

CA CHARTER

Empowering the individual means empowering the nation. And empowerment is best served through rapid economic growth with rapid social change.

- Atal Bihari Vajpayee

”

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**THE CHARTERED ACCOUNTANCY
PROFESSION SECTOR CODE**



SAICA

THE SOUTH AFRICAN INSTITUTE
OF CHARTERED ACCOUNTANTS

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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 (dti), March 2003, South Africa’s transformation: a strategy for B-BBEE.)

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

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 only grew 1.6% in 2014 and 1.3% in 2015 and is likely to grow by only 0.4% in 2016, and 1.1% in 2017. 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.

Stats SA 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 South African Institute of Chartered Accountants (SAICA) trainees and members of SAICA or offer accredited SAICA education and training programmes leading to attaining the designation Chartered Accountant South Africa (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 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 undergraduate 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.

ACCOUNTING PROFESSION

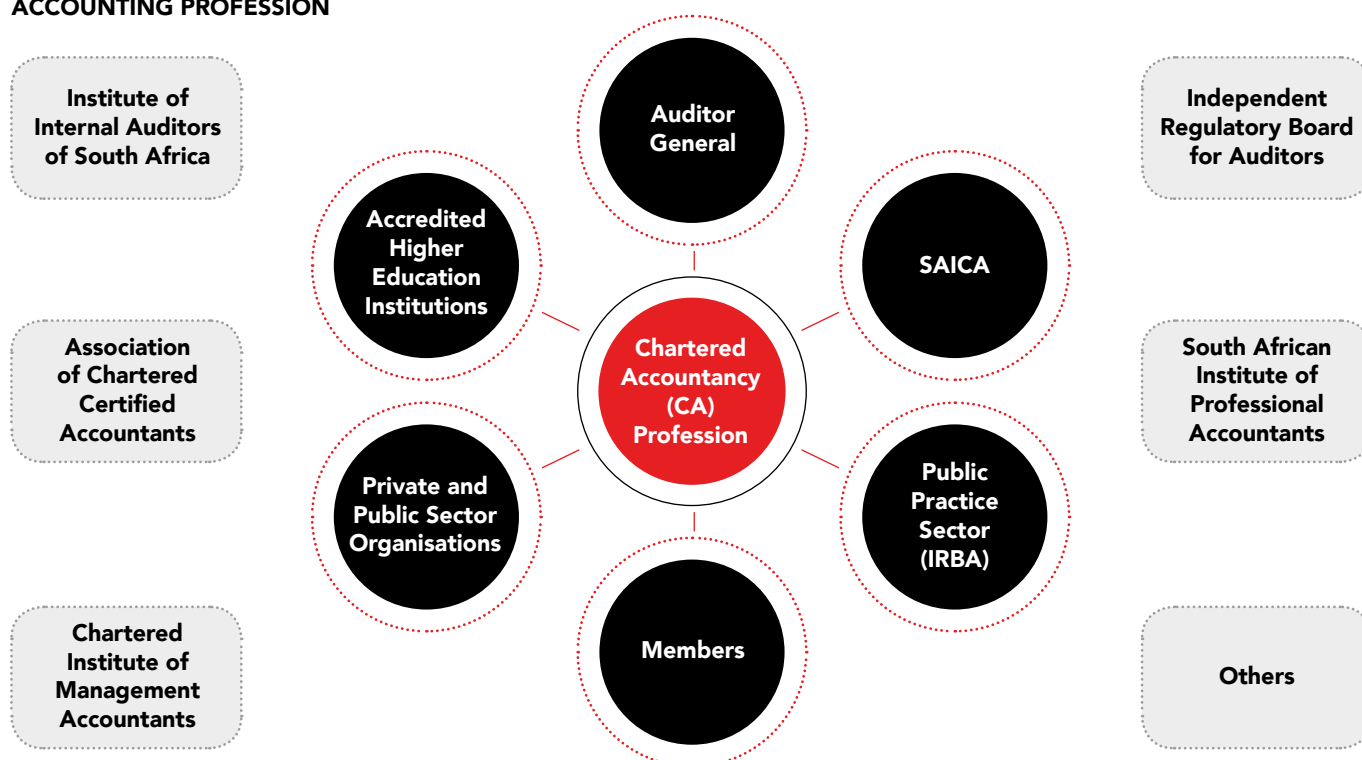


Figure 1 Diagrammatic representation of the wider Accountancy profession

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 Female) CA(SA)s in South Africa.

For purposes of the CA Sector Code, entities with common Ownership, Control or Management as defined in Affiliated Entities should be aggregated.

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.

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 Independent Regulatory Board for Auditors (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.

BACKGROUND CONTINUED

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.

A RA may engage in public practice 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 the 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 CA(SA)s.

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 CA(SA)s. This membership body determines the pre- and post-education, assessment and experience requirements for CA(SA)s, 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:

1. 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);
2. SAICA is the common denominator in this diversity, being the organisation of which all CA(SA)s in South Africa are members;
3. 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; and
4. 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 CA(SA)s must enter into Learnership agreements with approved training organisations. Such organisations can be within the public practice firm environment, 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 CA(SA)s.

3.2.5 Members

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

At present there are 17 Higher Education Institutions that are accredited by SAICA. These providers also play a critical role in the transformation of the CA profession. In fact, these Higher Education Institutions can also be seen as suppliers, in the sense that they supply employers with the suitable Employees. They thus act as a conduit, or pipeline, in the supply chain.

1. Monash, South Africa (a private provider)
2. Nelson Mandela Metropolitan University
3. North-West University
4. Rhodes University
5. Stellenbosch University
6. University of Cape Town
7. University of Fort Hare
8. University of Johannesburg
9. University of KwaZulu-Natal
10. University of Limpopo
11. University of Pretoria
12. University of South Africa
13. University of the Free State
14. University of the Western Cape
15. University of the Witwatersrand
16. Varsity College (undergraduate only)
17. Walter Sisulu University (undergraduate only)

4 WHY A SECTOR CODE SPECIFICALLY FOR THE CA PROFESSION

In Statement 003 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. CA(SA)s provide these much needed skills, but in South Africa at present there is a shortage of CA(SA)s and in particular Black CA(SA)s.

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, and the Financial Services Board.

CA(SA)s, and particularly Black CA(SA)s, have been identified as being scarce professionals with specialised skills which are 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 CA(SA)s in 2007, at the time of preparing the original Charter. Since then and to December 2016 4 474 African CA(SA)s 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 nine years.

The aim of 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 CA(SA)s.

We, as parties to the CA profession Sector Code, commit ourselves to actively promoting a transformed, dynamic

BACKGROUND CONTINUED

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:

1. Improve both access to the profession and progress towards becoming CA(SA)s; and
2. 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:

1. It embraces the spirit of what government intends to achieve with B-BBEE rather than being rules driven;
2. The CA profession is unique in that it is directly involved in the development of CA(SA)s and RAs who often take up leadership positions in the economy and society as a whole;
3. It was developed voluntarily;
4. It constitutes a framework and establishes principles from which B-BBEE will be implemented in the CA profession and sector;
5. It represents a partnership programme with government as outlined in the government's strategy for B-BBEE;
6. It provides the basis for engagement with other stakeholders, including but not limited to, providers of education and training, regulators, government and labour;
7. It establishes quantitative targets and qualitative responsibilities in respect of each indicator of the scorecard; and
8. 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

1. The achievement of a meaningful change in racial and gender composition as well as throughput pass

percentages of persons studying towards a CTA or equivalent at accredited higher education institutions, 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.

2. 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.
3. 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.
4. Ensuring, through the accreditation process of training offices that trainees receive the appropriate range, depth and quality of training and experience required of prospective CAs. This is achieved first by requiring training offices to provide evidence that the trainees' core experience and work attendance hours have been monitored on a regular basis and to provide information on the processes that were followed to schedule trainees on different assignments and with different clients; and second, by requiring confirmation by trainee accountants that they did receive adequate exposure to meet the prescribed competencies.
5. Growing the pipeline of Black CAs through capacity-building programmes at Historically Disadvantaged Universities. By doing this, the profession aims to ensure that all these institutions are eventually accredited by SAICA for purposes of preparing candidates to become CAs.

CA SECTOR

1. Bringing about a meaningful change in the racial and gender composition of Ownership and Management structures within the CA Sector so as to reflect the demographics of the country.
2. Achieving meaningful change in the racial and gender composition of all persons employed in the sector, including the granting of bursaries to Black students and 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.
3. 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 and play a meaningful role in the sector.
4. Supporting the development and upliftment of local and rural communities through Socio-Economic Development projects, thereby increasing equitable income distribution and equal opportunities for all.

6 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 stakeholders shareholders 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, together with 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 members 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 30 October 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.
4. Agreement could not be reached on the revised Codes within the deadlines set by the dti. The original CA Sector Code was repealed by the dti.
5. The CA Sector Code negotiation process was started again with some new representation and a new chair elected.
6. Agreement was reached and final signatures obtained in September 2018.



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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 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 2021 will be taken into account even if these results are only available the following year.
4. All the provisions of this Sector Code are to be achieved in a manner consistent with sound business practice.
5. In the measurement of B-BBEE compliance, substance will take precedence over legal form.
6. All measurement of B-BBEE initiatives will be based on the actual level of B-BBEE compliance at the date of measurement.
7. 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.
8. Where matters in the CA Sector Code are silent, principles from the Generic Amended Codes of Good Practice must be followed.

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.
2. This annual reporting date for B-BBEE purposes will be the financial year end of the entity.

3. Ownership will include Black CAs and this will be tracked on an annual basis.
4. 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.
5. 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.
6. 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.
7. 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.
8. 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.
9. The CA profession undertakes to provide information pertaining to the B-BBEE initiatives that is complete.
10. The CA profession undertakes to provide available information on a timely basis.
11. No transitional period shall be provided for the implementation of the CA Sector Code.
12. A Measured Entity which is part of the CA Sector Code may only be measured in accordance with the CA Sector Code.
13. The CA Sector Code is binding on the applicable sector, organs of state and public or private entities.

7.3 VERIFICATION PERIOD

The verification period should be the period that coincides with the Measured Entity's financial year.

8 IMPLEMENTATION

8.1 CHARTER COUNCIL

1. A Charter Council has been established as an independent body with a mandate to oversee the implementation of the Sector Code.
2. The Charter Council membership has been drawn equitably from stakeholders.
3. The Charter Council will consist of representatives from each of the following stakeholder groups:

	Members
Small Size Firms	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
Auditor-General	1
National Treasury	1
Total	11

4. In terms of the new Codes, all new Charter Council members recommended for appointment by the sector stakeholders shall be approved by the line ministry (being National Treasury).
5. At a 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:
 - 8.1 Supply guidance on sector specific matters affecting B-BBEE to the entities within the sector;
 - 8.2 Compile reports on the status of B-BBEE within the sector;
 - 8.3 Share information with the national monitoring mechanism and approved accreditation agencies, namely the B-BBEE Commission, B-BBEE Presidential Advisory Council, line ministry (National Treasury) and the Minister of Trade and Industry;
 - 8.4 Undertake on-going 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

- 8.5 Undertake on-going 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:
 - 1.1 Receive and consider audited scorecards and reports,
 - 1.2 Confirm ratings, where appropriate,
 - 1.3 Issue guidance notes on the interpretation and application of the Sector Code,
 - 1.4 Prepare an annual review which outlines progress and evaluates new areas of intervention,
 - 1.5 Submit the annual review to the B-BBEE Advisory Council, and
 - 1.6 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 line ministry (National Treasury), Minister of Trade and Industry and to the B-BBEE Advisory Council. The report shall outline the following:
 - 1.1 Baseline indicators for all the different elements of B-BBEE;
 - 1.2 Aggregate scores of all the indicators of the B-BBEE scorecard for all the entities reporting within the ambit of the Sector Code;
 - 1.3 Types of initiatives that are undertaken by the entities within the sector; and
 - 1.4 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

FRAMEWORK CONTINUED

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 dti by 30 April of each year.

8.4 VERIFICATION OF COMPLIANCE

In terms of statement 000 of code series 000 of the Generic Codes of Good Practice, 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 a B-BBEE

Verification Professional Regulator accredited 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.	The CA Charter Council to advocate for the implementation of the CA Charter, and monitor the achievement of targets set out in the Sector Code on an on-going basis
There are risks that different scorecards may be required or indeed used, for different geographic locations of a national business with multiple locations.	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. Measured entities need to take into account the definition of affiliated entities (see appendix 1).
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).	The philosophy of one firm one Sector Code/scorecard nationally and for all offerings has been strongly advocated. Measured entities need to take into account the definition of affiliated entities (see appendix 1).
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 grow at an average of 2–3% per annum. Growth makes the targets more achievable than when there is low or no growth.	Should the economy not reflect constant growth of 2–3% per annum or more, additional strategies may be required to ensure the targets are met.
The Codes of Good Practice have become increasingly complex, which will result in greater complexity in this Sector Code and scorecard. Small and Medium Size Firms will find it difficult and expensive to administer and thus move away from compliance.	Requirements for compliance with the Sector Code and scorecard must be kept as simple as possible, particularly for Small and Medium Size Firms.

Risk	Possible Mitigating Actions
<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 CA(SA)s have been trained.</p>	<p>As well as focusing on the number of CA(SA)s, 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 Females 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.</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.

A hand is pointing at a document that features various charts, including a line graph and a bar chart, as well as logos, including the United Nations logo. The document is placed on a desk.

THE SCORECARD

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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 as sole proprietorships, partnerships, incorporated entities or companies, eligibility as an RA is strictly circumscribed by legislation. Ownership and Management of the Assurance Practice 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 CA(SA)s 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 CA(SA)s. On the other hand, however, once qualified CA(SA)s 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 CA(SA)s, this increase is not reflected in the numbers of qualified Black CA(SA)s and RAs that remain in the sector.

A factor that could strongly impact on the goals and targets the CA Sector has set for itself, is that the environment in which the CA profession operates is constantly subject to change.

The introduction of Mandatory Audit Firm rotation will likely change the environment and functioning of audit firms. The IRBA announced during September 2016 that it will begin a process to implement Mandatory Audit Firm Rotation for audit firms to strengthen the auditors’ independence from clients. Mandatory Audit Firm Rotation is aligned to the IRBA’s objective to enhance audit quality, which ultimately contributes to public and investor protection.

11.2 THE APPLICATION OF TWO SCORECARDS

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

1. Large Firms;
2. Medium Size Firms;
3. Small Size Firms;
4. Black Owned Firms, represented by the Black Chartered Accountant Professionals (BCAP);
5. Auditor-General of South Africa; and
6. Affiliated entities.

Approximately 75% (2006: 70%) of all trainees in public practice are employed by Small and Medium Size Firms with approximately 58% (2006: 25%) of these Learnership contracts being held by Black trainees. On the other hand the Large Firms, who employ approximately 25% (2006: 30%) of all trainees, employ 55% (2006: 36%) of Black trainees.

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

1. Exempted Micro Enterprises (EMEs)
 - 1.1 A Measured Entity with an annual total revenue of R10 million or less will qualify as an EME.
 - 1.2 The following recognition levels are applicable:
 - 1.2.1 EMEs which are less than 51% Black owned:
Level four contributor with 100% recognition for B-BBEE procurement purposes
 - 1.2.2 EMEs which are 51% Black owned:
Level two contributor with 125% recognition for B-BBEE procurement purposes
 - 1.2.3 EMEs which are 100% Black owned:
Level one contributor with 135% recognition for B-BBEE procurement purposes
2. 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
3. An EME is only required to obtain a sworn affidavit or certificate issued by the Companies and Intellectual Property Commission (CIPC) on an annual basis, confirming the following:
 - 3.1 Annual total revenue of R10 million or less; and
 - 3.2 Level of Black ownership.

Any misrepresentation of the above constitutes a criminal offence as set out in the B-BBEE Act, as amended.
4. Qualifying Small Entities (QSEs)
 - 4.1 A Measured Entity with an annual total revenue of between R10 million and R50 million qualifies as a QSE.
 - 4.2 A QSE must comply with all of the elements of B-BBEE for purposes of measurement.

4.3 The following enhanced recognition levels and measurement are applicable for QSEs which are at least 51% Black owned:

4.3.1 QSEs which are 51% Black owned:

Level two contributor with 125% recognition for B-BBEE procurement purposes

4.3.2 QSEs which are 100% Black owned:

Level one contributor with 135% recognition for B-BBEE procurement purposes

4.3.3 A QSE is only required to obtain, on an annual basis, a sworn affidavit confirming the following:

4.3.3.1 Annual total revenue of between R10 million and R50 million; and

4.3.3.2 Level of Black ownership.

Any misrepresentation of the above constitutes a criminal offence as set out in the B-BBEE Act, as amended.

5. Start-up Enterprises

5.1 Start-up Enterprises are measured as an EME's for the first year following their formation or incorporation. This provision applies regardless of the expected total revenue of the Start-up Enterprise.

5.2 Start-up Enterprises have the same recognition levels as indicated above for EME's.

5.3 In order to qualify as a Start-up Enterprise, the enterprise must provide an independent confirmation of its status in accordance with paragraph 3 above.

5.4 Despite the paragraphs above, a Start-up Enterprise must submit a QSE scorecard when tendering for any contract, or seeking any other economic activity covered by Section 10 of the Act, with a value higher than R10 million but less than R50 million. For contracts of R50 million or more they should submit the Generic Scorecard under the CA Charter. The preparation of such scorecards must use annualised data.

11.3 PRIORITY ELEMENTS, SUB-MINIMUM AND DISCOUNTING PRINCIPLE

1. The priority elements are as follows:

1.1 Ownership – A sub-minimum of 40% of the total weighting points of 6 points for Economic Interest of Black CA's and Black People needs to be achieved (40% of 6 points).

1.2 Skills Development – A sub-minimum of 40% of the total weighting points of 30 points for

Skills Development needs to be achieved (40% of 30 points).

1.3 Enterprise and Supplier Development – A sub-minimum of 40% for each of the three categories stated below:

1.3.1 Preferential Procurement: 40% of 15 points

1.3.2 Supplier Development: 40% of 10 points

1.3.3 Enterprise Development: 40% of 5 points.

2. Large Enterprises need to comply with all three of the priority elements.

3. QSE's need to comply with Ownership (1.1) as a compulsory element, and either Skills Development (1.2) or Enterprise and Supplier Development (1.3).

4. Non-compliance with the 40% sub-minimum requirement in any of the priority elements as indicated above will result in the following for both Large Enterprises and QSE's:

4.1 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.

4.2 Only the discounted level of Measured Entities shall appear on the face of the B-BBEE certificate.

5. In terms of the CA Sector Code a Measured Entity includes all entities included under Affiliated entities (see Appendix 1, Interpretations).

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.

THE SCORECARD CONTINUED

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 fully 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**
 - 1.1 The South African economy needs more CA(SA)s 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.
 - 1.2 As indicated in paragraph 4 of the Sector Code, not only growth in the number of African and Coloured CA(SA)s 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**
 - 2.1 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 CA(SA)s.
 - 2.2 The Historically Disadvantaged Universities, at

which a large number of Black students study, do not have the capacity required to gain and sustain the accreditation of their academic programmes by SAICA.

- 2.3 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.
- 2.4 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.
- 2.5 The ownership in the profession in the Assurance Practice is restricted to RAs.
- 2.6 Limited or no capital is required to become an owner/partner in the Assurance Practice. However, this is offset by the significant skills and experience required for partnership/ownership status.
- 2.7 Member firms of global networks are required to procure in terms of global firm policies.
- 2.8 There are a number of Black Owned Professional Services Firms whose growth and sustainability is hampered by limited access to skills, resources and access to clients, especially in the private sector.

3. Empirical research

- 3.1 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.
- 3.2 Fasset Sector skills research reports identified the indicators/attributes required by learners to qualify as CA(SA)s. 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 for Large Enterprises are as follows:

Element	Codes of Good Practice	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 points	109 points

11.5 B-BBEE RECOGNITION LEVELS

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

Enhanced recognition for certain categories of Black People:

1. Black Female should form between 40% and 50% of the beneficiaries of the relevant Elements of the Scorecard.
2. 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 11.4, the CA Sector has adjusted the recommended Indicator Weightings of the Codes of Good Practice to take account of the unique conditions of the CA Sector and the advantages such an adjustment would have in the long run.

11.7 COMPLIANCE TARGET

The CA Charter recognises that many Firms practice as Professional Partnerships and not Incorporated Entities. The inclusion of alternate targets based on Turnover was motivated to accommodate this.

Turnover should be used where a Professional Partnership are included in Affiliated Entities whilst Net Profit After Tax (NPAT) be used where Incorporated Structures are included in Affiliated Entities.

If a firm made a loss, Turnover will automatically be used to calculate the required spend.

THE SCORECARD CONTINUED

12 THE GENERIC SCORECARD FOR THE CA SECTOR

12.1 THE CA SECTOR SCORECARD

Indicator		Weighting points	Compliance target
1. Ownership			
1.1	Voting Rights		
1.1.1	Exercisable Voting Rights in the Entity in the hands of Black CAs	4	20%
1.1.2	Exercisable Voting Rights in the Entity in the hands of Black People	2	32.5%
1.1.3	Exercisable Voting Rights in the Entity in the hands of Black Female CAs	2	6.5%
1.1.4	Exercisable Voting Rights in the Entity in the hands of Black Females	2	13%
1.2	Economic Interest		
1.1.1	Economic Interest in the Entity to which Black CAs are entitled	4	20%
1.1.2	Economic Interest in the Entity to which Black People are entitled	2	32.5%
1.1.3	Economic Interest in the Entity to which Black Female CAs are entitled	2	6.5%
1.1.4	Economic Interest in the Entity to which of Black Females are entitled	2	13%
1.1.5	Economic Interest to which any of the following Black natural people in the Measured Entity are entitled <ul style="list-style-type: none"> - Black Designated Groups - Black Participants in Employee Share Ownership Programmes - Black People in Broad-Based Ownership Schemes 	2	3%
1.1.6	New Entrants	–	–
1.3	Realisation points		
1.1.1	Net Value	–	–
1.4	Additional points		
1.4.1	Exceeding the compliance target for Exercisable Voting Rights in the Entity in the hands of Black People as indicated	1	>32,5% -50%
1.4.2	Exceeding the compliance target for Exercisable Voting Rights in the Entity in the hands of Black People as indicated	2	>50%
Total points		25	

Indicator		Weighting points	Compliance target
2. Management Control			
2.1	Board participation		
1.1.1	Exercisable Voting Rights of Black Board Members as a percentage of all Board Members	2	50%
1.1.2	Exercisable Voting Rights of Black Female Board Members as a percentage of all Board Members	1	25%
1.1.3	Black Executive Directors as a percentage of all Executive Directors	2	50%
1.1.4	Black Female Executive Directors as a percentage of all Executive Directors	1	25%
2.2	Other Executive Management		
1.1.1	Black Executive Management as a percentage of all Executive Management	2	60%
1.1.2	Black Female Executive Management as a percentage of all Executive Management	1	30%
2.3	Senior Management		
1.1.1	Black Employees in Senior Management as a percentage of all Senior Management	2	60%
1.1.2	Black Female Employees in Senior Management as a percentage of all Senior Management	1	30%
2.4	Middle Management		
1.1.1	Black Employees in Middle Management as a percentage of all Middle Management	2	75%
1.1.2	Black Female Employees in Middle Management as a percentage of all Middle Management	1	38%
2.5	Junior Management		
1.1.1	Black Employees in Junior Management as a percentage of all Junior Management	1	88%
2.5.2	Black Female Employees in Junior Management as a percentage of all Junior Management	1	44%
2.6	Employees with disabilities		
2.6.1	Black Employees with disabilities as a percentage of all Employees	2	2%
Total points		19	

THE SCORECARD CONTINUED

Indicator		Weighting points	Compliance target
3. Skills Development			
3.1	Skills Development Expenditure on any programme specified in the Learning Programmes Matrix –		
1.1.1	For Black People as a percentage of Leivable Amount	8	6%
1.1.2	For Black Employees with disabilities as a percentage of Leivable Amount	4	0,3%
3.2	Bursary expenditure		
1.1.1	Specific bursary expenditure on current and potential Black Employees, which includes amounts spent on the Thuthuka Education Upliftment Fund, as a percentage of NPAT or turnover	5	4% of NPAT or 0,5% of turnover
3.3	Learnerships, Apprenticeships and Internships		
1.1.1	Number of Black People participating in Learnerships, Apprenticeships and Internships as a percentage of total Employees	3	18%
1.1.2	Number of Black People who have completed their Learnerships and passed the Qualifying Examinations as a percentage of Black People who have completed their Learnerships	5	80%
1.1.3	Number of Black People who do not have a Certificate in Theory of Accounting (CTA) at the beginning of their Learnership but have successfully completed their SAICA Learnership	3	50%
3.3.4	Number of unemployed Black People participating in training specified in the Learning Programme Matrix as a percentage of number of Employees	2	2,5%
3.4	Bonus points		
1.1.1	Number of Black People absorbed by the Measured Entity and/or other industry at the end of the Learnership programme	2	100%
3.4.2	Number of African and Coloured people absorbed by the Measured Entity and/or other industry at the end of the Learnership programme	3	100%
Total points (excluding bonus points)		30	

Indicator		Weighting points	Compliance target
4. Enterprise and Supplier Development			
4.1	Preferential Procurement		
1.1.1	B-BBEE procurement spend from suppliers based on the B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	4	80%

Indicator		Weighting points	Compliance target
4. Enterprise and Supplier Development (Continued)			
4.1	Preferential Procurement (Continued)		
1.1.2	B-BBEE procurement spend from suppliers that are QSE's based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	1	15%
1.1.3	B-BBEE procurement spend from EME's based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	2	15%
1.1.4	B-BBEE procurement spend from 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	6	40%
1.1.5	B-BBEE procurement spend from suppliers that are at least 30% Black Female Owned based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	2	12%
4.2	Bonus points		
1.1.1	B-BBEE procurement spend from Designated Group 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	2	2%
4.3	Supplier Development		
1.1.1	Annual value of all Supplier Development Contributions made by the Measured Entity as a percentage of the target	5	1% of NPAT or 0,125% of turnover
1.1.2	Annual Contributions to Historically Disadvantaged Universities made by the Measured Entity to capacitate them in developing future Black CAs as a percentage of the target	5	1% of NPAT or 0,125% of turnover
4.4	Enterprise Development		
4.4.1	Annual value of all Enterprise Development Contributions and Sector Specific Programmes made by the Measured Entity as a percentage of the target	5	1% of NPAT or 0,125% of turnover
4.5	Bonus points		
1.1.1	Annual value of Contributions to development of Black Owned Professional Services Firms, through joint audits or sub-contracted audits in the listed company sector made by the Measured Entity as a percentage of the target	2	1% of NPAT or 0,125% of turnover
1.1.2	Graduation of one or more Enterprise Development Beneficiaries to the Supplier Development level	–	–
1.1.3	Creating one or more jobs directly as a result of Supplier Development and Enterprise Development initiatives by the Measured Entity	–	–
Total points (excluding bonus points)		30	

THE SCORECARD CONTINUED

Indicator	Weighting points	Compliance target
5. Socio-Economic Development		
1.1 Annual value of all Socio-Economic Development Contributions made by the Measured Entity as a percentage of the target	5	1% of NPAT or 0,125% of turnover
Total points	5	

12.2 APPLICATION OF THE CA SECTOR SCORECARD

12.2.1 The Ownership Scorecard

The Ownership Element measures the effective ownership of Measured Entities by Black People. It is measured on the basis of the following Indicator Weightings:

Indicator	Weighting points	Compliance target
1.1 Voting Rights		
1.1.1 Exercisable Voting Rights in the Entity in the hands of Black CAs	4	20%
1.1.2 Exercisable Voting Rights in the Entity in the hands of Black People	2	32.5%
1.1.3 Exercisable Voting Rights in the Entity in the hands of Black Female CAs	2	6.5%
1.1.4 Exercisable Voting Rights in the Entity in the hands of Black Females	2	13%
1.2 Economic Interest		
1.1.1 Economic Interest in the Entity to which Black CAs are entitled	4	20%
1.1.2 Economic Interest in the Entity to which Black People are entitled	2	32.5%
1.1.3 Economic Interest in the Entity to which Black Female CAs are entitled	2	6.5%
1.1.4 Economic Interest in the Entity to which Black Females are entitled	2	13%
1.1.5 Economic Interest to which any of the following Black natural people in the Measured Entity are entitled <ul style="list-style-type: none"> Black Designated Groups Black Participants in Employee Share Ownership Programmes Black People in Broad-Based Ownership Schemes 	2	3%
1.1.6 New Entrants	–	–
1.3 Realisation points		
1.1.1 Net Value	–	–

Indicator		Weighting points	Compliance target
1.4	Additional points		
1.4.1	Exceeding the compliance target for Exercisable Voting Rights in the Entity in the hands of Black People as indicated	1	>32,5% -50%
1.4.2	Exceeding the compliance target for Exercisable Voting Rights in the Entity in the hands of Black People as indicated	2	>50%

1. Key measurement principles

For the CA Sector Ownership Scorecard the following key measurement principles apply:

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:

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

As mentioned in paragraph 4, the aim of B-BBEE initiatives in the CA Sector is 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.

As this is a CA Charter the constituents agreed that at least 20% of the Total Black Ownership must be held by Black CA's.

2. Sub-minimum and discounting principle

- 2.1 A Measured Entity must achieve a sub-minimum of 40% the total weighting points of 6 points for Economic Interest (Indicator 1.2.1 and 1.2.2) of Black CA's and Black People (40% of 6 points).
- 2.2 Non-compliance with the sub-minimum will result in the overall achieved B-BBEE status level being discounted in accordance with paragraph 11.3.

3. Flow-through principle

- 3.1 As a general principle, when measuring the rights of Ownership of any category of Black People in a Measured Entity, only rights held by natural persons are relevant. If the rights of Ownership of Black People pass through a juristic person, then the rights of Ownership of Black People in that juristic person are measurable. This principle applies across every tier of Ownership in a multi-tiered chain of Ownership until that chain ends with a Black person holding rights of Ownership.
- 3.2 The method of applying the flow-through principle across one or more intervening juristic persons is as follows:
 - 3.2.1 Multiply the percentage of the Participant's rights of Ownership in the juristic persons through which those rights pass by the percentage rights of Ownership of each of those juristic persons successively to the Measured Entity; and
 - 3.2.2 The result of this calculation represents the percentage of rights of Ownership held by the Participant.

4. Modified flow-through principle

- 4.1 A Measured Entity applying this modified flow-through principle cannot benefit from the exclusion principle.
- 4.2 The modified flow-through principle applies to a B-BBEE owned or controlled company in the Ownership of the Measured Entity.
- 4.3 In calculating Exercisable Voting Rights and Economic Interest of the Ownership scorecard, the following applies:
 - 4.3.1 Where in the chain of Ownership, Black People have a flow-through level of participation of at least 51%, and then only once in the entire ownership structure of the Measured Entity, such Black participation may be treated as if it were 100% Black.

THE SCORECARD CONTINUED

- 4.4 The Modified Flow-Through Principle may only be applied in the calculation of Indicators 1.1.1, 1.1.2, 1.2.1 and 1.2.2 of the Ownership Scorecard. In all other instances, the flow-through principle applies.

For purposes of the CA Sector, Indicator Weightings have the following definitions:

5. *Voting Rights*

- 5.1 Voting Rights means a Voting Right attaching to an Equity Instrument owned by or held for a Participant.
- 5.2 Measurement of Voting Rights: Indicator 1.1

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

Where A = Score achieved by the Entity for the measured Ownership indicator

- B = Voting rights of Black CA's as a percentage of all Participants holding voting rights in the Measured Entity
- = Voting rights of Black People as a percentage of all Participants holding voting rights in the Measured Entity
- = Voting rights of Black Female CA's as a percentage of all Participants holding voting rights in the Measured Entity
- = Voting rights of Black Females as a percentage of all Participants holding voting rights in the Measured Entity

C = Compliance target as specified in Paragraph 12.2.1 Indicator 1.1

D = Weighting points as specified in Paragraph 12.2.1 Indicator 1.1

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

6. *Economic Interest*

- 6.1 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 RAs per the IRBA rules but are directors in the practice (should these individuals be regarded as partner equivalents).

- 6.2 Measurement of Economic Interest: Indicator 1.2

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

Where A = Score achieved by the Measured Entity for the measured Ownership indicator

- B = Economic Interest of Black CA's as a percentage of Economic Interest of all Participants in the Measured Entity
- = Economic Interest of Black People as a percentage of Economic Interest of all Participants in the Measured Entity
- = Economic Interest of Black Female CA's as a percentage of Economic Interest of all Participants in the Measured Entity
- = Economic Interest of Black Females as a percentage of Economic Interest of all Participants in the Measured Entity
- = Economic Interest of Black Natural People as defined in Indicator 1.2.5 as a percentage of Economic Interest of all Participants in the Measured Entity

C = Compliance target as specified in Paragraph 12.2.1 Indicator 1.2

D = Weighting points as specified in Paragraph 12.2.1 Indicator 1.2

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

7. *Bonus points*

- 7.1 Measured Entities will score three additional bonus points should their ownership be greater than 50%, in the following ratio:
- 7.1.1 1 point for Black ownership over 32.5%
- 7.1.2 3 points for Black ownership over 50%.

12.2.2 Management Control Scorecard

The Management Control Element measures the effective control of Measured 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:

1. 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.
2. 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.
3. 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:

Indicator	Weighting points	Compliance target
2.1 Board participation		
Exercisable Voting Rights of Black Board Members as a percentage of all Board Members	2	50%
Exercisable Voting Rights of Black Female Board Members as a percentage of all Board Members	1	25%
Black Executive Directors as a percentage of all Executive Directors	2	50%
Black Female Executive Directors as a percentage of all Executive Directors	1	25%
Other Executive Management		
Black Executive Management as a percentage of all Executive Management	2	60%
Black Female Executive Management as a percentage of all Executive Management	1	30%
Senior Management		
Black Employees in Senior Management as a percentage of all Senior Management	2	60%
Black Female Employees in Senior Management as a percentage of all Senior Management	1	30%
Middle Management		
Black Employees in Middle Management as a percentage of all Middle Management	2	75%
Black Female Employees in Middle Management as a percentage of all Middle Management	1	38%
Junior Management		
Black Employees in Junior Management as a percentage of all Junior Management	1	88%
Black Female Employees in Junior Management as a percentage of all Junior Management	1	44%
Employees with disabilities		
Black Employees with disabilities as a percentage of all Employees.	2	2%

THE SCORECARD CONTINUED

1. Key measurement principles

For the CA Sector Management Control Scorecard the following key measurement principles apply:

- 1.1 The requirement to submit data to the Department of Labour in terms of the Employment Equity Act (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.
- 1.2 An Entity must use the current payroll data in calculating its score for the Management Control Section of the Scorecard.

2. Demographic representation

- 2.1 The Compliance targets for Senior Management (Indicator 2.3), Middle Management (Indicator 2.4) and Junior Management (Indicator 2.5) are based on the overall demographic representation of Black People as defined in the Regulations the EE Act and the Commission on Employment Equity Report, as amended from time to time.
- 2.2 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.

3. Board participation

- 3.1 Board members
 - 3.1.1 The Board consists of persons appointed to exercise governance over the Entity. Their main functions are to approve and monitor the implementation of policies.
 - 3.1.2 This body is generally responsible for the corporate governance of the Measured Entity.
 - 3.1.3 Functions could typically include the approval of the Measured Entity's strategy, appointment of the Chief Executive Officer and performance evaluation of the Chief Executive Officer.
- 3.2 Executive Directors
 - 3.2.1 Members of the Executive committee who have also been appointed to the Board of the Measured Entity.
 - 3.2.2 These members will have Exercisable Voting Rights on the Board.

4. Other Executive Management

- 4.1 The body consisting of persons, typically appointed by the Chief Executive Officer, responsible for the development of the Measured Entity's strategy, directing the day-to-day operations of the Measured Entity.
- 4.2 This category includes all members of the Executive Committee who do not serve on the Board, as well as Heads of Key Business Units or divisions.
- 4.3 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 under Indicator 2.2.1 and 2.2.2 split as 4 and 2 points respectively.

5. Management

- 5.1 Principles
 - 5.1.1 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 and the Commission on Employment Equity Report, as amended from time to time. However, this is not applicable to Black People with disabilities (Indicator 2.6).
 - 5.1.2 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.
- 5.2 Senior Management
 - 5.2.1 These persons undertake the day-to-day management of assignments and are actively involved in the implementation of strategy and development of staff, limited to their areas of responsibility.
 - 5.2.2 These persons would generally have 5–10 years' experience, and would be entrusted with large accounts or responsibilities in an administrative or support function.
 - 5.2.3 These person's levels as reported to Department of Labour and salary should also be taken into account.

5.3 Middle Management

5.3.1 These roles are typically entrusted with a supervisory or managerial responsibility. In the audit context it would include the senior on the assignment who is the equivalent of a manager, assistant manager or senior consultant who has at least 3–5 years' relevant experience.

5.3.2 These person's levels as reported to Department of Labour and salary should also be taken into account.

5.4 Junior Management

5.4.1 The roles are typically responsible for the execution of assignments under the guidance of a manager or senior. Individuals in this category typically have 0–3 years' relevant experience.

5.4.2 These person's levels as reported to Department of Labour and salary should also be taken into account.

6. *Measurement of Management Control indicators: Indicator 2.1, 2.2 and 2.6*

This equation explains the method of measurement of the criteria dealing with Board Participation, Other Executive Management and employees with disabilities.

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

Where A = Score for the measurement category indicator

B = Exercisable Voting Rights in the hands of Black Board Members as a percentage of Voting Rights of all Board Members in the Measured Entity

= Exercisable Voting Rights in the hands of Black Female Board Members as a percentage of Voting Rights of all Board Members in the Measured Entity

= Black Executive Directors as a percentage of all Executive Directors

= Black Female Executive Directors as a percentage of all Executive Directors

= Black Executive Management as a percentage of all Executive Management

Where = Black Female Executive Management as a percentage of all Executive Management
= Black employees with a disability as a percentage of all employees in the Measured Entity

C = Compliance target as specified in Paragraph 12.2.2 Indicator 2.1, 2.2 and 2.6

D = Weighting for the applicable criteria as referred to in Paragraph 12.2.2 Indicator 2.1, 2.2 and 2.6

7. *Measurement of Management Control indicators: Indicator 2.3.1, 2.4.1 and 2.5.1*

The measurement criteria targets for Black Employees in Senior Management, Black Employees in Middle Management, and Black Employees in Junior Management are broken down according to the relevant EAP statistics, i.e., splitting the compliance target and points in proportion to the EAP statistics.

The EAP statistics are reported on the following race groups:

Statistic	Abbreviation
African Male	AM
African Female	AF
Coloured Male	CM
Coloured Female	CF
Indian Male	IM
Indian Female	IF
White Male	WM
White Female	WF

The maximum points per race group needs to be adhered to in order to achieve the outcomes of Paragraph 12.2.2. These calculations will need to be repeated for every race group due to the maximum score for each race group.

The first parameter to be defined is the percentage of Black Employees in the Measured Entity for the measurement criteria (Senior, Middle and Junior Management).

The formula to calculate this will need to be repeated six times, for each of the six Black EAP statistics.

THE SCORECARD CONTINUED

Let

$$\% \text{ Black}_{\text{AM}} = \frac{\text{Number of AM Employees}}{\text{Total of all Employees in all race groups}}$$

$$\% \text{ Black}_{\text{AF}} = \frac{\text{Number of AF Employees}}{\text{Total of all Employees in all race groups}}$$

$$\% \text{ Black}_{\text{CM}} = \frac{\text{Number of CM Employees}}{\text{Total of all Employees in all race groups}}$$

$$\% \text{ Black}_{\text{CF}} = \frac{\text{Number of CF Employees}}{\text{Total of all Employees in all race groups}}$$

$$\% \text{ Black}_{\text{IM}} = \frac{\text{Number of IM Employees}}{\text{Total of all Employees in all race groups}}$$

$$\% \text{ Black}_{\text{IF}} = \frac{\text{Number of IF Employees}}{\text{Total of all Employees in all race groups}}$$

Where RG = Race group

$\% \text{ Black}_{\text{RG}}$ = Percentage of Black Employees in the Measured Entity for the specific race group

Number of RG Employees = Number of Employees in the Management level for the measurement criteria

Total of all race groups = Total of all Employees in the Management level for the measurement criteria (AM + AF + CM + CF + IM + IF + WM + WF)

Due to the Codes not awarding points for meeting the EAP statistics for the White race group, the EAP statistics need to be adjusted to exclude the White categories. The following formula shows how this is accomplished.

Let

$$\text{ADJ EAP}_{\text{AM}} = \frac{\text{EAP(AM)}}{\text{EAP(Sum)}}$$

$$\text{ADJ EAP}_{\text{AF}} = \frac{\text{EAP(AF)}}{\text{EAP(Sum)}}$$

$$\text{ADJ EAP}_{\text{CM}} = \frac{\text{EAP(CM)}}{\text{EAP(Sum)}}$$

$$\text{ADJ EAP}_{\text{CF}} = \frac{\text{EAP(CF)}}{\text{EAP(Sum)}}$$

$$\text{ADJ EAP}_{\text{IM}} = \frac{\text{EAP(IM)}}{\text{EAP(Sum)}}$$

$$\text{ADJ EAP}_{\text{IF}} = \frac{\text{EAP(IF)}}{\text{EAP(Sum)}}$$

Where $\text{ADJ EAP}_{\text{RG}}$ = Adjusted EAP for a specific race group

EAP(RG) = EAP statistic for the calculated race group

EAP(Sum) = Sum of published EAP statistics for all Black race groups (AM + AF + CM + CF + IM + IF)

Since the calculation for each of the race groups needs to be done individually, the compliance target also needs to be split in proportion to the EAP statistics. This formula is defined below:

Let

$$\text{SCT}_{\text{AM}} = \text{ADJ EAP}_{\text{AM}} \times \frac{\text{Compliance target}}{100}$$

$$\text{SCT}_{\text{AF}} = \text{ADJ EAP}_{\text{AF}} \times \frac{\text{Compliance target}}{100}$$

$$\text{SCT}_{\text{CM}} = \text{ADJ EAP}_{\text{CM}} \times \frac{\text{Compliance target}}{100}$$

$$SCT_{CF} = ADJ EAP_{CF} \times \frac{\text{Compliance target}}{100}$$

$$SCT_{IM} = ADJ EAP_{IM} \times \frac{\text{Compliance target}}{100}$$

$$SCT_{IF} = ADJ EAP_{IF} \times \frac{\text{Compliance target}}{100}$$

Where STC_{RG} = Split compliance target for race group

$ADJ EAP_{RG}$ = Adjusted EAP for the race group as calculated above

Compliance target = Compliance target as specified in Paragraph 12.2.2 Indicator 2.3.1, 2.4.1 and 2.5.1

The points allocated for the measurement criteria will also be split in proportion to the EAP statistics. The split points for the measurement criteria represent the maximum allowable points for the race groups, and must be enforced as such. The formula for calculating the maximum allowable points is shown below.

$$MAP_{AM} = ADJ EAP_{AM} \times \text{points}$$

$$MAP_{AF} = ADJ EAP_{AF} \times \text{points}$$

$$MAP_{CM} = ADJ EAP_{CM} \times \text{points}$$

$$MAP_{CF} = ADJ EAP_{CF} \times \text{points}$$

$$MAP_{IM} = ADJ EAP_{IM} \times \text{points}$$

$$MAP_{IF} = ADJ EAP_{IF} \times \text{points}$$

Where MAP = Maximum allowable points for a race group

Points = Weighting points as specified in Paragraph 12.2.2 Indicator 2.3.1, 2.4.1 and 2.5.1

The achieved score per race group ($score_{RG}$) will be calculated using the above four equations. The formula must be completed for each race group using the four results from above for each race group. The formula is shown below:

$$Score_{AM} = \frac{\%Black_{AM}}{STC_{AM}} \times MAP_{AM}$$

$$Score_{AF} = \frac{\%Black_{AF}}{STC_{AF}} \times MAP_{AF}$$

$$Score_{CM} = \frac{\%Black_{CM}}{STC_{CM}} \times MAP_{CM}$$

$$Score_{CF} = \frac{\%Black_{CF}}{STC_{CF}} \times MAP_{CF}$$

$$Score_{IM} = \frac{\%Black_{IM}}{STC_{IM}} \times MAP_{IM}$$

$$Score_{IF} = \frac{\%Black_{IF}}{STC_{IF}} \times MAP_{IF}$$

Note that the score per race group may not exceed the maximum allowable points for that race group. The following shows how the total score for Black Employees in Senior, Middle and Junior Management is calculated:

$$\text{Total Score} = Score_{AM} + Score_{AF} + Score_{CM} + Score_{CF} + Score_{IM} + Score_{IF}$$

8. Measurement of Management Control indicators: Indicator 2.3.2, 2.4.2 and 2.5.2

The Management control criteria provided for in the paragraphs on Black Females in Senior, Middle and Junior Management is calculated by following the sub-calculations below.

The measurement criteria targets Black Females in Senior, Middle and Junior Management are broken down according to the relevant EAP statistics, that is, splitting the compliance target and points in proportion to the EAP statistics.

These calculations will need to be repeated for every race group due to the maximum score for each group.

The first parameter to be defined is the percentage of Black Employees in the Measured Entity for the measurement criteria (Senior, Middle and Junior Management). The formula to calculate this will need to be repeated six times, for each of the Black EAP statistics.

THE SCORECARD CONTINUED

$$\% \text{ Black}_{\text{AF}} = \frac{\text{Number of AF Employees}}{\text{Total of all Employees in all race groups}}$$

$$\% \text{ Black}_{\text{CF}} = \frac{\text{Number of CF Employees}}{\text{Total of all Employees in all race groups}}$$

$$\% \text{ Black}_{\text{IF}} = \frac{\text{Number of IF Employees}}{\text{Total of all Employees in all race groups}}$$

Where $\text{RG} = \text{Race group}$

$$\% \text{ Black}_{\text{RG}} = \text{Percentage of Black Employees in the Measured Entity for the specific race group}$$

$$\text{Number of RG Employees} = \text{Number of Employees in the Management level for the measurement criteria}$$

$$\text{Total of all race groups} = \text{Total of all Employees in the Management level for the measurement criteria (AM + AF + CM + CF + IM + IF + WM + WF)}$$

Due to the Codes not awarding points for meeting the EAP statistics for the White race group, the EAP statistics need to be adjusted to exclude the White categories. The following formula shows how this is accomplished.

Let

$$\text{ADJ EAP}_{\text{AF}} = \frac{\text{EAP(AF)}}{\text{EAP(Sum)}}$$

$$\text{ADJ EAP}_{\text{CF}} = \frac{\text{EAP(CF)}}{\text{EAP(Sum)}}$$

$$\text{ADJ EAP}_{\text{IF}} = \frac{\text{EAP(IF)}}{\text{EAP(Sum)}}$$

Where $\text{ADJ EAP}_{\text{RG}} = \text{Adjusted EAP for a specific race group}$

$$\text{EAP(RG)} = \text{EAP statistic for the calculated race group}$$

$$\text{EAP(Sum)} = \text{Sum of published EAP statistics for all Black race groups (AF + CF + IF)}$$

Since the calculation for each of the race groups needs to be done individually, the compliance target also needs to be split in proportion to the EAP statistics. This formula is defined below:

Let

$$\text{SCT}_{\text{AF}} = \text{ADJ EAP}_{\text{AF}} \times \frac{\text{Compliance target}}{100}$$

$$\text{SCT}_{\text{CF}} = \text{ADJ EAP}_{\text{CF}} \times \frac{\text{Compliance target}}{100}$$

$$\text{SCT}_{\text{IF}} = \text{ADJ EAP}_{\text{IF}} \times \frac{\text{Compliance target}}{100}$$

Where $\text{STC}_{\text{RG}} = \text{Split compliance target for race group}$

$$\text{ADJ EAP}_{\text{RG}} = \text{Adjusted EAP for the race group as calculated above}$$

$$\text{Compliance target} = \text{Compliance target as specified in Paragraph 12.2.2 Indicator 2.3.2, 2.4.2 and 2.5.2}$$

The points allocated for the measurement criteria will also be split in proportion to the EAP statistics. The split points for the measurement criteria represent the maximum allowable points for the race groups, and must be enforced as such. The formula for calculating the maximum allowable points is shown below.

$$\text{MAP}_{\text{AF}} = \text{ADJ EAP}_{\text{AF}} \times \text{points}$$

$$\text{MAP}_{\text{CF}} = \text{ADJ EAP}_{\text{CF}} \times \text{points}$$

$$\text{MAP}_{\text{IF}} = \text{ADJ EAP}_{\text{IF}} \times \text{points}$$

Where MAP = Maximum allowable points for a race group

Points = Weighting points as specified in Paragraph 12.2.2 Indicator 2.3.2, 2.4.2 and 2.5.2

The achieved score per race group (score_{RG}) will be calculated using the above four equations. The formula must be completed for each race group using the four results from above for each race group. The formula is shown below:

$$\text{Score}_{AF} = \frac{\%Black_{AF}}{STC_{AF}} \times MAP_{AF}$$

$$\text{Score}_{CF} = \frac{\%Black_{CF}}{STC_{CF}} \times MAP_{CF}$$

$$\text{Score}_{IF} = \frac{\%Black_{IF}}{STC_{IF}} \times MAP_{IF}$$

Note that the score per race group may not exceed the maximum allowable points for that race group. The following shows how the total score for Black Female Employees in Senior, Middle and Junior Management is calculated:

$$\text{Total Score} = \text{Score}_{AF} + \text{Score}_{CF} + \text{Score}_{IF}$$

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, 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 11.4, 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's aim of improving the pipeline numbers with the ultimate objective of increasing the output number of qualified Black CA(SA)s 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.

Indicator		Weighting points	Compliance target
3.1 Skills Development Expenditure on any programme specified in the Learning Programmes Matrix –			
3.1.1	For Black People as a percentage of Leivable Amount	8	6%
3.1.2	For Black Employees with disabilities as a percentage of Leivable Amount	4	0,3%
3.2 Bursary expenditure			
3.2.1	Specific bursary expenditure on current and potential Black Employees, which includes amounts spent on the Thuthuka Education Upliftment Fund, as a percentage of NPAT or turnover	5	4% of NPAT or 0,5% of turnover

THE SCORECARD CONTINUED

Indicator		Weighting points	Compliance target
3.3 Learnerships, Apprenticeships and Internships			
3.3.1	Number of Black People participating in Learnerships, Apprenticeships and Internships as a percentage of total Employees	3	18%
3.3.2	Number of Black People who have completed their Learnerships and passed the Qualifying Examinations as a percentage of Black People who have completed their Learnerships	5	80%
3.3.3	Number of Black People who do not have CTA at the beginning of their Learnership but have successfully completed their SAICA Learnership	3	50%
3.3.4	Number of unemployed Black People participating in training specified in the Learning Programme Matrix as a percentage of number of Employees	2	2,5%
3.4 Bonus points			
3.4.1	Combined number of Black People absorbed by the Measured Entity and/or other industry at the end of the Learnership programme	2	100%
3.4.2	Combined number of African and Coloured people absorbed by the Measured Entity and/or other industry at the end of the Learnership programme	3	100%

1. Key measurement principles

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

- 1.1 The following criteria must be fulfilled in order for the Measured Entity to receive points on the Skills Development Element scorecard:
 - 1.1.1 Workplace Skills Plan, an Annual Training Report and Pivotal Report, all SETA approved; and
 - 1.1.2 The implementation of a Priority Skills programme (of which CA(SA)s are considered priority skills specifically for Black People).
- 1.2 The 6% compliance target in 3.1.1 includes external training expenditure for unemployed Black People.
- 1.3 A trainee tracking tool has to be developed in order for the Measured Entity to score points 3.4 of the Scorecard. If less than 100% of the trainees are absorbed, the percentage achieved or absorbed will be recognised proportionately.

2. Demographic representation

- 2.1 The Compliance targets for 3.1.1, 3.3.1, 3.3.2, 3.3.3 and 3.3.4 are based on the overall demographic representation of Black People

as defined in the Regulations of the EE Act and the Commission on Employment Equity Report, as amended from time to time.

- 2.2 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.

3. Sub-minimum and discounting principle

- 3.1 A Measured Entity must achieve a sub-minimum of 40% of the total weighting points of 30 points for Skills Development (40% of 30 points).
- 3.2 Non-compliance with the sub-minimum will result in the overall achieved B-BBEE status level being discounted in accordance with paragraph 11.3.

4. Skills Development expenditure

- 4.1 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.
- 4.2 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.

- 4.3 Legitimate training costs such as accommodation, catering and travelling (non-exhaustive) cannot exceed more than 15% of the total value of Skills Development Expenditure.
- 4.4 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.
- 4.5 Mandatory sectoral training does qualify as a Skills Development Contributions, i.e. training for which continuous professional development (CPD) points can be earned.
- 4.6 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.
- 4.7 Legitimate recognisable training expenses are as follows:
 - 4.7.1 Costs of training materials;
 - 4.7.2 Costs of trainers;
 - 4.7.3 Costs of training facilities, including costs of catering;
 - 4.7.4 Scholarships and bursaries;
 - 4.7.5 Course fees;
 - 4.7.6 Accommodation and travel; and
 - 4.7.7 Administration costs such as the or-

ganisation of training including, where appropriate, the cost to the Measured Entity of employing a Skills Development facilitator or a training manager.

- 4.8 Bursaries and Scholarships
 - 4.8.1 Expenses on scholarships and bursaries can either be counted under 3.1 or 3.2.
 - 4.8.2 Expenses on scholarships and bursaries do not constitute Skills Development Expenditure if the Measured Entity can recover any portion of those expenses from the employee or potential 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 or potential employee, the expenses are recognisable:
 - 4.8.2.1 The obligation of successful completion in their studies within the time period allocated; and
 - 4.8.2.2 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.
 - 4.8.3 Bursary and scholarship expenditure include all legitimate expenditure, similar to those mentioned above under legitimate recognisable training expenses.

5. 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

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Cat.	Programme	Narrative description	Delivery mode	Learning site	Learning achievement
B	Internships	Instruction-based theoretical instruction as well as some practical learning with an employer or in a simulated work environment – formally assessed through the institution	Mixed mode delivery with institutional instruction as well as supervised learning in an appropriate workplace or simulated work environment	Institutions such as universities and colleges, schools, ABET providers and workplace	Theoretical knowledge and workplace experience with set requirements resulting in the achievement of a 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)
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)
G	Informal training	Work-based informal programmes	Informal training	Workplace	Increased understanding of job or work context or improved performance or skills

6. Bonus points

As stated earlier in the document, the vision of the CA Charter is to grow the number of Black People in the CA profession to reflect the country's population demographics. While recognising that the definition of Black People includes Indian people, it is noted that the section on statistics shows that the CA profession is overrepresented in terms of Indian and White CA numbers. Accordingly, the CA Charter Council is incentivising Measured Entity's by means of these bonus points to achieve greater representation of African and Coloured people. The statistical overrepresentation of Indian people will be monitored annually and as soon as it is corrected, the full five bonus points will accrue in respect of all Black People as defined.

7. Measurement of Skills Development indicators: Indicator 3.1.1

The Skills Development criteria with regard to Skills Development expenditure on Learning Programmes specified in the Learning Programmes Matrix for Black People is calculated by following the sub-calculations below.

The measurement criteria for this target is broken down according to the relevant EAP statistics, that is, splitting the compliance targets and points in proportion to the EAP statistics.

The EAP statistics are reporting on the following race groups:

Statistic	Abbreviation
African Male	AM
African Female	AF
Coloured Male	CM
Coloured Female	CF
Indian Male	IM
Indian Female	IF
White Male	WM
White Female	WF

The maximum points per race group needs to be adhered to in order to achieve the outcomes of the code. These calculations will need to be repeated for every race group due to the maximum score for each race group.

The first parameter to be defined is the percentage of spend on Black Employees in the Measured Entity as a percentage of the Leviable Amount. The formula to calculate this will need to be repeated six times, for each of the six Black EAP statistics.

Let

$$\% \text{ Spend}_{AM} = \frac{\text{Spend on AM Employees}}{\text{Leviable Amount}}$$

$$\% \text{ Spend}_{AF} = \frac{\text{Spend on AF Employees}}{\text{Leviable Amount}}$$

$$\% \text{ Spend}_{CM} = \frac{\text{Spend on CM Employees}}{\text{Leviable Amount}}$$

$$\% \text{ Spend}_{CF} = \frac{\text{Spend on CF Employees}}{\text{Leviable Amount}}$$

$$\% \text{ Spend}_{IM} = \frac{\text{Spend on IM Employees}}{\text{Leviable Amount}}$$

$$\% \text{ Spend}_{IF} = \frac{\text{Spend on IF Employees}}{\text{Leviable Amount}}$$

Where RG = Race group

$\% \text{ Spend}_{RG}$ = Percentage of spend on Black Employees in the Measured Entity for the specific race group

Spend on RG Employees = Rand value of Skills Development expenditure on Learning Programmes specified in the Learning Programme Matrix for the specified race group

Leviable Amount = As defined in Appendix 1

Due to the Codes not awarding points for meeting the EAP statistics for the White race group, the EAP statistics need to be adjusted to exclude the White categories. The following formula shows how this is accomplished.

Let

$$\text{ADJ EAP}_{AM} = \frac{\text{EAP}(AM)}{\text{EAP}(\text{Sum})}$$

$$\text{ADJ EAP}_{AF} = \frac{\text{EAP}(AF)}{\text{EAP}(\text{Sum})}$$

$$\text{ADJ EAP}_{CM} = \frac{\text{EAP}(CM)}{\text{EAP}(\text{Sum})}$$

$$\text{ADJ EAP}_{CF} = \frac{\text{EAP}(CF)}{\text{EAP}(\text{Sum})}$$

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$$\text{ADJ EAP}_{\text{IM}} = \frac{\text{EAP(IM)}}{\text{EAP(Sum)}}$$

$$\text{ADJ EAP}_{\text{IF}} = \frac{\text{EAP(IF)}}{\text{EAP(Sum)}}$$

Where $\text{ADJ EAP}_{\text{RG}}$ = Adjusted EAP for a specific race group

EAP(RG) = EAP statistic for the calculated race group

EAP(Sum) = Sum of published EAP statistics for all Black race groups (AM + AF + CM + CF + IM + IF)

Since the calculation for each of the race groups needs to be done individually, the compliance target also needs to be split in proportion to the EAP statistics. This formula is defined below:

Let

$$\text{SCT}_{\text{AM}} = \text{ADJ EAP}_{\text{AM}} \times \frac{\text{Compliance target}}{100}$$

$$\text{SCT}_{\text{AF}} = \text{ADJ EAP}_{\text{AF}} \times \frac{\text{Compliance target}}{100}$$

$$\text{SCT}_{\text{CM}} = \text{ADJ EAP}_{\text{CM}} \times \frac{\text{Compliance target}}{100}$$

$$\text{SCT}_{\text{CF}} = \text{ADJ EAP}_{\text{CF}} \times \frac{\text{Compliance target}}{100}$$

$$\text{SCT}_{\text{IM}} = \text{ADJ EAP}_{\text{IM}} \times \frac{\text{Compliance target}}{100}$$

$$\text{SCT}_{\text{IF}} = \text{ADJ EAP}_{\text{IF}} \times \frac{\text{Compliance target}}{100}$$

Where STC_{RG} = Split compliance target for race group

$\text{ADJ EAP}_{\text{RG}}$ = Adjusted EAP for the race group as calculated above

Compliance target = Compliance target as specified in Paragraph 12.2.3 Indicator 3.1.1

The points allocated for the measurement criteria will also be split in proportion to the EAP statistics. The split points for the measurement criteria represent the maximum allowable points for the race groups, and must be enforced as such. The formula for calculating the maximum allowable points is shown below.

$$\text{MAP}_{\text{AM}} = \text{ADJ EAP}_{\text{AM}} \times \text{points}$$

$$\text{MAP}_{\text{AF}} = \text{ADJ EAP}_{\text{AF}} \times \text{points}$$

$$\text{MAP}_{\text{CM}} = \text{ADJ EAP}_{\text{CM}} \times \text{points}$$

$$\text{MAP}_{\text{CF}} = \text{ADJ EAP}_{\text{CF}} \times \text{points}$$

$$\text{MAP}_{\text{IM}} = \text{ADJ EAP}_{\text{IM}} \times \text{points}$$

$$\text{MAP}_{\text{IF}} = \text{ADJ EAP}_{\text{IF}} \times \text{points}$$

Where MAP = Maximum allowable points for a race group

Points = Weighting points as specified in Paragraph 12.2.3 Indicator 3.1.1

The achieved score per race group (score_{RG}) will be calculated using the above four equations. The formula must be completed for each race group using the four results from above for each race group. The formula is shown below:

$$\text{Score}_{\text{AM}} = \frac{\% \text{Spend}_{\text{AM}}}{\text{STC}_{\text{AM}}} \times \text{MAP}_{\text{AM}}$$

$$\text{Score}_{\text{AF}} = \frac{\% \text{Spend}_{\text{AF}}}{\text{STC}_{\text{AF}}} \times \text{MAP}_{\text{AF}}$$

$$\text{Score}_{\text{CM}} = \frac{\% \text{Spend}_{\text{CM}}}{\text{STC}_{\text{CM}}} \times \text{MAP}_{\text{CM}}$$

$$\text{Score}_{\text{CF}} = \frac{\% \text{Spend}_{\text{CF}}}{\text{STC}_{\text{CF}}} \times \text{MAP}_{\text{CF}}$$

$$\text{Score}_{\text{IM}} = \frac{\% \text{Spend}_{\text{IM}}}{\text{STC}_{\text{IM}}} \times \text{MAP}_{\text{IM}}$$

$$\text{Score}_{\text{IF}} = \frac{\% \text{Spend}_{\text{IF}}}{\text{STC}_{\text{IF}}} \times \text{MAP}_{\text{IF}}$$

Note that the score per race group may not exceed the maximum allowable points for that race group. The following shows how the total score for Skills Development expenditure on Learning Programmes specified in the Learning Programme Matrix for Black People is calculated:

$$\text{Total Score} = \text{Score}_{\text{AM}} + \text{Score}_{\text{AF}} + \text{Score}_{\text{CM}} + \text{Score}_{\text{CF}} + \text{Score}_{\text{IM}} + \text{Score}_{\text{IF}}$$

8. Measurement of Skills Development indicators: Indicator 3.3

The Skills Development criteria with regard to Indicator 3.3.1, 3.3.2, 3.3.3 and 3.3.4 are calculated by following the sub-calculations below.

The measurement criteria targets for these are broken down according to the relevant EAP statistics, i.e. splitting the compliance target and points in proportion to the EAP statistics.

The maximum points per race group need to be adhered to in order to achieve the outcomes of the code. These calculations will need to be repeated for every race group due to the maximum score for each group.

The first parameter to be defined is the percentage of Black Employees in the Measured Entity for the measurement criteria. The formula to calculate this will need to be repeated six times, for each of the Black EAP statistics.

Let

$$\% \text{Black}_{\text{AM}} = \frac{\text{Number of AM learners}}{\text{Total in all race groups}}$$

$$\% \text{Black}_{\text{AF}} = \frac{\text{Number of AF learners}}{\text{Total in all race groups}}$$

$$\% \text{Black}_{\text{CM}} = \frac{\text{Number of CM learners}}{\text{Total in all race groups}}$$

$$\% \text{Black}_{\text{CF}} = \frac{\text{Number of CF learners}}{\text{Total in all race groups}}$$

$$\% \text{Black}_{\text{IM}} = \frac{\text{Number of IM learners}}{\text{Total in all race groups}}$$

$$\% \text{Black}_{\text{IF}} = \frac{\text{Number of IF learners}}{\text{Total in all race groups}}$$

Where RG = Race group

$\% \text{Black}_{\text{RG}}$ = Percentage of Black Employees in the Measured Entity for the specific race group

Number of RG learners = As indicated in the table below

Total of all race groups = Total of all Employees in the Measured Entity as indicated in the table below (AM + AF + CM + CF + IM + IF + WM + WF)

Indicator		Number of RG Learners	Total
3.3.1	Number of Black People participating in Learnerships, Apprenticeships and Internships as a percentage of total Employees	Number of People participating in Learnerships, Apprenticeships and Internships	Total Employees
3.3.2	Number of Black People who have completed their Learnerships and passed the Qualifying Examinations as a percentage of Black People who have completed their Learnerships	Number of Black People who have completed their Learnerships and passed the Qualifying Examinations	Number of Black People who have completed their Learnerships

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Indicator		Number of RG Learners	Total
3.3.3	Number of Black People who do not have CTA at the beginning of their Learnership but have successfully completed their SAICA Learnership	Number of Black People who do not have CTA at the beginning of their Learnership but have successfully completed their SAICA Learnership	Number of People who do not have CTA at the beginning of their Learnership but have successfully completed their SAICA Learnership
3.3.4	Number of unemployed Black People participating in training specified in the Learning Programme Matrix as a percentage of number of Employees	Number of unemployed Black People participating in training specified in the Learning Programme Matrix	Total Employees

Due to the Codes not awarding points for meeting the EAP statistics for the White race group, the EAP statistics need to be adjusted to exclude the White categories. The following formula shows how this is accomplished.

Let

$$ADJ\ EAP_{AM} = \frac{EAP(AM)}{EAP(Sum)}$$

$$ADJ\ EAP_{AF} = \frac{EAP(AF)}{EAP(Sum)}$$

$$ADJ\ EAP_{CM} = \frac{EAP(CM)}{EAP(Sum)}$$

$$ADJ\ EAP_{CF} = \frac{EAP(CF)}{EAP(Sum)}$$

$$ADJ\ EAP_{IM} = \frac{EAP(IM)}{EAP(Sum)}$$

$$ADJ\ EAP_{IF} = \frac{EAP(IF)}{EAP(Sum)}$$

Since the calculation for each of the race groups needs to be done individually, the compliance target also needs to be split in proportion to the EAP statistics. This formula is defined below:

Let

$$SCT_{AM} = ADJ\ EAP_{AM} \times \frac{\text{Compliance target}}{100}$$

$$SCT_{AF} = ADJ\ EAP_{AF} \times \frac{\text{Compliance target}}{100}$$

$$SCT_{CM} = ADJ\ EAP_{CM} \times \frac{\text{Compliance target}}{100}$$

$$SCT_{CF} = ADJ\ EAP_{CF} \times \frac{\text{Compliance target}}{100}$$

$$SCT_{IM} = ADJ\ EAP_{IM} \times \frac{\text{Compliance target}}{100}$$

$$SCT_{IF} = ADJ\ EAP_{IF} \times \frac{\text{Compliance target}}{100}$$

Where $ADJ\ EAP_{RG}$ = Adjusted EAP for a specific race group

$EAP(RG)$ = EAP statistic for the calculated race group

$EAP(Sum)$ = Sum of published EAP statistics for all Black race groups (AM + AF + CM + CF + IM + IF)

Where STC_{RG} = Split compliance target for race group

$ADJ\ EAP_{RG}$ = Adjusted EAP for the race group as calculated above

Compliance target = Compliance target as specified in Paragraph 12.2.3 Indicator 3.3.1, 3.3.2, 3.3.3 and 3.3.4

The points allocated for the measurement criteria will also be split in proportion to the EAP statistics. The split points for the measurement criteria represent the maximum allowable points for the race groups, and must be enforced as such. The formula for calculating the maximum allowable points is shown below.

$$MAP_{AM} = ADJ EAP_{AM} \times \text{points}$$

$$MAP_{AF} = ADJ EAP_{AF} \times \text{points}$$

$$MAP_{CM} = ADJ EAP_{CM} \times \text{points}$$

$$MAP_{CF} = ADJ EAP_{CF} \times \text{points}$$

$$MAP_{IM} = ADJ EAP_{IM} \times \text{points}$$

$$MAP_{IF} = ADJ EAP_{IF} \times \text{points}$$

Where MAP = Maximum allowable points for a race group

Points = Weighting points as specified in Paragraph 12.2.3 Indicator 3.3.1, 3.3.2, 3.3.3 and 3.3.4

The achieved score per race group ($score_{RG}$) will be calculated using the above four equations. The formula must be completed for each race group using the four results from above for each race group. The formula is shown below:

$$Score_{AM} = \frac{\%Black_{AM}}{STC_{AM}} \times MAP_{AM}$$

$$Score_{AF} = \frac{\%Black_{AF}}{STC_{AF}} \times MAP_{AF}$$

$$Score_{CM} = \frac{\%Black_{CM}}{STC_{CM}} \times MAP_{CM}$$

$$Score_{CF} = \frac{\%Black_{CF}}{STC_{CF}} \times MAP_{CF}$$

$$Score_{IM} = \frac{\%Black_{IM}}{STC_{IM}} \times MAP_{IM}$$

$$Score_{IF} = \frac{\%Black_{IF}}{STC_{IF}} \times MAP_{IF}$$

Note that the score per race group may not exceed the maximum allowable points for that race group. The following shows how the total score for the number of Black People participating in Learnerships, Apprenticeships and Internships OR the number of unemployed Black People participating in training specified in the Learning Programme Matrix is calculated:

$$\text{Total Score} = Score_{AM} + Score_{AF} + Score_{CM} + Score_{CF} + Score_{IM} + Score_{IF}$$

9. Measurement of Skills Development indicators: Indicator 3.1.2, 3.2 and 3.4

This equation explains the method of measurement of the criteria dealing with Skills Development expenditure with regard to Black Employees with disabilities and the number of Black People absorbed by the Measured Entity:

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

Where A = Score for the measurement category indicator

B = Percentage of spend in the measurement category who are Black Disabled Employees;

= Percentage of spend on bursaries;

= Percentage of people absorbed in the measurement category who are Black People;

= Percentage of people absorbed in the measurement category who are African and Coloured People

C = Compliance target as specified in Paragraph 12.2.3 Indicator 3.1.2, 3.2 and 3.4

D = Weighting points as specified in the Paragraph 12.2.3 Indicator 3.1,2, 3.2, 3.4

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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 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.

As indicated above, this is one section where the contributions of the CA Sector are limited, particularly as it is in the service industry.

The vision of the CA Sector is to grow the number of Black People in the CA profession to reflect the country's population demographics. One of the key ways in which to achieve this objective is to grow the pipeline through capacity building of the Historically Disadvantaged Universities, so as to ensure that the quality of all the degrees obtained at these institutions is on a par with those of the accredited universities. This is seen by the profession as 'Supplier Development', as these universities provide the employers with future Employees.

Accordingly, for the CA Sector it would be appropriate to split Supplier Development into another category, namely development and capacity building at Historically Disadvantaged Universities. These are at present the following 6 universities:

1. University of Fort Hare
2. University of Limpopo
3. University of Venda
4. University of the Western Cape
5. University of Zululand
6. Walter Sisulu University

All contributions made to these institutions can be monetary or non-monetary in value. The initiatives envisaged include the marking of papers, appointment of tutors, subvention of lecturer salaries and procurement of equipment to enhance the provision of education, will be recognised as Supplier Development.

In order to appropriately account for these monies, Measured Entities will be encouraged to direct their contribution through Thuthuka, indicating for what purpose the amount is paid as well as to which institution the funding should be allocated. As SAICA currently has programmes at all the Historically Disadvantaged Universities it will account to the CA Charter annually on monies received and spent.

Bursaries are not included, as these are covered by the Skills Development element.

In addition, SAICA has set up an enterprise, SAICA Enterprise Development, to assist Measured Entities in this sector with Supplier and Enterprise Development.

The Indicators and Weightings are as follows:

Indicator		Weighting points	Compliance target
4.1 Preferential procurement			
4.1.1	B-BBEE procurement spend from suppliers based on the B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	4	80%
4.1.2	B-BBEE procurement spend from suppliers who are QSE's based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	1	15%
4.1.3	B-BBEE procurement spend from EME's based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	2	15%
4.1.4	B-BBEE procurement spend from 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	6	40%

Indicator		Weighting points	Compliance target
4.1.5	B-BBEE procurement spend from suppliers that are at least 30% Black Female Owned based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	2	12%
4.2 Bonus points			
4.2.1	B-BBEE procurement spend from Designated Group 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	2	2%
4.3 Supplier Development			
4.3.1	Annual value of all Supplier Development Contributions made by the Measured Entity as a percentage of the target	5	1% of NPAT or 0,125% of turnover
4.3.2	Annual Contributions to Historically Disadvantaged Universities made by the Measured Entity to capacitate them in developing future Black CAs as a percentage of the target	5	1% of NPAT or 0,125% of turnover
4.4 Enterprise Development			
4.4.1	Annual value of all Enterprise Development Contributions and Sector Specific Programmes made by the Measured Entity as a percentage of the target	5	1% of NPAT or 0,125% of turnover
4.5 Bonus Points			
4.5.1	Average annual value of Contributions to development of Black Owned Professional Services Firms, through joint audits or sub-contracted audits in the listed company sector made by the Measured Entity as a percentage of the target	2	1% of NPAT or 0,125% of turnover
4.5.2	Graduation of one or more Enterprise Development Beneficiaries to the Supplier Development level	–	–
4.5.3	Creating one or more jobs directly as a result of Supplier Development and Enterprise Development initiatives by the Measure Entity	–	–

1. Key measurement principles

For the CA Sector Enterprise and Supplier Development Scorecard the following key measurement principles apply:

- 1.1 The Weighting points in the Enterprise and Supplier Development Scorecard represent the maximum number of points possible for each of the criteria.
- 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.

- 1.3 Beneficiaries of Supplier Development and Enterprise Development are EMEs or QSEs which are at least 51% Black Owned or at least 30% Black Female Owned. Furthermore, beneficiaries could include Black Owned Professional Services Firms as defined in this Charter, as a Sector Specific Programme.
- 1.4 In line with the Amended Codes of Good Practice, the Empowering Supplier Provision is now awarded automatically until further notice.

2. Sub-minimum and discounting principle

- 2.1 A Measured Entity must achieve a sub-minimum of 40% for each of the targets set

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out in Preferential Procurement, Supplier Development and Enterprise Development as follows:

- 2.1.1 Preferential Procurement: 40% of 15 points
- 2.1.2 Supplier Development: 40% of 10 points
- 2.1.3 Enterprise Development: 40% of 5 points.
- 2.2 Non-compliance with the sub-minimum will result in the overall achieved B-BBEE status level being discounted in accordance with paragraph 11.3.

3. *Preferential Procurement: Key principles*

- 3.1 If a Measured Entity procures goods and services from a supplier that is –
 - 3.1.1 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;
 - 3.1.2 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
 - 3.1.3 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.

4. *Preferential Procurement: Procurement spend*

- 4.1 The following procurement is measurable within Total Measured Procurement spend:
 - 4.1.1 All goods and services procured that comprise the cost of sales of the Measured Entity.
 - 4.1.2 All goods and services procured that comprise operational expenditure of the Measured Entity.
 - 4.1.3 All capital expenditure incurred by the Measured Entity.
 - 4.1.4 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.

- 4.1.5 All goods and services procured from suppliers that enjoy a monopolistic position.
- 4.1.6 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.
- 4.1.7 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).
- 4.1.8 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.
- 4.1.9 Any commissions or similar payments payable by a Measured Entity.
- 4.1.10 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, Enterprise Development Contributions and Socio-Economic Development, but does include any expenditure incurred in facilitating such contributions.
- 4.1.11 All goods and services procured or imported from a non-South-African source.
- 4.1.12 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.)
- 4.2 The following are the only permissible exclusions from the above Total Measured Procurement Spend:
 - 4.2.1 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.

4.2.2 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.

4.2.3 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.

4.2.4 Empowerment related procurement is excluded if it relates to –

4.2.4.1 investments in or loans to an Associated Entity; or

4.2.4.2 investments, donations or loans qualifying for recognition in terms of Supplier Development, Enterprise Development or Socio-Economic Development Contributions.

4.2.5 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.

4.2.6 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.

4.2.7 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.

5. Preferential Procurement: Measurement

A: 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

B: 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 = Compliance target as specified in Paragraph 12.2.4 Indicator 4.1 and 4.2

D = The Weighting points as specified in Paragraph 12.2.3 Indicator 4.1 and 4.2

6. 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.

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- 6.1 The challenges that this section of the Codes seeks to address are –
 - 6.1.1 the high failure rate amongst Black owned Start-Ups due to a lack of access to financing and other business support; and
 - 6.1.2 job creation.
- 6.2 Within the CA sector, there is recognition that in order for the Black people to play a meaningful role in the ownership of the sector, whilst contributing to the growth of the profession it is important to develop Black Owned Professional Services Firms so that they have skills, resources and access to opportunities that drive their growth and sustainability. To this end
 - 6.2.1 We encourage that Enterprise Development Initiatives be targeted to QSEs and EMEs within the CA sector; and
 - 6.2.2 We recognize that Qualifying Enterprise Development Contributions of the CA Sector also includes capacity building of a monetary and non-monetary nature for Black Owned Firms within the profession and outside the profession.
 - 6.2.3 We have introduced bonus points to be awarded to Measured Entities that contribute to development of Black Owned Professional Services Firms, through joint audits or sub-contracted audits in the listed company sector as a Sector Specific Programme for the purposes of the CA Sector Scorecards.
- 6.3 The custom of establishing audit firms working with Black Owned Professional Services 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 Owned Professional Services 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 Black Owned Professional Services Firms are given the opportunity to develop themselves. Established firms are encouraged to extend these arrangements to the private sector, including listed companies, and are incentivised by earning Enterprise Development and bonus points on their scorecards.

7. *Supplier and Enterprise Development: Key principles*

- 7.1 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.
- 7.2 Qualifying Enterprise Development and Supplier Development Contributions of any Measured Entity are recognisable on an annual basis.
- 7.3 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.
- 7.4 Measured Entities are encouraged to develop and implement an Enterprise Development plan and a Supplier Development plan for Qualifying Beneficiaries. This plan should include –
 - 7.4.1 Clear objectives;
 - 7.4.2 Priority interventions;
 - 7.4.3 Key performance indicators; and
 - 7.4.4 A concise implementation plan with clearly articulated milestones.
- 7.5 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.
- 7.6 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.

8. *Supplier and Enterprise Development: Contributions*

- 8.1 Investments in Beneficiary Entities.
- 8.2 Loans made to Beneficiary Entities.
- 8.3 Guarantees given or security provided on behalf of beneficiaries.
- 8.4 Credit facilities made available to Beneficiary Entities.
- 8.5 Grant Contributions to Beneficiary Entities. This would include grant contributions made to the SAICA Enterprise Development initiative.

- 8.6 Direct costs incurred by a Measured Entity in assisting and hastening development of Beneficiary Entities.
 - 8.7 Overhead costs of a Measured Entity directly attributable to Enterprise Development and Supplier Development Contributions.
 - 8.8 Preferential credit terms granted by a Measured Entity to Beneficiary Entities.
 - 8.9 Preferential terms granted by a Measured Entity in respect of the supply of goods or services to Beneficiary Entities.
 - 8.10 Contributions made to settling service costs relating to the operational or financial capacity of Beneficiary Entities.
 - 8.11 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.
 - 8.12 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.
 - 8.13 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.
 - 8.14 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.
 - 8.15 Maintaining an Enterprise Development and Supplier Development unit which focuses exclusively on support for Beneficiary Entities or candidate Beneficiary Entities.
 - 8.16 New projects promoting beneficiation by the Measured Entity for the benefit of Enterprise Development and Supplier Development Beneficiaries.
 - 8.17 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:
 - 8.17.1 Provision of finance to Beneficiary Entities at lower than commercial rates of interest;
 - 8.17.2 Relaxed security requirements or absence of security requirements for Beneficiary Entities unable to provide security for loans; and
 - 8.17.3 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.
 - 8.18 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.)
 - 8.19 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.)
 - 8.20 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.
 - 8.21 For the Bonus Points: Actual revenue billed by a Black Owned Professional Services Firm that is voluntarily subcontracted by a Measured Entity on a professional services assignment.
- 9. Supplier and Enterprise Development: 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:
- 9.1 The provision of seed or development capital.
 - 9.2 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:
 - 9.2.1 Professional and consulting services;

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- 9.2.2 Licensing and/or registration fees;
- 9.2.3 Industry specific levies and/or other such fees; and
- 9.2.4 IT services.
- 9.3 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.
- 9.4 Provision of training and/or mentoring to Beneficiary Entities which will assist the Beneficiary Entities to increase their operational and/or financial capacity.
- 9.5 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.
- 9.6 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:
 - 9.6.1 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
 - 9.6.2 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.
- 9.7 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.
- 9.8 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:

- 9.8.1 Professional and consulting services;
- 9.8.2 IT services; and
- 9.8.3 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.

- 9.9 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.

10. Enterprise and Supplier Development: Bonus Points – CA Sector

Bonus points have been set aside to encourage the extension of joint audits or sub-contracted audits with Black Owned Professional Services Firms in specifically, the listed company sector. Given the complex nature of the proposed arrangements, bonus points have been made available as an option in a menu of other options for Enterprise and Supplier development.

There is recognition that such arrangements could be complex and cognisance should be taken of the following:

- 10.1 Independence;
- 10.2 Confidentiality;
- 10.3 Sharing of assignment risk; and
- 10.4 Client consent which will be required.

11. 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	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%
Contributions made in the form of development and support of the growth of Black Owned Professional Services Firms – Bonus Points		
Joint audits or sub-contracted audits with a Black Owned Professional Services Firm in the listed company sector	Value of fees accruing to the Black Owned Professional Services Firm.	100%
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

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12. Supplier and Enterprise Development: Measurement

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

- 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 = Compliance target as specified in Paragraph 12.2.4 for Indicator 4.3, 4.4 and 4.5
 - D = Weighting points as specified in Paragraph 12.2.4 Indicator 4.3, 4.4 and 4.5

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:

Indicator	Weighting points	Compliance target
5.1 Annual value of all SED Contributions by the Measured Entity as a percentage of the target	5	1% of NPAT or 0,125% of turnover

1. Key measurement principles

For the CA Sector SED Scorecard the following key measurement principles apply:

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.

- 1.1 SED Contributions include the following:
 - 1.1.1 Current grant contributions to beneficiaries of SED Contributions;
 - 1.1.2 Guarantees or security provided for beneficiaries;
 - 1.1.3 Preferential terms granted for the supply of goods or services to beneficiary communities;
 - 1.1.4 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. This cannot be double counted under Skills Development.
 - 1.1.5 Payments made by Measured Entities to third parties to perform SED on behalf of the Measured Entity;
 - 1.1.6 Direct costs as well as overhead costs incurred by a Measured Entity directly attributable to SED Contributions or incurred in assisting beneficiaries;
 - 1.1.7 Development capital advanced to beneficiary communities;
- 1.2 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
- 1.3 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.

2. 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 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%
Contributions in the form of human resource capacity		
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%

3. Measurement of SED indicators

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

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 Compliance target as specified in Paragraph 12.2.5 for Indicator 5.1
	D	=	Weighting points as specified in Paragraph 12.2.5 for Indicator 5.1

13 THE QSE SCORECARD FOR THE CA SECTOR

The following table represents the QSE Scorecard:

Element	Codes of Good Practice	CA Sector
Ownership	25 points	25 points
Management Control	15 points	15 points
Skills Development	25 points	35 points
Enterprise and Supplier Development	30 points	20 points
Socio-Economic Development Contributions	5 points	5 points
Total	100 points	100 points

THE SCORECARD CONTINUED

13.1 THE CA SECTOR QSE SCORECARD

Indicator		Weighting points	Compliance target
1. Ownership			
1.1	Voting Rights		
1.1.1	Exercisable Voting Rights in the Entity in the hands of Black People	9	32.5%
1.1.2	Exercisable Voting Rights in the Entity in the hands of Black Females	4	13%
1.2	Economic Interest		
1.2.1	Economic Interest in the Entity to which Black People are entitled	8	32.5%
1.2.2	Economic Interest in the Entity to which of Black Females are entitled	4	13%
1.2.3	Economic Interest to which New Entrants or Black Designated Groups are entitled	–	–
1.3	Realisation points		
1.3.1	Net Value	–	–
Total points		25	

Indicator		Weighting points	Compliance target
2. Management Control			
2.1	Executive Management		
2.1.1	Black representation at Executive Management level	5	50%
2.1.2	Black Female representation at Executive Management level	2	25%
2.2	Senior, Middle and Junior Management		
2.2.1	Black representation at Senior, Middle and Junior Management level	6	60%
2.2.2	Black Female representation at Senior, Middle and Junior Management level	2	30%
Total points		15	

Indicator		Weighting points	Compliance target
3. Skills Development			
3.1	Skills Development Expenditure on any programme specified in the Learning Programmes Matrix –		
3.1.1	For Black People as a percentage of Leviable Amount	15	3%
3.1.2	For Black Females as a percentage of Leviable Amount	7	1%

Indicator		Weighting points	Compliance target
3.1.3	Black People with disabilities as a percentage of Leivable Amount	3	0.15%
3.2	Bursary expenditure		
3.2.1	Specific bursary expenditure on current and potential Black Employees, which includes amounts spent on the Thuthuka Education Upliftment Fund, as a percentage of NPAT or turnover	5	4% of NPAT or 0,5% of turnover
3.3	Learnerships, Apprenticeships and Internships		
3.3.1	Number of Black People participating in Learnerships, Apprenticeships and Internships as a percentage of total Employees	5	2.5%
3.4	Bonus points		
3.4.1	Number of Black People absorbed by the Measured Entity and/or industry at the end of the Learnership programme	5	100%
Total points (excluding bonus points)		35	

Indicator		Weighting points	Compliance target
4. Enterprise and Supplier Development			
4.1	Preferential Procurement		
4.1.1	B-BBEE procurement spend from suppliers based on the B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	7	60%
4.1.2	B-BBEE procurement spend from 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	3	15%
4.2	Bonus points		
4.2.1	B-BBEE procurement spend from Designated Group 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	1	1%
4.3	Supplier Development		
4.3.1	Annual value of all Supplier Development Contributions made by the Measured Entity as a percentage of the target OR Annual Contributions to Historically Disadvantaged Universities made by the Measured Entity to capacitate them in developing future Black CAs as a percentage of the target	5	1% of NPAT or 0,125% of turnover

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Indicator	Weighting points	Compliance target
4.4 Enterprise Development		
4.4.1 Annual value of all Enterprise Development Contributions and Sector Specific Programmes made by the Measured Entity as a percentage of the target	5	1% of NPAT or 0,125% of turnover
4.5 Bonus points		
4.5.1 Graduation of one or more Enterprise Development Beneficiaries to the Supplier Development level	1	–
4.5.2 Creating one or more jobs directly as a result of Supplier Development and Enterprise Development initiatives by the Measured Entity	1	–
Total points (excluding bonus points)	20	

Indicator	Weighting points	Compliance target
5. Socio-Economic Development		
5.1 Annual value of all Socio-Economic Development Contributions made by the Measured Entity as a percentage of the target	5	1% of NPAT or 0,125% of turnover
Total points	5	

13.2 APPLICATION OF THE CA SECTOR QSE SCORECARD

13.2.1 The QSE Ownership Scorecard

The Ownership Element measures the effective ownership of Measured Entities by Black People. It is measured on the basis of the following Indicator Weightings:

Indicator	Weighting points	Compliance target
1.1 Voting Rights		
1.1.1 Exercisable Voting Rights in the Entity in the hands of Black People	9	32.5%
1.1.2 Exercisable Voting Rights in the Entity in the hands of Black Females	4	13%
1.2 Economic Interest		
1.2.1 Economic Interest in the Entity to which Black People are entitled	8	32.5%
1.2.2 Economic Interest in the Entity to which Black Females are entitled	4	13%
1.2.3 Economic Interest to which New Entrants or Black Designated Groups are entitled	–	–
1.3 Realisation points		
1.3.1 Net Value	–	–

1. Key measurement principles

For the CA Sector Ownership QSE Scorecard the following key measurement principles apply:

- 1.1 Key Measurement Principles, interpretations and calculations under paragraph 12.2.1 are applicable

- 1.2 Sub-minimum and discounting principles under paragraph 11.3 and 12.2.1 are applicable

13.2.2 The QSE Management Control Scorecard

The Management Control Element measures the effective control of Measured Entities by Black People.

Indicator	Weighting points	Compliance target
2.1 Executive Management		
2.1.1 Black representation at Executive Management level	5	50%
2.1.2 Black Female representation at Executive Management level	2	25%
2.2 Senior, Middle and Junior Management		
2.2.1 Black representation at Senior, Middle and Junior Management level	6	60%
2.2.2 Black Female representation at Senior, Middle and Junior Management level	2	30%

1. Key measurement principles

- 1.1 For the CA Sector Management QSE Scorecard the following key measurement principles apply.
- 1.2 Key Measurement Principles and interpretations under paragraph 12.2.2 are applicable

C = Compliance Target as specified in Paragraph 13.2.2

D = Weighting points as specified in Paragraph 13.2.2

2. Demographic representation

- 2.1 The demographic of Black people as defined in the Regulations of the Employment Equity Act and Commission on Employment Equity report are not applicable to the QSE Management Scorecard.

13.2.3 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.

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 CA(SA)s 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.

3. Measurement of Management Control

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

Where A = Score for the Management Indicator

B = Number of the measurable category of Black Executive (or Black Female Executive) or Black Senior, Middle or Junior Management (or Black Female Senior, Middle or Junior Management) as a percentage of the total number of Executive Management or Senior, Middle or Junior Management of the Measured Entity

THE SCORECARD CONTINUED

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).

Indicator		Weighting points	Compliance target
3.1 Skills Development Expenditure on any programme specified in the Learning Programmes Matrix –			
3.1.1	For Black People as a percentage of Leviable Amount	15	3%
3.1.2	For Black Females as a percentage of Leviable Amount	7	1%
3.1.3	Black People with disabilities as a percentage of Leviable Amount	3	0.15%
3.2 Bursary expenditure			
3.2.1	Specific bursary expenditure on current and potential Black Employees, which includes amounts spent on the Thuthuka Education Upliftment Fund, as a percentage of NPAT or turnover	5	4% of NPAT or 0,5% of turnover
3.3 Learnerships, Apprenticeships and Internships			
3.3.1	Number of Black People participating in Learnerships, Apprenticeships and Internships as a percentage of total Employees	5	2.5%
3.4 Bonus points			
3.4.1	Number of Black People absorbed by the Measured Entity or industry at the end of the Learnership programme	5	100%

1. Key measurement principles

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

- 1.1 Key Measurement Principles and interpretation under paragraph 12.2.3 are applicable.
- 1.2 Sub-minimum and discounting principles under paragraph 11.3 and 12.2.3 are applicable.
- 1.3 The demographic representation of Black people as defined in the Regulations of the EE Act and the Commission on Employment Equity Report are not applicable to the QSE scorecard.

or Percentage of spend on bursaries;

or Percentage of People or Employees in the measurement category that are Black People or Employees

C = Compliance Target as specified in Paragraph 13.2.3

D = Weighting points as specified in Paragraph 13.2.3

2. Measurement of Skills Development

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

Where A = Score for the measurement category indicator

B = Percentage of spend in the measurement category that are Black People or Black Female

13.2.4 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 20 Preferential Procurement Weighting points were reduced to 10 Weighting points. The goal of this redistribution is to contribute to the achievement of the vision of the CA profession Sector Code.

Indicator		Weighting points	Compliance target
4.1 Preferential Procurement			
4.1.1	B-BBEE procurement spend from suppliers based on the B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	7	60%
4.1.2	B-BBEE procurement spend from 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	3	15%
4.2 Bonus points			
4.2.1	B-BBEE procurement spend from Designated Group 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	1	1%
4.3 Supplier Development			
4.3.1	Annual value of all Supplier Development Contributions made by the Measured Entity as a percentage of the target OR Annual Contributions to Historically Disadvantaged Universities made by the Measured Entity to capacitate them in developing future Black CAs as a percentage of the target	5	1% of NPAT or 0,125% of turnover
4.4 Enterprise Development			
4.4.1	Annual value of all Enterprise Development Contributions and Sector Specific Programmes made by the Measured Entity as a percentage of the target	5	1% of NPAT or 0,125% of turnover
4.5 Bonus points			
4.5.1	Graduation of one or more Enterprise Development Beneficiaries to the Supplier Development level	1	–
4.5.2	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

For the CA Sector Enterprise and Supplier Development QSE Scorecard the following key measurement principles apply:

- 1.1 Key Measurement Principles, interpretation and calculations under paragraph 12.2.4 are applicable
- 1.2 Sub-minimum and discounting principles

1.3

under paragraph 11.3 and 12.2.4 are applicable.

In line with the Amended Codes of Good Practice, the Empowering Supplier Provision is now awarded automatically until further notice.

2. Enterprise Development and Supplier Development: Benefit Factor Matrix

THE SCORECARD CONTINUED

Qualifying Contribution type	Contribution amount	Benefit Factor
Grant and related contributions		
Grant contribution	Full grant amount	100%
Direct cost incurred in supporting Enterprise Development	Verifiable cost (including both monetary and non-monetary)	100%
Discounts in addition to normal business practices supporting Enterprise Development	Discount amount (in addition to normal business discount)	100%
Overhead costs incurred in supporting Enterprise Development (including people appointed in Enterprise Development)	Verifiable cost (including both monetary and non-monetary)	80%
Loans and related contributions		
Interest-free loan with no security requirements supporting Enterprise Development	Outstanding loan amount	100%
Standard loan to Black Owned EMEs and QSEs	Outstanding loan amount	70%
Standard loan provided to other beneficiary enterprises	Outstanding loan amount	60%
Guarantees provided on behalf of a beneficiary enterprise	Guarantee amount	3%
Lower interest rate	Outstanding loan amount	Prime rate – actual rate
Equity investments and related contributions		
Minority investment in Black Owned EMEs and QSEs	Investment amount	100%
Minority investment in other beneficiary entities	Investment amount	80%
Enterprise 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	Commercial hourly rate of professional	80%
Professional services rendered at a discount and supporting Enterprise Development	Value of discount based on commercial hourly rate of professional	80%
Time of Employees of Measured Entity productively deployed in assisting beneficiaries	Monthly salary divided by 160	80%
Other contributions		
Shorter payment periods for Supplier Development	Percentage of invoiced amount multiplied by 15% (being an approximation of the cost of short-term funding)	Percentage being 15 days less the number of days from invoice to payment Maximum points that can be scored is 15% of 10 points

13.2.5 The QSE Socio-Economic Development (SED) Scorecard

Indicator	Weighting points	Compliance target
5.1 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

1. Key measurement principles

For the CA Sector Socio-Economic Development QSE Scorecard the following key measurement principles apply:

1.1 Key Measurement Principles, interpretation

and calculations under paragraph 12.2.5 are applicable.

2. 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 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 or sector specific initiatives	Discount amount (in addition to normal business discount)	100%
Overhead costs incurred in supporting SED or sector specific initiatives	Verifiable costs (including both monetary and non-monetary)	80%
Contributions in the form of human resource capacity		
Professional services rendered at no cost supporting SED or sector specific initiatives	Commercial hourly rate of professional	80%
Professional services rendered at a discount supporting SED or sector specific initiatives	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 or sector specific initiatives	Monthly salary divided by 160	80%

14 GUIDING PRINCIPLES FOR SPECIALISED ENTITIES

This scorecard will apply to any other entity or association that falls under the CA Sector Scope that has no Ownership Structure due to the Structure of the Organisation. This includes, but is not limited to SAICA.

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

Element	CA Sector
Management Control	20 points
Skills Development	45 points
Enterprise and Supplier Development	30 points
Socio-Economic Development Contributions	5 points
Total	100 points

With reference to 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 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.

THE SCORECARD CONTINUED

14.1 The Management Control Specialised Scorecard

Indicator		Weighting points	Compliance target
1.1	Board participation		
1.1.1	Exercisable voting rights of Black Board Members as a percentage of all Board Members	2	50%
1.1.2	Exercisable voting rights of Black Female Board Members as a percentage of all Board Members	1	25%
1.1.3	Black Executive Directors as a percentage of all Executive Directors	2	50%
1.1.4	Black Female Executive Directors as a percentage of all Executive Directors	1	25%
1.2	Other Executive Management		
1.2.1	Black Executive Management as a percentage of all Executive Management	2	60%
1.2.2	Black Female Executive Management as a percentage of all Executive Management	1	30%
1.3	Senior Management		
1.3.1	Black Employees in Senior Management as a percentage of all Senior Management	2	60%
1.3.2	Black Female Employees in Senior Management as a percentage of all Senior Management	1	30%
1.4	Middle Management		
1.4.1	Black Employees in Middle Management as a percentage of all Middle Management	2	75%
1.4.2	Black Female Employees in Middle Management as a percentage of all Middle Management	1	38%
1.5	Junior Management		
1.5.1	Black Employees in Junior Management as a percentage of all Junior Management	2	88%
1.5.2	Black Female Employees in Junior Management as a percentage of all Junior Management	1	44%
1.6	Employees with disabilities		
1.6.1	Black Employees with disabilities as a percentage of all Employees	2	2%

1. Key measurement principles

- 1.1 The compliance targets for Senior, Middle and Junior Management of the Management Control scorecard are based on the overall demographic representation of Black People as defined in the Regulations of EE Act and Commission on Employment Equity report, as amended from time to time.
- 1.2 In determining SAICA's score, the targets should be broken down into specific criteria according to the different race sub-

groups, within the definition of Black and in accordance with the EE Act, and weighted accordingly.

14.2 The Skills Development Specialised Scorecard

One of SAICA's key pillars is the development of Black CAs and to grow their numbers so that the membership will ultimately be reflective of the country's population demographics.

CAs have been identified by the Department of Higher Education and Training as a priority area where more skills need to be devel-

oped. In this regard SAICA plays a critical role in bringing about transformation and growth by means of its pipeline initiatives.

As has already been stated, SAICA is a membership body and not in the business of providing Learnerships/apprenticeships.

Accordingly the latter is not applicable to the body itself.

The indicators and Weightings for Skills Development are as follows:

Indicator			Weighting points	Compliance target
2.1	Skills Development Expenditure on any programme specified in the Learning Programmes Matrix –			
2.1.1	For Black People as a percentage of Leviable Amount		11	6%
2.1.2	Black employees with disabilities as a percentage of Leviable Amount		4	0,3%
2.2	Skills Development Expenditure			
2.2.1	Incurred by SAICA to develop the pipeline of Black CA's		30	2% of NPAT or 0,125% of turnover
2.3	Learnerships, Apprenticeships and Internships			
2.3.1	Number of Black People participating in Learnerships, Apprenticeships and Internships as a percentage of total Employees		–	–
2.3.2	Number of unemployed Black People participating in training specified in the Learning Programme Matrix as a percentage of number of Employees		–	–
2.4	Bonus points			
2.4.1	Number of Black People completing Learnerships absorbed by the Measured Entity and industry at the end of the Learnership programme		–	–

14.3 The Enterprise and Supplier Development Specialised Scorecard

The indicators and Weightings for the Enterprise and Supplier Development are as follows:

Indicator			Weighting points	Compliance target
3.1	Preferential procurement			
3.1.1	B-BBEE Procurement spend from all Empowering Suppliers based on the B-BEE procurement recognition levels as a percentage of total measured Procurement spend		4	80%
3.1.2	B-BBEE Procurement spend from all Empowering Suppliers that are QSEs based on the applicable B-BEE procurement recognition levels as a percentage of total measured Procurement spend		2	15%
3.1.3	B-BBEE Procurement spend from all EME's based on the B-BEE procurement recognition levels as a percentage of total measured Procurement spend		–	–
3.1.4	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		4	40%

THE SCORECARD CONTINUED

Indicator		Weighting points	Compliance target
3.1.5	B-BBEE Procurement spend from Empowering Suppliers that are at least 30% Black Female owned based on the applicable B-BBEE Procurement Recognition levels as a percentage of total measured Procurement spend	–	–
3.2	Bonus points		
3.2.1	B-BBEE Procurement spend from Designated Group Suppliers that are at least 51% Black Owned as a percentage of total measured Procurement spend	–	–
3.3	Supplier Development		
3.3.1	Annual value of all Supplier Development Contributions made by the Measured Entity as a percentage of the target	–	–
3.3.2	Annual Contributions to Historically Disadvantaged Universities to capacitate them in developing future Black CAs	10	1% of NPAT or 0,125% of turnover
3.4	Enterprise Development		
3.4.1	Annual value of Enterprise Development Contributions and Sector Specific Programmes made by the Measured Entity as a percentage of target	10	1% of NPAT or 0,125% of turnover
3.5	Bonus points		
3.5.1	Graduation of one or more Enterprise Development Beneficiaries to graduates to the Supplier Development Level	–	–
3.5.2	Creating one or more jobs directly as a result of Supplier or Enterprise Development initiatives by the Measured Entity	–	–

1. Key measurement principles

- 1.1 As SAICA is a membership body and not in the business of procurement, SAICA's major expenses relate to salaries and travel.
- 1.2 Here the major contribution SAICA could make is in the area of Supplier Development. In this regard SAICA has set up an entity to develop Black suppliers, namely SAICA Enterprise Development. This would qualify as Enterprise Development ini-

tiatives as these are not SAICA suppliers.

- 1.3 In addition, the capacity-building projects at the Historically Disadvantaged Universities are about developing the 'suppliers' of CAs, and ensuring that their degrees are accredited.

14.4 The Socio-Economic Development Specialised Scorecard

The indicators and Weightings for the Socio-Economic Development are as follows:

Indicator	Weighting points	Compliance target
Annual value of all SED Contributions by the Measured Entity as a percentage of target	5	1% of NPAT or 0,125% of turnover

CHALLENGES

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CHALLENGES

15 CHALLENGES FACING THE CA PROFESSION

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

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

The outcomes will be measured in terms of achievement of the targets set in the Codes of Good Practice, and specifically the scorecards for the CA and QSE CA Sectors. These targets provide

objective criteria against which interim advances and successes can be measured to determine to what extent implementation of the activities have contributed towards achieving the final goals.

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

15.1 OWNERSHIP AND MANAGEMENT CONTROL

The desired future outcome that the CA Sector would like to achieve by means of the recommended activities is an increase in the percentages of Black People, and particularly Black Females and Black Designated Groups, in the ownership and management of CA entities; as well as an increase in Black CA's in the Ownership structure – measured in terms of exercisable voting rights, economic interest, Board participation (Black directors) and management positions at all levels.

Current situation/challenges	Recommended activities
<ul style="list-style-type: none"> 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 CA(SA)s 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 CA(-SA)s

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 Females, 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 CA(SA)s 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

15.2.2 Tertiary education level

With regard to the tertiary education level, the first outcome that is desired is a significant increase in the number of Black students who enrol for undergraduate 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 Disadvantaged Universities 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 CA(SA)s and to provide more and better supervision to bursary holders To promote interaction with Black CA(SA)s 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 CA(SA)s 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 CAs and RAs. 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)).

CHALLENGES CONTINUED

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 CA(SA)s 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 Female 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"> Side-lining 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 CA(SA)s remain in the profession or in public practice for at least three years after qualification.

Current situation/challenges	Recommended activities
<u>Working conditions and opportunities for trainees</u> <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 all 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 Female Employees, who hold these positions, increase. A further desired outcome is to achieve an equitable allocation with regard to the spending on prospective CA(SA)s, practising CA(SA)s and other personnel.

Current situation/challenges	Recommended activities
<u>Administrative and support positions</u> <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 smaller 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 Sector are directed at trainees, and little is spent on other Employees 	<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

CHALLENGES CONTINUED

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 Females.

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 Owned 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 CA(SA)s To develop a proportionate plan to businesses to facilitate and encourage the appointment of joint auditors
Black Owned entities that provide products 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

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 challenges facing the CA profession were set out for the seven elements of the scorecard, namely Ownership, Management Control, Skills Development, Enterprise and Supplier 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.

CHALLENGES CONTINUED

- It is imperative that there is adequate and on-going 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.

16.3 ENTERPRISE AND SUPPLIER DEVELOPMENT

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, such as those offered by SAICA Enterprise Development.

16.4 SOCIO-ECONOMIC DEVELOPMENT

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 Education Upliftment Fund Trust. A separate board of directors 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, Small and Medium Size 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 Females 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.

(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 Parents workshops SGB involvement of members 	<ul style="list-style-type: none"> Increased number of high calibre students choosing Chartered Accountancy as a career

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

CHALLENGES CONTINUED

(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 Disadvantaged Universities 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 CA(SA)s 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 Disadvantaged Universities 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 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 CA(SA)s 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 Size 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 To introduce a formal education programme for repeat Black QE candidates To publicise and communicate the marking and adjudication process To involve more Black CA(SA)s in the setting, marking and adjudication process of the QE 	<ul style="list-style-type: none"> Full-time support for post-graduate students. Students on the programme include Thuthuka Education Upliftment 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 postgraduate accreditation in 2016 Intensive part-time academic and skills support for African repeat candidates writing the SAICA ITC and APC 	<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

CHALLENGES CONTINUED

17.4.2 Training

Challenges	Strategy	Programmes	Measures
<ul style="list-style-type: none"> 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 to run and facilitate programmes to transform the profession, and to facilitate community upliftment.

Programmes	Measure
The Hope Factory	
The Hope Factory (Non-Profit Company) delivers Socio-Economic Development Programmes that result in mobilizing economic activity for Black South African citizens (as defined by the B-BBEE codes) as part of SAICA Nation Building transformation objectives. The main objective is to solve for unemployment by equipping individuals with the skills and abilities needed to generate income through new business opportunities. Besides creating bespoke Socio Economic Development Programmes for both private and public sector, The Hope Factory provides flagship training and mentorship programmes to help entrepreneurial individuals effectively start and operate their own businesses.	Number of businesses registered and jobs created
The Member Giving Programme	
Via this project members and firms receive the opportunity to participate in socio-economic development, by contributing to the Thuthuka Education Upliftment 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

Programmes	Measure
Building financial capacity in the public sector	
<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 was 15 municipalities in the Gauteng area. This was a private/public sector partnership, with the 'private sector' consisting of the CA Sector. SAICA is currently overseeing the TVET college CFO and HR programme. The aim of this programme is to help improve the governance and internal controls within 50 colleges. The same will be done for the community based colleges. SAICA has just launched the School Governing Board project in Gauteng. It works with the Gauteng department of Education to improve the governance and internal controls within schools and to strengthen the financial reporting information. This has been rolled out to KZN, Western Cape, Eastern Cape and North West Province SAICA assisted the Gauteng Department of Health to obtain an unqualified audit opinion. This has been achieved and the project extended to put systems of internal controls and governance in place. This project will be run nationally. 	Improvement within the public sector

17.7 SHARING OF BEST PRACTICE

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

17.8 FUTURE INITIATIVES

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

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SIGNATORIES TO THE CHARTER COUNCIL

Chairman

Sindi Koyana

Large Firms

Dion Shango

Medium Size Firms

Brian Eaton

Small Size Firms

Kopano Xaba

Black Chartered Accountant Practitioners

Sindi Zilwa

Auditor-General

Tsventana Mateva

National Treasury

Karen Maree

Independent Regulatory Board for Auditors

Bernard Agulhas

African Women Chartered Accountants

Sindi Koyana

Association for the Advancement of Black Accountants in Southern Africa

Asanda Myataza

Members in Business

Ismail Lambat

South African Institute of Chartered Accountants

Sandile Phillip

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. Definitions marked by a double asterisk (**), refer to definitions that have been amended 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.

'Affiliated Entities' mean those incorporated entities, trusts, partnerships and other business forms in the CA Sector in which a participant, partner and/or partnership exercises control 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 Profession 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 (paragraph 11.5).

'B-BBEE Controlled Company' means a juristic person, having shareholding or similar members' interest, in which black participants enjoy a right to Exercisable Voting Rights that at least 51% of the total such rights measured using the Flow Through Principle.

'B-BBEE 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 at least 51% of the total such rights measured using the Flow Through Principle.

'B-BBEE 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 (paragraph 12);
- (b) for Qualifying Small Enterprises, using statement 000 (paragraph 13); and
- (c) for Exempted Micro Enterprises, the applicable deemed B-BBEE Recognition under statement 000 (paragraph 11.2).

'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.

'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 (paragraph 12 and 13).

'Benefit Factor Matrix' means the Benefit Factor Matrix for Enterprise and Supplier Development and Socio-Economic Development Contributions annexed to statements 400 and 500 (paragraph 12 and 13).

'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.

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- (c) Black People who are persons with disabilities as defined in the Code of Good Practice on employment of people with disabilities issued under the Employment Equity Act; In terms of the Employment Equity Act 'people with disabilities' means people who have a long-term or recurring physical or mental impairment which substantially limits their prospects of entry into, or advancement in, employment.;
- (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 Owned Professional Services Firm' means accountancy professional services firm that is governed by the CA sector Code and has shareholding or similar members' interest, that is B-BBEE controlled, in which Black participants enjoy voting and economic interest rights that are more than 50% of the total of such rights measured using the flow-through principle.

'Black People' is a generic term 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 scheme 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 section 8.1 of the Charter

'CA profession' means

- (a) anyone who holds or is working towards obtaining the CA(-SA) designation inside and outside of public practice,
- (b) those persons employed by an accredited CA(SA) education provider who are directly involved in providing such education,
- (c) the South African Institute of Chartered Accountants with which holders of the designation CA(SA) are registered, and
- (d) organisations registered and practising as CA(SA)s 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.

'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 Employment Equity 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 Employment Equity Act; aligned with the Employment Equity Act.

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

- (a) promoting equal opportunity and fair treatment in employment through the elimination of unfair discrimination; and

- (b) Implementing affirmative action measures to redress the disadvantages in employment experienced by Black Designated Groups, in order to ensure their equitable representation in all occupational categories and levels in the workforce.

'Entity'* means a legal entity or 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 30% Black Female owned or Black Owned Professional Services Firm, 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 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.

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

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

'Historically Disadvantaged Universities' mean the University of Fort Hare, the University of Limpopo, the University of Venda.

the University of the Western Cape, the University of Zululand and Walter Sisulu University

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

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

'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 Report' means the King Report on Corporate Governance for South Africa, 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 (paragraph 12.2.3).

'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

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the strategy. Such other persons would include representatives whose main task consist of –

- (a) determining and formulating policy and strategic planning; or
- (b) 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 or Black Participants 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. In terms of the CA Sector Code a Measured Entity includes all entities included under Affiliated Entities.

'51% Black Owned' means an Entity –

- (a) in which Black People hold at least 51% of the Exercisable Voting Rights as determined under Paragraph 12.2.1 Ownership; and
- (b) in which Black People hold at least 51% of the economic interest as determined under Paragraph 12.2.1 Ownership

'51% Black Female Owned' means an Entity –

- (a) in which Black Females hold at least 51% of the Exercisable Voting Rights as determined under Paragraph 12.2.1 Ownership; and
- (b) in which Black Females hold at least 51% of the Economic Interest as determined under Paragraph 12.2.1 Ownership

'30% Black Female Owned' means an Entity –

- in which Black Females hold more than 30% of the Exercisable Voting Rights as determined under Paragraph 12.2.1 Ownership; and
- in which Black Females hold more than 30% of the Economic Interest as determined under Paragraph 12.2.1 Ownership

'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.

'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 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.

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

'Outsourced Labour Expenditure' means any expenditure incurred in –

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

'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:

- (a) Sole practitioners, incorporated practices and, for the purpose of this document, affiliated entities.
- (b) Sole practitioners, directors of incorporated entities and directors and individuals who are shareholders of affiliated entities.
- (c) 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 Sector Skills Plan issued by the Department of Labour of the Republic of South Africa;

- the National Skills Development Strategy III;
- the New Growth Plan; and
- the National Development Plan.

'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 Female owned or Black Owned Professional Services Firm, and Black youth in rural and underdeveloped areas, in statement 400.

'Qualifying Examinations' mean both professional examinations set by SAICA, being the ITC (Initial Test of Competence) and APC (Assessment of Professional Competence).

'Qualifying Socio-Economic Contributions'* mean a collective term for Socio-Economic Project Contributions and Socio-Economic Development 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.

'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.

'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 Management'* means an employee of a Measured Entity who is a member of the occupation category of 'Senior Management' as determined using the Employment Equity Regulations.

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:

- Development programmes for Females, youth, people with disabilities and people living in rural areas;
- Support of health-care and HIV/AIDS programmes;
- Support for education programmes, resources and materials at primary, secondary and tertiary education level, as well as bursaries and scholarships;
- Community training, skills development for unemployed people and adult basic education and training; or
- 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 –

- projects focussing on environmental conservations, awareness, education and waste management;

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- (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.

'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 to suppliers that are Exempted Micro Enterprises or Qualifying Small Enterprises which are at least 51% Black owned or at least 30% Black Female owned 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.

'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 (paragraph 12).

'The QSE Scorecard'* means the QSE scorecard referred to in statement 000 (paragraph 13).

'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

- 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;
- 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.

'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 International Financial Reporting Standards.

'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 employment 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.

'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 and QSE 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
diti	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: 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 December 2016. The ultimate objective for the CA profession is to ensure firstly that there is membership growth through representatives 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 CA(SA)s (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/ITS		Trainees	
2006	2014/5	2006	2015	2006	2015	2006/ 2007	Jan 2016	2006	2016
1,6 million started school 12 years ago	1,2 million started school 12 years ago (2014)	1st year – 10 621 A = 39% C = 7% I = 16% W = 31% O = 7%	1st year – 7 783 A = 45% C = 7% I = 12% W = 28% O = 8%	6 767 A = 29% C = 6% I = 18% W = 44% O = 3%	4 899 A = 41% C = 6% I = 14% W = 33% O = 6%	1 985 A = 16% C = 5% I = 16% W = 63%	2 561 A = 37% C = 6% I = 15% W = 42%	10 206 A = 20% C = 5% I = 15% W = 60%	7 902 A = 37% C = 8% I = 14% W = 41%
550k wrote matric	644k wrote matric (2015)	2nd year – 9 554 A = 32% C = 6% I = 18% W = 35% O = 9%	2nd year – 7 962 A = 44% C = 7% I = 15% W = 26% O = 8%						

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School		Undergraduate		Postgraduate		QE/ITS		Trainees	
2006	2014/5	2006	2015	2006	2015	2006/ 2007	Jan 2016	2006	2016
330k passed matric	455k passed matric (2015)	3rd year – 5 424 A = 35% C = 7% I = 15% W = 43% O = 6%	3rd year – 6 954 A = 45% C = 6% I = 13% W = 26% O = 10%						
26k passed Maths HG	129k passed Maths (30% achieve- ment level) (2015) 84k passed Maths (40% achieve- ment level) (2015)								
2500 African learners passed Maths HG 700 Afri- can learn- ers got C and above for Maths HG	18 492 (2015) Not avail- able								

* 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:

Race	Gender	Total ('000)	% representation	Race Total ('000)	Race % representation
African	Male	18 430	38,93%		
	Female	19 208	40,57%	37 638	79,50%
Coloured	Male	2 053	4,34%		
	Female	2 144	4,53%	4 197	8,86%
Asian	Male	581	1,23%		
	Female	579	1,22%	1 160	2,45%
White	Male	2 232	4,71%		
	Female	2 119	4,48%	4 351	9,19%
Total		47 346	100,00%	47 346	100,0 %

	Male	Female
South African Population by gender	49.2%	50.8%

The population demographics of South Africa as per Statistics 2015 (obtained from www.statssa.gov.za), are as follows:

Race	Gender	Total ('000)	% representation	Race Total ('000)	Race % representation
African	Male	21 653	39,39%		
	Female	22 575	41,08%	44 228	80,48%
Coloured	Male	2 335	4,25%		
	Female	2 498	4,55%	4 833	8,79%
Asian	Male	688	1,25%		
	Female	674	1,23%	1 362	2,48%
White	Male	2 202	4,01%		
	Female	2 332	4,24%	4 534	8,25%
Total		54 957	100,00%	54 957	100,0 %

	Male	Female
South African Population by gender	48,91%	51,09%

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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:

Race	Gender	Total ('000)	% representation	Race Total ('000)	Race % representation
African	Male	517	2,00%		
	Female	287	1,11%	804	3,10%
Coloured	Male	263	1,02%		
	Female	199	0,77%	462	1,78%
Asian	Male	1 237	4,78%		
	Female	610	2,36%	1 847	7,13%
White	Male	17 682	68,26%		
	Female	5 076	19,60%	22 758	87,86%
Othe	Male	20	0,08%		
	Female	11	0,04%	31	0,12%
Total		25 902	100,00%	25 902	100,00%

	Male	Female
South African Population by gender	76.13%	23.87%

Current actual statistics on membership of SAICA as at December 2016, excluding overseas members, are as follows at the end of December 2016:

Race	Gender	Total ('000)	% representation	Race Total ('000)	Race % representation
African	Male	2 003	6.00%		
	Female	2 117	6.34%	4 120	12.34%
Coloured	Male	646	1.93%		
	Female	667	2.00%	1 313	3.93%
Asian	Male	2 413	7.23%		
	Female	1 855	5.56%	4 268	12.78%
White	Male	16 078	48.16%		
	Female	7 434	22.27%	23 512	70,44%
Othe	Male	99	0.30%		
	Female	72	0.21%	171	0.51%
Total		33 384	100,00%	33 384	100,00%

	Male	Female
South African Population by gender	63,6%	36,4%

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 firm size classification:

	Large Firms	Medium Firms	Small Firms	Sole proprietors	Total	%
Black	112	37	53	181	383	9.94%
Indian	166	63	59	167	455	11.81%
Coloured	46	5	6	29	86	2.23%
Chinese	4	0	3	6	13	0.34%
White	632	320	858	1106	2916	75.68%
Total	960	425	979	1489	3853	100.00%

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4. Trainee statistics

4.1 Total annual number of trainees																
	African		Coloured		Indian		White		Unknown		Total		Total	F %	A%	Black %
	F	M	F	M	F	M	F	M	F	M	F	M				
TIPP																
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%
2015	1419	998	291	220	579	486	1574	1513	34	31	3897	3248	7 145	55%	34%	56%
2016	1554	1122	337	255	576	498	1549	1522	43	31	4059	3428	7 487	54%	36%	58%

TIPP																
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%
2015	105	90	12	12	13	15	34	74	1	4	165	195	360	46%	54%	69%
2016	115	100	8	8	19	17	58	86	2	2	202	213	415	49%	52%	64%

4.2 Total annual number of trainees																
	African		Coloured		Indian		White		Unknown		Total		Total	F %	A%	Black %
	F	M	F	M	F	M	F	M	F	M	F	M				
2004	688	821	191	171	696	759	3065	3665	42	45	4682	5461	10143	46%	15%	33%
2005	833	922	236	206	707	725	2822	3161	18	31	4616	5045	9661	48%	18%	38%
2006	1025	1071	308	227	739	782	2818	3206	16	14	4906	5300	10206	48%	21%	41%
2015	1524	1088	303	232	592	501	1608	1587	35	35	4062	3443	7505	54%	35%	56%
2016	1669	1222	345	263	595	515	1607	1608	45	33	4261	3641	7902	54%	37%	58%

* F = Female, M = Male

