



The South African Institute of Chartered Accountants

EDUCATION FUND RULES

These rules and regulations of the Education Fund were adopted by the SAICA Education Fund Committee and approved by the Board of The South African Institute of Chartered Accountants on 1 December 2005.

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Please note: All reference to male gender includes female gender as well

GENERAL RULES

1 DEFINITIONS

In this document, unless the context otherwise indicates —

- 1.1 “Accredited education institution” means an institution that has been accredited by SAICA’s Education Committee to offer a CTA or equivalent based on the accreditation criteria as determined by SAICA’s Education Committee;
- 1.2 “ATO” means an Approved Training Organisation and refers to an organisation in commerce and industry or public practice or the public sector that is approved by and registered with SAICA as an office where prospective CAs specialising in financial management may be trained;
- 1.3 “CA” means a Chartered Accountant who is registered as such with SAICA;
- 1.4 “CTA” means a Certificate in the Theory of Accountancy which is a generic term that encompasses all approved courses based on the prescribed syllabuses offered by accredited education institutions and refers to a qualification conferred by an accredited education institution and recognised by SAICA as a prerequisite for admission to Part I of its QE;
- 1.5 “Department” means the unit at an accredited education institution responsible for the delivery of the CTA or equivalent;
- 1.6 “Discretionary subventions” means subventions of which the amounts may vary from year to year;
- 1.7 “Education” includes a reference to training;
- 1.8 “Guaranteed subventions” means subventions payable to education institutions with the undertaking that each subsequent year’s guaranteed subvention amount shall be at least equal to that paid in the previous year unless notice of discontinuation or reduction was given five months before commencement of an academic year;
- 1.9 “Head of department” means the head of an accredited unit;
- 1.10 “LSC” means a Local Subvention Committee and refers to a committee established annually in terms of these rules to assist and make recommendations to SEFCO regarding the division of provisionally allocated subvention funds to members of staff at the accredited institution for which the committee is established;
- 1.11 “Prescribed syllabuses” means syllabuses prescribed by the Education Committee of SAICA for purposes of the CTA or equivalent;
- 1.12 “QE” means the qualifying examination set by SAICA as a prerequisite for registration as a CA;
- 1.13 “RTO” means a Registered Training Office and refers to a registered auditor (individual or firm) in terms of the *Auditing Profession Act, 2005* (Act 26 of 2005) or the Office of the Auditor-General that

is approved by and registered with SAICA as an office where prospective CAs specialising in auditing may be trained;

- 1.14 “SAAA” means the Southern African Accounting Association;
- 1.15 “SAICA” means The South African Institute of Chartered Accountants;
- 1.16 “SEFCO” means the SAICA Education Fund Committee, which is appointed annually by the Board;
- 1.17 “Subvention” means supplementation of the remuneration of education institutions’ teachers of accounting and related subjects, in the manner provided for by these rules, including subventions withheld in terms of these rules. Subvention may have the effect of increasing a specific recipient’s income above the maximum of the relevant institution salary scale;
- 1.18 “The Fund” means the SAICA Education Fund established by SAICA for the purposes described in these rules; and
- 1.18 “Transformation” means the development of fair representation in terms of gender and race within the accounting profession.

2 PURPOSE OF THE FUND

- 2.1 The Fund has been established to –
 - 2.2.1 raise finance for the maintenance and development of standards of education and training for chartered accountants,
 - 2.2.2 ensure that the education and training requirements of SAICA remain on a par with the standards of its reciprocal partners, and
 - 2.2.3 contribute to the achievement of SAICA’s transformation targets.

3 REVENUE OF THE FUND

- 3.1 The revenue of the Fund is provided as follows:
 - 3.1.1 Mandatory payment to SAICA of an annual education levy (SEF levy) for the account of the Fund, by each registered training officer on behalf of all partners or directors of an ATO/RTO, in respect of each registered trainee accountant serving in that ATO/RTO (see paragraph 3.3.2 below);
 - 3.1.2 Income earned on the investment of the SEF’s surplus cash resources;
 - 3.1.3 Donations to the SEF and any other amounts received by the SEF for education purposes.
- 3.2 SAICA is not obliged to disburse all the revenue derived in any particular year, but may at its discretion carry forward any balance on the SEF account, as it deems appropriate.

3.3 SAICA Education Fund Levy

- 3.3.1 The annual SEF levy and penalties are determined and made public by SAICA from time to time.
- 3.3.2 A maximum of one SEF levy is payable in respect of each trainee accountant in respect of each completed year or part thereof served under a training contract registered with SAICA.
- 3.3.3 The first annual SEF levy in respect of each trainee accountant shall be payable when the trainee's contract is registered by SAICA. Subsequent levies shall be payable by no later than 31 January of each year in respect of each trainee on SAICA's register on 1 January of that year, for as long as the contract remains registered with SAICA, until the required number of levies are paid in terms of 3.3.2 above.
- 3.3.4 No part of an SEF levy will be refundable when a training contract is transferred or cancelled unless payment was not due in terms of these rules, or unless SEFCO, in its absolute discretion, waives payment.
- 3.3.5 In the event of a transfer the refunding of any portion of SEF levies paid will be a matter between the transferee training officer and the transferor training officer.
- 3.4 Failure by ATO/RTO to pay to SAICA any annual SEF levy by 31 January of each year will render it liable for payment of such penalties as determined and published by SAICA from time to time. Failure to pay SAICA any annual SEF levy may also be deemed by SAICA to constitute improper conduct.

4 DISBURSEMENT OF THE FUND

- 4.1 To ensure the achievement of the Funds' objectives, the following are funded from the Fund:
 - 4.1.1 A subvention scheme for teachers of accounting and related subjects at accredited education institutions;
 - 4.1.2 Financial assistance to South African education institutions for the promotion of the teaching of accounting and related subjects;
 - 4.1.3 Education-related projects and initiatives that will contribute towards SAICA achieving its transformation targets; and
 - 4.1.4 Expenditure of an education nature (including an equitable proportion of the costs of SAICA's Education and Training unit as it relates to the management and administration of the SEF).

4.2 Guidelines for the disbursement of the fund

The guidelines for disbursement of SEF funds should be in the order of the following:

Percentage

- 4.2.1 **Subvention of salaries**
Not less than - 62%
of all monies received in the fund (levies, interest income and other monies donated to the fund)
- 4.2.2 **Initiatives to ensure achievement of transformation targets (excluding the Thuthuka Education Upliftment Project)**
Not less than - 10%
of SEF levies collected (excluding interest and other income)
- 4.2.3 **Education nature**
- 4.2.3.1 Administration of fund to be transferred to Education and Training unit
A fixed percentage of -
of SEF levies collected (excluding interest and other income) 10%
- 4.2.3.2 SEF committee expenses, curriculum development expenses, research journal, publication of education and training reports, SAAA, research funding and any other such items relating to the improvement of education and training standards.
Not more than -
of SEF levies collected (excluding interest and other income) 10%
- 4.3.3.3 Specific allocations to the Thuthuka Education Upliftment Project Fund as the Committee deems necessary
- 4.2.3.4 Any other expense of an education nature that the committee deems necessary from time to time
- 4.2.4 The SEF committee is not obliged to disburse all the revenue derived in any particular year, but may at its discretion carry forward any balance on the SEF account as it deems appropriate.
- 4.2.5 The total accumulated surplus of the fund may not exceed R1 million at the end of the year, excluding funds withheld in terms of the rules for possible distribution at a later stage, unless the surplus is approved by the SAICA Board.

5 THE SOUTH AFRICAN INSTITUTE OF CHARTERED ACCOUNTANTS' EDUCATION FUND COMMITTEE (SEFCO)

5.1 Constitution and functioning of the SEFCO (Refer to annexure 1 for the annual subvention programme)

- 5.1.1 The SEFCO consists of at least seven members, namely –
- a representative of SAICA's Board who will be chairperson of the committee;
 - the incumbent Chairperson of the Education Committee of SAICA;
 - the incumbent Vice-Chairperson of the Education Committee of SAICA;

- two representatives of the Thuthuka Board of Directors, one of which must be the chairperson of that Board; and
 - two members of the secretariat.
- 5.1.3 The representative of SAICA's Board, or, in his/her absence the Chairperson of the Education Committee of SAICA acts as Chairperson of SEFCO.
- 5.1.4 Secretarial support for SEFCO will be provided by SAICA.
- 5.1.5 All information divulged to persons attending meetings is strictly confidential, particularly details of subvention formulae and academics' salaries.
- 5.1.6 The chairperson of SEFCO determines when SEFCO meetings will be held, but the Committee must meet at least twice per annum.

6 MANAGEMENT AND ADMINISTRATION OF AND ACCOUNTING FOR THE FUND

- 6.1 The Fund is managed and administered by the Accountancy Development Unit of SAICA through SEFCO, to which the Board has delegated all necessary discretionary powers to manage and administer the Fund, subject to the subvention rules.
- 6.2 The revenue, expenditure, assets and liabilities, if any, of the Fund are included and accounted for separately in the financial statements of SAICA.

SUBVENTION RULES

DISBURSEMENT OF FUNDS

To ensure the achievement of the funds' objectives, a subvention scheme for teachers of accounting and related subjects at accredited education institutions is funded from the fund.

1 THE OBJECTIVES OF THE SUBVENTION SCHEME ARE TO -

- assist education institutions in attracting and retaining suitably qualified teachers of accounting and related subjects by reducing the gap between education institutions' remuneration structures and those in the private sector;
- encourage education institutions to increase the numbers of their graduates (specifically individuals from SAICA's transformation target groups) in accountancy, thereby producing more chartered accountants;
- enhance the status and improve the standards of accountancy education in general by providing financial support to those education institutions and departments of that qualify for subventions in terms of these rules; and
- encourage education institutions to implement the highest possible levels of differentiated salary structures for teachers of accounting and related subjects.

The formula has been designed on an outcomes basis. The more chartered accountants qualifying from an accredited educational institution the more funding such an institution will receive.

2 SOURCES OF SUBVENTION FUNDS

- 2.1 Subventions are paid annually from funds made available by SAICA from the SEF and by any other person or organisation for this purpose.

3 CRITERIA TO BECOME AND REMAIN AN ACCREDITED AND SUBVENTED INSTITUTION

- 3.1 Accreditation is a condition for subvention but an institution may be accredited without being subvented.
- 3.2 The criteria for accreditation are periodically established by the Education Committee of SAICA and final approval or withdrawal of accreditation is approved by the Education Committee of SAICA.

- 3.3 Once an institution is an accredited and subvented institution the members of that institution will be required to act in such a manner so as not to bring the profession into disrepute. Where SEFCO is of the opinion that the profession has been brought into disrepute due to actions of such an institution or a member or members of that institution, SEFCO will have the right to withhold any or all such subventions payable to the institution or a member or members of that institution.

4 CATEGORISATION OF ACCREDITED EDUCATION INSTITUTIONS

- 4.1 For purposes of determining how much an education institution will receive as a subvention, accredited universities are categorised into categories A to D in terms of a formula contained in annexure 4.
- 4.2 The categorisation formula is confidential and made available only to those persons who attend SEFCO and Local Subvention Committee (LSC) meetings.
- 4.3 Categorisation of universities for purposes of the chartered accountant designation is based on the following elements which have different weightings in the formula:
- (a) Passes in a third year accounting course of a type acceptable to the Education Committee of SAICA, in the preceding three years;
 - (b) CTAs awarded in the preceding three years;
 - (c) First attempt passes in Part I of the QE of holders of CTAs of the institution, in the preceding three years; and
 - (d) Second attempt passes in Part I of the QE in the preceding three years.
- 4.4 A downward regrading shall not take effect in the first year during which an education institution qualifies for a subvention amount of less than the amount guaranteed at the end of the previous year. The effect shall be postponed to the following year, subject to rule 4.5 below being invoked in the event of an upward regrading in that following year.
- 4.5 When an accredited institution qualifies for a higher category it shall immediately qualify for subventions for the higher category despite any guarantee for a lesser amount.

5 CALCULATION OF ANNUAL SUBVENTIONS (*Refer to annexure 2*)

- 5.1 Subvention amounts are considered annually by SEFCO in terms of formulas periodically determined.

6 RULES RELATING TO LOCAL SUBVENTION COMMITTEES

- 6.1 The composition of the LSC for each accredited education institution shall be as follows:
- 6.1.1 A member of SAICA's Education Committee, normally the member who regularly liaises with that institution, who shall act as convenor and Chairperson of the LSC;
- 6.1.2 The Head of the Department of Accounting (or equivalent department named differently);
- 6.1.3 A senior representative of the institutions' administration nominated by the Principal of the institution at the request of the chairperson of the LSC or at the request of the Secretariat of SEFCO;
- 6.1.4 Two Registered Accountants and Auditors in full-time public practice in different firms in the area served by the institution who are appointed by the Chairperson of the LSC in consultation with the local Regional Association of Chartered Accountants; and
- 6.1.5 In the case of the University of South Africa, in addition to the two practitioners provided for in rule 6.1.4, two Registered Accountants and Auditors in full-time public practice and who represent small practices, appointed by the Chairperson of the LSC in consultation with the local Regional Association of Chartered Accountants.
- 6.2 The Chairperson of each LSC shall, as soon as possible after being called upon to do so, but not later than the date stipulated each year by SEFCO, convene a meeting of the LSC.
- 6.3 Without wishing to specify a quorum, SEFCO requests LSC Chairpersons to ensure where possible that all members specified above attend LSC meetings. Reasons for any member's absence must be given to SEFCO together with written confirmation that such member agrees to the decisions and recommendations of the LSC.
- 6.4 LSCs shall as far as possible, and subject to rule 6.5 below, make recommendations for the allocation of provisionally appropriated discretionary funds to key members of the department's staff, provided that no person's salary shall be subvented by more than two-thirds of his basic institution salary.
- 6.5 The following criteria serve as a guideline for the allocation of subventions:
- 6.5.1 Key members of staff will normally be the section heads (or their equivalents) for the main subject areas. Key being defined as cardinal, crucial, fundamental, pivotal to the teaching of accountancy.
- 6.5.2 In larger departments deputy section heads should also be considered.
- 6.5.3 In departments where younger lecturers who meet the criteria in 6.5.4 have been appointed, they should also be taken into account.
- 6.5.4 In recommending subventions to be paid to any individual, cognisance should be taken of
- competence as a lecturer;
 - maintenance of academic standards by the individual;
 - student relations;

- administrative duties and contribution;
 - assistance in the management of human resources;
 - contributions in the area of research;
 - time devoted to institution matters in general; and
 - time devoted to, and income derived from “outside work” as well as the benefits that the department derives from or the extent to which commitment to the department suffers from such outside work.
- 6.5.5 Lecturers who resign during the year to take up employment at another education institution teaching accounting and related subjects should receive a pro-rata subvention, based on completed semesters, from the university they leave.
- 6.5.6 Lecturers who resign during the year to enter the private sector should not receive any subvention for that year.
- 6.6 The Head of the Department shall not participate in the deliberations of the LSC regarding his own discretionary subvention.
- 6.7 SEFCO shall annually determine and advise the LSCs what portion of the total provisional appropriation may be allocated by an LSC to a separate fund under the control of the Head of the Department. The limit at present is 10% of the total appropriation to a maximum of R50 000. This fund may be utilised for attendance at seminars and conventions by members of the department; library needs and other specified needs that would help to improve the standard of Accountancy education. Annually at an LSC meeting the Head of Department must account to the LSC and SEFCO for amounts appropriated to such fund in the previous year or carried forward from earlier years. This fund will be known as the Head of Department Discretionary Fund.
- 6.8 The Chairperson of the LSC must ensure that minutes of the LSC meeting are kept and that a signed copy is submitted to the SEFCO Secretariat by no later than the date specified by SEFCO each year. (Refer to annexure 3 regarding matters to be covered in the minutes).

7 INVOLVEMENT IN OUTSIDE WORK

- 7.1 The Head of Department is required to discuss at the meeting of the Local Subvention Committee, the extent of the involvement of staff members within that department in outside work.
- 7.2 The Local Subvention Committee must ensure that those persons who are involved in outside work do so without compromising their work at the university and the tuition of students.

8 CLAIM TO GUARANTEED SUBVENTION

No individual member of staff of an accredited department shall have any claim to any portion of the subvention funds guaranteed to his department.

9 SUBVENTION OF A DEAN OF A FACULTY

Subvention of a professor shall cease in the year following his appointment as Dean of a Faculty. However, SEFCO may in its absolute discretion decide to continue such subvention on the basis of the professor's continued and active involvement in teaching and if the appointment as Dean is of a temporary nature. In exercising its discretion, SEFCO shall take cognisance of the recommendations of the LSC and the Education Committee of SAICA.

ANNEXURE 1

ANNUAL SUBVENTION PROGRAMME

The following programme is generally followed each year to determine the subvention amounts and for payment of subventions:

- 1 SEFCO meets at least twice per year, normally in August and October, to complete the tasks assigned to it in terms of these rules.
- 2 At the first ordinary annual meeting of SEFCO the committee -
 - determines which institutions are subventable;
 - confirms the categories of subventable institutions according to the category formula;
 - revises the scales for guaranteed subventions;
 - fixes the amounts of guaranteed subventions payable to subventable institutions for that year;
 - determines the amount available for additional subventions in that year;
 - fixes the amounts of additional subventions payable to subventable institutions for that year according to the formula for additional subventions;
 - approves final appropriations to all institutions for that year;
 - revises the limit for Head of Department Discretionary Funds;
 - fixes the deadline for submission of LSC minutes; and
 - gives instructions to LSCs.
- 3 Immediately following receipt of notification of amounts provisionally appropriated to institutions, LSCs meet to formulate recommendations to SEFCO for specific allocations to staff of the accredited departments of amounts provisionally appropriated to those departments.
- 4 At the second ordinary annual meeting of SEFCO the committee –
 - considers the SEF budget for the next year and makes recommendations to the Board regarding the budget;
 - recommends to the Board amounts for levies and penalties for late payment of levies for the next year;
 - finally allocates funds available for subvention in that year to accredited departments on the basis of LSC recommendations; and
 - determines the levels of guaranteed subventions for the following year.
- 5 During January to April of each year the Head of each accredited Department supplies to the Senior Executive: Transformation such statistical and other information as may be required for the application of these rules.
- 6 As soon as possible after each second ordinary annual meeting of SEFCO, but not later than mid November of each year, SAICA pays to accredited institutions their respective shares of that year's subventions.
- 7 Not later than 31 December of each year SAICA gives notice in writing to all accredited institutions of the guaranteed subventions to be paid in the following academic year.
- 8 Not later than 30 June of each year SAICA gives notice to the Heads of accredited Departments of any changes in categorisation and the manner in which it will affect guaranteed subventions in the following academic year.

- 9 Approximate dates for the annual subvention programme:
- 30 April - Heads of Departments to supply the Senior Executive: Transformation of SAICA with statistical and other information required by SEFCO,
 - June/July - Senior Executive: Transformation provisionally calculates subventions and grants,
- Senior Executive: Transformation gives notice to Heads of Departments of downward category changes, if any,
 - August - SEFCO holds first annual ordinary meeting to perform duties in terms of paragraph 4 of the constitution of SEFCO,
- SEFCO Secretariat, immediately after the abovementioned meeting, issues to LSC Chairpersons and Heads of Departments details of appropriations made to Departments and instructions to LSCs,
- Heads of departments prepare recommendations and submissions to LSCs and obtain outside work statements from subventable members of staff of the department,
 - August/Sep - LSCs convened by LSC Chairpersons to perform duties in terms of these rules,
- LSC Chairpersons submit LSC minutes to SEFCO Secretariat by specified deadline date,
 - October - SEFCO holds second annual ordinary meeting to perform duties in terms of Annexure A1.4 of the constitution and functioning of SEFCO,
- SEFCO Secretariat prepares final allocation schedules,
- SAICA pays subventions and grants to institutions,
 - November - Institutions pay subventions and grants to individuals,
 - December or earlier - SEFCO Secretariat issues to subventable institutions guarantees for minimum subventions payable in the following year.

**ANNEXURE 2
CALCULATION OF ANNUAL SUBVENTIONS**

1 Guaranteed subventions

Scales for guaranteed subventions are considered annually by SEFCO and, where applicable, increased by SAICA on the recommendation of SEFCO.

2 Discretionary subventions

2.1 Discretionary subventions are calculated in accordance with the formula contained in Annexure 5.

2.2 The discretionary subvention formula is **CONFIDENTIAL** and is only made available to those persons who attend SEFCO or LSC meetings. These persons may not disclose details of the formula to any party outside a SEFCO and LSC meeting.

2.3 The discretionary subvention formula for education institutions accredited for purposes of the chartered accountant qualification contains the following elements which have different weightings in the formula:

2.3.1 Part A:

- First attempt passes in most recent QE Part I
- Second attempt passes in most recent QE Part I

Education institutions other than distance education institutions must achieve a 50% pass rate for first attempt candidates in Part I of the QE to qualify for the “first attempt” allocation.

Distance education institutions must achieve the following pass rates in Part I of the QE to qualify for the “first attempt” allocation:

2006	:	40%
2007	:	45%
2008 and thereafter	:	50%

2.3.2 Part B:

- First attempt African and Coloured passes in the most recent QE Part I
- Second attempt African and Coloured passes in the most recent QE Part I.

Education institutions other than distance education institutions have to achieve the following pass rates for first attempt Coloured and African candidates in Part I of the QE to qualify for the 60% (first attempt) allocation:

2006	:	40%
2007	:	45%
2008 and thereafter	:	50%

Distance education institutions have to achieve the following pass rates for first attempt Coloured and African candidates in Part I of the QE to qualify for the 60% (first attempt) allocation:

2006	:	30%
2007	:	35%
2008	:	40%
2009	:	45%
2010 and thereafter	:	50%

- 2.4 Provisional appropriation of discretionary subventions is made annually from the balance of the distributable amounts made available from the SEF after deduction of the provisional allocation for guaranteed subventions.

ANNEXURE 3

MATTERS TO BE COVERED IN THE LSC MINUTES

The following matters must be covered in the LSC minutes:

- 1 Details of the date and time of and venue for the meeting.
- 2 Details of attendances or absences. In the latter case absent members should confirm their agreement with the decisions and recommendations of the meeting, preferably on the copy of the minutes submitted to SAICA.
- 3 The income statement of the Head of the Department which accounts for funds in the Head of Department discretionary fund, if any.
- 4 Schedule of recommendations of the LSC for specific allocation of subventions and to the Head of Department discretionary fund, if any.
- 5 Names of persons involved in outside work and declaration of head of department that this in no way compromises the quality of work at the department.
- 6 Motivation for the continued subvention, if any, of the salary of a Dean of a Faculty.

ANNEXURE 4
FORMULA FOR CATEGORISING INSTITUTIONS

A5.1 Formula elements and ratio

BComs awarded		CTAs awarded		Qualifying examination passes at 1 st attempt (Part I of the QE)		Qualifying examination passes at 2 nd attempt (Part I of the QE)
1	:	4	:	8	:	3

A5.2 BComs awarded

Take totals for immediately preceding three years. Include in calculations only Accounting III courses of a type acceptable to the Education Committee.

A5.3 CTAs

Take totals for immediately preceding three years

A5.4 Qualifying examination passes

Take passes for latest three examinations including the qualifying examination of the relevant subvention year.

A5.5 Categories

Category	Formula points
A	250 - 700
B	701 - 1750
C	1751 - 3670
D	Over 3670