



SAICA

THE SOUTH AFRICAN INSTITUTE
OF CHARTERED ACCOUNTANTS

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Annual Integrated Report 2010

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Strength of Building and Rewarding Standards
The Global Compliance Report 2010-2011
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About SAICA

The South African Institute of Chartered Accountants (SAICA) is the foremost accountancy body in South Africa and one of the leading institutes in the world. It plays an influential role in a highly dynamic business sector. SAICA offers a wide range of support services to its members, so that they can play a key role in the developments of our country.

About this report

This is SAICA's first integrated annual report prepared to comply with the King Report on Corporate Governance in South Africa 2009 (King III). The report was compiled in terms of the consequent "Discussion Paper: Framework for Integrated Reporting and the Integrated Report" (DP), as published by the Integrated Reporting Committee of South Africa on 25 January 2011. The discussion paper states: "The overarching objective of an integrated report is to enable stakeholders to assess the ability of an organisation to create and sustain value over the short, medium and long-term." It goes on to note that users "... should be able to determine whether the organisation's governing structure has applied its collective mind in identifying the environmental, social, economic and financial issues that impact the organisation and assess the extent to which these issues have been incorporated into the organisation's strategy".

Producing integrated reports require significant changes in how organisations think and operate, supported by revised data-collection processes to generate integrated reporting information. This shift does not happen overnight, but SAICA is in the fortunate position, due to the nature of its business and foresight of its leadership, to present this integrated report. Even so, integrated reporting gaps remain, particularly with regard to SAICA's environmental impacts, but these will be addressed in future reports. This report nevertheless offers members and other stakeholders a more holistic view of SAICA than ever before.

- The World Economic Forum Competitiveness Report 2010/2011 ratings rank South Africa number 1 in the world for strength of auditing and reporting standards
- SAICA membership grows by 7% which includes 838 new black members which is a growth of 18%
- The first Annual Integrated Report is issued by SAICA
- New SAICA Advisory Council is appointed to assist in developing strategy and long-term sustainability
- Click2Start, the new web based learning channel is launched
- The Broad-based Black Economic Empowerment Charter for the Chartered Accountancy Profession is concluded
- Significant success achieved by SAICA in lobbying for changes to the new Companies Act
- Hosting of the first ever IFRS conference held on African soil together with the IFRS Foundation
- Signing of a 3-year contract to build financial capacity in municipal middle management
- 77 prospective CAs(SA) from the Thuthuka programme will write part II of the Qualifying Examinations



Five-year summary

	2010		2009		2008		2007		2006	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total	Number	% of total
Members at the end of the year										
In South Africa										
Members in business	11 321	36	10 497	35	9 937	35	9 605	36	9 395	37
Public practice	8 014	25	7 432	24	7 003	24	6 541	24	6 373	25
– large firms: employed	2 863	9	2 528	8	2 318	8	2 012	7	1 884	7
– large firms: partner	551	2	565	2	578	2	594	2	603	2
– medium firms: employed	1 128	4	986	3	827	3	696	3	678	3
– medium firms: partner	414	1	406	1	418	1	413	2	415	2
– small firms: employed	485	2	419	1	366	1	299	1	278	1
– small firms: partner	1 102	3	1 089	4	1 093	4	1 099	4	1 091	4
– sole practitioner	1 471	5	1 439	5	1 403	5	1 428	5	1 424	6
Retired	1 067	3	1 063	4	1 074	4	1 055	4	1 061	4
Public sector	915	3	819	3	753	3	701	3	698	3
Education	527	2	466	2	417	1	400	1	401	2
Unemployed	199	1	156	1	135	1	115	–	110	–
Other	2 570	8	2 456	8	2 395	9	2 401	9	1 791	6
Total members in South Africa	24 613	78	22 889	77	21 714	77	20 818	77	19 829	77
Foreign-based members	6 989	22	6 782	23	6 411	23	6 097	23	5 826	23
Total members	31 602	100	29 671	100	28 125	100	26 915	100	25 655	100
Percentage increase	7		5		4		5		5	
Female members	9 212	29	8 231	28	7 412	26	6 706	25	6 052	24
Male members	22 390	71	21 440	72	20 713	74	20 209	75	19 603	76
Total members	31 602	100	29 671	100	28 125	100	26 915	100	25 655	100
Black members	5 492		4 654		3 973		3 463		3 008	
Percentage growth	18		17		15		15		17	
Percentage of total members in South Africa	22		20		18		17		15	
Percentage of total membership	17		16		14		13		12	

Activity	2010		2009		2008		2007		2006	
	Number	% movement	Number	% movement	Number	% movement	Number	% movement	Number	% movement
Total services taken up	41 353	(8)	45 120	16	38 877	6	36 798	(9)	45 223	90
Seminars and workshops participants	20 834	(25)	27 776	21	23 025	15	19 988	34	14 922	(13)
Events	10 672	4	10 290	3	10 025	(1)	10 172	(39)	16 583	304
Broadcasts	4 547	188	1 579	97	800	(81)	4 264	(45)	7 691	–
E-learning and other products	3 211	0	3 219	(3)	3 318	1 271	242	(93)	3 479	397
Communication sessions	2 089	(7)	2 256	32	1 709	(20)	2 132	(16)	2 548	20
Total trainees at the end of the year	9 534	1	9 444	0	9 478	5	9 025	8	9 917	3
Including the following:										
Black trainees – TIPP	4 526	2	4 423	3	4 301	11	3 870	15	3 968	15
Female trainees – TIPP	4 656	0	4 670	1	4 612	7	4 314	8	4 774	6
Black trainees – TOPP	215	0	216	14	189	7	177	(3)	184	9
Female trainees – TOPP	139	(10)	154	10	140	18	119	32	132	7
Staff complement at year-end	159	1	157	14	138	7	129	5	123	2
	R'000		R'000		R'000		R'000		R'000	
Financial information										
Total reserves	102 680	41	72 680	8	67 555	7	63 302	12	56 303	14
Total Group annual revenue	292 879	4	282 727	20	236 076	14	206 282	(3)	212 846	33
Total Group annual expenditure	279 312	(1)	283 363	18	239 842	16	206 021	(5)	216 304	35
Total reserves as a percentage of expenditure		37		26		28		31		26
Subscriptions as a percentage of revenue		32		32		35		30		26

(–) denotes information unavailable or not applicable





In recent years South Africa has led the way in corporate governance, with SAICA a key contributor.

I present my second and final chairman's statement of my term with pride in SAICA's achievements this term. In it I discuss highlights and a longer-term strategy for SAICA over the next years.

South Africa and the world underwent significant changes during my two-year tenure. The global recession caused governments and the public to lose faith in corporate ethics, which triggered concerted efforts to address shortcomings in corporate governance, reporting and regulation. In recent years South Africa has led the way in corporate governance, with the revised King Code and Report on Governance for South Africa (King III) released in September 2009, as well as a revised Companies Act and a Companies Amendment Act scheduled to come into effect on 1 May 2011. The Johannesburg Stock Exchange's (JSE's) decision to incorporate King III into its Listings Requirements on an 'apply or explain' basis highlighted how important governance is to capital markets. This decision was validated when the World Economic Forum's (WEF's) Competitiveness Ratings released late in 2010 ranked South Africa first in the world for stock exchange regulation and second for corporate governance.



Jan Labuschagne
Chairman

King III can be applied to all organisations, including SAICA, and isn't simply an extension of King II. King III demands a fundamental change in organisational behaviour and governance structures. It is also apparent that King III cannot be implemented overnight – it initiates a corporate journey.

For SAICA that journey began in 2009 when the Board re-examined its vision, mission, strategy and governance processes in the light of long-term sustainability. A major step along the road was the Board developing a forward-looking strategy that better synchronises risks with stakeholders' interests. The Board also focused on enhancing governance processes and improving communication between the Board and management. It clarified roles and responsibilities within SAICA structures; further prioritised stakeholder engagement and, where appropriate, expanded oversight of business operations. An information technology (IT) governance committee was established to ensure that SAICA minimises risk and derives value from its IT investment. The Board is confident that SAICA's operations are ethical and accountable, while creating sustainable value for members and other stakeholders.

A key aspect of the Board's strategy was to prepare and issue SAICA's first integrated report. It outlines SAICA's realignment this year and highlights the opportunities and challenges facing SAICA and the Chartered Accountancy profession. In preparing the report, the Board recognised that it does not yet have all the necessary information and processes in place to present a perfect integrated report, but significant progress on this journey is well evident. Where gaps exist, notably in respect of environmental impacts and challenges, the Board and management acknowledge these and undertake to close gaps in future reports.

Last year I wrote that the Board had decided to appoint an advisory council to assist in developing strategy and establishing long-term sustainability. This advisory council is now in place and comprises members of our profession and other pre-eminent professionals from business, practice and the public sector. The corporate world can anticipate major changes over the next decade and the advisory council will guide SAICA in adapting and forging a leadership role.

In this period SAICA and the University of Johannesburg (UJ) undertook research with the Chief Financial Officers (CFOs) of the JSE's top 40 companies. An overwhelming majority identified leadership skills as the most important competency required by CFOs. Leadership is recognised by the Board as a key strategic thrust for SAICA and has prioritised it in SAICA's overall strategy.

After several years of rigorous negotiations, the Broad-based Black Economic Empowerment (B-bBEE) Charter for the Chartered Accountancy profession (CA Charter) was finally approved. Even so, I'm not convinced that business always understands the importance of 'broad-based' black economic empowerment. B-bBEE has been criticised as implementations have often not delivered broad-based benefits, which is unfortunate when

considering the real social and economic needs of the country. Authentic B-bBEE implementations are essential to South Africa's sustainable development, making the CA Charter vital to the profession and the country. Unlike other charters, a key element of the CA Charter is its focus on skills development, which will accelerate job creation. New jobs won't be created without appropriately skilled managers and professionals in place to provide leadership. Chartered Accountants are financial leaders and catalysts in helping South Africa to achieve its job-creation targets. This report shows that SAICA is investing heavily in growing the number of Chartered Accountants produced annually. It is also investing in financial technicians and investigating the feasibility of other types of accountants. I applaud the various parties involved in reaching final agreement on the CA Charter; as I believe it will play a major role in the economy and employment.

Critical to SAICA's future is our ability to provide genuine value for our members' subscriptions. Members' needs and requirements change continually in response to society's demands. SAICA's service range expanded significantly this year and in February 2011 we introduced a web-based channel (Click2Start) to our existing channels. Click2Start will evolve continuously to become a key contributor to member value in the future. It will be vital to members living in foreign countries who look to SAICA to provide more direct assistance in continuing their professional development.

It is clear, as we move into a new era of governance and accountability, that organisations are responsible to a wider set of stakeholders than their immediate ownership. Indeed, being a representative body with public interest responsibilities, SAICA needs to engage with all relevant stakeholders to achieve its strategic objectives and meet legitimate stakeholder expectations. These engagements will inform the many submissions SAICA makes to regulators, government and standard-setting bodies. Members

Chartered Accountants are financial leaders and catalysts in helping South Africa to achieve its job-creation targets.



are not always aware of the thousands of man-hours that go into the frequent submissions SAICA makes each year. Much of SAICA's work is done by the secretariat, but the numerous members serving on SAICA's committees provide invaluable leadership and support. In this past year SAICA's many inputs into the new Companies Act was a major focus that soaked up significant hours. These interventions are crucial to helping create an effective South African economy.

In the WEF competitiveness ratings I mentioned earlier, South Africa's overall rating was a lowly 54th place. This disappointing performance was despite its first position for stock exchange regulation and second for corporate governance, as well as the number one rating for financial reporting and auditing standards. These specific rankings are remarkable for a developing country and underscore the weighty contribution our profession makes to our nation's development. South Africa's overall poor performance, however, starkly reveals how much is still to be done.

Consequent to the WEF ratings being published, South Africa became the first country in the world to issue guidelines on integrated reporting, with the launch of a discussion paper on 25 January 2011 by the Integrated Reporting Committee (IRC) chaired by Professor Mervyn King. This discussion paper resulted from a collaborative effort by individuals, including SAICA representatives, representing a wide range of interests and backgrounds. All SAICA's initiatives stem from our profession's leadership strategy in improving the competitiveness, efficiency and effectiveness of South African markets, and we will be expanding these activities in 2011. I also believe that the forthcoming amendments to the Companies Act will make it possible for a third tier of accounting standards to be issued. These focus on meeting the needs of smaller entities, including NGOs and charities, and we hope to have these standards issued by the end of 2011.

I salute all those members and others involved in SAICA's committees and governance structures. Your work is carried out without financial reward, yet is crucial to the operations and the future of SAICA. While this report doesn't allow space to name all individuals, I can assure you that the Board is extremely grateful to all of you for your contributions.

In closing, I thank the members of the Board for the excellent support that I have received during my two-year term. You have shared my load, which I sincerely appreciate. I also thank Matsobane Matlwa and his team for the excellent support they provided to the Board and me this year.

I have enjoyed my time in the chair immensely and wish my successor every success in the year ahead.



Jan Labuschagne
Chairman



The objective of my report is to highlight certain important aspects of this annual integrated report and to provide high level analysis. This annual integrated report was drafted using the Discussion Paper issued by the Integrated Reporting Committee as a guide. The objective of the integrated report is to provide members and other stakeholders with a more holistic picture of SAICA that enables them to assess SAICA's ability to create value for them in the short-, medium-, and long-terms. It attempts to do so by looking at the strategy, risks and opportunities and relating them to performance and the economic, social and environmental challenges.

The year 2010 was always going to be exciting but challenging. The world economy was still wrestling with the financial crisis and the South African economy had shrunk by 1,7% in 2009. Therefore, prospects looked bleak. Of course, there was the Soccer World Cup to look forward to, but its success was uncertain and economic disruptions appeared likely. Looking back on the year now, I believe there were more positives than negatives. The World Cup was a resounding success and the South African economy fared better than many expected. It is estimated that the GDP grew by about 2,8% and inflation dropped to around 3,6%. However, the improvement was patchy and many residents of South Africa underwent a tough economic year.

Each year the Board and management review SAICA's strategy, taking into account the changing dynamics in the world, Africa, South Africa and the profession. We constantly look at how our strategic initiatives align with the needs of our members and other stakeholders, considering key risks, governance processes and economic, social and environmental trends and challenges. In setting our strategic direction it is critical that we create value for our members and other important stakeholders in the short, medium and long term. While we have not made significant strategic changes in 2010, we

have now extended the strategic horizon to five years, which gives us a far better frame of reference through which to plan ahead.

Stakeholder engagement is crucial to our strategy formulation. Clearly our members are our most important stakeholders, however, SAICA operates in the broader community and we have prioritised engaging with a wider circle of stakeholders to understand views and find solutions to pressing issues. A good example is the new company legislation. There has been considerable uncertainty surrounding the content of the Act, the regulations and date of implementation. SAICA, working with Business Unity South Africa (BUSA) and the Johannesburg Stock Exchange (JSE), have invested a considerable amount of time assisting the drafters and legislators to iron out the flaws. As a result of these persistent interventions, we believe we now have a far better piece of legislation. There are however still many uncertainties concerning the implementation of the Act and SAICA will continue to seek clarification on these issues.

The World Cup was a resounding success and the South African economy fared better than many expected.



Matsobane Matlwa
Chief Executive Officer



Of supreme importance to our members is the standing of the CA(SA) brand.

In a world that is changing so rapidly and becoming more complex by the day, our members look to SAICA for greater levels of support. We engage continuously with members to better understand their evolving needs. We also use the Member Satisfaction Index conducted by Ask Afrika as a key tool to measure how well we are doing in meeting expectations. The survey also assists us in determining which service areas are the most important for members. It is pleasing to note the trend of improvement in both satisfaction and delight levels among members in South Africa, especially when considering how the goal posts are constantly changing. We have truly tried to address the issues raised by members and we will continue to enhance our range of service offerings based on engagement with members.



The Click2Start web-based channel, which was launched in February 2011, has already proved to be a big success. As it expands and diversifies, we foresee Click2Start becoming SAICA's most convenient delivery channel in the future. As it becomes more popular we will add more content and longer programmes such as webinars. We will have to charge for content-rich webinars and programmes, but these costs are likely to be well below the costs traditionally charged for physically attending seminars. Members will also continue to have access to a free section.



In 2010, we engaged Ask Afrika to conduct a satisfaction survey among our members in foreign countries. The results were disappointing as the satisfaction level was registered at 52% compared with 86% in South Africa, although we had expected the ratings to be lower than the South African ratings due to the difficulty of providing equal services to all members in all countries. The survey did generate much useful feedback that SAICA will assess to inform future service offerings to foreign members. We will work with formal member groupings in other countries, where these exist. The Click2Start electronic channel will probably be our most useful platform for improving services to expatriate members.

The accountancy profession is dynamic and a leader in South African commerce.

Of supreme importance to our members is the standing of the CA(SA) brand. I am pleased to say that the latest survey conducted by Ask Afrika in 2010 found the CA(SA) brand still significantly the most admired business designation in the country and we will continue to promote it vigorously. There are many competitors in today's market place and simply being the best is no longer good enough. To vigorously and effectively promote the brand, we need to publicise examples of where SAICA is taking leadership.

Leadership projects can claim media space and show the accountancy profession as being dynamic and a leader in South African commerce.

One of SAICA's leadership initiatives last year was hosting the first ever IFRS Conference held on African soil, together with the IFRS Foundation. Speakers included, Sir David Tweedie, Chairman of the International Accounting Standards Board (IASB), three other IASB Board members, as well as local high-profile speakers. The conference was booked out, attracting over 600 delegates from around the world with varying backgrounds, such as academics, preparers and users of financial statements.

It is vital for leadership issues to also include initiatives that benefit other stakeholders. In 2010 SAICA became a founder member of the Integrated Reporting Committee and was influential in drawing-up the Integrated Reporting Discussion Paper published in January 2011. Integrated reporting is designed to enhance business reporting by providing readers with a more holistic and useful view of the organisation.

Over the past five years SAICA worked with the Gauteng Provincial Government and the Development Bank of Southern Africa's Development Fund on a project using the experience of CAs(SA) to assist in building financial management capacity in local authorities in Gauteng. The project has contributed significantly to capacity building in municipalities. In 2010 we discussed with the National Treasury and the Department of

Higher Education and Training (DoHET) the need for capacity building in municipal middle management. SAICA has accordingly designed a programme to help build capacity at municipalities around the country. This three-year programme is being funded by the DoHET's National Skills Fund.

Another area of leadership in which SAICA is engaging is through the formation of a pan-African accountancy body that can represent the views of the profession in Africa in international forums. Significant steps were taken in 2010 to realise this goal. Representatives from African institutes initially met in Malaysia and a follow-up meeting of the steering committee was held in Johannesburg. At this meeting the constitution and by-laws for a new organisation called the Pan African Federation of Accountants (PAFA) were drafted. It is envisaged that PAFA will be launched in 2011. Participating in the steering group were Nigeria, Ghana, Tunisia, Zambia, Kenya, Senegal, Togo and South Africa. SAICA will take a leadership role in 2011 to try to ensure that PAFA is brought to life. Having a united body will strengthen the continent's ability to negotiate with funding agencies and find sustainable solutions to developing the skills needed throughout Africa.

Growing our membership is a key strategic objective, not only to enhance our ability to service our members, but also to strengthen our influence and address South Africa's skills shortages. Our membership grew by a record net 1 931 members in 2010, representing a 7% increase compared with the average of 4% growth in previous years. Government's stated priority is to create jobs, but it is critical to develop sufficient managers and skilled people to be able to employ and direct lesser-skilled people. This is where SAICA and its partners, including government, play such an important role.

We aim to expand the pipeline of candidates further by accrediting historically disadvantaged universities to deliver high-quality Chartered Accountants at the bachelor degree level. The cost of preparing each university for this process is significant, but the benefits to the country and the economy will be

considerable as financial skills flow into the economy. The universities concerned will be seeking to obtain funding from government's skills development programme. These initiatives will take about five years to implement, but will also have a very positive impact on the standing and image of these universities.

We believe that transformation and black economic empowerment are vital to the future sustainability of our country and our profession. SAICA therefore invested many hours into drafting a broad-based black economic empowerment charter for our profession. The Board is exceedingly pleased that this process has delivered its result and that the Minister of Trade and Industry has now signed the CA Charter into legislation. The CA Charter will help the profession to further implement its growth and transformation strategies.

To illustrate the profession's commitment to transformation, I highlight the point that SAICA directly spends R17,5 million on transformation activities and has 24 people dedicated to transformation and growth activity. SAICA's efforts are bolstered by the amounts spent by related financial and business services companies. It is pleasing to note that the proportion of black students qualifying continues to rise. Our programmes have taken years to bear fruit, but the numbers of black students graduating is gaining momentum. In 2010 SAICA welcomed 838 new black members, an increase of 18%, compared with 17% or 681 in 2009. At a trainee level – a key part of the pipeline – we also see a rising trend, as black trainees made up 49,7% of 2010's trainee intake.

Critical to the success of SAICA's transformation and growth policy are the roles played by the Thuthuka Education Upliftment Fund chaired by Ajen Sita and the Thuthuka Bursary Fund chaired by Sizwe Nxasana. This year we will reach an important milestone when 77 students associated with the Thuthuka programme will attempt part II of the Qualifying Examination. This will be a proud moment for all our programme supporters.



SAICA was influential in drawing-up the Integrated Reporting Discussion Paper.

A pan-African accountancy body to represent African accountancy in international forums.



Transformation and black economic empowerment are vital to the future sustainability of our country and our profession.

The success of transformation programmes run by SAICA is dependent on the generosity of firms, companies and government. There is no doubt that the returns on investment have far outweighed the costs, but we cannot presume that these sources of finance will continue indefinitely. The success of the programmes is a key selling point, but the Board is aware that we need to find more secure funding in the future. Management and the Board will be looking at options over the next year to address this challenge.

In 2009 SAICA purchased the building of the Independent Regulatory Board for Auditors adjacent to the SAICA building to alleviate the overcrowding in our Integritas building. After major renovations, the 'Integritas II' building was opened by the SAICA Chairman on 24 November 2010. These renovations were planned and executed with the assistance of the SAICA internal sustainability committee, which chose design and building materials to limit energy and water usage.

Financial results

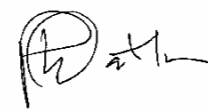
SAICA finished with a surplus of R11,7 million for the year. This was largely due to a record number of new members (2 225 gross) joining SAICA in 2010, some 600 more than anticipated. In addition, we recorded excellent attendances at seminars and conferences in the latter part of the year. The Group surplus of R19,6 million included surpluses generated in the Hope Factory (R3,6 million), the Thuthuka Education Upliftment Fund (R2,8 million) and the Thuthuka Bursary Fund (R1,1 million). These surpluses are ring-fenced for specific socio-economic development (SED) initiatives already in place.

Appreciation

SAICA achieved remarkable successes during 2010, despite the slowdown caused by the slower growing economy as well as the euphoria surrounding the soccer World Cup.

We owe our successes to the significant contributions of our members, insightful direction by the Board and the dedication of our staff.

I take this opportunity to sincerely thank all our valued stakeholders for their support and hard work that contributed significantly to our successes achieved in 2010. In particular I wish to acknowledge and applaud our outgoing Chairman, Jan Labuschagne, for his outstanding leadership over the past two years.



Matsobane Matlwa
Chief Executive Officer

SAICA's first integrated report is for the financial year ended 31 December 2010. All future SAICA annual reports will be prepared according to prevailing integrated reporting regulations. This 2010 report was compiled in accordance with the Discussion Paper: Framework for Integrated Reporting and the Integrated Report, as published by the Integrated Reporting Committee (IRC) of South Africa (Discussion Paper).

Reporting principles

SAICA's Board and management have applied these reporting principles to the best of their ability, but acknowledge that refinements will be made as better information becomes available, or through stakeholder inputs.

Report boundary

This report includes the consolidated financial information of SAICA and entities controlled by SAICA up to 31 December 2010. These are entities whose financial and operating policies are controlled by SAICA. Information provided therefore includes: SAICA, the Thuthuka Education Upliftment Fund, the Thuthuka Bursary Fund, SAICA UK, The Hope Factory and the Association for Accounting Technicians (AAT(SA)). All controlled entities are 100% held except for the AAT(SA), which is a 50% joint venture with AAT in the United Kingdom (UK). The report on AAT(SA) includes 50% of its financial results and a full report on its activities and environmental impacts, due to SAICA's operational control over it.

In this report SAICA includes the direct consumption amounts and emissions in its environmental impact, and not, for example, emissions generated by members and others attending SAICA functions. Financial, environmental, social or economic information about the broader profession is not recorded, except for information derived from projects run by SAICA.

The reporting boundary for financial information was set in terms of the International Financial Reporting Standards (IFRS). In future reports SAICA will attempt, where feasible, to expand the scope of its environmental reporting.

Content principles

In deciding on content to include in the report, SAICA utilised the relevance and materiality principles set out in the Discussion Paper.

Relevant information enables members and other stakeholders to evaluate SAICA's performance and

make assessments about the organisation's ability to sustain and create value over the short, medium and long term. As this report was approved by the Board on 20 April 2011, the narrative sections of this report have been adjusted to include information and activities up to and including that date.

Material information is information that, if excluded from the report, could affect an accurate assessment by stakeholders. Determining the material information applicable to SAICA's various stakeholder groups is a challenge and the Board has attempted to fulfil these diverse needs. A conservative approach was adopted, but the Board and management will review comments received from stakeholders and refine SAICA's process for the next report. Members and stakeholders were already instrumental in determining the material information included in this integrated report.

Quality principles

In presenting the information, management and the Board has done what it feasibly can to achieve faithful representation, taking into account the principles of completeness, neutrality and freedom from error.

Accounting policies

The financial information included in this report was extracted from SAICA's 2010 and IFRS-compliant annual financial statements. No changes were made to SAICA's accounting policies in this period.

SAICA's annual financial statements can be viewed at: <https://www.saica.co.za>.

Assurance

Integrated reporting is a new corporate reporting approach and specific guidelines on assurance do not yet exist. The Discussion Paper suggests that organisations would be prudent to follow a combined assurance model, whereby assurance for different aspects of the report will be provided by various assurance providers, including external auditors and assurers, internal auditors, the audit committee and management.

The SAICA Audit Committee decided to limit external assurance to the Group annual financial statements, which are the primary source for the summarised financial information contained in this report. As such no external assurance is provided on this integrated report. Other information included was reviewed by SAICA's Audit Committee and Board.



SAICA is a voluntary association not for gain and is registered in terms of the Non-profit Organisations Act, 1997 (Act 71 of 1997). Its principal place of business at 7 Zulberg Close, Bruma Lake, Johannesburg and it has offices in Bloemfontein, Cape Town, Durban and London. At the end of 2010 its staff complement was 159.

In terms of the Chartered Accountants Designation (Private) Act 1993, SAICA members are entitled to

use the Chartered Accountant (South Africa) and (CA(SA)) designations.

Being a membership organisation, SAICA's primary role is to serve, represent and promote the interests of South African Chartered Accountants. In meeting this objective, SAICA must act in the public interest, as our long-term professional interests are always in line with the public interest.

Vision

To develop leaders

Mission

The mission of SAICA is to promote and lead the South African Chartered Accountancy profession so as to create sustainable value for its members and other stakeholders by:

- Delivering highly competent professionals relevant to the markets they serve
- Fostering integrity, sound governance and good citizenship at an individual and corporate level
- Providing support and learning to enable members to remain relevant and create value for their employers and clients
- Enhancing the quality of business information and reporting for the benefit of all stakeholders
- Assisting government to raise the quality of public services
- Working with sister organisations on the broader African continent to raise standards and provide support for business and governments.

Values

Our chosen values are:

- We serve our members
- We lead by example
- We work as a team
- We respect the individual
- Above all, we act with integrity.

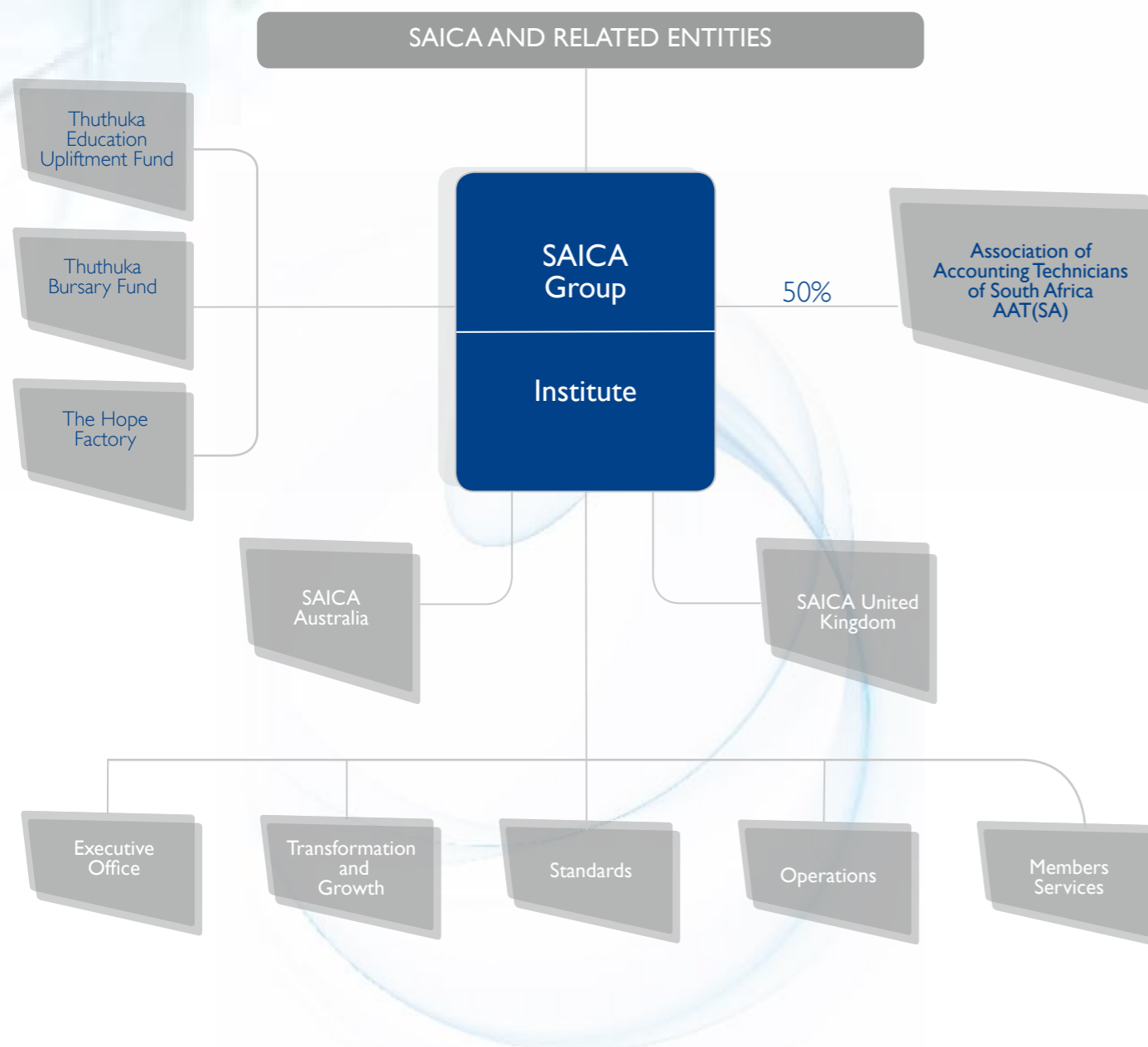
International affiliations

SAICA is a member of the International Federation of Accountants, the Global Accounting Alliance, and the Eastern, Central and Southern African Federation of Accountants.

Business model

An organisation's business model is about how the organisation creates and sustains value for its key stakeholders. The pillars upon which the Accountancy profession in South Africa is built are competency, ethics and professionalism. These qualities underpin the CA(SA) brand.

Chartered Accountancy will remain relevant by staying apace with evolving trends and requirements.



Learners	<p>Initiate the pipeline of prospective CAs(SA) through:</p> <ul style="list-style-type: none"> • Extensive CA(SA) career promotion • Thuthuka Education Upliftment Fund programmes to assist learners to prepare for a career as a Chartered Accountant • Engagement with learners to understand needs
Students	<p>Maintain high education standards through:</p> <ul style="list-style-type: none"> • Requiring study at accredited education institutions which are quality controlled by SAICA • Frequent engagement with education institutions to understand changing circumstances • Support for black students from the Thuthuka Bursary Fund • Use of a competency framework that meets the market needs • Student engagement and support programmes • National examination
Trainees	<p>Maintain training excellence through:</p> <ul style="list-style-type: none"> • Training at accredited training offices which are quality controlled by SAICA • Trainee engagement and support programmes • Regular engagement with training offices • National examination
Members	<p>Maintain and enhance member capabilities and competitiveness and therefore the standing of the profession and the CA(SA) brand through:</p> <ul style="list-style-type: none"> • Continuous communication and learning programmes • Leadership programmes to demonstrate leadership of the CA(SA) profession • Ongoing engagement with members to understand changing needs • Maintenance of standards • Promotion of the CA(SA) brand • Member networking and support programmes • International engagement to ensure alignment and reciprocity
External stakeholders	<p>Ensure that the views of the profession are articulated and understood, and that the profession is in harmony with the needs of stakeholders through:</p> <ul style="list-style-type: none"> • Ongoing engagement with external stakeholders to ensure relevancy of CA(SA) education and training programmes • Engagement with government and private sector to find ways of addressing the skills shortage in the accountancy area • Implementation of programmes to upskill accountants working in the public sector • Engagement with regulators, standard-setters and drafters of legislation • Engagement to understand stakeholders' needs regarding economic, social and environmental challenges



Leading in all spheres of South African public and corporate life.

The Chartered Accountancy profession in South Africa will continue to exist and grow as long as there are sufficient suitable candidates entering the profession to meet the demands of the country, and while Chartered Accountants continue to create value for their employers and clients.

SAICA's key roles in this are to:

- Organise and facilitate programmes that ensure the pipeline of prospective Chartered Accountants continues to flow at a healthy rate and approximates the population demographics of the country
- Ensure that pre-qualification education and training programmes remain relevant to business and the public sector
- Assist its members to maintain and enhance their knowledge and skills to remain relevant in a fast changing world
- Monitor, as part of its public interest role, the upholding of standards of competence and ethics
- Constant stakeholder engagement to understand changing needs and circumstances
- Play a leadership role in all matters relating to measurement, reporting and assurance.

The vital role of Chartered Accountants

It is vital to South Africa's future that sufficient new Chartered Accountants (CAs(SA)) qualify each year to ease skills shortages in the private and public sectors. Another critical requirement is for the number of successful black and coloured candidates to mirror the population demographics of the country. SAICA's Thuthuka programme, which has taken more than a decade to develop, has become a highly effective support mechanism for ensuring high success rates. A challenge is to secure sufficient funding to make Thuthuka sustainable in the long-term, as outlined later in the Risk section.

Chartered Accountancy will remain relevant by constantly developing our profession and staying apace with evolving trends and requirements. SAICA requires its members to notify it of development programmes they engage in. To assist members,

SAICA offers a broad spectrum of learning and information material, which is increasingly delivered or facilitated via its website. Electronic delivery saves time and carbon emissions resulting from unnecessary travel.

The profession is highly dependent on public trust, therefore its code of ethics and monitoring of competency and ethical behaviour are key duties.

The South African Chartered Accountancy profession should lead in all spheres of South African public and corporate life. Leadership extends to assisting government departments and municipalities to improve efficiencies by training middle and upper level personnel and through direct assistance programmes. SAICA's many submissions on proposed legislation greatly assist government.

While SAICA's focus is on South Africa, engaging with relevant international bodies to keep South Africa in line with international developments is vital. SAICA also contributes significantly to global development of the accountancy profession.

SAICA's inputs are underpinned by its progressing stakeholder engagement programme, which helps keep the organisation abreast of rapidly changing needs.

SAICA operates in a developing country facing major social, economic and environmental challenges. Its business model should be in harmony with community needs and environmental concerns to ensure the long-term sustainability of South Africa and the profession.

Governance

SAICA's governance practices are the foundation of effective and ethical decision-making. The Board, comprising 18 members, sets the governance tone and cascades it down to an executive management that has a clear mandate in implementing Board decisions. Management is then responsible for disseminating good governance throughout SAICA.

The SAICA Board

The Board is structured according to the SAICA Constitution, which makes provision for two executive positions and the appointment of three additional voting members. The Board has also granted observer status to the SAICA (UK) body and a representative of members in business. The Chairman of the Board is appointed at the Annual General Meeting held in May of each year.

Without derogating from its overall responsibility, the Board is assisted by various board committees in the discharge of its duties. These board committees include:

- Audit and Risk Committee
- Finance Committee
- Executive Committee
- Enterprise and Socio-economic Development Committee
- Human Resources Committee
- Nominations Committee
- Strategy Committee
- IT Governance Committee.

As recent trends have created greater demand for governance controls, the Board has re-visited its structures and explored ways to ensure that the Board and its committees operate smoothly and effectively. This year the Board appointed an Information Technology (IT) Governance Committee that includes external experts to assist the Board in appreciating and managing its IT-related risks and to extract full value from SAICA's IT investment. The Human Resources (HR) Committee also co-opted an HR expert to add value to SAICA's human capital management. The Audit and Risk Committee provides oversight of enterprise-wide risk management at SAICA, reviewing internal controls; monitoring the effectiveness of the internal and external audits; and monitoring compliance with regulatory and policy requirements. This committee also monitors the internal controls and effectiveness of all SAICA-controlled entities.

In 2010 the SAICA Board assessed the King III Code and is presently aligning its governance structures and practices in accordance.

Further information about the status of King III implementation is available on the SAICA website. Implementing the provisions of King III requires significant changes to how organisations are run. It requires the Board to provide effective and ethical leadership, while ensuring that the organisation conducts itself as a responsible corporate citizen.

A natural consequence of King III was for the Board to take a longer time-view of strategy in terms of sustainability. The Board has included economic, social and environmental to a greater degree, although environmental issues require further attention. A further consequence is that greater emphasis is now placed on stakeholder engagement.

In 2010 the Board decided to appoint an advisory council comprising respected Chartered Accountants and other professionals drawn from all sectors. This council will assist the Board in developing long-term strategy and enhancing stakeholder management. The advisory council met for the first time on 7 April 2011.

SAICA Board

- MP Matlwa: Chief Executive Officer
- JH Labuschagne: Chairman
- TK Makwetu: First Vice Chairman
- H Thrush: Second Vice Chairman co-opted
- RP Brussow: Central Region
- EJ Carelse: Southern Region
- TA Derwin: Northern Region
- CJ Dewey: MiB
- CR Emslie: Northern Region
- SP Kana: Large Practices
- S Naidoo: Eastern Region
- MMT Ramano: Co-opted: AWCA
- MM Sedikela: ABASA
- VM Sekese: ABASA
- GV Terry: Senior executive: Strategy and Thought Leadership
- RJ Thompson: Small practices
- MP Wormald: Co-opted – Academia
- Acting dean – UCT
- TE Odell: UK representative observer
- GR Imbert: Observer

A natural consequence of King III was for the Board to take a longer time-view of strategy in terms of sustainability.

Non-executive members of the Board (including the Chairman) and members of board committees are not remunerated.



Remuneration policies

Non-executive members of the Board (including the Chairman) and members of board committees are not remunerated by SAICA, although their actual expenses incurred in attending meetings are refunded.

SAICA's philosophy is to remunerate staff at market-related levels. We recently benchmarked our remuneration policies against the market with the assistance of remuneration specialists. This exercise culminated in pay scales for each grade within the organisation, while also being broad enough to allow SAICA a fair degree of flexibility in remunerating jobs. The pay-scales highlighted instances in which individuals are being paid above or below the recommended scales. SAICA will be investigating each discrepancy individually and will recommend appropriate corrective action.

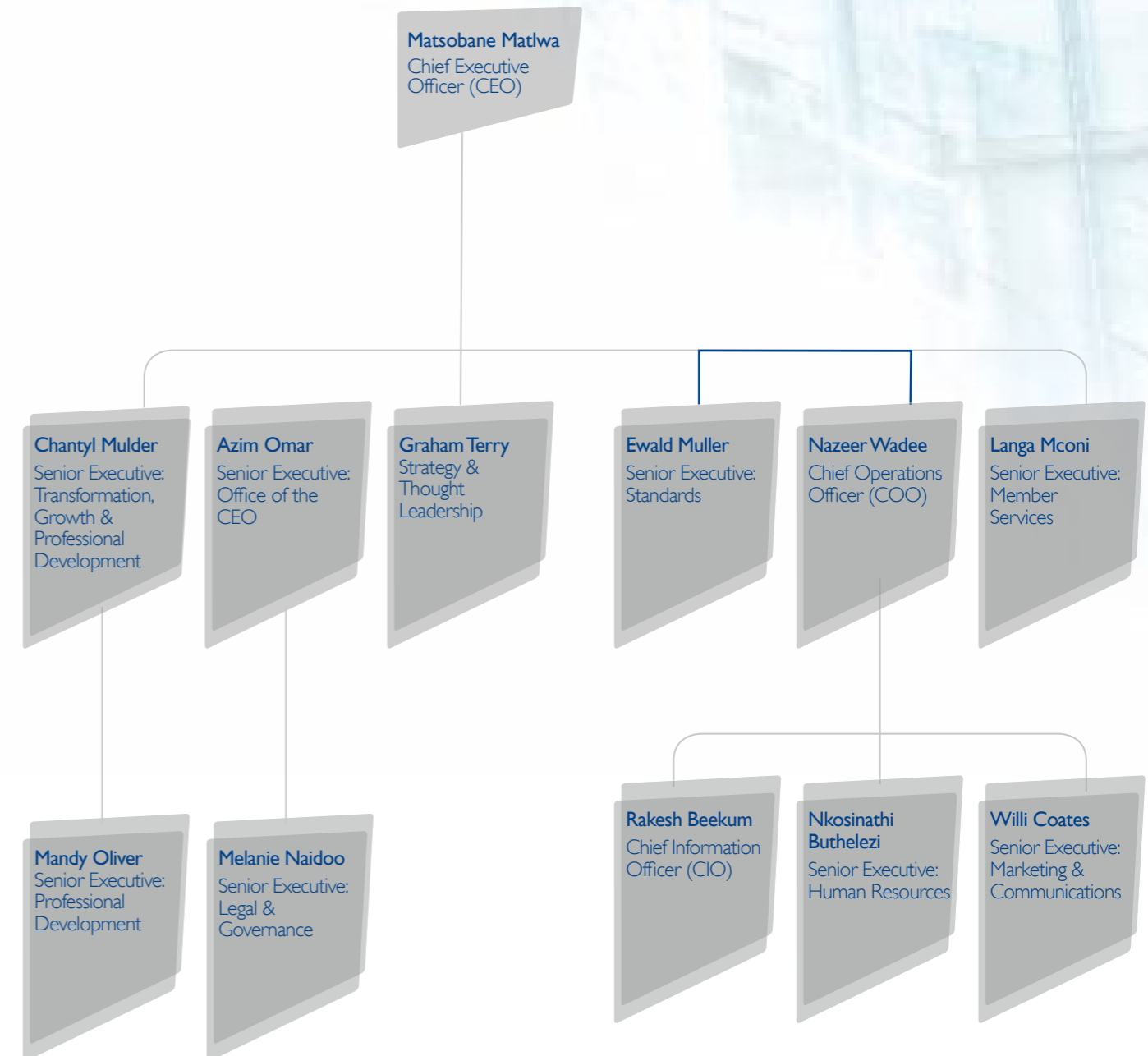
SAICA recently introduced a job-grading methodology called 'SST' for its senior management, while retaining the 'Peromnes' job-grading methodology for the balance of staff. SST and Peromnes allocate jobs to levels and guide the process of determining pay.

Remuneration in SAICA is based on total cost to company (TCTC), which includes employee contributions to a medical aid and the SAICA staff pension fund. Salary increases are determined by work performance, growth in the job profile and an annual inflation adjustment.

All employees participate in an incentive scheme, which is based on individual performance as determined through scorecards. SAICA uses the balanced scorecard to articulate its strategy, its objectives and targets, then cascades this scorecard down to individuals across the organisation. Incentives range from 5-20% of total package, in accordance with the discretion of the management committee (Manco) and HR Committee.

The remuneration process is overseen by the HR Committee consisting of Board members and an external human resources expert. The HR Committee approves the remuneration of the Chief Executive and oversees the performance reviews and remuneration of all Manco members.

Management structure





South Africa's critical challenges are poverty, unemployment and the huge rich-poor divide.



Africa's economic growth will greatly benefit South Africa.

Issues, trends and impacts

Macro South African context

South Africa is classified as a developing country with both first- and third-world economic circumstances. Its population is just under 50 million. It has a rich blend of cultures and it is blessed with voluminous natural resources. For many years its peoples were divided by an authoritarian regime which instituted and applied a policy of 'apartheid'. The unravelling of this policy began in 1992 and the first democratic government under President Nelson Mandela was sworn in during 1994. The country has passed through an amazing transition which has been admired and wondered at by people all around the world. However the 'apartheid' policy left a legacy of economic disparity and social divide. While the country has made significant progress, it still faces many economic, social and environmental challenges.

South Africa has a sophisticated infrastructure, a well-developed private sector and a stable macro-economy. This fact is proved by its inclusion in the world competitiveness ratings published annually by the World Economic Forum (WEF). The latest WEF ratings, however, ranks South Africa near the bottom of its scale in education, health care and service delivery in the public sector. These realities severely inhibit the country's growth potential.

Among South Africa's most important challenges are poverty, unemployment and the huge divide between rich and poor. These conditions create a climate for crime, social unrest and even political instability. The government has put in place policies to address these challenges, but with limited success to date. In his recent 'State of the Nation' address, President Jacob Zuma spoke about the urgent need to create jobs and promised to focus more immediate attention on job creation. This commitment was reinforced by allocations and incentives included in the 2011 national budget delivered by Finance Minister Pravin Gordhan. These most serious challenges facing the country cannot be overcome solely through government initiatives. The private sector has to play an important role. Indeed,

the future profitability of many companies will hinge on how successful private sector initiatives will be.

Economically, South Africa has fared reasonably well during the global financial crisis. While the GDP retreated by 1,7% in 2009, latest estimates are that real GDP grew by 2,8% in 2010. It seems likely that the GDP will grow by a further 3-3,5% in 2011 which is positive, but not at the level required to make serious inroads into unemployment. According to Statistics South Africa, the unemployment rate at the end of 2010 was 24% and that job numbers declined by 118 000 during the year. On the positive side, consumer inflation in 2010 reduced to 3,6% and it is expected to remain at low levels in 2011. 2010 was the year of the Soccer World Cup in South Africa, which was a wonderful advert for the country and hopefully will continue to draw foreign visitors and capital to our shores. In this period SAICA experienced a significant slowing-down in attendances at our seminars and in advertising revenues. SAICA did not run any events during the World Cup period, which brought attendances numbers down considerably in the first half of the year when compared with 2009. However, activity picked up significantly in the second half of the year.

African context

For many years Africa has been known as the 'dark continent', ruled by authoritarian regimes and beset with corruption. However, democracy is spreading and the continent is beginning to break its shackles. There is renewed interest in its vast natural resources and many African countries are registering sound economic growth. It is likely that, as some of the wealthier countries north of our borders begin to achieve their economic potential, South Africa will be overtaken as the continent's leading economy. However, Africa's economic growth and development will no doubt benefit South Africa greatly. Indeed, many South African companies are establishing business operations in other African countries. South Africa is inextricably part of Africa and, as such, it has an important role to assist in its emergence.

Chartered Accountancy profession

The Chartered Accountancy profession in South Africa has served the community for over 100 years. Initially organised in provincial chapters, recognition dawned that the profession in South Africa needed a national body. This resulted in the formation of The South African Institute of Chartered Accountants (SAICA) in 1980.

SAICA is an organisation of 31 602 professional accountants and businessmen connected through various formal and informal structures. The majority of members (24 613) are based in South Africa and approximately 6 989 operate in many different countries around the world. This powerful network of professionals has a vital responsibility in developing South Africa's economy and must create new

business niches in response to evolving legislation and market needs.

The Chartered Accountancy profession has played a significant role in developing the financial and business infrastructure of South Africa. Many of the country's prominent business leaders are Chartered Accountants. Research shows that 32% of the country's listed company directors, 32% of CEOs and 75% of CFOs are South African Chartered Accountants. In the past, few Chartered Accountants were employed in the public sector, but the numbers in public service are creeping up, although the percentage of Chartered Accountants working in the public sector remains at 3%. These members are steadily rising up the public sector hierarchy and many now serve in senior executive or management positions.

Percentage of members in different membership categories

CATEGORY	2010 %	2009 %	2008 %	2007 %	2006 %
Business	36	35	35	36	37
Practice	25	24	24	24	25
Public sector	3	3	3	3	3
Education	2	2	1	1	2
Retired	3	4	4	4	4
Other	9	9	10	9	6
Foreign-based	22	23	23	23	23
Total	100	100	100	100	100

As can be seen from the table above, the percentage split of members in the membership shown in this table has remained fairly consistent over the past five years. This table includes members based in foreign countries.

Membership demographics

	2010 %	2009 %	2008 %	2007 %	2006 %
Black	22	20	18	17	15
Female	29	28	26	25	24



SAICA has invested heavily into programmes designed to address the imbalance in our membership demographics.

The figures for black Chartered Accountants shown in the previous table are expressed as a percentage of members resident in South Africa. SAICA has no control over the demographics of its foreign membership. Black in this instance is defined as African, Coloured and Indian.

Over the past decade SAICA has invested heavily into programmes designed to address the imbalance in our membership demographics. Significant progress has been made but there is still a long way to go.

In 2007 SAICA conducted research into the shortage of financial skills in the country and discovered an estimated shortfall of 22 000 accountants across the various levels. The pressure eased slightly when the South African economy contracted in 2009. Since the recession fewer accountants have emigrated, due to continued difficult economic conditions in the countries that normally draw South African accountants.

Shortage of accounting and financial personnel in South Africa

	Total
Top tier (Chartered Accountants)	5 000
Intermediate tier	8 000
Technician tier	9 000
Total	22 000

South Africa's public sector has traditionally experienced the greatest shortfall of accountants. SAICA's records show only a marginal increase in the number of CAs(SA) working in the public sector since the research was done. The frequent media coverage of public sector financial mismanagement highlights these skills shortages.

The public sector traditionally experiences the greatest shortfall of accountants.

Corporate reporting

The last decade has featured a string of high-profile corporate collapses around the world, though South Africa is lucky to have suffered comparatively few in recent years. Various reasons have been cited for these failures, including lapses in corporate governance, regulator deficiencies and accounting or auditing failures. Fortunately, through the evolving King process of recent years, South Africa has been exceptionally proactive in enhancing accounting and auditing standards as well as governance. Similarly, our regulation of finances and capital markets has been sound. The global financial crisis has, however, highlighted world-wide shortcomings in corporate reporting practices. This reality challenges the Accountancy profession, as corporate reporting is a core competency. It also offers a distinct opportunity for the profession to take the lead in finding corporate reporting solutions.

Companies Act 2008 and the Companies Amendment Bill 2010

The new Companies Act was passed by Parliament in 2008, but due to inconsistencies and other deficiencies, was not implemented. Parliament consequently passed an Amendment Act, which was approved by the President on 19 April 2011. The amended Companies Act becomes effective on 1 May 2011. A comprehensive set of regulations, which expand on many aspects of the Act, was released on 20 April 2010. This last minute release has caused considerable uncertainty in the business sector. It impacts on our members working in business as well as those in accountancy practice. In recent years SAICA spent considerable time engaging with the Department of Trade and Industry (DTI) and the Parliamentary portfolio committee on Trade and Industry to try iron out anomalies and inconsistencies. In this regard, SAICA worked closely

with BUSA and the JSE. SAICA fully supports the new legislation and indeed the new Act contains many progressive elements. While getting it into an acceptable draft was a long struggle, we believe that most of the serious issues have now been resolved. The new Act will modernise company law in South Africa and bring it in line with the best regimes in the world. It will have a major impact upon the accountancy profession in that it will relax the requirement for certain private companies to have annual audits; although many will still be required to undergo independent reviews. Currently only individuals registered with the Independent Regulatory Board for Auditors (IRBA) may carry out audits, which will not change with the new legislation. Almost all of these registered auditors are Chartered Accountants. Independent reviews of smaller companies will be allowed to be carried out by recognised accounting officers, while larger companies that qualify for independent review would still need these conducted by CAs(SA) or registered auditors. This means that Chartered Accountants who currently carry out audits on private companies could face competition from members of other accountancy bodies when companies opt for independent reviews rather than audits.

Economic, social and environmental issues

SAICA has been running an extensive campaign to raise the awareness levels of members about sustainability issues and how these will affect business. As leaders in business, it is critical that Chartered Accountants are aware of factors such as climate change and can take leadership positions in moderating risks and identifying opportunities. Awareness levels are, however, still relatively low, especially among members in small and medium-sized businesses. SAICA has much to do to raise levels of knowledge and understanding to where Chartered Accountants can – and should – lead in sustainability issues.

Stakeholder engagement

Each year SAICA prepares an annual stakeholder engagement plan for presentation to the Board at its first meeting of the year. This plan is monitored by the Board thereafter.

King III has made stakeholder engagement a higher priority for SAICA than before, as all elements of SAICA's future strategies require extensive engagement with a range of stakeholders. The diversity of SAICA stakeholders is growing as the Chartered Accountancy profession expands its role in society.

Stakeholder engagement with members is usually done in groups or through structures set up to represent member groupings. Engagement with other bodies and government departments is typically through meetings with representatives, in terms of specific agendas. Bodies such as the South African Revenue Services (SARS) require multiple-level meetings, or engagements in various centres around South Africa.

To date stakeholder engagements have generally focused on specific matters of mutual interest. Although SAICA has attempted to introduce sustainability issues, these attempts have not yet resulted in meaningful responses. SAICA will step up these attempts in 2011.

SAICA works to maintain good relationships with all stakeholders, as achieving its strategic goals is heavily dependent on their support. In the past year SAICA did experience difficulty in gaining access to certain high-level individuals in the National Treasury and DTI, though relationships with all key stakeholders are sound and meetings conducted in a constructive and co-operative atmosphere.

- **Members** – As SAICA's most important stakeholders, SAICA engages with them at every available opportunity to better understand their changing needs. SAICA has separate regional structures in South Africa – Central, Eastern, Northern and Southern, as well as a structure in the United Kingdom. A chapter is existent in Australia. In addition, the South African regions are each serviced by a regional executive and have district committees. Senior SAICA staffers regularly attend member meetings around the country.

SAICA's future strategies require extensive engagement with a range of stakeholders.



Independent reviews of smaller companies will be allowed to be carried out by recognised accounting officers.

- **Member constituencies** – Constituency committees represent member groups such as business and small practices, while others oversee subject matter areas such as tax and insurance. These groupings work with the secretariat to address issues and find solutions.
- **Association of Black Accountants in Southern Africa (ABASA) and the African Women Chartered Accountants (AWCA)** – SAICA regularly engages with these bodies, which are both represented on the SAICA Board.
- **Trainees** – Accredited training officers are responsible for monitoring the effective application of training standards among trainees. A SAICA team also oversees the quality of training delivered in training offices.
- **Students** – Staff members regularly visit universities to ascertain the challenges of academics and students. SAICA has also created a dedicated website for students.
- **Employees** – SAICA’s employees are critical to its ongoing success. The HR function facilitates a staff forum at which employees may raise and discuss issues. Management and staff also attend monthly information sessions, while the staff social committee organises social functions. Staff satisfaction levels are measured twice annually and issues raised are discussed at staff forums.
- **Accredited education providers** – SAICA annually meets university principals to discuss high-level strategic issues. Bi-annual meetings are also held with the Heads of the Departments of Accounting.
- **Accredited training offices** – SAICA has over 900 accredited training offices, each headed by a training officer. SAICA monitors quality standards and engages with training officers on regular site visits. A SAICA training requirements committee, comprising mainly training officers, oversees the training process.
- **Regulatory bodies** – SAICA engages with the financial services regulatory bodies that impact on businesses in which members are involved. SAICA also has several committees dealing specifically with sectors such as banking and medical schemes. These committees meet regulators to solve issues of mutual interest.
- **Media** – SAICA believes in being available and transparent with the media, which is integral in conveying the profession’s views to the public. Senior staffers regularly meet media representatives.
- **International institutes and bodies** – Appropriate international affiliations support the global status of the CA(SA) brand and keeps SAICA abreast of global developments. Every quarter the CEO meets the heads of the major accountancy institutes in the Global Accounting Alliance to exchange views on key issues, supported by regular telephonic contact. SAICA also enjoys a close working relationship with the International Federation of Accountants by keeping in regular electronic contact and attending its annual meetings. A representative from SAICA also attends meetings of the International Accounting Education Standards Board.
- **African institutes and regional bodies** – SAICA has much expertise to share with other institutes in Africa. It is critical for African institutes to work together to be able to claim a rightful place in global affairs. The CEO meets three times a year with representatives of institutes serving on Eastern, Central and Southern Africa Federation of Accountants (ECSAFA) and SAICA provides technical support to ECSAFA member institutes. The CEO and other staff meet with specific institutes from time to time to discuss co-operation and mutual assistance.
- **Government departments** – The CEO arranges strategic meetings with ministers and director-generals of key departments, while also holding regular meetings with officials at various levels.
- **Institutes and other private sector bodies** – Co-operation with other business organisations and institutes benefits all, therefore the CEO and staffers meet with key bodies to discuss and act on issues of mutual interest.

Principal risks

The Audit and Risk Committee reviews SAICA’s risks at each meeting and comments at Board meetings on the most significant risks facing SAICA at the time. Management does annual full-risk

analyses, which are facilitated by the internal auditors. Management also reviews risks every quarter. Each risk is allocated to a SAICA staff member, who is responsible for managing the risk and reporting on it. SAICA’s principal risks are set out below.

<p>Lack of available external funding for transformation, growth and leadership initiatives</p>	<p>Context SAICA funds the staffers that implement its education, transformation and leadership projects. It however requires substantial amounts of funding for the projects themselves. Funding is required for bursaries, capacity enhancement at universities and for skills development projects, such as the project to train municipal financial managers. Cessation of funding would severely impact the flow of new accountants.</p> <p>Mitigation SAICA has a funding committee that considers the need for funding and decides on funding strategy. Key to this process is ongoing engagement with stakeholders, including companies, government departments and funding agencies. Detailed project proposals are prepared and submitted for all major projects. Funding is usually only accepted when the contract period exceeds one year. Projects also need to have sustainable outcomes that address skills development and social upliftment. Implementation is overseen by the Boards of the Thuthuka companies.</p>
<p>Declining relevance to members</p>	<p>Context In a rapidly changing world it is crucial for SAICA to maintain its relevance to members. Failure to do so could lead to an exodus of members, which would call into question the sustainability of the organisation. As Chartered Accountants generally hold senior positions, the value proposition needs to be relevant and highly professional. Members operate in many different industries and in many countries, which increases the challenge.</p> <p>Mitigation The strategy is focused on ensuring relevance to members. It is important to understand the needs of members working in diverse environments. SAICA is currently obtaining information to segment the membership database more effectively so that key interests and needs can be identified. SAICA has dedicated staff assigned to look after specific segments of the membership and it has offices in major regions. In a dynamic environment it is vital to watch out for evolving needs, which is done through research and thought leadership initiatives. Member satisfaction is measured twice annually by an independent research company.</p>



Breakdown of information security	<p>Context As more and more reliance is placed on digital and technology systems, it is crucial that effective security ensures the protection of member data and transaction information. Breaches of security undermine trust and could severely affect SAICA's ability to meet its strategic objectives.</p>
	<p>Mitigation A special information security audit was conducted during the year to test all aspects of the system. SAICA has an IT Governance Committee that includes external information technology experts. As part of its role it oversees the implementation of security planning and the mitigation of risks identified from the information security audit. Internal audit annually reviews IT security.</p>
Not being able to achieve transformation and growth objectives	<p>Context Strategically it is important to grow the organisation to ensure the skills needs of the country are met and that SAICA's pre-eminence is maintained. If the organisation cannot transform, it will lose credibility and support. Transformation and growth go hand in hand and are dependent upon securing the sustainability and growth of the pipeline of new graduates.</p>
	<p>Mitigation SAICA has a well-articulated and comprehensive growth and transformation strategy, spearheaded by the Thuthuka Education Upliftment Fund and the Thuthuka Bursary Fund. These programmes begin at school level via a widespread youth campaign. The strategy includes support initiatives at each stage along the way and includes bursaries for over 300 new students each year. In addition SAICA has an expansion strategy, whereby existing universities are requested to expand capacity and new providers brought into the pipeline.</p>
Key person dependencies	<p>Context SAICA is dependent upon its people to deliver value to its members and other stakeholders. Gaps in knowledge and expertise will arise if appropriate succession plans are not put in place.</p>
	<p>Mitigation The human capital function is overseen by an HR Committee that addresses key HR risks. Succession strategies are in place to cover senior management and specialists. In addition, initiatives to develop specialist knowledge are being implemented. SAICA has a competitive remuneration and reward policy and employee satisfaction surveys are conducted twice per year.</p>

Failure to be competitive in the rest of Africa	<p>Context Many South African companies are developing presences in Africa and find it difficult to engage sufficient competent financial staff. SAICA is well placed to provide appropriate education and training through competent outsource partners. In addition, such programmes help to fill skills shortages in African countries and uplift communities. Currently other international accounting bodies operate in that space, but SAICA believes it has a better value proposition. Entering new markets can be very expensive and there is uncertainty about success.</p>
	<p>Mitigation Initially SAICA is working with its near neighbours to establish programmes. It is also working with the regional institutes. A more comprehensive strategy will be developed in 2011 and a dedicated resource will be appointed. Funding will be sought from funders, based on a sustainable model. Feasibility studies will be carried out for each project.</p>
Failure of Information Technology to deliver value to the organisation	<p>Context IT is becoming increasingly important in the delivery of value services for members and other stakeholders. IT systems are often costly to implement and can create reputational challenges if not properly implemented. Because of a scarcity of skills, it is often difficult to attract and retain competent IT staff.</p>
	<p>Mitigation SAICA has appointed an IT Governance Committee that oversees and advises the Board and management on appropriate practices. An IT strategy was developed, together with an IT architecture roadmap, to cater for expected growth and capacity requirements. New projects are managed using project management processes. Aspects of the IT service are outsourced, but are controlled through tight service level agreements. Back-up procedures, together with a disaster recovery plan and a business continuity plan, are in place to ensure continuity of service.</p>



Strategy and objectives

The Board annually reviews strategy. In 2010 the strategic horizon was extended from three to five years so that the Board could take a longer-term view of the organisation and where it was going. Many of the strategic thrusts take time to implement and will have a lasting impact on the organisation and its stakeholders. Each year, the secretariat performs a comprehensive environmental scan to identify

emerging trends. This information is considered with the risk analysis – as well as information received from stakeholders – and an assessment of strengths, weaknesses, opportunities and threats. No significant changes were made to strategy in 2010, except that leadership was recognised as a key strategic objective rather than a component of other objectives. The table below sets out a summary of the strategy and key thrusts.

Strategic objectives	Key thrusts	Timing
Growth and transformation		
To grow the CA(SA) and other membership levels to consolidate and expand the CA(SA) profession's influence within South Africa, southern Africa and globally and to meet transformation objectives.	Chartered Accountants <ul style="list-style-type: none"> Expand the number of education providers Enhance support programmes to improve pass rates Increase training capacity Use technology to assist universities in South Africa and other African countries to provide quality lectures to a wider audience of students 	2011 – 2013 2011 – 2012 2011 – 2015 2011 – 2015
To build a member pipeline that approximates the demographics of the country	Intermediate <ul style="list-style-type: none"> Develop a programme to train intermediate accountants to fill the skills gap identified in research. 	2010 – 2011 feasibility study
Enable SAICA to leverage the benefits of a larger membership and address stakeholder needs, including the severe shortage of financial skills in the country and Africa	AAT(SA) programme <ul style="list-style-type: none"> Expand the number of providers Develop alternative qualification route with FET colleges to improve access and increase numbers 	Ongoing 2011 – 2015
	Africa initiatives <ul style="list-style-type: none"> Partner with local institutes in African countries using SAICA expertise to increase accountant numbers in the region Negotiate funding programmes to bridge programmes until these become self-funding 	2010 – 2012 – neighbouring states 2013 onwards – other countries where South African companies operate 2011 – 2012
Brand excellence		
To maintain the CA(SA) brand as the premier business brand in South Africa. To promote CA(SA) as the most attractive career and to promote Chartered Accountants as business leaders	<ul style="list-style-type: none"> CA(SA) promotion to private and public sectors Promote the leadership role of CAs(SA) Promotion of the CA(SA) profession to the Youth Using thought leadership initiatives to promote brand positioning 	Ongoing Ongoing Ongoing Ongoing

Strategic objectives	Key thrusts	Timing
Member satisfaction and delight		
To provide members with a wide range of products and services that create a high level of delight among all sectors of the membership	<ul style="list-style-type: none"> Online service strategy including social media Introduce member life-cycle management strategy Establish a web-based delivery channel Expand range of offerings to members including support for new business lines Query resolution project Affinity products Thought leadership and innovation initiatives Specialist faculties CFO Forum and research Services for members resident in foreign countries 	2010 – 2012 2011 – 2013 2010 – 2015 2010 – 2011 2011 – 2015 2010 – 2015 2010 – 2015 2010 – 2013 2011 – 2015 2011 – 2015
Leadership		
To play a leadership role in South Africa, Africa and where appropriate globally by developing new material, making submissions, working with government to address economic and social issues. It also involves developing the profession in Africa to play its rightful role in the world and to service business and public sector needs	<ul style="list-style-type: none"> Skills development in municipalities Advance reporting and measurement Broad-based Black Economic Empowerment Charter Expand Thuthuka to other sectors of the economy Innovative tools and products for members Enterprise development opportunities for members Leadership in forming a unified African Body Embed sustainability within the organisation and encourage members to become champions of sustainability Identifying new business opportunities for members Enterprise development and skills development for unemployed individuals 	2010 – 2015 2010 – 2015 2010 – 2011 2011 – 2012 2011 – 2015 2010 – 2015 2010 – 2015 2010 – 2015 2010 – 2015
People		
To employ a high performance team that is motivated to implement SAICA strategy and deliver value to members and other stakeholders on a sustainable basis	<ul style="list-style-type: none"> Succession planning Employee development Employee wellness and satisfaction Values Remuneration and reward 	2011 Ongoing Ongoing Ongoing Ongoing

In 2008, SAICA launched a joint venture to train accountant technicians.



Strategy overview

Growth and transformation

To maintain its position as the pre-eminent accountancy body in the country, SAICA needs to continue growing its membership. For its ongoing relevance and long-term sustainability, it must ensure that its pipeline of new recruits approximates to the population demographics of the country. Failure to achieve these objectives is a key risk.

Capacity building is essential to enhance the flow of Chartered Accountants into the economy to meet market as well as SAICA's growth objectives. Capacity needs to be enhanced at the level of education providers as well as at the training stage. SAICA is seeking to expand its undergraduate programme to three additional universities over the next three years. It will meet training capacity challenges by seeking to increase the number of training offices in the private and public sectors.

The skills research conducted in 2007 revealed a shortfall of 9 000 accountants at the intermediate level. Although not core to SAICA's activities, the Board realises that SAICA has the infrastructure and capability to help solve shortage skills at this level, although a feasibility test is needed before launching. Such a programme will provide the Chartered Accountancy profession with an opportunity to address the skills shortage and demonstrate its commitment to enhancing the economy for the benefit of the country as a whole.

In 2008, SAICA, together with the AAT from the UK, launched a joint venture to train accountants at the technician level for business and the public sector. The objective is to grow the numbers to achieve a critical mass so that can self-fund the joint venture by 2015. This initiative will contribute to narrowing the skills shortage and creating jobs.

The Board recognises that the economies of many African countries will grow and develop rapidly over the next decade. In addition many South African companies are expanding their businesses into countries north of our borders.

These companies need skilled accountants and support for their operations in these countries. Many of them are looking to SAICA to assist in providing support. There is an opportunity for SAICA to assist this process by using its skills, knowledge and infrastructure to develop capacity in those countries – or where there is insufficient critical mass – to create partnerships between countries to meet demand. SAICA is working with accredited education providers and local institutes to develop the accountancy capacity of neighbouring countries. This will be expanded to other countries as these programmes become sustainable. Failure to participate in this process could affect SAICA's future relevance and standing as a leading African institute. A growing number of international institutes developing links and programmes in Africa already pose strong competition to SAICA's relevance in Africa.

All of the programmes described above involve engagement with a wide range of stakeholders, including learners, students, trainees and members. Equally important are the education providers, training offices, relevant government departments, regulators, funders and relevant institutes in Africa. SAICA cannot achieve its objectives without the co-operation and support of these stakeholders.

Brand excellence

The standing of any organisation is dependent on its brand. Consumers may buy particular items based on price, but consumers seeking quality look for a trusted brand. That trust is often an accumulation of consistent behaviour over a long period of time. The CA(SA) brand is built on trust and a reputation that has been established over many years. Organisations employ CAs(SA) because they believe CAs(SA) are ethical and highly competent. Brand excellence depends on the continued underlying quality of the organisation and its people. In the past reputation was enough but today many competing messages are in the ether, making brand promotion and communication critical to maintaining and enhancing the standing of the brand.

Promotion of the brand begins with the youth, with the aim of attracting suitable young quality candidates to the profession. The brand is also promoted to the public sector, private sector business and the general public. The key theme is to establish the CA(SA) brand as the choice of business leaders. SAICA's thought leadership activities play a major role in establishing the image. Chartered Accountants have always been business leaders in this country, but are too often viewed as mere "number-crunchers". By highlighting the CA(SA) leadership role, SAICA can change the perception that accountants are restricted to calculating numbers. Thought leadership programmes demonstrate that SAICA is a major contributor to commercial leadership. Failure to pursue these initiatives could lead to the gradual lowering of the image of the Chartered Accountancy profession and a loss of relevance to members and possible future members.

SAICA's CA(SA) enjoys high regard at all levels. In a recent survey conducted by Ask Afrika the CA(SA) again achieved the status as the most admired professional brand. In the past this survey was conducted in the private sector only where the brand has always enjoyed high regard. The most recent survey canvassed views in the public sector where awareness levels were considerably lower. These results show that SAICA needs to promote the CA(SA) more intensively in the public sector to support its members working in that sector and also to achieve its growth objectives.

Internationally the CA(SA) is respected in the accounting profession and in business circles around the world, but is not that familiar among the general public. It is impractical to promote the brand in every country – therefore SAICA needs to work with local structures to find ways of raising its profile without incurring huge expenditure.

Member satisfaction and delight

In a rapidly changing financial environment complicated by growing competition, members are seeking greater support from SAICA than

ever before. This is an opportunity but, at the same time, introduces the risk of SAICA failing to meet expectations and losing relevance.

It is therefore vital that SAICA remains aware of the changing needs of members and anticipates changes by monitoring changes and trends in the market. Apart from offering valuable content, SAICA must find appropriate and convenient channels, including social media channels. Keeping members satisfied includes establishing initiatives to speed up communication and deliver course content primarily through digital media that is accessible from anywhere in the world. SAICA is looking at establishing specialist services similar to those used by financial institutes in other countries. The new Companies Act will relax the requirement for private companies to have audits performed, which could reduce the amount of audit work available. SAICA is therefore exploring new avenues through which affected members could open up new niche markets. These could include business advisory services and the assurances required by the incoming corporate reporting requirements. Given the results of the 2010 member satisfaction index for foreign members, SAICA intends expanding its services to foreign members, and where productive, linking them to local member representative structures.

Leadership

SAICA's leadership strategy is vital to its future, as this is where SAICA will create future value offerings for members and other stakeholders. The leadership strategy requires targeted research to expand current or develop new service lines such as:

- The Hope Factory's enterprise development project
- An IT Governance Toolkit
- Advancements in accounting and reporting ie small entity standards
- Submissions to government and standard-setters, for example, income tax recommendations to SARS
- Research on appropriate topics, such as the recent CFO research report.



Business must embrace sustainability to survive.



Thought leadership programmes demonstrate that SAICA is a major contributor to commercial leadership.

Exploring new avenues through which affected members could open up new niche markets.



Over 800 individuals have been trained and over 80% have gained employment.

New era corporate reporting is a natural fit for SAICA leadership. SAICA has a long history of leadership in this area, as evidenced by the WEF rating South Africa as number one for financial reporting and auditing standards in its latest economic competitiveness ratings. SAICA is playing a leading role on the South African Integrated Reporting Committee as well as in developing international standards. SAICA continues to provide significant input to the International Accounting Standards Board and will be issuing third tier accounting standards for smaller and specialised entities later this year.

Developing new areas of business is particularly relevant to members. Initial fields being tackled are integrated reporting and assurance in non-financial areas such as B-bBEE, sustainability reporting and integrated reporting. As the classic audit becomes less widespread, members should begin offering their financial skills as business advisors and specialists.

Leadership or 'thought leadership' is also an area where key economic, environmental and social issues are addressed. These include projects to raise the awareness levels around sustainability and the need for business to embrace it to survive.

An important component of leadership is identifying key economic and social needs of the country and developing programmes to assist government in addressing these. Some examples include skills development, job creation and helping to improve efficiencies within the public sector.

The Hope Factory situated in Port Elizabeth is considered to be one of the country's best-managed enterprise development projects. This project teaches unemployed individuals business, technical and life skills to equip them for employment or

to establish their own businesses. So far, over 800 individuals have been trained and over 80% have gained employment. The Hope Factory qualifies as an enterprise development project for B-bBEE purposes and in 2010 received over R11 million in contributions to expand the programme. This exciting and innovative project has proved to contribute directly to skill development and job creation in our country.

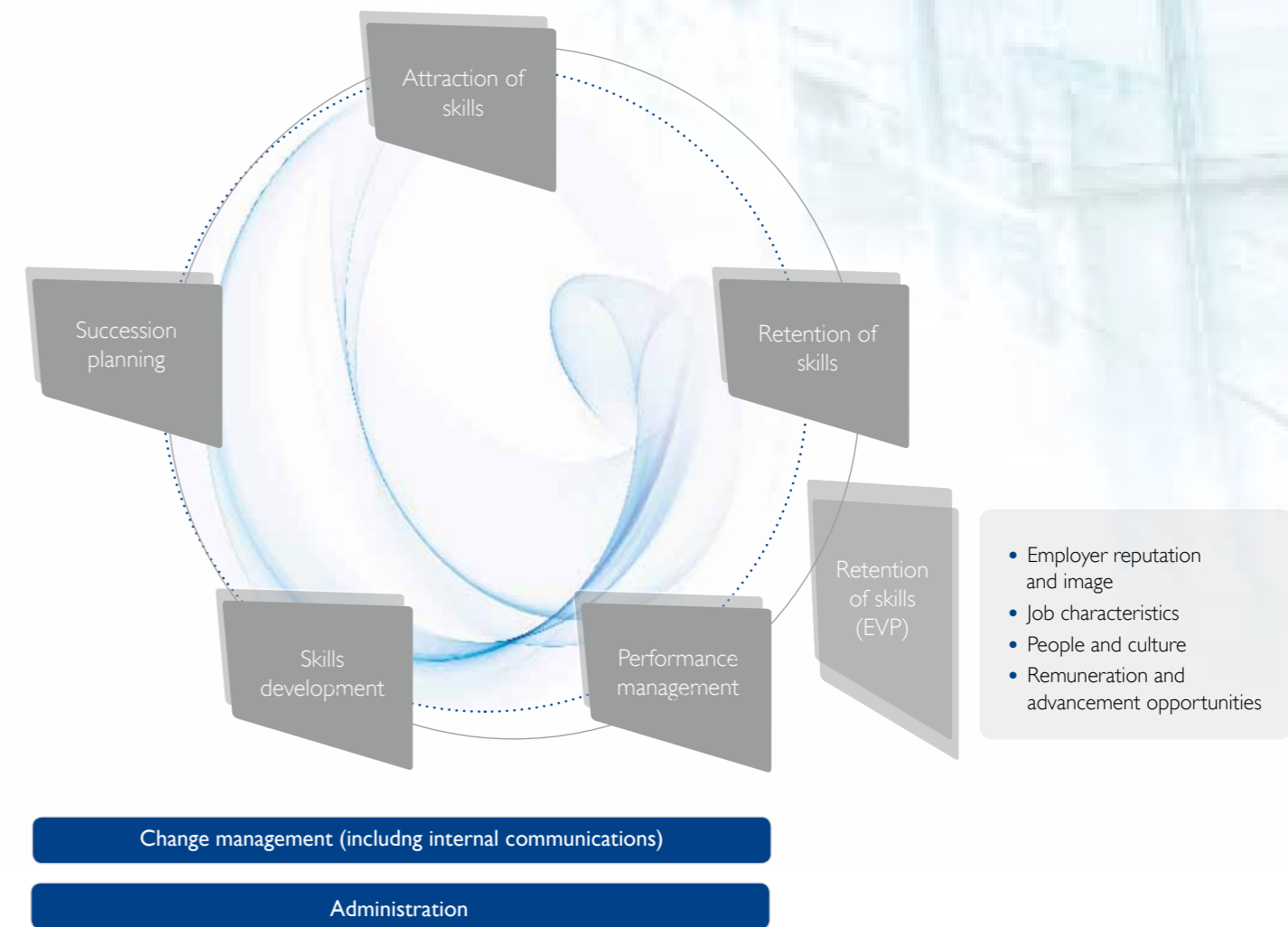
SAICA's Thuthuka project has been immensely successful in qualifying black Chartered Accountants. Due to this evident success, SAICA has been requested to share its educational expertise with other professions. The Department of Higher Education and Training (DoHET) intends introducing training methods refined by Thuthuka to the education of other much needed categories of professionals.

Thought leadership is an attitude of mind that can arise anywhere, or through initiatives by individuals or groups. A good example is the 'Books without Borders' project launched by SAICA marketing staff to assist school libraries. 'Books without Borders' has already stocked two libraries through donations from companies.

SAICA also leads by assisting institutes in other countries to develop sustainable training models. A strategic imperative is SAICA's facilitating of a unified African body to globally represent the continent's accountancy profession.

'Member delight' occurs when members receive value that exceeds their anticipations. Thought leadership initiatives are new and cutting-edge projects, and a key driver in raising 'delight' ratings. Stakeholder engagement, as discussed earlier, is also an important element of this strategy.

Human Resources





The previous diagram shows the important elements of SAICA's human resources (HR) strategy.

For the Chartered Accountancy profession to retain its pre-eminent position in the country and in playing a significant global role – as recognised in the latest WEF world competitiveness ratings – it needs to continue attracting and retaining capable people who can lead. As the world enters the economic unknown, members are looking to SAICA to help them adapt to changing business conditions; develop new markets and skills, as well as supporting their products. The Board recognises that these initiatives require highly skilled people and has made HR management a key strategy.

Succession planning is equally vital as SAICA depends on key individuals.

Attracting suitable people, properly training and retaining them is critical. Succession planning is equally vital as SAICA depends on key individuals, some of whom will retire or leave the organisation in the next three to four years.

Given SAICA's relatively small size, it punches well above its weight in the general high regard its graduates and staff members attract. But a constant challenge for SAICA is finding sufficient experienced and skilled personnel to lead the campaign to address South Africa's shortage of top level financial skills.

Environmental impact

In 2010 SAICA measured its environmental impacts for the first time, and while its impact is relatively small, the organisation will shrink its environmental footprint in the next years by reducing its air travel miles. SAICA is accordingly installing video-conferencing facilities in its Bloemfontein, Cape Town, Durban and Johannesburg offices. These impacts will be measured in coming years. The organisation will also be looking at its water usage.

Growth and transformation

Operational statistics

	2010	2009	2008	2007	2006
New members (net)	1 931	1 546	1 210	1 260	1 078
Growth (%)	7	5	4	5	5
Black members	5 492	4 654	3 973	3 463	3 008
% of membership ¹	22	20	18	17	15
Trainees	9 534	9 444	9 478	9 025	9 917
Growth (%)	1	0	5	(8)	3
Black trainees	4 741	4 639	4 490	4 047	4 152
Growth (%)	2	3	11	(3)	
Women	9 212	8 231	7 412	6 706	6 052
% of membership	29	28	26	25	24
Women trainees	4 795	4 824	4 752	4 433	4 906
% of total	50	51	50	49	49

¹ Percentage of members resident in South Africa.

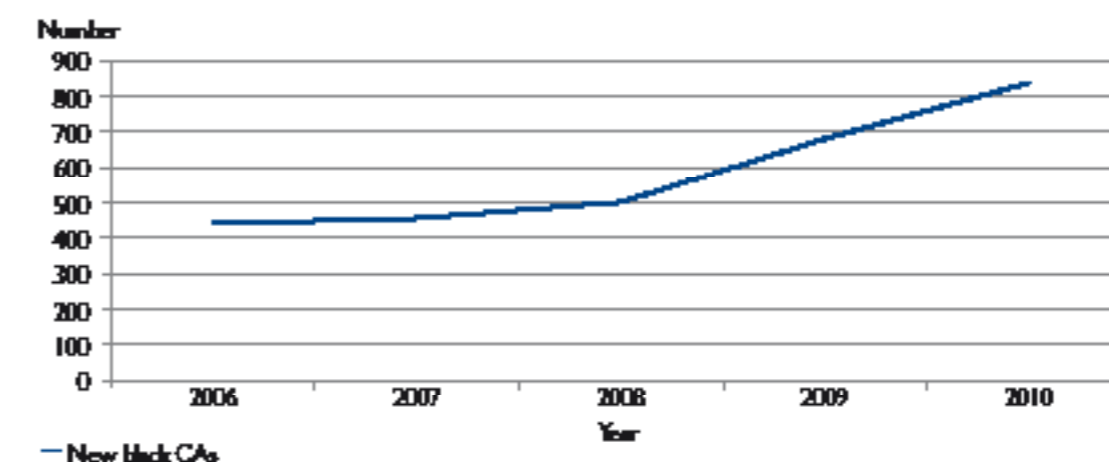
Chartered Accountants

SAICA is building capacity to quicken the flow of Chartered Accountants into the economy to meet market needs and SAICA's growth objectives.

The profession established the CAs' Eden Trust in the late 1980s to raise funding for bursaries for black CA(SA) candidates. In 2002 the SAICA Board realised that the profession had to do more to increase the pipeline of candidates and the number of black CAs(SA) qualifying. It accordingly established the Thuthuka Education Upliftment Fund and upgraded the CAs' Eden Trust into the Thuthuka Bursary Fund. Through the Thuthuka programmes the profession was able to raise more funds from members, business and government and created a highly efficient and widely acclaimed programme which is delivering growing numbers of qualified black CAs(SA) to the industry.

SAICA intends expanding its undergraduate programme to three additional universities in the next three years. During the year meetings were held with these universities to agree on programmes and schedules. To meet the accreditation requirements, each university will need approximately R75 million to upgrade the existing facilities and acquire appropriate lecturing staff. Funding proposals have been submitted to potential funders. A detailed status report on one university was completed during the year and a second university report is in progress. During the year Monash University was accredited to deliver the undergraduate programme and expects to graduate an additional 50 to 100 students per year into the pipeline. Discussions were held with two accredited universities with a view to expanding their accounting student capacity.

New black CAs(SA)





The Thuthuka Bursary Fund attracted sufficient funding resources to award 400 new bursaries for 2011, compared with 300 in 2010.

It is also important to expand training capacity to cater for the increased number of candidates flowing from education providers. As seen in the previous table, the number of trainees under contract has not increased in the past five years, although these numbers remain high. A major factor was the uncertainty about the effect of the incoming Companies Act on auditors. Now that this has been resolved to a large extent it is likely that practising firms will feel more comfortable about the future. In addition we believe they will expand their consulting and assurance activities and as a consequence will take on more trainees in the future. Whilst SAICA continues to work with the private sector to expand training capacity, the greatest need and opportunity exists in the public sector, where there is a dire need for financial skills. SAICA and the National Treasury established training offices in Cape Town, Johannesburg and Ekurhuleni this year.

Another important transformation element is balancing the profession's gender balance. The percentage of woman CAs(SA) continues to grow consistently by one additional percentage point each year. At the end of 2010, 29% of the membership was female. New members are now equally split between the genders, female entrants into the profession averaging a consistent 50%.

Other accountancy tiers

SAICA established a joint venture with the Association of Accounting Technicians (AAT) from

the United Kingdom in 2008 to provide technician-tier accounting skills for the public and private sectors.

The AAT(SA) now has over 3 000 members and students and its target of 1 500 new students for 2010 was met. Discussions have begun with further education and training (FET) colleges in South Africa to accredit schools to qualify accounting technicians (AATs(SA)). In addition favourable discussions have taken place with a funder to assist students financially while on the FET programme. Although the qualification has been well established, especially at local government level, a lot more needs to be done to ensure the long-term sustainability of the joint venture.

With the AAT(SA) programme in place, SAICA is investigating the feasibility of establishing a process to train intermediate level accountants to address skills shortages. Management presented recommendations to the Board in August 2010, to which the Board responded by calling for further research to be conducted in 2011.

Africa strategy

Discussions with five neighbouring countries were held during the year, as well as meetings with potential education providers and possible funders to help establish infrastructure in these countries. Three of these countries already use SAICA's qualifying examination, but SAICA plans to develop a more sustainable process covering all skill levels in these countries. It has also engaged with donor companies to fund students from those countries to join the Thuthuka programmes in South Africa.

were based on SAICA leadership initiatives, including sustainability, Thuthuka successes, enterprise development and integrated reporting.

A key outcome is to attract sufficient high-quality students to the CA(SA) programme. During the year intensive public relations campaigns were carried out to promote Thuthuka initiatives around the country. Media campaigns and projects conducted were:

- The 'NowiCAN' website for students launched in January
- Two multimedia campaigns 'Snap the Leader' and 'Maths4you' from March to October 2010
- Sponsorship of the South African Maths Olympiad, ending with the prestigious prizegiving ceremony in October 2010
- The CA(SA) career promotion in cinemas around the country called 'My Future, My Career'.

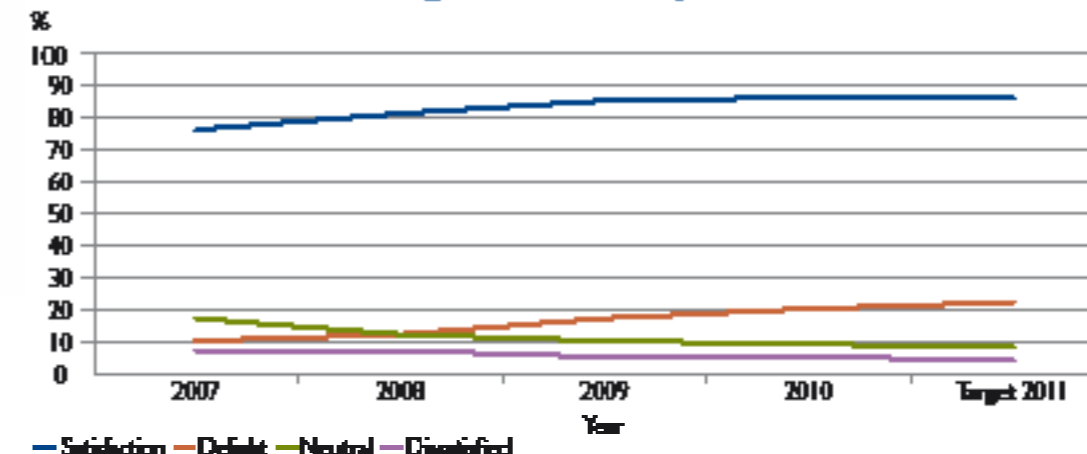
Much of SAICA's public relations effort goes into informing the public, business and government about SAICA's 'thought leadership' initiatives.

During 2010, campaigns were mounted around taxation, enhancement of accounting standards, Thuthuka successes, sustainability, integrated reporting, enterprise development and AAT(SA).

Member satisfaction and delight

Meeting the disparate needs of members is vitally important to the organisation. An independent research company (Ask Afrika) was engaged to survey members twice annually to ascertain satisfaction and delight ratings for services provided by SAICA. As can be seen from the following graph, satisfaction and delight levels rose over the past three years. The satisfaction rating at the end of 2010 was measured at 86%, which was 1% higher than the target of 83 – 85%. In addition, the delight rating of 20% (derived from member ratings of 9 and 10 out of 10) exceeded the target of 17 – 19% by 1%. These ratings are measured by region and by membership category and the results are used to determine priority areas for SAICA focus.

Member satisfaction and delight as measured by Ask Afrika



Another important initiative was to segment the member database to better understand the needs of individual members. Although members rate SAICA communications highly at 96%, members receive virtually all communications, which means that many receive irrelevant information. By segmenting the database, SAICA can target members with specific information. This project got underway in November and has received a warm response.

From the Member Satisfaction Index we have

detected a need to improve SAICA's query resolution processes. This aspect is consistently rated by members as the highest priority item. A project team is working to improve the IT systems and processes for dealing with queries. Staff members are being up skilled and a significant improvement in satisfaction levels is already apparent.

'Members in business' form by far the largest section of the membership and SAICA is upgrading services for this sector. A significant programme being developed is the Chief Financial Officer



Public relations and brand excellence

Media coverage generated by SAICA – as measured and valued by Newsclip

	2010 R'000	2009 R'000	2008 R'000	2007 R'000	2006 R'000
Media coverage	16 267	16 316	15 112	11 575	10 047
Electronic	8 969	8 605	10 206	7 134	5 029
Print	7 298	7 711	4 906	4 440	5 018

In 2010, SAICA issued 89 press releases dealing with various topics pertinent to the profession. Together with interviews with staff and members, these generated over R16 million in media coverage during the year, which is slightly lower than 2009 and our target of R17 million.

In an independent survey conducted by Ask Afrika in 2010, the CA(SA) brand was still rated the best recognised and most respected business designation in the country. During the year, we promoted the brand through traditional promotional campaigns and multi-media campaigns. Many media releases



Satisfaction survey among members resident in foreign countries.

(CFO) Forum. A key element of this service is the research being conducted among the top 40 CFOs to determine their key issues and how their skill-set requirements are changing. This research is being used to develop both the pre-qualification programme as well as Continuing Professional Development (CPD) offerings to members in business. During the year Professor Thea Voogt of the University of Johannesburg presented a research report – that was made available to members – to assist in planning their financial management programmes.

Number of participants

	2010	2009	2008	2007	2006
Total services taken up	41 353	45 120	38 877	36 798	45 223
Seminars and workshops	20 834	27 776	23 025	19 988	14 922
Events	10 672	10 290	10 025	10 172	16 583
Broadcasts	4 547	1 579	800	4 264	7691
E-learning	3 211	3 219	3 318	242	3 479

Communication sessions

	2010	2009	2008	2007	2006
Communication sessions	2 089	2 056	1 701	2 132	2 548

Click2Start

An important new service channel launched in February 2011 was the web-based 'Click2Start'. Its scheduled launch in the latter half of 2010 was delayed due to technical difficulties. The channel can be accessed through the SAICA website and is available free to members, who obtain CPD hours while watching it. Content presently consists of short videos of well-known individuals talking about leading-edge topics, but its content will be broadened in coming months. The channel will allow members to carry out learning activities at times convenient to them while recording their CPD hours. Click2Start also cuts down carbon emissions through unnecessary travel.

Tax faculty

As information volumes expand rapidly, it's clear that individuals cannot specialise in all aspects of the profession. By the same token, members specialising in specific areas require higher levels of service and networking. SAICA is working to accommodate these needs and a delegation visited institutes in Great Britain and Ireland to assess what institutes there are doing. SAICA is considering launching a

SAICA events in 2010

The table below shows the number of participations by members and other professionals in SAICA activities. The total attendance for 2010 is 8% lower than 2009, but attendance was affected significantly by the staging of the Soccer World Cup in South Africa. Attendances prior to the World Cup were poor and no events were scheduled during it. Participation picked up strongly after the World Cup.

Member rewards: discounted products and services

A new service line was launched in 2010 that endeavours to leverage the buying power of Chartered Accountants as a group. SAICA has done this in the past with special deals on cars and computers, but the new affinity programme will include a wider range of products and services. Some of the products were made available in 2010, including discounted membership of the Automobile Association (AA) and IT rentals. Additional products will be added in 2011.

Improved services to overseas members

Five years ago SAICA established a regional committee in the United Kingdom (UK). That Committee now provides a valuable advisory service to members in the UK and a wide range of CPD offerings. During the year the CEO led a delegation to Australia to engage with members on possibly creating a similar body to service member needs in Australia. A formal regional committee will be put in place there during 2011.

In November 2010 Ask Africa for the first time

conducted a member satisfaction survey among members resident in foreign countries. The overall level of satisfaction recorded was 52% and the level of delight 13%. This is well below the levels achieved for members resident in South Africa, which were 86% and 20% respectively. Management had expected the foreign results to be lower than the South African results due to the difficulty of offering similar service levels in other countries. The research provided numerous pointers for how services can be improved, although it also revealed that overseas members were not fully aware of all the available services. Management will be working with the member representative bodies to address the issues raised and to work towards improved satisfaction ratings.

Leadership in corporate reporting and accounting standards

During March 2010, the JSE made it compulsory for listed companies to apply the King Code on Governance for South Africa (King III), or explain why they haven't. This meant that all companies listed on the JSE would have to produce integrated reports for financial years beginning 1 March 2010 – yet no standards or guidelines existed in South Africa or elsewhere in the world. SAICA met with other representative organisations including the JSE, BUSA, the Association for Savings & Investment SA (ASISA), the Banking Association, the Computer Society of South Africa (CSSA) and the Institute of Directors (IODSA) to form a body to develop guidance. This resulted in the formation of the Integrated Reporting Committee of South Africa (IRC) in May 2010, chaired by Professor Mervyn King. The Committee formed a working group which was given the task of drafting a discussion paper by December 2010. This deadline was met and the IRC published the discussion paper in January 2011 – the first such guidance document to appear anywhere in the world. SAICA played a leading role in developing this discussion paper and the international paper scheduled to be published in June 2011. The concept of integrated reporting is gathering speed around the world and resulted in the formation of the International Integrated Reporting Committee in May 2010.

SAICA's involvement in enhancing corporate reporting continues on a number of fronts. It

continues to support the eXtensible Business Reporting Language (XBRL) initiative through hosting XBRL South Africa and promoting the use of XBRL with larger companies and regulators. The Johannesburg Stock Exchange (JSE) now receives company filings in an XBRL format. SAICA also continues to make submissions on new Financial Reporting standards to the International Accounting Standards Board. During the year comments were received on the proposed third tier of accounting standards – often referred to as 'micro-gaap'. These comments have now been assessed and a proposed standard will be submitted to the Accounting Practices Committee later this year. This standard, when issued, will provide the final piece in the accounting standards "jigsaw", as all entities should then have sets of standards appropriate to them. These will range from IFRS to small entity standards. South Africa will be the first country to have achieved this framework, having done the pioneering work.

SAICA's Standards Division has an ongoing strategic duty to review proposed standards and legislation with various committees and working groups.

SAICA submissions made during the year

Standard – setting bodies (28 international)	31
South African Revenue Services	28
Drafters of legislation	7
Total	66

The work done by these committees and working groups conveys the profession's views on issues, although with the public interest in mind. For example, submissions made to Parliament on the new Companies Act were to ensure that the new legislation is workable.

The B-bBEE Charter for Accountancy is launched

A major leadership initiative for SAICA has been the creation of a Broad-based Black Economic Empowerment Charter (B-bBEE) for the profession. The Association of Black Accountants of South Africa and the Association of Women Chartered Accountants played vital roles in bringing about the final agreement. The Charter was signed by the Minister of Trade and Industry in March 2011. The CA Charter is a milestone, as it will facilitate greater empowerment of black people in the profession.

The final piece in the accounting standards "jigsaw".



The concept of integrated reporting is gathering speed around the world.



Thuthuka programmes

SAICA has run its successful Thuthuka programmes for eight years. These programmes are designed to develop and qualify more black Chartered Accountants and are integral to SAICA's growth strategy.

The Thuthuka Education Upliftment Fund (TEUF) works to increase the number of disadvantaged learners entering the pipeline of prospective CAs(SA). This initiative has interventions at school, under-graduate, postgraduate and QE support levels.

The Hope Factory

The Hope Factory continues to train unemployed individuals in business and technical skills. In 2010,

128 individuals were trained bringing the total to over 800 so far. Some 78% of these individuals were placed in jobs by March 2010. The Hope Factory offer opportunities for firms and companies to make contributions and achieve points for B-BBEE scorecards in enterprise development. The Hope Factory collected R11,4 million in 2010, which was double the R5,6 million collected in 2009. This money is ploughed back into expanding the development of more unemployed people.

Financial management for municipalities

Over the past five years SAICA, together with the Gauteng Provincial Government and the Development Bank of Southern Africa's Development Fund have run a project using the experience of CAs(SA) to assist in building financial

management capacity in local authorities in Gauteng. In 2010 discussions with the National Treasury and the Department of Higher Education and Training (DoHET) resolved that capacity building was needed in municipal middle management. SAICA consequently put together a three-year programme to build middle management capacity at municipalities around the country. This programme is being funded by the DoHET's National Skills Fund.

Human Resources

Attraction and retention of skills

SAICA conducted an organisational structure review during 2010 with the Management Committee to identify SAICA's staffing requirements for the foreseeable future. A service provider was appointed to assist in developing an Employee Value Proposition geared at enhancing employee engagement and ultimately improving SAICA's image as an employer of choice.

Staff turnover rates have averaged approximately 15% over the years, which is higher than desirable. SAICA lost 22 employees in 2010. To try and mitigate this risk, SAICA now proactively conducts 'stay-in' interviews rather than exit interviews, as the data provided by exit interviews was not considered to be conclusive.

Skills development

In 2010 SAICA developed a more structured skills development process that recognises the specific competencies at administrative, management and leadership levels that SAICA requires to deliver its strategy. The intention is to implement customised and holistic development of individual employees.

Succession planning and leadership

Succession planning assures business continuity in terms of the critical skills required. SAICA has embarked on this process and is now mapping a clear path in terms of having replacements readily available for key and critical roles. A critical pool of future leaders has been identified across the business. This process has allowed the HR function to more systematically identify and manage talent in the company. An action plan has been developed to ensure that the identified training needs are met through various interventions such as:

- On-the-job training
- Leadership training
- Coaching and mentoring.

Remuneration philosophy

SAICA's current remuneration structure is based on a philosophy of remunerating at or around market

averages. SAICA recently reviewed its remuneration structure with a view to introducing more flexibility to its pay scales.

Values workshops

Values are a critical component of any organisation's success. SAICA schedules workshops for staff on SAICA's values and how to conform to these in the SAICA environment.

Environmental performance

In 2010 SAICA measured certain environmental impacts for the first time. These included water consumption and CO₂ emissions resulting from business travel, electricity usage and generation. Measurements were carried out by Business Performance Systems, based on usage figures provided by management. The figures include consumption recorded in South Africa-based offices and include SAICA and its controlled companies. The direct impact of the SAICA Group on the environment is relatively small, however we have not yet attempted to measure the indirect impact of seminars and events organised by SAICA.

Environmental impact in 2010

Water consumption	2 553 kilolitres
Greenhouse gas emissions	2 871 tonnes

To put these consumption figures into context, the water consumed would fill an Olympic-sized swimming pool and amounts to over 40 litres per day per employee, which is well above accepted norms for offices. This consumption figure however was significantly distorted by building operations being conducted in the adjacent Maneo building (renamed 'Integritas II') at the time. In addition because of the volume of members attending meetings and seminars at SAICA, the consumption levels are likely to be higher than those recorded for general offices. Accordingly SAICA will need to establish a more appropriate benchmark and manage usage in line with that benchmark. Emissions generated and released into the atmosphere would fill a sports stadium with a capacity of 60 000 people. To offset these emissions, SAICA would need to plant 2 610 or four hectares of trees.

The secretariat has established an internal sustainability committee that is helping employees to become more aware of economic, social and environmental issues and the need to conserve resources. The committee advised the building committee on building materials and design for the renovation of Integritas II. It is also organising

The SAICA outreach



During the year SAICA reached out to many different stakeholders. This diagram shows some of these programmes.



recycling and other procedures to reduce SAICA's environmental impacts. SAICA's water consumption levels are presently too high in terms of South Africa's water-stressed environment; therefore the sustainability committee is finding ways of improving consumption. The committee is also assisting management to set consumption targets for the future.

Financial performance

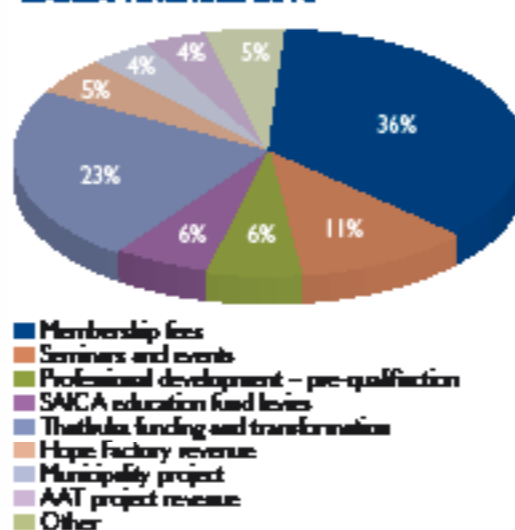
The information presented below is in a summarised format. Copies of the Group Annual Financial Statements can be accessed from the SAICA website at <https://www.saica.co.za>

Revenue

Group revenue increased by 4% in 2010. This lower than anticipated growth was driven by a 26% (R14,9 million) decline in funding for Thuthuka projects. This decline is reflected in the financials of the Thuthuka Education Upliftment Fund and results from various contracts coming to an end, either during the year or in the prior year. SAICA's revenue grew by 7% (R13,5 million) during 2010, driven largely by an increase in the number of new members joining in the period and better than expected attendances at seminars and conferences in 2010 but still lower than the attendance in 2009. New members joining exceeded 2 225 for the first time ever, compared to prior year averages of 1 600. This was partly due to an intensive campaign conducted by the secretariat and regions to encourage eligible persons to become members. Group revenue climbed by an additional R5,6 million (81% increase) due to revenue from The Hope Factory.

Group revenues	2010 R'000	2009 R'000
Membership fees	106 321	91 663
Seminars and events	32 205	33 134
Professional development – pre-qualification	18 039	16 424
SAICA education fund levies	20 170	9 059
Thuthuka funding and transformation	65 517	80 473
Hope Factory revenue	13 073	7 239
Municipality project	10 551	13 336
AAT project revenue	11 999	7 226
Other	15 004	14 173
	292 879	282 727

SAICA revenues 2010



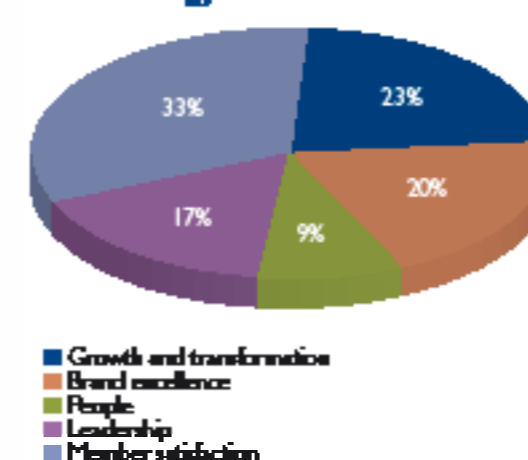
Expenditure

Group expenditure declined by 1% year-on-year, driven by the reduction in activity in the Thuthuka Education Upliftment Fund. SAICA expenditure grew by 3% year-on-year, which was below inflation at about 4% and partly reflected SAICA's cost-saving measures.

Total Group expenditure for the 2010 year is set out in the following table. Direct costs are costs directly attributable to the delivery of services such as examinations, seminars and events. Strategic costs are the investments made in the five strategic objectives discussed throughout this report. The accompanying pie-charts show the proportion of strategic costs and staff costs that apply to each of the strategic areas. The staff cost pie-chart also shows the proportion of staff costs relating to support services.

Total annual Group spend	2010 R'000	% growth	2009 R'000
Direct costs	126 497	(10)	141 197
% of total	45		50
Strategic costs	64 159	17	54 682
% of total	23		19
Staff costs	72 162	1	71 105
% of total	26		25
Other	16 494	1	16 379
% of total	6		6

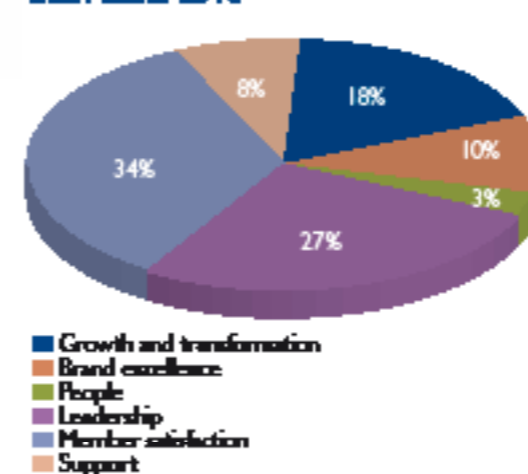
Total spend 279 312 2010 strategy 283 363



Strategic expenditure is weighted heavily towards member service delivery, brand excellence and growth and transformation of the profession, which is consistent with SAICA's stated strategy. Strategic expenditure increased in 2010, as discussed in the Chairman's report on SAICA's new, longer-term strategy. Expenditure patterns show greater emphasis on delivery of strategy and member value.

Staff costs follow strategic expenditure:

Staff costs 2010



Surplus for the year

The Group surplus for the year was R19,6 million (2009: R5,1 million). SAICA's contribution of R12 million to the surplus resulted from increased revenues and below-inflation increase in expenses. The remainder of the surplus was generated primarily from the Hope Factory (R3,6 million), the

Thuthuka Education Upliftment Fund (R2,8 million) and the Thuthuka Bursary Fund (R1,1 million). The surpluses generated from and the reserves available in these entities are ring-fenced for specific socio-economic development initiatives already in place.

Reserves and cash balances

Institute

SAICA's reserves (Institute only) ended the year on R86 million (R64 million: 2009). The increase of almost R22 million in reserves (year-on-year) included R11 million from the revaluation of the property owned and occupied by the Institute in Bruma, Johannesburg. Approximately R8 million of the total reserve is for the SAICA Education Fund (SEF). These funds are ring-fenced for specific education initiatives. Of the total reserve of R86 million, R60 million relates to activities of the Institute itself.

SAICA's cash balance (Institute only) at the end of December 2010 amounted to R95 million (R66 million: 2009). Of the increase of R29 million (year-on-year), approximately R15 million was from subscriptions received in advance. The remainder of the increase is consistent with the surplus generated in the Institute for the year.

The Institute seeks to maintain its reserves at a healthy level. In the context of an Institute, 'healthy' is a difficult concept to define, although SAICA traditionally maintains reserves at a proportion of committed expenditure. Staff costs and strategic expenditure amounted to R136 million per annum (committed expenditure). The R60 million reserve amounts to 44% of committed expenditure, which by all accounts is a fair level of reserve in any organisation.

Group

Group reserves ended the year at R103 million (R73 million at the end of December 2009). The added reserve of approximately R17 million relates to the TEUF, TBF and Hope Factory entities. As mentioned earlier, these reserves are ring-fenced for socio-economic initiatives.

Set out below are the summarised annual financial statements for the year ended 31 December 2010 which are derived from the audited annual financial statements for the year ended 31 December 2010. To view the audited annual financial statements follow this link – <https://www.saica.co.za>

Statements of financial position

at 31 December 2010

	Note	Group		Institute	
		2010 R'000	2009 R'000	2010 R'000	2009 R'000
ASSETS					
Non-current assets	2	63 326	46 517	65 070	48 498
Current assets	3	125 454	92 500	106 599	76 332
Total assets		188 780	139 017	171 669	124 830
RESERVES AND LIABILITIES					
Reserves	1	102 680	72 680	86 476	64 330
Non-current liabilities		1 130	973	–	–
Current liabilities		84 970	65 364	85 193	60 500
Total reserves and liabilities		188 780	139 017	171 669	124 830

Statements of comprehensive income

for the year ended 31 December 2010

	Group		Institute	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
Revenue	292 879	282 727	201 491	188 033
Expenditure	(279 312)	(283 363)	(195 742)	(189 330)
Operating surplus/(deficit)	13 567	(636)	5 749	(1 297)
Net finance income	5 396	5 349	5 336	4 872
Other	(85)	(230)	(61)	(121)
Surplus for the year	18 878	4 483	11 024	3 454
Other comprehensive income for the year	712	642	712	642
Total comprehensive income for the year	19 590	5 125	11 736	4 096

Statements of cash flows

for the year ended 31 December 2010

	Group		Institute	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
Operating cash flow before working capital changes	19 636	3 916	11 860	2 617
Working capital changes	23 776	5 836	24 811	8 999
Net cash flow from operating activities	43 412	9 752	36 671	11 616
Net cash flow from investing activities	(6 444)	(11 663)	(7 919)	(12 584)
Net cash flow from financing activities	157	99	–	(35)
Net increase/(decrease) in cash and cash equivalents	37 125	(1 812)	(28 752)	(1 003)
Cash and cash equivalents at the beginning of the year	69 954	71 766	66 238	67 241
Cash and cash equivalents at end of year	107 079	69 954	94 990	66 238



Notes to the abridged financial statements

for the year ended 31 December 2010

Approval of the integrated report



	Group		Institute	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
1 Reserves				
Revaluation reserve	15 711	5 145	15 711	5 145
SAICA Education Fund	7 555	7 246	7 555	7 246
Fair value reserve	3 054	2 616	3 054	2 616
Pension Fund Reserve	–	(113)	–	(113)
Accumulated Funds – SAICA	60 168	49 553	60 156	49 436
Thuthuka Education Upliftment Fund	2 844	–	–	–
Thuthuka Bursary Fund	8 859	7 765	–	–
AAT(SA)	(300)	(730)	–	–
Hope Factory	4 789	1 198	–	–
Balance at 31 December 2010	102 680	72 680	86 476	64 330
2 Analysis of non-current assets				
Property, plant and equipment	47 883	32 996	47 427	32 777
Intangible assets	11 622	10 138	11 622	10 138
Investments	3 821	3 383	3 821	3 383
Investment in joint venture (AAT(SA))	–	–	914	914
Investment in controlled entity (The Hope Factory)	–	–	1 286	1 286
	63 326	46 517	65 070	48 498
3 Cash and cash equivalents included in current assets				
Cash at bank and on hand	32 271	13 104	20 182	9 388
SAICA	20 182	9 387	20 182	9 388
The Hope Factory	4 288	411	–	–
Thuthuka Bursary Fund	5 867	1 820	–	–
Thuthuka Education Upliftment Fund	1 701	1 232	–	–
AAT(SA)	233	254	–	–
Call deposits	16 239	43 210	16 239	43 210
SAICA	16 239	43 210	16 239	43 210
Term deposits	58 569	13 640	58 569	13 640
SAICA	58 569	13 640	58 569	13 640
Total cash and cash equivalents	107 079	69 954	94 990	66 238

The Board acknowledges its responsibility to ensure the integrity of the integrated report. The Board has accordingly applied its collective mind to the integrated report in order to address the material issues and believes it fairly presents the integrated performance of the organisation and its impacts. The integrated report has been prepared in line with the best practice pursuant to the recommendations of the King III Code. The Board acknowledges that integrated reporting is in its infancy and that the report will improve over time as practice evolves.



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