% of 10 points

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 commencement of the effective date of the CA Charter Sector Code to the date of measurement
 - C = the compliance target for Qualifying Contributions as specified in the scorecard
 - D = the Weighting points allocated to the criteria in the scorecard

12.2.5 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 Code and CA Sector
	Code	CA sector	
Average annual value of all SED contributions by the Measured Entity as a percentage of the target	5	5	1% of NPAT or 0,125% of turnover

The Net Profit After Tax (NPAT) or average target applies unless –

- The company did not make a profit the last year or on average of the last five years;
- The net profit margin is less than a quarter of the norm for the industry;

If the Turnover is to be used, the target will be set at –

$$1\% \times \text{Indicative Profit Margin (NPAT/Turnover)} \times \text{Turnover}$$

Indicative Profit Margin is the profit margin in the last year where the Entity's profit margin is at least one quarter of the industry norm.

SED contributions consist of monetary or non-monetary contributions actually initiated and implemented in favour of Beneficiaries of an Entity with the specific objective of facilitating income generating activities for targeted beneficiaries.

The full value of SED Contributions made to beneficiaries is recognisable if at least 75% of the value directly benefits black people.

If less than 75% of the full value of SED Contributions directly benefits black people, the value of the contribution made multiplied by the percentage that benefits black people is recognisable.

- 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; and
- Payments made by the Measured Entity to third parties to perform SED on behalf of the Measured Entity.

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).

SED contributions of any Measured Entity are recognisable annually. Thus no portion of the value of any SED Contributions that is payable to the beneficiary after the date of the measurement can form part of any calculation.

SED Benefit Factor Matrix

Qualifying contribution type	Contribution amount	Benefit Factor
<i>Grant and related contributions</i>		
Grant contribution	Full grant amount	100%
Direct cost incurred in supporting SED, sector specific initiatives or qualifying 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 qualifying SED contributions	Verifiable costs (including both monetary and non-monetary)	80%
<i>Contributions in the form of human resource capacity</i>		
Professional services rendered at no cost supporting SED, sector specific initiatives or qualifying SED contributions	Commercial hourly rate of professional	80%
Professional services rendered at a discount supporting SED, sector specific initiatives or qualifying 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 qualifying 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 annual value of all qualifying contributions made by the Measured Entity
 - C = the compliance Target for SED contributions as specified in the scorecard
 - D = the Weighting points allocated to the Measured Entity development criteria in the scorecard

13 THE QSE SCORECARD FOR THE CA SECTOR

13.1 THE CA SECTOR QSE SCORECARD

BEE Elements		Indicators	Indicator Weighting	Compliance Target CA sector
Ownership	Voting Rights	• Exercisable Voting Rights in the Measured Entity in the hands of Black People	9	32,5%
		• Exercisable Voting Rights in the Measured Entity in the hands of Black women	4	10%
	Economic Interest	• Economic Interest in the Measured Entity to which Black People are entitled	8	32.5%
		• Economic Interest in the Measured Entity to which Black women are entitled	4	10%
Management Control		• Black employees in the Measured Entity at Top Management level	7	50%
		• Black female employees in the Measured Entity at Top Management level	2	25%
		• Black employees in the Measured Entity as a percentage of all employees	6	60%
		• Black female employees in the Measured Entity as a percentage of all employees	3	40%
		• Black employees with disabilities in the Measured Entity as a percentage of all employees	1	1%
Skills Development		• Adjusted Skills Development spend on Learning Programmes for black Employees in the Measured Entity as a percentage of Leivable Amount (including amount spent on learnerships)	30	5%
Enterprise and Supplier Development	Procurement	• BEE procurement spend from all Suppliers based on the B-BBEE Procurement Recognition Levels as a percentage of total measured procurement spend	15	50%
	Supplier Development	• Annual value of all Supplier Development Contributions as a percentage of target	10	1% of NPAT or 0,125% of turnover
		• Annual value of Enterprise Development Contributions and sector specific programmes made by the Measured Entity as a percentage of the target	5	0,5% of NPAT or 0,06% of turnover
Socio-economic Development		• Annual value of all SED contributions made by the Measured Entity as a percentage of the target	5	1% of NPAT or 0,125% of turnover

13.2 APPLICATION OF THE CA SECTOR QSE SCORECARD

The following table represents the QSE Scorecard:

Element	Weighting (points)
Ownership	25
Management Control	19
Skills Development	30
Enterprise and Supplier Development	30
Socio-Economic Development contributions	5
	109

- Any enterprise with an annual Total Revenue of between R10 million and R50 million qualifies as a QSE.
- A QSE must comply with all of the Elements of B-BBEE for purposes of measurement under the QSE Scorecard.
- Priority Elements – a QSE is required to comply with ownership as a compulsory element, and either Skills Development or Enterprise and Supplier Development. Non-compliance with the 40% sub-minimum requirements of any one of the priority elements will result in the QSE B-BBEE status level being discounted by one level until the next applicable verification period of the QSE.
- A QSE which is 100% Black owned qualifies for a level one B-BBEE recognition level.
- A QSE which is at least 51% Black owned qualifies for a level two B-BBEE recognition level.
- A QSE which is 100% Black owned or at least 51% Black owned is only required to obtain a sworn affidavit on an annual basis, confirming that the Annual Total Revenue is R50 million or less and the level of Black ownership.
- The requirement to submit data to the Department of Labour under the EE Act, 1998 (Act 55 of 1998) is only applicable to 'designated employers' who employ 50 or more employees. However, for the purposes of measurement, QSEs that employ less than 50 employees are required to submit sufficient evidence for verification purposes.

13.2.1 The QSE Ownership scorecard

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

Ownership		Weighting Points	Compliance targets CA Sector
Voting Rights	Exercisable Voting Rights in the Entity in the hands of Black people	9	32,5%
	Exercisable Voting Rights in the Entity in the hands of Black women	4	10%
Economic Interest	Economic Interest in the Entity to which Black people are entitled	8	32,5%
	Economic Interest in the Entity to which Black women are entitled	4	10%

Key measurement principles for the CA Sector are as follows:

An Entity receives points for participation by Black people in its rights of Ownership, using this Ownership scorecard. Black people may hold their rights of Ownership in a Measured

Entity as direct Participants or as Participants through some form of Entity such as the following:

- A Company as defined in the Companies Act of 2008, as amended;
- A Close corporation;
- A Co-operative
- A Trust;
- A Broad-Based Ownership Scheme;
- An Employee Share Ownership Programme;
- A partnership or other association of natural persons; and
- Any form of juristic person recognised in terms of South African law.

Subminimum requirements

- A measured Entity is required to achieve a minimum of 40% of Economic Interest in the Entity to which Black people are entitled (40% x 11 points).
- Non-compliance with the sub-minimum target will result in the B-BBEE status level being discounted.

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 Entity 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 Entity holds to all Voting Rights held by all Participants of that Entity
 - 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. For the CA Sector it will mean any distribution to a partner or partner equivalent, this includes salaries, drawings and/or profit share paid to partners. Partner equivalent would include all persons who have an equivalent status to a partner per the IRBA rules, this will include individuals who are not necessarily registered accountants per the IRBA rules but are directors in the practice (should these individuals be regarded as partner equivalents).
- 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.

Calculation of Economic Interest

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

- Where
- A = recognisable percentage of black Participants' claim to Economic Interest in the Entity
 - B = percentage that Economic Interest to which Participants who fall within the category of Black People in the entity holds to all Economic Interest which all Participants of that Entity 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.
- New entrants

Ownership Realisation

- p
- A score of 8 points for Net Value is a requirement for awarding the Ownership Realisation point.

Deemed Value

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

Calculation of deemed value

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

- Where
- A = deemed 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 deemed 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.

$$\text{Formula A} \quad A = B \times \left[\frac{1}{32,5\% \times C} \right] \times 8$$

- Where
- A = the score obtained for deemed value
 - B = the deemed value for all black Participants in the Measured Entity determined using the formula for the calculation of deemed 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 $A = \frac{B}{C} \times 8$

- Where
- A = the score obtained for deemed 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 Entity

- If an Entity gains a score which exceeds the Weighting points for deemed 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 deemed Value percentage provided for in the calculation of deemed 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 entities is measurable as at the date of sale or loss
 - D = the most recently determined B-BBEE Recognition Level of the Measured Entity which is less than one year old, based on its applicable Scorecard result for all Elements other than ownership determined using statement 000

13.2.3 The QSE Management Control scorecard

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

Indicator	Description	Weighting points	Compliance Target CA sector
Management Control	Black employees in the Measured Entity at Top Management level	7	50%
	Black female employees in the Measured Entity at Top Management level	2	25%
	Black employees in the Measured Entity as a percentage of all employees	6	60%
	Black female employees in the Measured Entity as a percentage of all employees	3	40%
	Black employees with disabilities in the Measured Entity as a percentage of all employees	1	1%

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.
- The requirement to submit data to the Department of Labour in terms of the EE Act is only applicable to “designated employers” who employ 50 or more employees. However, for the purpose of measurement for both the Generic and QSE scorecards, entities that employ less than 50 employees are required to submit sufficient evidence for verification purposes.
- An Entity must use the current payroll data in calculating its score for the Management Control section of the Scorecard.
- In determining a Measured Entity’s score, the targets should be further broken down into specific criteria according to the different race subgroups within the definition of black in accordance with the EE Act on an equitable representation and weighted accordingly.

Measurement of Top Management and Control

The calculation of the Management Control indicators is as follows:

$$\text{Formula A} \quad A = \left[\frac{AM}{C} + \frac{CM}{C} + \frac{IM}{C} + \frac{AF}{C} + \frac{CF}{C} + \frac{IF}{C} \right] \div 6$$

- Where A = Percentage of Black employees for each occupational level as measured in the Management Control scorecard using the annual EAP targets as published in the Regulations of EE Act and Commission on Employment Equity Report, as amended from time to time
- AM = Percentage of employees in the measurement category who are African males

- CM = Percentage of employees in the measurement category who are Coloured males
- IM = Percentage of employees in the measurement category who are that are Indian males
- AF = Percentage of employees in the measurement category who are African females
- CF = Percentage of employees in the measurement category who are Coloured females
- IF = Percentage of employees in the measurement category who are Indian females
- C = Compliance target as per the Regulations of EE Act and Commission on Employment Equity Report, for that measurement sub-category

The calculation is based on the criteria in the Management Control scorecard D, measured in terms of formula A, B and C, as relates to board participation and other executive management:

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

- Where
- A = Score achieved in respect of a Measured Entity subject to measurement for management control
 - B = Voting Rights in the hands of Black members of the Board as a percentage of Voting Rights of all members of the Board in the Measured Entity
or Percentage of all employees in the executive and other executive management category who are Black people of that Measured Entity
or Percentage of Black employees as calculated in Formula A
 - C = Percentage compliance target in respect of the applicable management control criteria being measured
 - D = Weighting points allocated to the applicable management control criteria being measured

Measurement of employees with disabilities

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

- Where
- A = Score for the given criteria
 - B = Total number of Black employees with disabilities as a percentage of all employees
 - C = Target for the applicable criteria as referred to in the scorecard
 - D = Weighting for the applicable criteria

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 CA sector
	Code	CA sector	
Adjusted Skills Development spend on Learning Programmes for black Employees as a percentage of Leviale Amount (including amount spent on learnerships)	20	30	5%

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.

For the CA Sector Skills Development QSE scorecard the following key measurement principles will apply:

- The compliance targets for the Skills Development scorecard are based on the overall demographic representation of black people as defined in the Regulations of the EE Act and Commission of Employment Equity Report as amended from time to time.
- In determining a Measured Entity's score, the targets should be further broken down into specific criteria according to the different race subgroups within the definition of black in accordance with the EE Act and Commission of Employment Equity Report requirements on an equitable representation and weighted accordingly.
- The following criteria must be fulfilled in order for the Measured Entity to receive points on the Skills Development Element scorecard:
 - Workplace Skills Plan, an Annual Training Report and Pivotal Report, all SETA approved; and
 - The implementation of a Priority Skills programme (of which CAs(SA) are considered priority skills specifically for black people).
- The 5% compliance target includes external training expenditure for unemployed black people.

Sub-minimum and discounting principle

- A Measured Entity must achieve a minimum of 40% of the targets set out in the Skills Development Element.
- Non-compliance with the threshold targets will result in the overall achieved B-BBEE status level being discounted in accordance with paragraph 3.4 of statement 000.

Skills Development Expenditure

- This includes legitimate expenses incurred in any Learning Programme offered by a Measured Entity to its employees, substantiated by an invoice or appropriate internal accounting record.
- Skills Development Expenditure arising from Informal and workplace Learning Programmes or from Category F and G Learning Programmes under the Learning Programmes Matrix cannot represent more than 15% of the total value of Skills Development Expenditure.
- Legitimate training costs such as accommodation, catering and travelling (non-exhaustive) cannot exceed more than 15% of the total value of Skills Development Expenditure.
- Salaries and wages paid to an employee participating as a learner in any Learning Programme only constitute Skills Development Expenditure if the Learning Programme

is a Learnership, Internship and Apprenticeship (Category B, C and D) of the Learning Programme Matrix.

- Mandatory sectoral training does not qualify as a skills development contribution, i.e. health and safety in the construction sector (non-exhaustive list).
- Training outside the country in line with the Learning Programme Matrix under annexure 300 (A) is measurable if it meets the South African Qualification Authority requirements for recognition.
- Legitimate recognisable training expenses are as follows:
 - Costs of training materials;
 - Costs of trainers;
 - Costs of training facilities, including costs of catering;
 - Scholarships and bursaries;
 - Course fees;
 - Accommodation and travel; and
 - 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.
- Bursaries and Scholarships
 - The target is the greater of NPAT or turnover calculations, using the specified percentages.
 - Expenses on scholarships and bursaries for employees do not constitute Skills Development Expenditure if the Measured Entity can recover any portion of those expenses from the employee or if the grant of the scholarship or bursary is conditional. However, if the right of recovery or the condition involves either of the following obligations on the employee, the expenses are recognisable:
 - The obligation of successful completion in their studies within the time period allocated; and
 - The obligation of continued employment by the Measured Entity for a period following successful completion of their studies, provided it does not exceed the period of their studies.
 - Bursary and scholarship expenditure include all legitimate expenditure, similar to those mentioned above under legitimate recognisable training expenses.

Learning Programmes Matrix

Cat.	Programme	Narrative description	Delivery mode	Learning site	Learning achievement
A	Bursaries	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	Internships	Instruction-based theoretical instruction as well as some practical learning with an employer or in a simulated work environment – formally assessed through	Mixed mode delivery with institutional instruction as well as supervised learning in an appropriate workplace or simulated	Institutions such as universities and colleges, schools, ABET providers and workplace	Theoretical knowledge and workplace experience with set requirements resulting in the achievement of a degree, diploma or certificate issued by an accredited or

Cat.	Programme	Narrative description	Delivery mode	Learning site	Learning achievement
		the institution	work environment		registered formal institution of learning
C	Learnerships	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	Learnerships or apprenticeships	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	Institution 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 registered formal institution of learning
E	Work-integrated learning	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,, some institutional as well as ABET providers	Credits awarded for registered unit standards, continued professional development, improved performance or skills (e.g. evidence of outputs based on Performance Development Programme)
F	Informal training	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)

Cat.	Programme	Narrative description	Delivery mode	Learning site	Learning achievement
G	Informal training	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 formula explains the method of measurement of the criteria for black people on any programme specified in the Learning Programmes Matrix or participating in Learnerships, Apprenticeships and Internships per the Skills Development Element of the scorecard:

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

- Where
- A = Score for the given criteria for black people on any programme specified in the Learning Programmes Matrix or participating in Learnerships, Apprenticeships and Internships per the scorecard under statement 300
 - B = Percentage of spend in the measurement category who are black people
or Percentage of people in the measurement category who are black people
or Percentage of spend in the measurement category who are black people with disabilities
 - C = Target for the applicable criteria as referred to in the scorecard
 - D = Weighting for the applicable criteria as referred to in the scorecard

13.2.5 The QSE Enterprise and Supplier Development 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 Empowering Suppliers with strong B-BBEE recognition levels. The intention of this scorecard is to strengthen local procurement from black-owned QSEs and EMSs so as to increase procurement from local suppliers in order to support employment creation.

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 11.4, the 25 Preferential Procurement Weighting points were reduced to 15 Weighting points. The goal of this redistribution is to contribute to the achievement of the vision of the CA profession Sector Code.

The indicators and Weightings are as follows:

Enterprise and Supplier Development Indicators		Weighting points	Compliance Target CA sector
Procurement	BEE procurement spend from all Suppliers based on the B-BBEE Procurement Recognition Levels as a percentage of total measured procurement spend	15	50%

Supplier Development	Annual value of all Supplier Development Contributions as a percentage of target	10	1% of NPAT or 0,125% of turnover
	Annual value of Enterprise Development Contributions and sector specific programmes made by the Measured Entity as a percentage of the target	5	0,5% of NPAT or 0,06% of turnover

The 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	≥95 but <100 on the Generic/QSE Scorecard	125%
Level three contributor	≥90 but <95 on the Generic/QSE Scorecard	110%
Level four contributor	≥80 but <90 on the Generic/QSE Scorecard	100%
Level five contributor	≥75 but <80 on the Generic/QSE Scorecard	80%
Level six contributor	≥70 but <75 on the Generic/QSE Scorecard	60%
Level seven contributor	≥55 but <75 on the Generic/QSE Scorecard	50%
Level eight contributor	≥40 but <55 on the Generic/QSE Scorecard	10%
Non-compliant contributor	<40 on the Generic/QSE Scorecard	0%

Enhanced recognition for certain categories of Black people:

- Black women should form between 40% and 50% of the beneficiaries of the relevant Elements of the Scorecard.
- Black people with disabilities, Black youth, Black people living in rural areas and Black unemployed people should form part of the beneficiaries of the relevant Elements of the Scorecard.
- Non-compliance with the threshold targets will result in the overall achieved B-BBEE status level being discounted in accordance with paragraph 11.3.
- An Empowering Supplier within the context of B-BBEE is a B-BBEE compliant entity, which is a good citizen South African entity, complies with all regulatory requirements of the country and meets at least **two**, if it is a large enterprise, or **one**, if it is a QSE, of the following criteria:
 - At least 25% of cost of sales, excluding depreciation, must be procured from local producers or local suppliers in South Africa. For the CA sector labour costs are included but capped at 15%.
 - Job creation – 50% of jobs created are for black people provided that the number of black employees since the immediate prior verified B-BBEE Measurement is maintained.
 - Skills transfer – spend of at least 12 days of productivity per annum in assisting black EME or QSE beneficiaries with increasing their operations or financial capacity.
- EMEs and Start-Ups are automatically recognised as Empowering Suppliers.
- The Weighting points in the Enterprise and Supplier Development scorecard represent the maximum number of points possible for each of the criteria.
- If a Measured Entity procures goods and services from a supplier that is –
 - a recipient of supplier development contributions from a Measured Entity that has a minimum three-year contract with the Measured Entity, the recognisable B-BBEE Procurement Spend that can be attributed to that Supplier is multiplied by a factor of 1,2;
 - a black owned QSE or EME which is not a supplier development beneficiary but that has a minimum three-year contract with the Measured Entity, the

- recognisable B-BBEE Procurement Spend that can be attributed to that Supplier is multiplied by a factor of 1,2; and
 - a first time supplier to the Measured Entity, the recognisable B-BBEE Procurement Spend that can be attributed to that Supplier is multiplied by a factor of 1,2.
- Procurement of goods and services and any other activities that fall under Preferential Procurement will not qualify for scoring under supplier development and enterprise development and vice versa.

Procurement spend

The following procurement is measurable within Total Measured Procurement spend:

- All goods and services procured that comprise the cost of sales of the Measured Entity.
- All goods and services procured that comprise operational expenditure of the Measured Entity.
- All capital expenditure incurred by the Measured Entity.
- Procurement of any goods or services procured from any organs of state and public entities. Procurement of any goods or services from any organ of state and public entity that enjoys a statutory or regulated monopoly in the supply of such goods and services is excluded.
- All goods and services procured from suppliers that enjoy a monopolistic position.
- All procurements for 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.
- Payments made 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).
- 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. The scheme or insurer must issue a certificate dividing payments between the capital investment portion and the balance to establish the amount that is measurable within Total Measured Procurement Spend.
- Any commissions or similar payments payable by a Measured Entity.
- All goods and services procured in carrying out B-BBEE initiatives. The Total Measured Procurement Spend does not include the actual contribution portion recognised under Supplier Development and Enterprise Development 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 or holding companies of the Measured Entity. (B-BBEE credentials of the entity supplying goods and/or services must be confirmed by way of a valid BEE certificate.)

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, including rates imposed by a municipality or other local government.
- Salaries, wages, remunerations and emoluments as well as any amount payable to an employee as an element of their salary or wage and any emolument or similar payment paid to a director of a Measured Entity.
- All procurement for a third party or a client that is recorded as an expense in the third party or client's annual financial statements but is not recorded as such in the Measured Entity's annual financial statements.
- Empowerment related procurement is excluded if it relates to –
 - investments in or loans to an Associated Entity; or

- investments, donations or loans qualifying for recognition in terms of either Enterprise Development or SED contributions.
- Imported goods or components for value-added production in South Africa, provided that there is no existing local production of such capital goods and services and importing these goods and services further promotes value-added production within South Africa.
- 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. These exclusions are subject to the Measured Entity having developed and implemented an Enterprise Development and Supplier Development plan for imported goods and services. This plan should include a clear objective, priority interventions, key performance indicators and a concise implementation plan with clearly articulated milestones,
- 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 where no equivalent local supplier exists.

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

Supplier and Enterprise Development

Through the indicators listed earlier, the objectives of this section of the scorecard are to measure initiatives intended to develop black owned suppliers and small entities that struggle to take their businesses from survivable and/or a micro level to a level of sustainability and profitability.

The challenges that this section of the Codes 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.

For the CA sector, the following are applicable:

- 1% of NPAT or 0,125% of turnover for supplier development and 0,5% of NPAT or 0,06% of turnover for Enterprise Development, 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.

Key principles

- Measured Entities are encouraged to align their Enterprise Development and Supplier Development initiatives with their supply chain requirements, thereby linking Enterprise Development and Supplier Development to Preferential Procurement.
- Qualifying Enterprise Development and Supplier Development Contributions of any Measured Entity are recognisable on an annual basis.
- In the case of contributions, programmes and/or initiatives that span multiple years, the total contribution amount must be divided by the number of years, and the average per year is then to be used for the annual contribution.
- Measured Entities are encouraged to develop and implement an Enterprise Development plan and a Supplier Development plan for Qualifying Beneficiaries. This plan should include –
 - clear objectives;
 - priority interventions;
 - key performance indicators; and
 - a concise implementation plan with clearly articulated milestones.
- Measured Entities will not receive recognition for the same activities undertaken under Enterprise Development and Supplier Development; they will only receive recognition for one of the two.
- No portion of the value of any Qualifying Enterprise Development and Supplier Development Contribution that is payable to the beneficiary after the date of measurement can form part of any calculation.

Enterprise Development and Supplier Development Contributions

- 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.
- Grant Contributions to Beneficiary Entities. This would include grants made to the SAICA Hope Factory Enterprise Development initiative.
- Direct costs incurred by a Measured Entity in assisting and hastening development of Beneficiary Entities.
- Overhead costs of a Measured Entity directly attributable to Enterprise Development and Supplier Development Contributions.
- Preferential credit terms granted by a Measured Entity to Beneficiary Entities.
- Preferential terms granted by a Measured Entity in respect of the supply of goods or services to Beneficiary Entities.
- Contributions made to settling service costs relating to the operational or financial capacity of Beneficiary Entities.
- Discounts given to Beneficiary Entities in relation to the acquisition and maintenance costs associated with the grant to those Beneficiary Entities of franchise, licence, agency, distribution or other similar business rights.
- The creation or development of capacity and expertise for Beneficiary Entities needed to manufacture or produce goods or services previously not manufactured, produced or provided in the Republic of South Africa is provided for the Government's economic growth and local supplier development and initiatives.
- Facilitating access to credit for Beneficiary Entities without access to similar credit facilities through traditional means owing to a lack of credit history, high risk or collateral.
- Provision of training or mentoring to suitably qualified entities or individuals to Beneficiary Entities which will assist the Beneficiary Entities to increase their operational or financial capacity.
- Maintaining an Enterprise Development and Supplier Development unit which focuses exclusively on support for Beneficiary Entities or candidate Beneficiary Entities.

- New projects promoting beneficiation by the Measured Entity for the benefit of Enterprise Development and Supplier Development Beneficiaries.
- Provision of preferential credit facilities to a Beneficiary Entity by a Measured Entity may constitute an Enterprise Development and Supplier Development Contribution. Examples of such contributions include, without limitation:
 - Provision of finance to Beneficiary Entities at lower than commercial rates of interest;
 - Relaxed security requirements or absence of security requirements for Beneficiary Entities unable to provide security for loans; and
 - Settlement of accounts with Beneficiary Entities over a shorter period of time in relation to the Measured Entity's normal payment period, provided the shorter period is no longer than 15 days.
- Providing training or mentoring to Beneficiary communities by a Measured Entity. (Such contributions are measurable by quantifying the cost of time (excluding travel or commuting time) spent by staff or management of the Measured Entity in carrying out such initiatives. A clear justification, commensurate with the seniority and expertise of the trainer or mentor, must support any claim for time costs incurred.)
- Maintaining an Enterprise Development and Supplier Development 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 Enterprise Development and Supplier Development constitute contributions.)
- Payments made by the Measured Entity to suitably qualified and experienced third parties to perform Enterprise Development and Supplier Development on behalf of the Measured Entity.

Monetary and non-monetary contributions

Subject always to the definition of Qualifying Enterprise Development and Supplier Development Contributions, the following monetary/non-monetary contributions will, without limitations, be considered:

- The provision of seed or development capital.
- Contributions made towards the settlement of the cost of services relating to the operational or financial capacity and/or efficiency levels of a Qualifying Enterprise Development and Supplier Development Beneficiary, including, without limitation –
 - professional and consulting services;
 - licensing and/or registration fees;
 - industry specific levies and/or other such fees; and
 - IT services.
- Facilitation of access to credit for Beneficiary Entities unable to access similar credit facilities through traditional means owing to a lack of credit history, high risk and/or lack of collateral.
- Provision of training and/or mentoring to Beneficiary Entities which will assist the Beneficiary Entities to increase their operational and/or financial capacity.
- Maintenance by the Measured Entity of an Enterprise Development and Supplier Development unit which focuses exclusively on support of Beneficiary Entities or candidate Beneficiary Entities.
- Provision of preferential credit facilities to a Beneficiary Entity by a Measured Entity may constitute a Qualifying Enterprise Development and Supplier Development Contribution. Examples of such contributions include, without limitation –
 - provision of finance to Beneficiary Entities at rates of interest below the applicable rate. Such contributions will be measured as the value of the differential between the actual interest rate provided to the Beneficiary Entity and the applicable rate; and
 - relaxed security requirements or absence of security requirements for Beneficiary Entities unable to provide security for loans. Such contributions shall

be measured as being 3% of any positive differential between the initial capital value of the loan and the value of security taken.

- Settlements of accounts with Beneficiary Entities over a shorter period of time in relation to the Measured Entity's normal payment period, provided the shorter period is no longer than 15 days. Preferential payment terms which extend beyond 15 days will not qualify as Qualifying Enterprise Development and Supplier Development Contributions.
- Provision of training and/or mentoring to a Beneficiary Entity by a Measured Entity may constitute a Qualifying Enterprise Development and Supplier Development Contribution. Such contributions will be measured by quantifying the cost of time spent by staff or management of the Measured Entity in carrying out such initiatives. Any travel or commuting time may not be included in this cost. Furthermore, a clear justification must be supplied with respect to the calculation of such time costs incurred, commensurate with the level of seniority and expertise of the trainer or mentor. Common forms of such contributions include, without limitation –
 - professional and consulting services;
 - IT services; and
 - any other services which help to increase the entity's financial and/or operational capacity and which have not also been accounted for under skills development.
- The maintenance of an Enterprise Development and Supplier Development unit by the Measured Entity may constitute a Qualifying Enterprise Development and Supplier Development Contribution. Common examples of such contributions include, without limitation, the salaries and wages of staff involved in the operations of such Enterprise Development and Supplier Development unit. However, only that portion of salaries and wages which relate to time spent by the staff in and the other expenses related to the promotion and implementation of Enterprise Development and Supplier Development in respect of Beneficiary Entities or candidate Beneficiary Entities should be taken into consideration under Enterprise Development and Supplier Development Contributions.

Enterprise Development and Supplier Development Benefit Factor Matrix

Qualifying contribution type	Contribution amount	Benefit Factor
<i>Grant and related contributions</i>		
Grant contribution	Full grant amount	100%
Direct cost incurred in supporting Enterprise Development and Supplier Development	Verifiable cost (including both monetary and non-monetary)	100%
Discounts in addition to normal business practices supporting Enterprise Development and Supplier Development	Discount amount (in addition to normal business discount)	100%
Overhead costs incurred in supporting Enterprise Development and Supplier Development (including people appointed in Enterprise Development and Supplier Development)	Verifiable cost (including both monetary and non-monetary)	70%
<i>Loans and related contributions</i>		
Interest-free loan with no security requirements supporting Enterprise Development and Supplier Development	Outstanding loan amount	70%
Standard loan to Enterprise Development and Supplier	Outstanding loan amount	50%

Qualifying contribution type	Contribution amount	Benefit Factor
Development Beneficiaries		
Guarantees provided on behalf of a Beneficiary Entity	Guarantee amount	3%
Lower interest rate	Outstanding loan amount	Prime rate – actual rate
Equity investments and related contributions		
Minority investment in Enterprise Development and Supplier Development Beneficiaries	Investment amount	100%
Minority investment in other beneficiary entities	Investment amount	70%
Enterprise Development and Supplier Development investment with lower dividend to financier	Investment amount	Dividend rate of ordinary shareholders – actual dividend rate of contributor
Contributions made in the form of human resource capacity		
Professional services rendered at no cost and supporting Enterprise Development and Supplier Development	Commercial hourly rate of professional	60%
Professional services rendered at a discount and supporting Enterprise Development and Supplier Development	Value of discount based on commercial hourly rate of professional	60%
Time of employees of Measured Entity productively deployed in assisting beneficiaries	Monthly salary divided by 160	60%
Other contributions		
Shorter payment periods for Supplier Development	Percentage of invoiced amount X 15% (being an approximation of the cost of short-term financing)	Percentage being 15 days less the number of days from invoice to payment Maximum points that can be scored is 15% of 10 points

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 commencement of the effective date of the CA Charter Sector Code to the date of measurement
 - C = the compliance target for Qualifying Contributions as specified in the scorecard
 - D = the Weighting points allocated to the criteria in the scorecard

13.2.6 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
Annual value of all SED contributions made by the Measured Entity as a percentage of the target	5	1% of NPAT or 0,125% of turnover

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

The Net Profit After Tax (NPAT) or average target applies unless –

- The company did not make a profit the last year or on average of the last five years;
- The net profit margin is less than a quarter of the norm for the industry;

If the Turnover is to be used, the target will be set at –

$$1\% \times \text{Indicative Profit Margin (NPAT/Turnover)} \times \text{Turnover}$$

Indicative Profit Margin is the profit margin in the last year where the Entity's profit margin is at least one quarter of the industry norm.

SED contributions consist of monetary or non-monetary contributions actually initiated and implemented in favour of Beneficiaries of an Entity with the specific objective of facilitating income generating activities for targeted beneficiaries.

The full value of SED Contributions made to beneficiaries is recognisable if at least 75% of the value directly benefits black people.

If less than 75% of the full value of SED Contributions directly benefits black people, the value of the contribution made multiplied by the percentage that benefits black people is recognisable.

- 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; and
- Payments made by the Measured Entity to third parties to perform SED on behalf of the Measured Entity.

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).

SED contributions of any Measured Entity are recognisable annually. Thus no portion of the value of any SED Contributions that is payable to the beneficiary after the date of the measurement can form part of any calculation.

SED Benefit Factor Matrix

Qualifying contribution type	Contribution amount	Benefit Factor
<i>Grant and related contributions</i>		
Grant contribution	Full grant amount	100%
Direct cost incurred in supporting SED, sector specific initiatives or qualifying 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 qualifying SED contributions	Verifiable costs (including both monetary and non-monetary)	80%
<i>Contributions in the form of human resource capacity</i>		
Professional services rendered at no cost supporting SED, sector specific initiatives or qualifying SED contributions	Commercial hourly rate of professional	80%
Professional services rendered at a discount supporting SED, sector specific initiatives or qualifying 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 qualifying 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 annual value of all qualifying contributions made by the Measured Entity
 - C = the compliance Target for SED contributions as specified in the scorecard
 - D = the Weighting points allocated to the Measured Entity development criteria 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 Code 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	29
Skills Development	45
Enterprise and Supplier Development	20
Socio-Economic Development Contributions	15
Total	109

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(SA)'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 Sector Code.

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	
<p>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 entities – measured in terms of exercisable voting rights, economic interest, board participation (black directors) and management positions at all levels.</p>	
Current situation/challenges	Recommended activities
<ul style="list-style-type: none"> • Numerous black professionals are leaving public practice, because of the following: <ul style="list-style-type: none"> * Public practice firms have to compete with commerce and industry to fill management positions (to comply with their own B-BBEE Sector Codes) * Commerce and industry offer higher salaries * 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 * Inadequate career planning for qualified black staff in firms • 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 	<ul style="list-style-type: none"> • To develop strategies that will ensure that more black professionals remain in public practice • 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 • To have a career development plan for black CAs(SA) and other professionals in the firm • To ensure that black partners play a more fulfilling role in technical service deliveries and practice management as opposed to public relations and sales • To ensure that senior people offer effective mentoring and coaching or put effective mentoring in place for black CAs(SA)

15.2 SKILLS DEVELOPMENT

The main area in which the CA profession can contribute to skills development is by bringing about an improvement in the number of black people who become CA professionals. Therefore efforts for skills development 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 skills development 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(SA), prospective CAs(SA) have to serve under a formal training contract. Therefore in-service training is regarded as a component of skills development here.

To achieve the targets set out in the scorecards, activities for achievement of skills development 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"> • A lack of career awareness, coupled with inadequate subject choice guidance, with the result that <ul style="list-style-type: none"> * insufficient black learners know about accountancy and related positions in the profession * not enough learners and educators are aware of the importance of mathematics for career purposes * insufficient mathematics educators are available to teach this subject * learners do not have appropriate numeracy and English literacy skills upon entering higher education institutions • Uneven standard of education, so learners are not sufficiently prepared for the rigors of tertiary level education or working in the public practice environment 	<ul style="list-style-type: none"> • 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) • To increase awareness of chartered accountancy as a profession • To increase career awareness with regard to related career opportunities • To increase the general level of business skills at secondary school level

15.2.1 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"> • Poor throughput pass percentages at undergraduate and postgraduate levels amongst black students: <ul style="list-style-type: none"> * Financial pressure and other related factors increases the dropout level * 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 * Lack of an effective learning model – many students work hard, but not effectively * Lack of mentoring and monitoring of students contribute to a high dropout level and poor throughput pass percentages * Students have lack of exposure to business skills * A focus primarily on technical skills, which leave students unprepared for other skills in their business lives • Historically black institutions are still unable to achieve accreditation 	<ul style="list-style-type: none"> • To widen the scope of tertiary education to include skills training and socio-economic coping mechanisms • To increase the number and quality bursaries for the development of black CAs(SA) and to provide more and better supervision to bursary holders • To promote interaction with black CAs(SA) to promote ways in which they can become involved in the mentoring process at undergraduate level • To implement an ‘Adopt a Student’/vacation work programme as early as possible in students’ educational careers to expose them to business practices • To implement a formal programme for qualified black CAs(SA) to lecture at universities • To increase mentoring/assistance by SAICA to non-accredited universities to help them obtain the necessary accreditation • To maintain high standards among all tertiary institutions

15.2.3 Qualifying Examination level

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 (Initial Test of Competence (ITC) and the Assessment of Professional Competence (APC)).

Current situation/challenges	Recommended activities
<ul style="list-style-type: none"> • Poor pass percentages achieved by black entrants in the QE <ul style="list-style-type: none"> * CTA standards vary considerably * Ineffective monitoring and interaction with tertiary institutions by SAICA to ensure consistency of standards * Lack of mentoring and monitoring of trainee accountants contribute to a high dropout level and poor throughput pass percentages • Perceived lack of transparency of the whole examination process (i.e. the setting, marking and adjudication of the QE) 	<ul style="list-style-type: none"> • To improve the reach of the formal education programme for first-time and repeat black QE candidates • To increase the number of bursaries provided to black students to enable them to study full time • To publicise and communicate the exam setting, marking and adjudication processes of the QE • To increase the membership of black CAs(SA) on the Initial Professional Development (IPD) and Examinations committees

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"> • Sidelineing at work or biased quality work allocation, particularly regarding 'crown-jewel clients', which leads to a lack of self-esteem • Inadequate interaction and counselling by partners and managers with black trainees • Some resistance by training offices/officers to the employment of black trainees • That a black trainee needs to outperform versus his white counterparts to achieve recognition • An inherent and perpetual perception that black people are inferior and do not show initiative <p><u>Perceptions of white trainees</u></p> <ul style="list-style-type: none"> • Equating accelerated development with a discriminatory decrease in white trainees' promotional prospects <p><u>Cultural differences</u></p> <ul style="list-style-type: none"> • Lack of understanding of cultural diversity • Lack of understanding of basic business concepts (practices) and processes <p><u>Other</u></p> <ul style="list-style-type: none"> • Firms communicate impressive strategies for transformation in the media, which are not translated into practical changes in the business environment • 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 	<ul style="list-style-type: none"> • To find and implement specific instruments and tools (role playing, diversity training and group discussions) to <ul style="list-style-type: none"> * address perceptions of racism and unfairness at work among trainees * provide insight into cultural differences for trainees * introduce trainees to business and office practices (e.g. by means of the induction course of training offices) * implement a monitoring system in training that ensures equal access to opportunities • To put processes in place that will promote equal opportunities in the allocation of work and clients • 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'

15.2.5 Employment level

Obviously, entities 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(SA) 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"> • Support and mentorship programmes are generally inadequate • Difficulties in reaching off-site audit assignments because trainees cannot afford a vehicle • Inadequate study leave is an issue for the many black part-time trainees • A heavy financial burden with the black trainee frequently having to support an extended family • Insufficient accredited training offices • Prospective trainees have little knowledge of small and medium size accountancy firms and tax and advisory consultancy professions 	<ul style="list-style-type: none"> • To widen the scope of mentoring and counselling to address social-economic difficulties of trainees • To provide a work environment for trainees that is conducive to both job fulfilment and achievement of professional qualifications • To facilitate access to finances for trainees in need • To provide special skills development programmes for black trainees to level the playing field • To ensure that students are aware of <u>all</u> career and training opportunities at <ul style="list-style-type: none"> * not just the bigger firms but also small and medium size firms * all accredited training organisations

15.3 SKILLS DEVELOPMENT – not only for future black CAs(SA)

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(SA), practising CAs(SA) and other personnel.

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

sector are directed at trainees, and little is spent on other employees

15.4 ENTERPRISE AND SUPPLIER DEVELOPMENT

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

15.4.2 Enterprise and supplier development

The aims for enterprise and supplier 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 who 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 entities that provide products and services to the sector and to increase the non-monetary support to small and medium entities as well as aspirant entrepreneurs.

Current situation/challenges	Recommended activities
Black-owned firms	
<ul style="list-style-type: none"> Hampered by a lack of funding as well as time pressures Lack of skills for expansion among some black-owned businesses 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 Insufficient medium size black firms, exacerbated by a lack of opportunities for smaller firms that would allow them to grow bigger Rewards do not always pass proportionately to input where alliances are formed 	<ul style="list-style-type: none"> To form a comprehensive, coordinated strategy for wealth creation and skills upgrading of black entities by the CA sector 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(SA) To develop a proportionate plan to businesses to facilitate and encourage the appointment of joint auditors
Black-owned entities that provide product and services to the sector	
<ul style="list-style-type: none"> Inadequate financial skills to effectively manage businesses Lack of skills, money or knowledge to start a small business 	<ul style="list-style-type: none"> 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 To provide support (training, developing and implementing financial systems) to black

	entrepreneurs seeking to establish businesses that provide products and services to the sector
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15.5 SOCIO-ECONOMIC DEVELOPMENT

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.

Current situation/challenges	Recommended activities
<ul style="list-style-type: none"> • Socio-economic investment initiatives mostly focus on own communities and not the more disadvantaged where the need is greatest • Poor communication and coordination on initiatives • Lack of knowledge on where or how firms could become involved • Development projects do not always result in sustainable social development • Inadequate financial management capacity in various spheres of government 	<ul style="list-style-type: none"> • SAICA to initiate coordinated, viable development projects across organisations/firms • SAICA to publicise initiatives so that all firms and organisations know how and where they can become involved • To provide support (training, workshops, secondments) to government and other public institutions on a remunerative basis

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 SKILLS DEVELOPMENT

The overall objective of the Sector Code 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(SA) 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 Sector Code 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 organisations in commerce and industry and government platforms capable of achieving accreditation status.

Qualifying exam level

- SAICA 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

entities, 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 entities with their development.

16.3 ENTERPRISE AND SUPPLIER PROCUREMENT

16.3.1 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

16.3.2 Enterprise and supplier development

The objective is to help entities 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.

16.4 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.

SAICA 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 through the pipeline. 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 entity, the Thuthuka Education Upliftment Fund, in 2002. In 2004 the CA's Eden Trust merged its activities with that of SAICA and began operating under a new name, the Thuthuka Bursary Fund Trust. A separate board of directors as well as trustees were 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 projects being run 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, commerce and industry, universities, ABASA, AWCA, BCAP and government SETAs. 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 fulfil 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 learners 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 learners 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 to opportunities across all 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"> • 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 • Learners do not have appropriate numeracy and literacy skills upon entering higher education institutions • Uneven standard of education, so learners are not sufficiently prepared for the rigors of tertiary level education or working in the public practice environment 	<ul style="list-style-type: none"> • To increase the pool of learners for the profession by improving awareness of the importance of mathematics • To increase awareness of accountancy as a profession • To identify talented learners for recruitment into tertiary level study 	<ul style="list-style-type: none"> • Development camps • EMS Educator workshops • Supplementary outreach university feeder education classes (at Nelson Mandela Metropolitan University, University of the Free State, University of Pretoria, North-West University and University of KwaZulu-Natal) • Career awareness (national) • Olympiads (mathematics and accounting) (national) • Cell phone games 	<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"> • Poor throughput pass percentages at undergraduate and postgraduate levels amongst black students (mainly due to socio-economic problems) • A focus primarily on technical skills, which leaves students unprepared for the life skills in their professions • Many historically black institutions are still unable to achieve accreditation • 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 • Lack of an effective learning model – many students work hard, but not effectively • Lack of mentoring and monitoring contribute to a high dropout level and poor throughput pass percentages 	<ul style="list-style-type: none"> • To widen the scope of tertiary education to include life skill training and socio-economic coping mechanisms • To attain uniformity of standards among all tertiary institutions • To improve the provision of bursaries for the development of black CAs(SA) • To provide more and better supervision with regard to bursaries • To provide support mechanisms for black students at tertiary level, financially and particularly socially • To work with accredited universities in increasing the black student numbers and pass percentages of students not on a Thuthuka programme 	<ul style="list-style-type: none"> • Capacity building programmes at University of Zululand, Walter Sisulu University and University of Venda • Thuthuka undergraduate support programme • Thuthuka University of the Western Cape programme • Full-time undergraduate bursary programme at the accredited universities that have Thuthuka programmes • Student leadership summit • nowiCAn website • Participation in university open days 	<ul style="list-style-type: none"> • Increased number of students entering tertiary institutions studying towards CA(SA) • Students numbers that are representative of the population demographics both with regard to gender and race • Pass percentages of all race and gender groups are equal

(c) Postgraduate and QE level

CHALLENGES	STRATEGY	PROGRAMMES	MEASURES
<ul style="list-style-type: none"> • Poor throughput pass percentages at undergraduate and postgraduate levels amongst black students (mainly due to socio-economic problems) • Poor pass percentage achieved by black entrants in the QE • Perceived lack of transparency of the whole examination process (i.e. the setting, marking and adjudication of the QE) • A focus primarily on technical skills, which leaves students unprepared for the life skills in their professional lives • Many historically black institutions are still unable to achieve accreditation • CTA (postgraduate level study) standards vary considerably • 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 • Lack of an effective learning model – many students work hard, but not effectively 	<ul style="list-style-type: none"> • To widen the scope of tertiary education to include life skill training and socio-economic coping mechanisms • To attain uniformity of standards among all tertiary institutions • To improve the provision of bursaries for the development of black CAs(SA) • To provide more and better supervision with regard to bursaries • To provide support mechanisms for black students at tertiary level, financially and particularly socially • 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 • 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 	<ul style="list-style-type: none"> • Full-time support for post-graduate students. Students on the programme include Thuthuka Bursary Fund students and other promising African and Coloured students • Intensive distance learning support for Unisa post-graduate students, run by Unisa • Working with the University of Limpopo towards attainment of post-graduate accreditation in 2016 • Intensive part-time academic and skills support for African repeat candidates writing the SAICA ITC 	<ul style="list-style-type: none"> • Increased number of students entering tertiary institutions studying towards CA(SA) • Students numbers that are representative of the population demographics both with regard to gender and race • Pass percentages of all race and gender groups are equal • Better representation of all race groups in the setting and marking of the QEs

(c) Postgraduate and QE level (cont.)

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

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">To put strategies in place to increase the training opportunities both with in commerce and industry and the public sector		

17.5 BLACK ENTERPRISE DEVELOPMENT

The objective is to help black entities 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.

PROGRAMMES	MEASURE
<p><u>The Hope Factory</u> 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"> • The training division, which is a three-month integrated programme teaching business, technical and life skills, as follows: <ul style="list-style-type: none"> o Technical skills: sewing, pattern making, paper products, beadwork, crochet o Business skills: basic entrepreneurship and small business skills o Life skills: for example communication, interview skills, time management, HIV/AIDS. <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>	Number of people trained and jobs created
<ul style="list-style-type: none"> • 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. 	
<p><u>The black entrepreneurship programme</u></p> <ul style="list-style-type: none"> • The aim of the project is to partner with black entrepreneurs and their businesses to assist with providing training, consulting and mentoring. 	Number of black entrepreneurs assisted (this is done with the assistance of the teaching profession)
<p><u>The Member Giving Programme</u></p> <ul style="list-style-type: none"> • 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. 	Number of bursaries provided
<p><u>Building financial capacity in the public sector</u></p> <ul style="list-style-type: none"> • 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. 	Improvement within the public sector

- SAICA is currently overseeing the FET college CFO and HR programme. The aim of this programme is to help improve the governance and internal controls within 50 colleges.
- SAICA has just launched the School Governing Board project in Gauteng. It will be working with the Gauteng department of Education to improve the governance and internal controls within schools and to strengthen the financial reporting information.

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 COUNCIL

Chairman

Tsakani Ratsela

Large firms

Lwazi Bam

Medium size firms

Brian Eaton

Small practices

Kopano Xaba

**Black Chartered Accountant
Practitioners**

Sindi Zilwa

Auditor-General

Eshana Manichand

National Treasury

Lindy Bodewig

**Independent Regulatory Board for
Auditors**

Bernhard Agulhas

**African Women Chartered
Accountants**

Zama Khanyile

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

Nonkululeko Manyika

Members in Business

Portia Tsoaledi

**South African Institute
of Chartered Accountants**

Nicolette Jacobs

Academics

Marianne van Staden

Trainees

S'fiso Jiyane

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 (*), refer to definitions that have been extracted from Schedule 1 of Section 9(1) of the Codes of Good Practice, as amended, of the Broad-Based Black Economic Empowerment Act. 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.

‘Absorption’* means a measure of the Measured Entity’s ability to successfully secure formal permanent or long-term contract employment for the Learner or to assist the Learner to proceed with further education and training.

‘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.

‘Acquisition debt’* means the debt of –

- (a) black participants incurred in financing their purchase of their equity instruments in the Measured Entity; and
- (c) juristic persons or trusts found in the chain of ownership between the eventual black participants and the Measured Entity for the same purpose as those in (a).

‘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.

‘Apprenticeship’* means an agreement between an apprentice and an employer for a set period of time during which the apprentice works and receives training in the workplace.

‘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 Entity’* means an Entity with which a Seller has concluded a Qualifying Transaction.

‘Auditing Profession Act’ means the Auditing Profesion Act, 2005 (Act 26 of 2005).

‘B-BBEE’* means Broad-Based Black Economic Empowerment.

‘B-BBEE Status’* means the B-BBEE status of a Measured Entity as determined under statement 000.

‘B-BBEE Verification Professional Regulator’ means a body appointed by the Minister for the accreditation of rating agencies or the authorisation of B-BBEE verification professionals.

‘BEE Controlled Company’* means a juristic person, having shareholding 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 shareholding 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 Recognition Level’* means the percentage B-BBEE Recognition Levels as determined –

- (a) for Entities that are neither Qualifying Small Enterprises nor Exempted Micro Enterprises, using statement 000;
- (b) for Qualifying Small Enterprises, using statement 000; and
- (c) for Exempted Micro Enterprises, the applicable deemed B-BBEE Recognition under statement 000.

‘Benefit Factor’* means a factor specified in the Benefit Factor Matrix applicable to fixing the monetary value of Enterprise and Supplier Development and Socio-economic Development Contributions claimable under statements 400 and 500.

‘Benefit Factor Matrix’* means the Benefit Factor Matrix for Enterprise and Supplier Development and Socio-economic Development Contributions annexed to statements 400 and 500.

‘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, 1996 (Act 19 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 EE Act; *In terms of the EE 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;

- (d) black people living in rural and underdeveloped areas; and
- (e) black military veterans who qualify to be called a military veteran in terms of the Military Veterans Act, 2011 (Act 18 of 2011).

'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 Entities which has a total value of more than R50 million, measured using a standard valuation method.

'Black People'* is a generic terms which means Africans, Coloureds and Indians –

- (a) who are citizens of the Republic of South Africa by birth or decent; or
- (b) who became citizens of the Republic of South Africa by naturalisation –
 - (i) before 27 April 1994; or
 - (ii) on or after 27 April and who would have been entitled to acquire citizenship by naturalisation prior to that date.

'Broad-based Ownership scheme'* means an ownership sheme which meets the rules set out in Annexe 100B.

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

- (a) any form of independent written certificate 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 300 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.

'Companies Act'* means the Companies Act, 2008 (Act 71 of 2008), as amended.

'Company Limited by Guarantee'* means a company as referred to in 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.

'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, 1998 (Act 55 of 1998), as amended.

'EE Regulations'* mean the regulations under the EE Act.

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

'Employed Learner'* means, in terms of section 18(1) of the Skills Development Act, a learner who was in the employment of the employer party to the learnership agreement concerned when the agreement was concluded. The learner's contract of employment is therefore not affected by the agreement.

'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.

'Employee with a disability'* has the meaning defined in the Code of Good Practice on Key Aspects of Disability in the Workplace issued under section 54 of the EE Act; aligned with the EE Act.

'Employment equity' means, in terms of the EE 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.

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

- (a) At least 25% of cost of sales, excluding labour cost and depreciation, must be procured from local producers or local suppliers in South Africa; for the service industry labour cost is included but capped at 15%;
- (b) Job creation: 50% of jobs created are for black people provided that the number of black employees since the immediate prior verified B-BBEE Measurement is maintained;
- (c) At least 25% transformation of raw material/beneficiation which includes local manufacturing, production and/or assembly, and/or packaging;

- (d) Skills transfer: A spend of at least 12 days per annum of productivity deployed in assisting black Exempted Micro Enterprise and Qualifying Small Enterprise beneficiaries with increasing their operation or financial capacity.

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

'Enterprise Development Contributions'* mean monetary or non-monetary contributions to Exempted Micro Enterprises or Qualifying Small Enterprises which are at least 51% black owned or at least 51% black woman owned, with the objective of contributing to the development, sustainability and financial and operational independence of these beneficiaries.

'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.

'Equity Equivalent contribution'* means an equity equivalent contribution made by a Multinational under an Equity Equivalent Investment Programme.

'Equity Equivalent Investment Programme'* means a public programme or scheme of any government department, provincial or local government in the Republic of South Africa or any other programme approved by the Minister as an Equity Equivalent Investment Programme.

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

'Equivalency Percentage'* means a percentage ownership performance for all indicators in the Associated Enterprise's Ownership Scorecard arising from a Qualifying Transaction included in the Ownership Scorecard of the Beneficiary Entity.

'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 III Report.

'Exempted Micro Enterprise' (EME) means an Entity with an annual turnover of R10 million or less.

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

'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.

'Group Structure'* means an ownership arrangement whereby one or more Measured Entities that are juristic persons are subsidiaries of another Measured Entity that would qualify as a holding company.

‘Higher Education Institution’* means a Higher Education Institution as defined under the Higher Education Act, 1997 (Act 101 of 1997).

‘Independent Non-Executive Board Members’ mean those members of the Board that are independent directors as defined in the King III Report.

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

‘Indicator Percentage’* means the percentage compliance of the Associated Entity for all indicators of the Associated Enterprise ownership Scorecard. The calculation of Indicator Percentages follows the rules in statement 100 using the actual percentage compliance for each indicator and not the resulting scores.

‘Industry Specific Initiatives’* mean the qualifying contributions that are unique to the industry in which enterprises operate. For the purposes of the Codes an industry may be grouped in major divisions in accordance with the Standard Industrial Classification Coding System used by Statistics South Africa.

‘Internship’* means an opportunity to integrate career-related experience into an undergraduate education by participating in planned, supervised work.

‘Junior Management’* means an employee of the Measured Entity who is a member of the occupational category of ‘Junior Management’ as determined using the Employment Equity regulations.

‘King III Report’ means the King Report on Corporate Governance for South Africa 2009, authored by the King Committee on Corporate Governance of the Institute of Directors in Southern Africa.

‘Learnership’* means a work-based route to a qualification. It is a workplace education and training programme comprising both structured practical workplace (on the job) experience and structured theoretical training.

‘Learning Programmes’* mean any Learning Programmes set out in the Learning Programmes Matrix.

‘Learning Programmes Matrix’* means the Learning Programmes Matrix annexed as Annexe 300A in statement 300.

‘Leviable Amount’* bears the meaning as defined in the Skills Development Levies Act, 1999 (Act 9 of 1999) as determined using the Fourth Schedule of the Income Tax Act, 1962 (Act 58 of 1962), as amended.

‘Mandated Investment’* means any investments made by or through any third party regulated by legislation on behalf of the actual owner of the funds, pursuant to a mandate given the owner to a third party, which mandate is governed by that legislation. Some examples of domestic mandated investments and the portions of those investments subject to the exclusion principle are contained in Annexe 100A attached to statement 100.

‘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 Auditing Profession Act, 2005 (Act 26 of 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.

'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.

'51% black owned'* means an Entity –

- (a) in which black people hold at least 51% of the Exercisable Voting Rights as determined under Code series 100;
- (b) in which black people hold at least 51% of the economic interest as determined under Code series 100; and
- (c) has earned all the points for Net Value under statement 100.

'51% black woman owned'* means an Entity –

- (a) in which black women hold at least 51% of the Exercisable Voting Rights as determined under Code series 100;
- (b) in which black women hold at least 51% 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 women owned'* means an Entity –

- (a) in which black women hold more than 30% of the Exercisable Voting Rights as determined under Code series 100;
- (b) in which 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.

'Middle Management'* means an employee of the Measured Entity who is a member of the occupational category of 'Middle Management' as determined using the Employment Equity regulations.

'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 International Financial Reporting Standards.

'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 International Financial Reporting Standards.

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

'Net Value Date'* means the later occurring of the date of commencement of statement 100 and the date upon which the earliest of all still operative transactions undertaken by the Measured Entity in order to achieve black rights of ownership, became effective and unconditional.

'New Enterprise'* means an early stage business which is similar to a Start-Up. However, an early stage business is typically three years old or less.

'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 EE 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.

'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.

'Pivotal report'* means a report on 'Professional, Vocational, Technical and Academic Learning' programmes that meet the critical needs for economic growth and social development, generally combining course work at universities, universities of technology and colleges with structured learning at work.

'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 in –

- (a) a Sector Skills Plan issued by the Department of Labour of the Republic of South Africa;
- (b) the National Skills Development Strategy III;
- (c) the New Growth Plan; and
- (d) the National Development Plan.

'Private Equity Fund'* means a third party fund through which investments are made on behalf of the actual owner of the funds pursuant to a mandate given by that person to the private equity fund.

'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.

‘Qualifying Enterprise and Supplier Development Contributions’* mean a collective term describing Enterprise Development and Supplier Development contributions targeting Exempted Micro Enterprises and Qualifying Small Enterprises which are at least 51% black owned or at least 30% black women owned, and black youth in rural and underdeveloped areas, in statement 400.

‘Qualifying Socio-economic Contributions’* mean a collective term for Socio-economic project contributions and Socio-economic Contributions.

‘Qualifying Small Enterprise’* (QSE) means an Entity that qualifies for measurement under the QSE Scorecard, with a turnover of R10 million or more but less than R50 million.

‘Qualifying Transaction’* means a sale of a business, valuable business assets or shares that results in the creation of sustainable business opportunities and transfer of specialised skills or productive capacity to black people.

‘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 Code scorecard’ means the scorecard for the measurement of broad-based B-BBEE in terms of this Charter.

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

‘Seller’* means the Entity or the person concluding a Qualifying Transaction with the Associated Enterprise.

‘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.

It includes persons such as the chief executive officer, the chief operating officer, the chief financial officer and other people holding similar positions.

‘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 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, 1998 (Act 97 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, 1999 (Act 9 of 1999).

‘Socio-economic Development Contributions’* mean monetary or non-monetary contributions implemented for communities, natural persons or groups of natural person where at least 75% of the beneficiaries are black people. The objective of Socio-economic Development Contributions is the promotion of sustainable access for the beneficiaries to the economy. Socio-economic Development Contributions commonly take the following forms:

- (a) Development programmes for women, youth, people with disabilities and people living in rural areas;
- (b) Support of health-care 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 of arts, cultural or sporting development programmes.

‘Socio-economic Project 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 focussing on environmental conservations, awareness, education and waste management;
- (b) projects targeting infrastructural development or reconstruction in underdeveloped areas, rural communities or geographic areas identified in the government’s integrated sustainable rural development or urban renewal programmes; or
- (c) new projects promoting beneficiation.

‘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.

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

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

'Supplier Development Contributions'* mean monetary or non-monetary contributions carried out for the benefit of value-adding suppliers to the Measured Entity, with the objective of contributing to the development, sustainability and financial and operational independence of those beneficiaries.

It includes Supplier Development Contributions to suppliers that are Exempted Micro Enterprises or Qualifying Small Enterprises which are at least 51% black owned or at least 51% black women owned.

'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 000.

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

'The QSE Scorecard'* means the QSE scorecard referred to in statement 000.

'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 Management' 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.

It includes persons 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.

'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.

'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.

'Unemployed Learner'* means a learner who was not in the employ of the employer party to the learnership agreement concerned when the agreement was concluded. The employer and learner must therefore enter into a contract of employment. See the Skills Development Act.

'Unincorporated Joint Venture'* means a joint venture between two or more Measured Entities effected by agreement without incorporation.

'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
ROSC	Report on the Observance of Standards and Codes
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

STAKEHOLDER GROUPS	COUNCIL MEMBERS	CONTACT DETAILS		
		Email address	Telephone number	Postal address
Academics	Marianne van Staden	vstadjm@unisa.ac.za	+27 (0) 12 429 4700	P O Box 392 Unisa 0003
African Woman Chartered Accountants	Zama Khanyile	ZamaK@idc.co.za	+27 (11) 269 3000	P.O. Box 784055, Sandton, 2146,
Association for the Advancement of Black Accountants in Southern Africa	Tsakani Ratsela (Chairman)	Tsakani.Ratsela@agsa.co.za	+27(0)12 426 8000	PO Box 446 Pretoria 0001
Association for the Advancement of Black Accountants in Southern Africa	Nonkululeko Manyika	nonkululekom@abasa.org.za	+27(0)11 479 0683	PO Box 58 Bruma 2026
Auditor General	Eshana Manichand	eshana@agsa.co.za	+27(0)12 426 8000	PO Box 446 Pretoria 0001
Black Chartered Accountant Practitioners (BCAP)	Sindi Zilwa	sindiz@nkonki.com	+27 (0)11 517 3000	P.O. Box 1503 Saxonwold 2132
Independent Regulatory Board for Auditors (IRBA)	Bernard Agulhas	bagulhas@irba.co.za	+27 (0)87 940 8797	P.O. Box 8237 Greenstone 1616
Large firms	Lwazi Bam	lbam@deloitte.co.za	+27 (0)11 806 5000	Private Bag X6, Gallo Manor, Sandton, 2052
Medium Size Firm	Brian Eaton	brian.eaton@jhb.rsmbd.co.za	+27 11 329 6000	PO Box 1734 Randburg 2125

STAKEHOLDER GROUPS	COUNCIL MEMBERS	CONTACT DETAILS		
		Email address	Telephone number	Postal address
Members in Business	Portia Tsoaledi	PortiaTso@nedbank.co.za	+27 (0)11 294 4444	PO Box 1144 Johannesburg , 2000
Small Practices	To be reviewed			
South African Institute of Chartered Accountants (SAICA)	Nicolette Jacobs	nicolette.jacobs@za.pwc.com	+27 (21) 529 2328	PO Box 2799 Cape Town 8000 South Africa
Trainees	S'fiso Jiyane	sfiso.jiyane@kpmg.co.za	+27 (0)11 647 7111	Private Bag 9, Parkview, 2122

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 and 31 January 2014. 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(SA) (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/ITC		Trainees	
2006	2013	2006	2013	2006	2013	2006/2007	Jan 2014	2006	Jan 2014
1,6 million started school 12 years ago	1,2 million started school 12 years ago	1 st year – <u>10 621</u> A = 39% C = 7% I = 16% W = 31% O = 7%	1 st year – <u>9 260</u> A = 46% C = 8% I = 14% W = 24% O = 8%	<u>6 767</u> A = 29% C = 6% I = 18% W = 44% O = 3%	<u>5 348</u> A = 40% C = 7% I = 17% W = 31% O = 5%	<u>1 985</u> A = 16% C = 5% I = 16% W = 63%	<u>2 618</u> A = 32% C = 7% I = 16% W = 45%	<u>10 206</u> A = 20% C = 5% I = 15% W = 60%	<u>7 952</u> A = 33% C = 8% I = 14% W = 45%
550k wrote matric	562k wrote matric	2 nd year – <u>9 554</u> A = 32% C = 6% I = 18% W = 35% O = 9%	2 nd year – <u>7 613</u> A = 41% C = 7% I = 14% W = 26% O = 12%						

School*		Undergraduate		Postgraduate		QE/ITC		Trainees	
2006	2013	2006	2013	2006	2013	2006/2007	Jan 2014	2006	Jan 2014
330k passed matric	440k passed matric	3 rd year – <u>5 424</u> A = 35% C = 7% I = 15% W = 43% O = 6%	3 rd year – <u>7 471</u> A = 40% C = 6% I = 14% W = 28% O = 12%						
26k passed Maths HG	143k passed Maths (30% achievement level) 98k passed Maths (40% achievement level)								
2500 African learners passed Maths HG	Not available								
700 African learners got C and above for Maths HG	Not available								

* 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), are as follows:

Population group	Total population		Total	As per Labour Force Survey, September 2006	
	All ages			% Representation	
African male	18 430	38,93%	37 638	79,50%	South African population by gender
African female	19 208	40,57%			
Coloured male	2 053	4,34%	4 197	8,86%	Female
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 %	

The population demographics of South Africa as per Statistics 2013 (obtained from www.statssa.gov.za), are as follows:

Population group	Total population		Total	As per mid-year population estimates, May 2013	
	All ages			% Representation	
African male	20 608	38,90%	42 284	79,8%	South African population by gender
African female	21 676	40,91%			
Coloured male	2 307	4,35%	4 766	9,0%	Female
Coloured female	2 459	4,64%			
Asian male	669	1,26%	1 329	2,5%	
Asian female	660	1,25%			
White male	2 240	4,23%	4 603	8,7%	
White female	2 363	4,46%			
Total	52 982	100,00%	52 982	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%		

Current actual statistics on membership of SAICA as at January 2014, **excluding overseas members**, are as follows at the end of January 2014:

Population group			Total	% Representation		
African male	1 502	4,14%	2 845	7,84%	Male	67,62%
African female	1 343	3,70%			Female	32,38%
Coloured male	538	1,48%	1 060	2,92%		
Coloured female	522	1,44%				
Asian male	2 150	5,93%	3 701	10,20%		
Asian female	1 551	4,27%				
White male	20 237	55,77%	28 509	78,57%		
White female	8 272	22,80%				
Other male	109	0,30%	171	0,47%		
Other female	62	0,17%				
Total	36 286	100,00%	36 286	100,00%		

Members registered in Public Practice as per the IRBA:

The IRBA classifies the size of the firms by the number of partners only, the IRBA classifies firms by race by the number of partners of each particular race in the firm, as follows:

Classification	Number of partners
Large firms	20 +
Medium firms	5 - 9
Small firms	2 - 4
Sole proprietors	1

Member classification by race and classification:

Race classification	Large firms	Medium firms	Small firms	Sole proprietor	Total	% Representation
African	1	4	20	142	167	8,46%
Coloured	0	0	0	29	29	1,47%
Asian	1	5	21	150	177	8,96%
White	9	53	366	1 167	1 595	80,76%
Chinese	0	0	1	6	7	0,35%
Total	11	62	408	1 494	1 975	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.	%		
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										
	Female	16 618										
	Total	35 956									23 412	
Maths SG	Male	102 356										
	Female	120 011										
	Total	222 367									104 707	Includes 5 281 HG conversions
2013												
		562 112	122 333	21,8	268 024	47,6	171 755	30,6	439 779	78,2		
Male		253 472	50 730	20,0	124 675	49,2	78 066	30,8	202 741	80,0		
Female		308 640	71 603	23,2	143 349	46,4	93 689	30,4	237 038	76,8		
Maths achieved at 30% & above	Male	108 725										
	Female	132 784										
	Total	241 509									142 666	59,1
Maths achieved at 40% and above	Total	241 509										
											97 790	40,5

5 University pipeline statistics

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

All Universities

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

	2006												2013											
	Enrolments			No. of students enrolled for & who wrote the final exam			Passed and meets the subminimum to proceed to Fin Acc 2			Throughput % Pass / no. enrolments			Enrolments			No. of students enrolled for & who wrote the final exam			Passed and meets the subminimum to proceed to Fin Acc 2			Throughput % Pass / no. enrolments		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Non SA Citizens	423	301	724	350	277	627	233	186	419	55%	62%	58%	356	392	748	328	374	702	193	229	422	54%	58%	56%
African (SA)	1949	2222	4171	1626	1873	3499	842	980	1822	43%	44%	44%	1865	2416	4281	1502	2070	3572	770	1080	1850	41%	45%	43%
Coloured (SA)	301	442	743	278	364	642	141	186	327	47%	42%	44%	315	443	758	291	408	699	168	245	413	53%	55%	54%
Indian (SA)	828	883	1711	795	817	1612	349	386	735	42%	44%	43%	569	670	1239	400	485	885	264	347	611	46%	52%	49%
White (SA)	1683	1589	3272	1569	1507	3076	980	983	1963	58%	62%	60%	1071	1163	2234	986	1103	2089	658	736	1394	61%	63%	62%
Total	5184	5437	10621	4618	4838	9456	2545	2721	5266	49%	50%	50%	4176	5084	9260	3507	4440	7947	2053	2637	4690	49%	52%	51%

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

	2006												2013											
	Enrolments			No. of students enrolled for & who wrote the final exam			Passed and meets the subminimum to proceed to Fin Acc 3			Throughput % Pass / no. enrolments			Enrolments			No. of students enrolled for & who wrote the final exam			Passed and meets the subminimum to proceed to Fin Acc 3			Throughput % Pass / no. enrolments		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Non SA Citizens	349	282	631	254	227	481	124	135	259	36%	48%	41%	479	407	886	449	394	843	262	226	488	55%	56%	55%
African (SA)	1489	1622	3111	1178	1306	2484	444	547	991	30%	34%	32%	1419	1727	3146	1293	1576	2869	649	838	1487	46%	49%	47%
Coloured (SA)	307	329	636	250	251	501	97	101	198	32%	31%	31%	246	312	558	216	285	501	147	195	342	60%	63%	61%
Indian (SA)	815	947	1762	612	696	1308	229	288	517	28%	30%	29%	483	565	1048	424	527	951	228	291	519	47%	52%	50%
White (SA)	1664	1688	3352	1389	1418	2807	690	791	1481	41%	47%	44%	952	1023	1975	895	967	1862	656	713	1369	69%	70%	69%
Total	4624	4868	9492	3683	3898	7581	1584	1862	3446	34%	38%	36%	3579	4034	7613	3277	3749	7026	1942	2263	4205	54%	56%	55%

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

	2006												2013											
	Enrolments			No. of students enrolled for & who wrote the final exam			Passed and meets the subminimum to proceed to CTA			Throughput % Pass / no. enrolments			Enrolments			No. of students enrolled for & who wrote the final exam			Passed and meets the subminimum to proceed to CTA			Throughput % Pass / no. enrolments		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Non SA Citizens	206	190	396	199	189	388	54	55	109	26%	29%	28%	493	402	895	463	380	843	261	227	488	53%	56%	55%
African (SA)	970	996	1966	898	915	1813	133	198	331	14%	20%	17%	1222	1714	2936	1115	1602	2717	458	685	1143	37%	40%	39%
Coloured (SA)	206	213	419	192	192	384	58	74	132	28%	35%	32%	189	288	477	167	264	431	72	129	201	38%	45%	42%
Indian (SA)	459	489	948	447	483	930	118	161	279	26%	33%	29%	486	574	1060	444	534	978	245	277	522	50%	48%	49%
White (SA)	1353	1342	2695	1300	1304	2604	389	463	852	29%	35%	32%	1018	1085	2103	934	1015	1949	605	648	1253	59%	60%	60%
Total	3194	3230	6424	3036	3083	6119	752	951	1703	24%	29%	27%	3408	4063	7471	3123	3795	6918	1641	1966	3607	48%	48%	48%

BRIDGING PROGRAMMES

	2006												2013											
	Enrolments			No. of students enrolled for & who wrote the final exam			Passed and meets the subminimum to proceed to CTA			Throughput % Pass / no. enrolments			Enrolments			No. of students enrolled for & who wrote the final exam			Passed and meets the subminimum to proceed to CTA			Throughput % Pass / no. enrolments		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Non SA Citizens	61	82	143	30	64	94	7	8	15	11%	10%	10%	39	30	69	30	22	52	12	8	20	31%	27%	29%
African (SA)	361	329	690	255	243	498	31	39	70	9%	12%	10%	153	228	381	107	186	293	27	49	76	18%	21%	20%
Coloured (SA)	90	93	183	69	74	143	38	45	83	42%	48%	45%	11	11	22	9	7	16	4	3	7	36%	27%	32%
Indian (SA)	119	63	182	103	50	153	9	5	14	8%	8%	8%	21	20	41	14	19	33	9	6	15	43%	30%	37%
White (SA)	227	168	395	161	131	292	25	19	44	11%	11%	11%	51	48	99	39	35	74	18	17	35	35%	35%	35%
Total	858	735	1593	618	562	1180	110	116	226	13%	16%	14%	275	337	612	199	269	468	70	83	153	25%	25%	25%

CTA YEAR

	2006												2013											
	Enrolments			No. of students enrolled for & who wrote the final exam			Passes			Throughput % Pass / no. enrolments			Enrolments			No. of students enrolled for & who wrote the final exam			Passes			Throughput % Pass / no. enrolments		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Non SA Citizens	106	98	204	90	88	178	28	31	59	26%	32%	29%	158	110	268	147	99	246	71	59	130	45%	54%	49%
African (SA)	993	988	1981	902	918	1820	133	166	299	13%	17%	15%	960	1192	2152	860	1056	1916	269	348	617	28%	29%	29%
Coloured (SA)	186	214	400	172	200	372	47	56	103	25%	26%	26%	169	195	364	149	184	333	68	74	142	40%	38%	39%
Indian (SA)	608	618	1226	542	581	1123	146	185	331	24%	30%	27%	423	481	904	380	434	814	165	174	339	39%	36%	38%
White (SA)	1528	1428	2956	1361	1329	2690	618	632	1250	40%	44%	42%	885	775	1660	840	739	1579	536	486	1022	61%	63%	62%
Total	3421	3346	6767	3067	3116	6183	972	1070	2042	28%	32%	30%	2595	2753	5348	2376	2512	4888	1109	1141	2250	43%	41%	42%

6 QE pipeline statistics

The statistics for QE/ITC candidates 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	
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

Initial test of competence: All candidates

	Race	Total no. that entered	Total no. that passed		Pass %		Overall pass %
			Male	Female	Male	Female	
January 2013 and June 2013							
	Indian	805	225	228	57,0	56,0	56,0
	African	1225	339	463	62,0	68,0	65,0
	Coloured	313	82	112	63,0	62,0	62,0
	White	1639	632	543	74,0	69,0	72,0
	Total	3982	1278	1346	41,0	42,0	66,0

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%

Initial test of competence: January 2013

	African		Coloured		Comparative pass% for whites
	No.	Pass %	No.	Pass %	
2006	375	45%	112	54%	68%
2013	933	71%	230	70%	79%

The above statistics for the ITC January 2013 are for first-time entrants only, as there are no first attempt candidates at the June sitting of the ITC.

Public Practice Exam

	Race	Total no. that entered	Total no. that passed		Pass %		Overall pass %
			Male	Female	Male	Female	
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					
2013							
	Indian	455	189	169	78,4	79,0	78,7
	African	835	208	318	55,3	69,4	63,0
	Coloured	203	61	95	67,0	84,8	76,8
	Other	21	6	11	75,0	84,6	81,0
	White	1254	575	517	85,1	89,4	87,1
		2 768					

Financial Management exam

	Race	Total no. that entered	Total no. that passed		Pass %		Overall pass %
			Male	Female	Male	Female	
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					
2013							
	Indian	23	11	11	92,0	100,0	96,0
	African	130	49	56	78,0	84,0	81,0
	Coloured	9	4	5	100,0	100,0	100,0
	White	47	26	18	93,0	95,0	94,0
		209					

7 Trainee statistics

7.1 Total annual number of trainees																
TIPP TRAINEES	African		Coloured		Indian		White		Unknown		Total		Total	Female %	A%	Black %
	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 TRAINEES	African		Coloured		Indian		White		Unknown		Total		Total	Female %	A%	Black %
	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 Total annual number of trainees																
TRAINEES	African		Coloured		Indian		White		Unknown		Total		Total	Female %	A%	Black %
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male				
TIPP 2006	971	1004	301	217	719	756	2767	3152	16	14	4774	5143	9917	48%	20%	40%
TOPP 2006	54	67	7	10	20	26	51	54	NIL	NIL	132	157	289	46%	42%	64%
TOTAL 2006	1025	1071	308	227	739	780	2818	3206	16	14	4906	5300	10206	48%	21%	41%
TOTAL Jan 2014	1451	1152	326	272	581	558	1743	1821	28	20	4129	3823	7952	52%	33%	55%

8 Other Statistical information

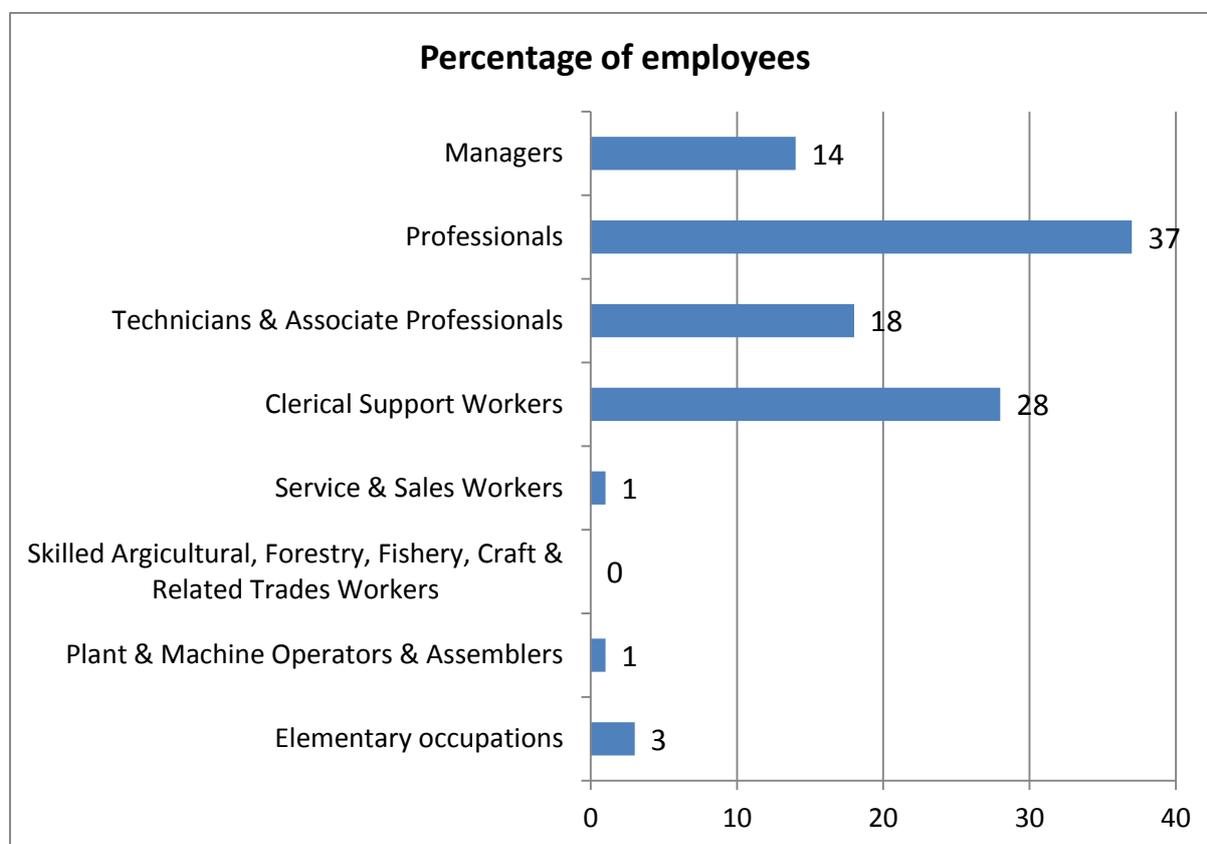
The statistics below were obtained from Fasset Sector skills plan update for the period 1 April 2014 to 31 March 2019 (Draft; 15 November 2013).

Abbreviations and acronyms:

Fasset The Finance and Accounting Services Seta
OFO Organising Framework for Occupations
SOC Standard Occupational Classification

8.1 The occupational composition of the Financial Services Sector

The occupational distribution of employment in the sector according to the SOC's major groups from 2002 to 2008, according to the OFO major groups from 2009 to 2011 (OFO version 9) and in 2012 according to OFO 2012.



8.2 Distribution of employment per subsector: 2002 – 2012

Subsector	2002 %	2003 %	2004 %	2005 %	2006 %	2007 %	2008 %	2009 %	2010 %	2011 %	2012 %
Investment Entities and Trusts and Company Secretary Services	7	3	5	6	5	6	6	7	6	6	7
Stockbroking and Financial Markets	9	7	6	8	9	11	12	11	11	11	11
Development Organisations	1	1	1	1	2	1	2	2	2	1	1
Accounting, Bookkeeping, Auditing and Tax Services	41	56	48	45	39	41	36	37	39	43	44
Activities Auxiliary to Financial Intermediation	10	8	8	8	11	9	11	11	12	9	15
Business and Management Consulting Services	15	9	15	15	17	15	18	15	17	18	10
SARS and Government Departments	18	16	17	18	17	16	15	16	14	13	12
TOTAL	100	100	100	100	100	100	100	100	100	100	100

8.3 Percentage of Black employees per occupational category: 2002 - 2012

SOC Subsector	2002 %	2003 %	2004 %	2005 %	2006 %	2007 %	2008 %	OFO version 8 Occupational category	2009 %	2010 %	2011 %	OFO 2012 Occupational category	2012 %
Legislators, Senior Officials, Managers & Owner Managers	20	20	21	21	24	23	26	Managers	28	33	34	Managers	27
Professionals	29	27	29	32	34	36	38	Professionals	44	45	47	Professionals	50
Technicians & Associated Professionals	40	37	39	42	47	46	48	Technicians & Trades Workers	61	63	60	Technicians & Associated Professionals	44
								Community & Personal Service Workers	84	87	72		
Clerks	54	53	53	55	64	63	65	Clerical & Administrative Workers	62	67	69	Clerical Support Workers	62
Service Workers, Shop & Market Sales Workers	53	63	64	68	73	72	71	Sales Workers	65	56	39	Service & Sales Workers	80
Agricultural & Fishery Workers	87	94	49	88	86	73	83					Skilled Agricultural, Forestry, Fishery, Craft & Related Trades Workers	59
Craft & Related Trades Workers	88	29	43	46	64	69	75						
Plant & Machine Operators J& Assemblers	95	42	58	59	83	90	90	Machinery Operators & Drivers	91	86	96	Plant & Machine Operators J& Assemblers	65
Labourers & Related Workers	96	93	93	97	96	98	98	Elementary Workers	97	96	96	Elementary Occupations	96
TOTAL	43	41	42	44	51	52	54		56	56	56		50

8.4 Percentage of employees per occupational category, by race and gender: 2012

Occupational Group		African			Coloured			Indian			White			Total		
		Women	Men	Total	Women	Men	Total	Women	Men	Total	Women	Men	Total	Women	Men	Total
Managers	N	1 401	1 414	2 815	450	513	963	394	670	1 064	5 661	7 762	13 423	7 906	10 359	18 265
	%	8	8	15	2	3	5	2	4	6	31	42	73	43	57	100
Professionals	N	7 926	5 645	13 571	2 475	1 847	4 322	3 364	2 861	6 225	13 080	11 588	24 668	26 845	21 941	48 786
	%	16	12	28	5	4	9	7	6	13	27	24	51	55	45	100
Technicians & Associate Professionals	N	4 207	2 610	6 817	1 416	558	1 974	793	528	1 321	9 725	2 969	12 694	1 6141	6 665	22 806
	%	18	11	30	6	2	9	3	2	6	43	13	56	71	29	100
Clerical Support Workers	N	9 452	3 959	13 411	4 495	1 150	5 645	1 660	628	2 288	10 555	1 378	12 933	26 162	8 115	34 277
	%	28	12	39	13	3	16	5	2	7	31	7	38	76	24	100
Service & Sales Workers	N	171	274	445	58	71	129	11	3	14	124	23	147	364	371	735
	%	23	37	61	8	10	18	1	0	2	17	3	20	50	50	100
Skilled Agricultural, Forestry, Fishery, Craft & Related Trades Workers	N	17	102	119	23	9	23	8	23	31	54	72	126	102	206	308
	%	6	33	39	7	3	10	3	7	10	18	23	41	33	67	100
Plant & Machine Operators & Assemblers	N	5	386	391	0	53	53	0	4	4	3	241	244	8	684	692
	%	1	56	57	0	8	8	0	1	1	0	35	35	1	99	100
Elementary Occupations	N	1 501	901	2 402	194	588	782	11	4	15	104	36	140	1 810	1 529	3 339
	%	45	27	72	6	18	23	0	0	0	3	1	4	54	46	100
TOTAL	N	24 824	15 486	40 311	9 159	4 839	13 998	6 263	4 743	11 006	39 475	25 218	64 693	79 721	50 287	129 208
	%	19	12	31	7	4	11	5	4	9	31	20	50	62	39	100

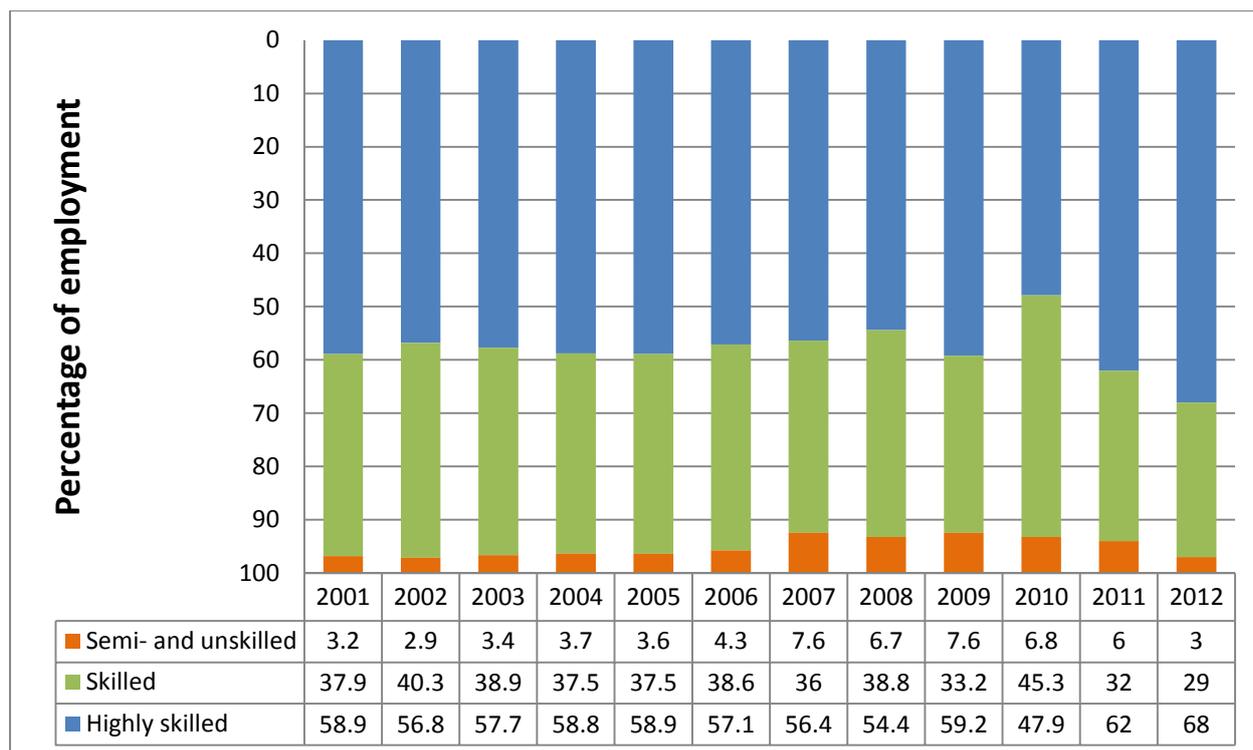
8.5 Percentage of women per occupational category: 2002 - 2012

SOC Occupational category	2002 %	2003 %	2004 %	2005 %	2006 %	2007 %	2008 %	OFO version 8 Occupational category	2009 %	2010 %	2011 %	OFO 2012 Occupational category	2012 %
Legislators, Senior Officials, Managers & Owner Managers	25	27	27	30	29	28	31	Managers	34	38	40	Managers	43
Professionals	40	40	41	42	43	44	46	Professionals	50	48	49	Professionals	55
Technicians & Associated Professionals	52	50	51	54	51	52	51	Technicians & Trades Workers	57	49	47	Technicians & Associated Professionals	71
								Community & Personal Service Workers	47	31	75		
Clerks	79	79	80	79	79	79	78	Clerical & Administrative Workers	77	78	78	Clerical Support Workers	76
Service Workers, Shop & Market Sales Workers	65	52	56	53	52	44	48	Sales Workers	52	54	61	Service & Sales Workers	50
Agricultural & Fishery Workers	15	26	7	5	15	59	0					Skilled Agricultural, Forestry, Fishery, Craft & Related Trades Workers	33
Craft & Related Trades Workers	3	12	19	8	15	11	6						
Plant & Machine Operators J& Assemblers	52	4	26	11	13	9	4	Machinery Operators & Drivers	6	8	8	Plant & Machine Operators J& Assemblers	1
Labourers & Related Workers	60	61	57	58	39	52	44	Elementary Workers	50	57	43	Elementary Occupations	54
TOTAL	56	55	56	57	55	55	55		56	56	56		62

8.6 Composition of employment in the sector: 2002 – 2012

Until 2011 the term “highly skilled” refer to managers, professionals and technicians and trades workers; the term “skilled” to community and personal service workers, clerical and administrative workers and sales workers; and the term “semi- and unskilled” workers to machinery operators and drivers and elementary workers.

The 2012 Sector Survey’s employment data collected according to OFO’s in 2012, the term “highly skilled” refer to managers, professionals and technicians and associate professionals in the sector; the term “skilled” to clerical support workers, service and sales workers and skilled agricultural, forestry, fishery, craft and related trade workers; and the term “semi- and unskilled” workers to plant and machine operators and assemblers and elementary workers.



8.7 Projected growth in total employment: 2013 – 2020

Low Growth	2013	2014	2015	2016	2017	2018	Average 2013 - 2018
Finance and insurance	-0.04%	0.00%	0.02%	-0.01%	-0.02%	-0.04%	-0.02%
Business services	1.0%	1.2%	1.3%	1.2%	1.1%	1.0%	1.13%
Fasset's sector	2.0%	2.4%	2.5%	2.3%	2.1%	2.0%	2.21%
Total economy	1.0%	1.2%	1.2%	1.1%	1.1%	1.0%	1.11%
Baseline growth	2013	2014	2015	2016	2017	2018	Average 2013 - 2018
Finance and insurance	-0.2%	0.1%	0.1%	0.2%	0.2%	0.2%	0.11%
Business services	1.0%	1.8%	1.7%	1.7%	2.1%	2.3%	1.77%
Fasset's sector	2.2%	3.8%	3.7%	3.5%	4.2%	4.6%	3.67%
Total economy	1.0%	1.9%	1.7%	1.7%	2.2%	2.4%	1.82%
High Growth	2013	2014	2015	2016	2017	2018	Average 2013 - 2018
Finance and insurance	0.1%	0.3%	0.3%	0.3%	0.3%	0.3%	0.26%
Business services	1.4%	2.4%	2.2%	2.3%	2.4%	2.4%	2.19%
Fasset's sector	2.9%	5.6%	5.0%	5.2%	5.5%	5.6%	4.97%
Total economy	1.4%	2.5%	2.3%	2.4%	2.5%	2.5%	2.27%

8.8 Projected summary of demand: 2013 – 2018

Low Growth	2013	2014	2015	2016	2017	2018	2019
Total employment at beginning of year	135 420	138 070	140 780	143 550	146 360	149 230	152 160
New positions to be filled during year	2 660	2 710	2 760	2 820	2 870	2 930	
Positions that need replacement during year	6 100	6 220	6 340	6 460	6 590	6 720	
Total positions to be filled during year	8 760	8 930	9 100	9 280	9 460	9 650	
Baseline growth	2013	2014	2015	2016	2017	2018	2019
Total employment at beginning of year	135 420	138 370	141 390	144 480	147 630	150 850	154 150
New positions to be filled during year	2 960	3 020	3 090	3 150	3 220	3 290	
Positions that need replacement during year	6 100	6 230	6 370	6 510	6 650	6 790	
Total positions to be filled during year	9 050	9 250	9 450	9 660	9 870	10 090	
High Growth	2013	2014	2015	2016	2017	2018	2019
Total employment at beginning of year	135 420	139 410	143 520	147 750	152 100	156 580	161 200
New positions to be filled during year	3 990	4 110	4 230	4 350	4 480	4 610	
Positions that need replacement during year	6 100	6 280	6 460	6 650	6 850	7 050	
Total positions to be filled during year	10 090	10 390	10 690	11 010	11 330	11 670	

8.9 Total number of key professional positions to be filled: 2013 - 2018

Low Growth		2013	2014	2015	2016	2017	2018
2411	Accountants	2 770	2 820	2 880	2 940	2 990	3 050
2412	Financial and Investment Advisors and	310	320	320	330	330	340
2413	Financial Analysts						
Baseline growth		2013	2014	2015	2016	2017	2018
2411	Accountants	2 850	2 910	2 980	3 040	3 110	3 180
2412	Financial and Investment Advisors and	320	330	330	340	350	350
2413	Financial Analysts						
High Growth		2013	2014	2015	2016	2017	2018
2411	Accountants	3 130	3 220	3 320	3 410	3 510	3 620
2412	Financial and Investment Advisors and	350	360	370	380	390	400
2413	Financial Analysts						

8.10 Occupations in which skills shortages are experienced: Professionals

OFO code	Occupation*	Number of people needed	
241101	Accounting/auditing trainee**	631	933
	Accountant (General)	239	
	Chartered Accountant (SA)**	63	
241202	Investment Manager		116
241103	Tax Practitioner		66
241104	External Auditor		42
241104	Financial Markets Practitioner		46
242204	Corporate Treasurer		36
263101	Economist		34
215101	Electrical Engineer		33
252301	Computer Network and Systems Engineer		33
241201	Investment Analyst		32
251101	ICT Systems Analyst		30
212102	Mathematician		25
212103	Statistician		25
242101	Management Consultant		24
241301	Financial Investment Advisor		20
251203	Developer Programmer		20
2	Professionals not specified		17
252101	Database Designer and Administrator		15
252102	Programmer Analyst		13
242203	Company Secretary		11
212101	Actuary		10
	Other		45
TOTAL			1 580

*Only occupations where ten or more people are needed in the sector are specified in this table.

** Although the OFO code is the same, organisations distinguished between Chartered Accountants, General Accountants and Accounting Trainees.

8.11 Top 10 Scarce Skills in the sector

Vacancies for some of these occupations were reported on management level, there are no OFO codes for these occupations in the manager group of occupations.

OFO code	Occupation*	Number of people needed	Intervention to address need
241101	Accountant (General)	631	PIVOTAL, AMG, LCG, NSFAS, Bridging Projects for Access to Higher Education, Academic Programmes that Lead to Academic/Professional Body Qualifications and Designations, Bridging Programmes for Access to Employment
241101	Accountant (General)	239	PIVOTAL, AMG, LCG, NSFAS, Bridging Projects for Access to Higher Education, Academic Programmes that Lead to Academic/Professional Body Qualifications and Designations, Bridging Programmes for Access to Employment
422202	Outbound Contact Centre Consultants	164	PIVOTAL, LCG, NSFAS, FET
241202	Investment Manager	116	PIVOTAL, LCG, NSFAS
241103	Tax Professional	66	PIVOTAL, AMG, LCG, NSFAS, Bridging Projects for Access to Higher Education, Academic Programmes that Lead to Academic/Professional Body Qualifications and Designations, Bridging Programmes for Access to Employment
241101	Accountant (General)	63	PIVOTAL, AMG, LCG, NSFAS, Bridging Projects for Access to Higher Education, Academic Programmes that Lead to Academic/Professional Body Qualifications and Designations, Bridging Programmes for Access to Employment
331301	Bookkeeper	58	PIVOTAL, LCG, NSFAS, FET
241204	Financial Markets Practitioner	46	PIVOTAL, LCG, NSFAS
121901	Corporate General Manager	44	PIVOTAL, LCG, NSFAS
241104	External Auditor	42	PIVOTAL, AMG, LCG, NSFAS, Bridging Projects for Access to Higher Education, Academic Programmes that Lead to Academic/Professional Body Qualifications and Designations, Bridging Programmes for Access to Employment

*Only occupations where ten or more people are needed in the sector are specified in this table.