Competency Framework
Detailed Guidance for the Academic Programme

Competencies of a CA(SA)
at the point of the
Initial Test of Competence (ITC)
(assessment of core technical knowledge)

THIS DOCUMENT IS APPLICABLE TO THE INITIAL TEST OF COMPETENCE – EFFECTIVE DATE FOR THIS VERSION IS JANUARY 2019

Version 11 / Version updated June 2018
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A. Introduction to the Competency Framework

The introduction to the competency framework is included in this document in full in order to provide a context in which guidance for the academic programme should be understood.

The competency framework relates to competencies of Chartered Accountants at entry point to the profession (i.e. after completion of the academic programme, training programme, professional programme and all assessments) while the guidance for academic programmes (this document) relates only to competencies developed in the academic programme and assessed in the Initial Test of Competence (ITC).

Care should be taken in relating some details of the competency framework introduction to the guidance for the academic programme.

Background

In the past (before 2010) the South African Institute of Chartered Accountants (SAICA) relied on a knowledge-based syllabus to inform its education and assessment programmes. The training programme was also informed by the identification of outcomes in the form of core experience requirements. These approaches lacked consistency and resulted in the academic and training programmes not fully complementing each other.

The decision to develop a competency framework in no way suggests that the identification of outcomes is inappropriate, but rather recognises that it is appropriate to identify the competencies which Chartered Accountants (South Africa) (CAs(SA)) should possess when entering the profession – i.e. once they are eligible to register with SAICA as members and once they have completed the full qualification process. Once identified, these competencies could then be used to inform and develop the academic, training and professional programmes. It is the identification of high level competencies which will inform the academic, training and assessment programmes and enable appropriate content, emphases and teaching and learning strategies to be developed.

Purpose of the competency framework

The competency framework identifies and describes the professional competencies (knowledge, skills and attributes) that a CA(SA) should demonstrate at entry point to the profession (i.e. on completion of the required academic programme, training programme, professional programme and required assessments, and at which point a person is eligible to register as a member of SAICA in order to use the CA(SA) designation).
The competency framework provides a reference point for current and prospective CAs, employers and the public which enables a clear understanding of the foundational competencies with which a CA(SA) embarks upon a career. It must be emphasised that many of these competencies continue to be developed and maintained post entry as a CA(SA) through on-going continuing professional development.

The competency framework provides the base upon which the academic, training, professional and assessment programmes of SAICA are developed and delivered.

The application of the competency framework to the academic and training programmes is detailed in the following documents:

**The Academic Programme – Application of the Competency Framework [THIS DOCUMENT which is entitled ‘Competency Framework – Detailed Guidance for the Academic Programme’]**

This document provides detailed information which enables teaching and learning programmes (academic programmes) to be designed and which enables the appropriate assessment of core competencies (ITC).

**The Training Programme – Application of the Competency Framework [referred to as the ‘CA Training Programme Implementation Guide’]**

This document provides detailed information which enables the training programme to be designed so as to contribute to the achievement of the competencies by CAs. It assists training officers by providing details of how these competencies should be assessed in the workplace. This can be found at:


The competency framework should be read in conjunction with these documents in order to gain a comprehensive understanding of the competencies which a CA(SA) possesses on entry to the profession and of the academic, training, professional and assessment programmes which support the acquisition of these competencies.

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**The CA(SA) at entry point to the profession**

SAICA is widely regarded as the pre-eminent professional accounting body in South Africa and the CA(SA) as the top professional accounting designation. The reputation of the CA(SA) is excellent beyond the borders of South Africa and it ranks among the most highly regarded worldwide.

SAICA is accredited by the Independent Regulatory Board for Auditors (IRBA) which enables registration as a Registered Auditor (RA) for those SAICA members with the
appropriate auditing training (subject to completion of the Audit Development Programme).

SAICA is also recognised as a professional body by the South African Revenue Service (SARS) which enables its members to register as tax practitioners.

SAICA’s objective is to retain and cement the pre-eminence of its qualification. In attending to this objective SAICA has identified ‘responsible leadership’ as one of the fundamental attributes of a CA(SA). SAICA believes that a CA(SA) should be capable of being a leader in any environment in which the CA functions.

SAICA’s vision of the CA(SA) as a responsible leader has important implications for the competencies included in the competency framework. A CA(SA) is a responsible leader with a very specific background in professional accountancy. This implies that, on entering the profession, a CA(SA) should have the full range of technical competencies of a professional accountant and also those which will enable the further development of responsible leadership qualities.

Leadership ability is unlikely to result only from the pre-qualification academic and training programmes. It is vital, however, that pre-qualification programmes equip the candidate with competencies which, when complemented by post-qualification experience and on-going professional development, ensure the growth and acquisition of leadership ability. Thus the competency framework focuses on those pre-qualification competencies which provide a foundation for the further development of responsible leadership abilities after entry to the profession.

It is recognised that growth and acquisition of competencies after entry to the profession (post qualification) are not limited to demonstrating responsible leadership but are likely to occur in many spheres of competence, depending on the specific role in which a CA(SA) finds him/herself. Competence will be maintained (i.e. remains up to date with changes to existing competencies and technical areas; remains abreast of changes in approach to core competency areas where appropriate) and developed (i.e. develops new competencies particular to a role or further develops levels of proficiency in the competencies outlined in this framework) in areas which relate to the particular field / role in which the CA(SA) is generally active after entering the profession. In order for these competencies to be effectively and appropriately developed it is of the utmost importance that the CA(SA) has the fundamental competencies which foster life-long learning. These fundamental competencies are primarily developed during the pre-qualification period and therefore the competency framework comprehensively addresses the attitude to life-long learning and related competencies.

1 Please refer to the IRBA website for more information on the Audit Development Programme.
2 Also refer to the following article: Responsible Leadership Emerging Individual, Organizational, and Collective Frontiers by Principal Author, Philip H. Mirvis (Boston College Center for Corporate Citizenship) and Contributing Authors Derick DeJongh (Centre for Responsible Leadership, University of Pretoria), Brad Googins (Global Education and Research Network, Boston College School of Management), and Laura Quinn and Ellen Van Velsor (Center for Creative Leadership).
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Technical accounting and pervasive competencies, if elevated from the purely technical to directing and leading at the strategic level, enable the CA(SA) to develop and exercise responsible leadership with a unique perspective. The elevation of technical competencies to a level applicable at the strategic level requires that technical disciplines be taught and assessed with this objective in mind. These competencies are fully addressed in the competency framework but it is in the application documents (The Academic Programme – Application of the Competency Framework and The Training Programme – Application of the Competency Framework – see above) that the matters of teaching and assessment are directly addressed.

It should be noted that while the focus of the competency framework is to develop such competencies primarily within a business context, it is important for an entry-level accountant to be aware of specialised industries and topics (see Appendix 1), and that for these they will need to acquire specialised knowledge using the pervasive skill of life-long learning. Given the importance of the public sector, the awareness required for this area is specifically addressed in Appendix 3. It is also recognised that some graduates will undertake training within the public sector during which they will expand on the awareness acquired during the academic programme.

SAICA’s vision of a responsible leader implies that the CA(SA) also possesses the business and entrepreneurial skills which make effective responsible leadership in the business context possible. Business and entrepreneurial skills are not addressed as a separate category of competencies in the competency framework because these skills are an application of technical (specific) and pervasive competencies, provided that they are appropriately taught and assessed.

The business and entrepreneurial skills which make effective responsible leadership in the business context possible, are unlikely to result only from the pre-qualification academic, training, professional and assessment programmes. It is, however, the intention that these pre-qualification programmes equip the candidate with competencies which, when complemented by post-qualification experience and development, ensure the growth and acquisition of entrepreneurial ability. Thus the competency framework focuses on those pre-qualification competencies which provide a foundation for responsible leadership, business acumen and entrepreneurial ability after entry to the profession.

Related to the above it is also important that the qualification process of a CA(SA) develops CAs(SA) that understand and can apply all aspects of good corporate citizenship. This can be defined as follows:

‘Corporate Citizenship is the recognition that a business, corporation or business-like organisation, has social, cultural and environmental responsibilities to the community in which it seeks a licence to operate, as well as economic and financial ones to its shareholders or immediate stakeholders. Corporate citizenship involves an organisation coming to terms with the need for, often, radical internal and external changes, in order to better meet its responsibilities to all of its stakeholders (direct or indirect), in order to establish, and maintain,
sustainable success for the organisation, and, as a result of that success, to achieve long term sustainable success for the community at large.³

This is further expanded on in a whole chapter dedicated to ‘Ethical leadership and corporate citizenship’ within the Code of Governance Principles for South Africa (the King Code).

In summary, the competence of a CA(SA) at point of entry can be described as follows:

The technical ability of a CA(SA) is elevated to the strategic and executive level by locating this ability within a sound understanding of the economic and competitive environment within which an entity operates, the competitive positioning of the entity within that environment and a thorough understanding of the entity’s operational, organisational, governance and reporting structures.

The CA(SA) has a unique perspective within this context: the ability to identify and evaluate potential strategies for the entity with an understanding of the financial implications for the value of an entity, while simultaneously identifying and evaluating risk factors as well as evaluating the ability of the entity to implement the course of action given the resource and control structure of the entity. Financial literacy which enables an understanding of transactions is pervasive.

Further, the CA(SA) focuses on developing responsible leadership and acts ethically and applies principles of good corporate citizenship.

SAICA acknowledges and embraces the role which its members play in the audit profession in South Africa. In developing its vision of the CA(SA) as ‘responsible leaders’ it is not intended that this role be in any way diminished. The competency framework has been structured to include competencies specifically related to the audit function so as to ensure a seamless path to registration as an auditor (RA) for CAs(SA).

**Becoming a CA(SA): Qualification Process**

The education and training of a CA(SA) is competency based. It focuses on ensuring that the CA(SA) on qualification (entry to the profession), has the necessary level of underlying knowledge and the practical skills and experience to apply that knowledge effectively. It is a process that integrates the following key components:

| Formal competency-based academic education (= academic programme) | Acquired through accredited academic programmes delivered by public universities and private providers *(a three-year undergraduate degree followed by a one-year postgraduate programme known by SAICA as the Certificate in the Theory of Accountancy (CTA))* |


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**A standard setting examination (ITC)**
This ensures that all candidates have the requisite level of core competence before embarking on the professional programme.

**Formal competency-based professional education (= professional programme)**
Acquired through accredited professional programmes delivered by public universities and private providers.

**A professional examination (Assessment of Professional Competence (APC))**
This assesses professional competence before entry to the profession.

**Practical experience (= training programme)**
This is acquired through a training contract of at least three years with a registered training office and is assessed ‘on-the-job’.

Candidates must successfully complete all components of the academic and training programmes and the required assessments to earn the CA(SA) designation (enter the profession).

**Competencies of a CA(SA)**
Part I – Overview

A : Introduction to the Competency Framework

The competency framework encapsulates the competencies (broad range of knowledge, skills and attributes) of a CA(SA) at entry point to the profession. These competencies relate to the CA(SA) as a responsible leader with a professional accounting background (see above) and include –

- pervasive qualities and skills which are **fully integrated** with
- specific competencies.

Qualification as a CA(SA) is not solely related to competence. It is also the culmination of the academic, training, professional and assessment processes aimed at assessing the combination of intellect, aptitude and the ability to respond to demanding situations. Intellectual ability and the ability to apply oneself are as important as competence (whether pervasive or specific) as it is these abilities which contribute to the ability of the CA(SA) to be a life-long learner and to respond to a fast-changing environment. It is these abilities which enable the CA(SA) to be successful in a wide range of demanding work environments.

The academic, training, professional and assessment programmes play two vitally important roles:

- To enable the acquisition of competence (as set out in the competency framework); and
- To identify those with a combination of high intellectual and application ability.

SAICA recognises that its designation is elite in that it requires high levels of competence, intellectual ability and the ability to apply oneself professionally. While SAICA acknowledges the demanding nature of its designation, it strives to ensure that there is access to the qualification process for all.
The Competency Framework: Some implications for the academic programme and assessment

The competency framework is a high-level description of competencies which a CA(SA) should possess on entry to the profession. It provides the base upon which the academic, training, professional and assessment programmes are developed (see the section on Purpose of the competency framework). While the competency framework itself is not intended to provide direct guidance to academics, educators, training programme providers and assessors (this will be done through the documents identified above – see the section entitled Purpose of the competency framework) it is considered appropriate to explore some philosophical underpinnings of the approach to competency and consequent implications for education and assessment.

The theory and the practice underpinning the competency framework rest upon some of the core ideas of the American pragmatist philosopher, John Dewey. Dewey is acknowledged as one of the greatest educational philosophers of the 20th century and he had a particular interest in education which grounded theory in practice.

Dewey understood knowledge as developing and growing through ‘experiment’ or discovery. Modern ways of gaining knowledge, he argued, combine theory and practice in that we learn knowledge (theory) in the course of focused practical experimentation. Grounding theory in practical reality ensures that it always embodies what is most fit for the purpose and that when circumstances change the theory will change.

The task of prescribing specific competencies in a dynamic situation for diverse circumstances will never be exactly or permanently achievable. However, it is clearly both possible and desirable to set clear standards of competency within the accountancy profession, including specific levels within which these competencies should be practiced, as a standard guide for both universities and professional training providers. If at the same time all stakeholders can be made aware that there is leeway to adjust these standards where necessary, through processes set out within the framework, then both strong central guidance and appropriate professional judgement can play an on-going role.

The need to acquire, within the qualification period, the highest levels of discipline-specific knowledge for which CAs(SA) are well known, while at the same time introducing additional competencies, such as responsible leadership, entrepreneurship, business strategy skills and ethical awareness into the curriculum, may on the surface appear to demand some sacrifice of technical excellence. Educationally, however, this need not be the case and indeed, if appropriately taught and assessed, the new requirement will materially advance the students’ mastery of technical competencies. Students make sense of knowledge when they discover it in relation to a practical, relevant problem and when the first contact with new material involves some trial and error, ‘with something to do rather than to learn’ and requiring

The nature of accounting\footnote{In this document, the terms accounting and accountancy are used interchangeably and have the same meaning.} knowledge is essentially context bound. Unlike pure mathematics or theoretical physics, every aspect of the discipline of accounting is grounded in the real world of current business practice. Knowledge is easier to learn and more interesting if it links to a student’s personal experience and/or to current issues. Therefore if students are taught each new topic within the real-life context of its application, they will grasp its significance from the start and learn the essential technical competencies more readily. If all assessment is couched in terms that require both technical expertise and an understanding of the significance of the solutions arrived at, students will learn from the start to think like business people. The complexities of difficult ethical and financial decisions, of risk versus reward, of social responsibility versus shareholder satisfaction, and of starting or managing an enterprise in different business climates, require argument and debate which will only be resolvable through demonstration of a high level of technical expertise as the basis for sound argument and eventual decision making.

### Level of proficiency: Circumstances in which competency is demonstrated

The competency framework (on which this document has been based and developed for the academic programme) identifies the competencies which a CA(SA) should demonstrate at entry point to the profession but does not identify the proficiency levels at which competencies should be demonstrated.

Proficiency level is dependant, inter alia, upon the circumstances in which the competency is demonstrated (e.g. listed multi-national, private company). The circumstances in which competency is demonstrated will be those determined within the academic programme and those which pertain to the training and professional programmes.

Levels of proficiency and circumstances in which competence is demonstrated are therefore not defined in the competency framework itself but are comprehensively addressed in the following documents:

- Detailed Guidance for the Academic Programme (this document)
- Guidance for the Training Programme – referred to as the ‘CA Training Programme Implementation Guide’.

### The Competency Framework: On-going Evaluation

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SAICA acknowledges that the competency framework document will be subjected to on-going evaluation as to its form and also to its content.

It is the intention that the competency framework be used as the basis for development of programmes of education and training. In this process of application, experience is likely to result in the need for adaptation of the framework. Likewise, a fast changing business, social and political environment will require re-evaluation of the framework from time to time.

In this regard providers are requested to take note of the current CA2025 project underway which will see a significantly revised competency framework being approved by June 2019. (This will be the next version of this document)

This revised framework will be drafted after significant consultation with all stakeholders but is likely to require a significant change to existing programmes and providers are requested to start planning for this.
B. Major Changes to the 2014 and 2016 and 2017 Versions

The following summarises the major changes made to the previous versions of the competency framework, and do not include editorial changes and clarification on inconsistencies.

2014 changes

**Integrated Reporting**

The concept of integrated reporting was incorporated across all relevant sections of this document. The focus of this relates to the process of integrated reporting and its impact on the strategy, risk management and governance of an entity rather than requiring entry-level CAs(SA) to be able to prepare an integrated report.

This has also led to the introduction of an additional pervasive skill, under IB (personal attributes), namely demonstrates good corporate citizenship attributes.

**Public Sector**

The competencies set out in this document were developed primarily in a business context and are presented in the academic programme within the context of business. However, SAICA acknowledges the pivotal role played by the public sector in South Africa and the contribution made to, and role played by, CAs(SA) in this sector. SAICA is also aware that CAs who are not directly involved in the public sector, need to have an understanding of this sector because of the impact of public sector processes on the economy.

Therefore this document included an overview of the understanding entry-level accountants are required to have of the public sector, as set out in Appendix 3.

Some graduates will undertake training within the public sector during which period they will expand on their knowledge and understanding of the public sector acquired during the academic programme.

**Strategy and Risk Management**

Elements of this section of the document were rewritten in order to provide greater clarity on the competencies and underlying knowledge reference list.

Some of the levels of the strategy competencies were raised from an awareness to an intermediate level.
2016 changes

During a review of the content of the programmes during the 2016 examinable pronouncements meeting as well as in the annual competency framework meeting, several changes were made to the knowledge lists to align with the examinable pronouncements.

General
Some areas were removed (Close Corporations Act)
Very few new knowledge areas were added.
Note that the section related to Ethics (Pervasive skills) will be reviewed and updated during the course of 2017.

Strategy and Risk Management

a. The document was amended to reflect the new King IV report that was released on 1 November 2016. As a result the knowledge list under Strategy, Risk Management and Governance was redrafted and knowledge levels assigned.

b. The Close Corporations Act was removed (no longer examinable)

c. Knowledge lists related to the Companies Act have been moved to this document from the list of examinable pronouncements.

Audit and Assurance

a. All engagements other than those listed below are now at an awareness level only, i.e. students / entry-level candidates need to be aware of the existence of the engagement type, and the related standard, but not of the detail of the requirements of the standard:
   i. Audit of historical financial statements;
   ii. Independent review of historical financial statements;
   iii. Compilation of historical financial statements
   iv. Agreed-upon procedures.

For the types of engagement that are examinable, other than audit, the level of proficiency required for the competencies is ‘level I’. Audit has higher levels of proficiency for a number of competencies – the rationale being that if the entry-level candidate is proficient in undertaking the various aspects of a financial statement audit, s/he should be able to have the skills / competence to adapt these for other types of assurance engagements. This is hence where time needs to be spent in developing students to the required level.

b. The knowledge reference list was updated to be as complete as possible – a number of documents that were previously only listed in the Examinable Pronouncements are now included in the knowledge reference list.
Financial Management and Management Decision making and control

Changes include:
- Clarification comments being added
- Some levels going down
- Some levels going up
- Some aspects being removed

Taxation

While only minor changes were made to the knowledge list in the taxation section, it is important to note that from a knowledge perspective an important principle is taken into consideration. That is – that at entry point to becoming a CA(SA), the qualified person is not expected to be a tax specialist. Some knowledge levels and aspects in the examinable pronouncements documents were therefore excluded or reduced in level.

Only dividend withholding tax is examined and this will then be covered to the highest level. This will allow students to better understand the principles of withholding taxes and be able to apply these to other withholding taxes.

Double tax agreements have been included due to the importance these now carry as virtually a normal course of doing business these days.

Public Sector Guidance

This document also contains as Appendix 3 high level guidance on which minimum content should be included in the accredited programme. Universities should use their discretion in deciding on how best to incorporate this into their programmes.

Concluding comments

Universities are reminded that even though certain aspects of knowledge are excluded from the lists provided in this document (and the examinable pronouncements documents) that this does not mean that universities are not able to cover these should they believe these are important aspects of the competence requirements for CAs.

Teaching in the academic programme should be principle based, with more attention being paid to ensuring candidates have grasped and can apply the core principles in each of the competency areas.
2017 changes

Errors from the 2016 version (9.2) have been identified and corrected – these are minor.

Accounting and External reporting

2017 saw the accounting and external reporting section of this framework going through a detailed review by a separately appointed task team based on comments raised over the years relating to “syllabus overload”. This team was made up of academics and ITC Examco members and I would like to thank this team for the attention they gave this project. The conclusion of the team was that the competencies and knowledge lists themselves did not create this “syllabus overload” but that the examinable pronouncements drove this perceived additional content.

The outcome is that a document setting out principles which will inform assessment in the ITC has been developed which must be read in conjunction with the competency framework (this document). There will therefore be no further “examinable pronouncements” documents issued on an annual basis except to clarify which version of a standard will be assessed in the following ITC where a new standard has been released.

June 2018 update

- Various formatting changes were made
- Two outcomes added under - IB-11: Demonstrates good corporate citizen attributes
- Appendix 1 Guidance to universities section 7 - Sustainability & Integrated Reports: Reports & Assurance. This section has been re-written to reflect the current trends and practices in this area.
C. Guidance for the Academic Programme

Purpose and Structure

The competency framework has been adapted to provide guidance for academic programmes which prepare students for SAICA’s ITC. Such guidance is provided in this document (Competency Framework – Detailed Guidance for the Academic Programme) and takes the following form:

1. **Competency areas**: These are the overall pervasive and specific competencies (e.g. Financial management, Taxation, etc.).

2. **Levels of proficiency – definition**: These levels have been defined for each competency within the specific competencies. Definitions of proficiency are included in the introduction to each specific competency area.

3. **Levels of proficiency – competencies**: A level of proficiency has been determined for each competency within all of the specific competency areas.

4. **Knowledge reference list**: A knowledge base which underlies the competencies has been developed for each of the specific competency areas. This knowledge reference list includes the minimum topics which should be included in the academic programmes which prepare students for SAICA’s ITC.

5. **Knowledge levels**: Knowledge is only one element of proficiency and therefore knowledge levels are described differently from proficiency levels. A knowledge level is indicated for each item identified in the knowledge reference list.

6. **Illustrative examples**: Brief examples which illustrate the application of proficiency levels are included for each specific competency.

7. **Examinable pronouncements – Accounting and External Reporting / Auditing and Assurance / Taxation**: A list of examinable pronouncements with an indication of knowledge levels is provided in separate documents (available from SAICA). These documents are updated annually and are available on the SAICA website.

The purpose of a separate list of examinable pronouncements is to provide clear guidance to both examiners, academics preparing students and ITC candidates on an annual basis on –

- which aspects of standards are not examinable at all;
- which aspects of standards are examinable at a level below that specified in this document; and
- which version of a standard is examinable.

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*Detailed guidance for the academic programme 2019 onwards*
The examinable pronouncements provide guidance on what will, and will not, be assessed in the ITC (standard setting exam). These documents do not represent the full scope of what needs to be taught within the academic programmes as the competency framework is far broader than such examinable pronouncements.

### The Integration of Information and Information Technology

The competency framework is a highly integrated document even though the competencies are presented in various groupings (sections I to VII). Some competencies are of a pervasive nature but also contain elements of underlying knowledge related to their development, giving them the characteristics of a specific competency. As the information and information technology competencies have become an integral part of virtually every task undertaken by CA(SA) candidates, they fall into this unique category. There are many competencies in the framework that refer to 'information', 'processes' or 'systems' where, although not explicit in the description, information technology (IT) is a consideration. **When reviewing all the competencies in the framework, it must be borne in mind that both manual and automated systems are contemplated.**

### The Distinction between Knowledge and Competency

**Competency**

Competency is defined in this document as ‘The particular tasks that CAs(SA) perform while applying, or bringing to bear, the pervasive qualities and skills that are characteristic of CAs(SA) to the level of proficiency defined as appropriate by the profession'.

**Proficiency levels**

Proficiency levels that are assigned to the competencies in this document set out what should reasonably be expected of candidates who have completed the academic programme but who have not yet embarked upon the training and professional programmes.

Competency can also be viewed as the ability to execute a task in ‘the real world’.

In order to acquire a competency a candidate must –
- acquire the specific technical knowledge and pervasive skills;
- develop an understanding of where and why the knowledge is to be applied; and
- have experience of executing tasks (practical application).

These steps are usually not discrete but are rather aspects of an integrated process.

**Knowledge and Understanding**

A knowledge base provides a foundation for the development of the competencies described in the competency framework. This foundation not only requires knowledge but also understanding (i.e. not rote learning or memorisation). Although the
knowledge foundation for a particular competency should be evident from close examination of the competencies, a ‘content’ list is provided for each of the specific competency areas (in the form of a knowledge reference list) in order to provide guidance for providers of the academic programme.

### Executing Tasks (Practical Application)

Knowledge and understanding alone do not result in competency. The opportunity to apply knowledge and understanding in practical circumstances is indispensable for the acquisition of a competency.

There is little opportunity in the academic programme for practical application of knowledge and understanding. There is ample opportunity, however, for application through various forms of contextualised questions (mini case studies). These attempt to replicate practical application to the extent possible in an academic environment.

For purposes of competency acquisition in academic programmes it is fully accepted that experience in executing tasks will usually be through contextualised questions and mini case studies.

### Pervasive Qualities and Skills

**IA: Ethical Behaviour and Professionalism and IB: Personal Attributes**

Many of these qualities and skills should be addressed in the academic, training and professional programmes. It is expected that candidates are able to demonstrate the highest level of proficiency for these qualities and skills by the time they enter the profession (i.e. after completion of all academic, training, professional and assessment programme requirements).

Levels of proficiency to be achieved for these pervasive skills in the academic programme are not prescribed as it is acknowledged that objective measurement of levels of proficiency achieved in the academic programme is difficult to determine. It is also recognised that some qualities and skills may be better addressed in the training and / or professional programme.

Providers of the academic programme are expected to address all those qualities and skills which, in their opinion, are suitable for inclusion in the academic programme. Providers will be required to explain how these qualities and skills are addressed and provide full motivation for excluding any from the academic programme, as part of the on-going accreditation and monitoring of providers.

The pervasive skills outlined in this document must be seen within the context of and developed to the level of a graduate of the undergraduate and postgraduate programmes.

**IC: Professional Skills**
Many of the professional skills should be directly integrated with specific competencies (e.g. IC – 1, 2, 3, 4). Levels of proficiency for these qualities and skills are described in sections of this document related directly to the specific competencies. Illustrative examples show how professional skills may be addressed in the context of specific competencies.

Some professional skills may be better addressed in the training programme (e.g. IC – 5: Manages and supervises) and will, therefore, receive comparatively less attention in the academic programme.

Providers of the academic programme are expected to address all appropriate professional skills in the academic programme. Providers will be expected to explain how these skills are addressed and provide full motivation for excluding any from the academic programme.

### Level of Proficiency

The competency framework defines the levels of proficiency candidates must demonstrate at the time of writing SAICA’s ITC. Three distinct and increasingly higher levels of proficiency are identified. Level A requires the lowest proficiency, whereas level X requires the highest. Each of the levels is defined below. The levels indicate the depth of detailed knowledge which is required of the prospective CA(SA), the extent to which that knowledge is required to be applied and integrated, and the complexity of the problem to be solved in each aspect of this competency. These levels in turn make it possible to determine the degree of rigour and independence with which a newly qualified CA(SA) is able to complete the task described.

It is stressed that for all three levels a high degree of contextualisation is required.

By requiring a high degree of contextualisation it is recognised that competence in the field of accountancy is ‘grounded in the real world’ (see section on The Competency Framework: Some implications for the academic programme and assessment) and that teaching, learning and assessment are most effectively executed through application in ‘real world’ scenarios. This is achieved in the academic programme through mini case studies and contextualised questions. Contextualisation also refers to the judicious application of a body of knowledge to a problem, based on the evidence available. A high degree of contextualisation thus requires a detailed scenario that is sufficiently problem rich so as to require the prospective CA(SA) to exercise judgement in choosing between alternative approaches to the problem in determining an appropriate solution.
### Level A (Awareness)
Requires an awareness of the key ideas and principles within the area. Demonstration of technical expertise or detailed knowledge in this area is not required. The candidate identifies and explains the significance of the competency, and the types of circumstances in which it would arise or be applied.

### Level I (Initiates the Task)
Demonstrates an understanding of the requirements of the task and identifies and applies the required professional skills, including basic quantitative and qualitative analysis, to perform the task on a preliminary basis (recognising that a review by more senior staff is still necessary). An intermediate understanding of the subject matter is required. Complex calculations are not required. Integration with other competencies is straightforward and is of limited complexity. Level I includes level A proficiencies.

### Level X (Completes the Task)
Completes all elements of a specified task successfully; therefore an advanced understanding of the subject matter is required. Relevant pervasive skills and reflective capacity should be demonstrated at an advanced level. Technical skills expected to be demonstrated at this level include, for example, performing complex calculations and concluding on an appropriate course of action. Proficiency at level X is demonstrated when the problem is clearly identified and thoroughly analysed, or when a situation is evaluated and useful recommendations are made. This level of proficiency includes levels A and I proficiencies.

<table>
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<tr>
<th>Knowledge Reference Lists</th>
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Knowledge and understanding of content provide the foundation for the acquisition of a competency (see above). In order to assist providers with guidance as to depth of knowledge and understanding required, the following description for each knowledge level may be useful:
### Level 1 – Basic
- **Summary:** Core / essence of the subject matter
- **Includes:** Significance, relevance, defining attributes
- **Excludes:** Detail, including procedural or numerical aspects
- **Objective:** Enable candidate to recognise issues when encountered and to seek further depth

### Level 2 – Intermediate
- **Summary:** Central ideas and issues that comprise the substance of the subject matter (sound conceptual understanding)
- **Includes:** Detail, including procedural and numerical aspects specific to the subject matter
- **Excludes:** Complexities and unusual / exceptional aspects
- **Objective:** Enable candidate to deal with issues and solve problems central to the topic

### Level 3 – Advanced
- **Summary:** Thorough knowledge & rigorous understanding
- **Includes:** Complexities & unusual / exceptional aspects; sufficient depth to clearly locate content in the broader discipline & to identify implications and relationships
- **Objective:** Enable candidate to perform tasks and solve problems with a high degree of rigour, exercising sound judgement

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**Level 1 (Basic)**
At this level the candidate is required to acquire a knowledge and understanding of the core / essence of the subject matter which include that the subject matter exists, the significance and relevance thereof, and its defining attributes.

Consequently the candidate is required to have a knowledge and understanding –
- of the purpose and objective of the subject matter;
- of the underlying principles / practices / legislation / requirements (hereafter ‘content’);
- of how the content relates to the discipline as a whole and to other disciplines (how it ‘fits in’); and
- that is at a broad conceptual level.

At this level, knowledge and understanding of detail, including procedural or numerical aspects specific to the subject matter, are not required.

At this level the candidate should be equipped with the extent and depth of knowledge and understanding which enable the candidate to recognise issues when encountered and to seek further depth of knowledge and understanding.

**Level 2 (Intermediate)**
At this level the candidate is required to acquire a detailed knowledge and understanding of the central ideas and issues that comprise the substance of the subject matter.
Consequently, the candidate is required to have a knowledge and understanding of –
• those aspects of the content that are central to the subject matter, so as to achieve a sound conceptual understanding; and
• the detail, including procedural and numerical aspects specific to the subject matter, where appropriate.

Knowledge and understanding of complexities and unusual / exceptional aspects are, however, not required.

At this level the candidate should be equipped with a sound knowledge and understanding of the substance of the subject matter to enable him/her to deal with issues and solve problems that are central to the topic. The candidate has a sound conceptual knowledge which enables him/her to further explore and understand complexities, if necessary.

This level includes the level of knowledge and understanding required for level 1 (Basic).

**Level 3 (Advanced)**

At this level the candidate is required to acquire a thorough knowledge and rigorous understanding of the subject matter. This level of knowledge and understanding extends beyond a sound understanding of central issues, to include complexities and unusual / exceptional aspects associated with the subject matter.

Consequently the candidate is required to have a knowledge and understanding of –
• all content that is required to develop a thorough and rigorous understanding of the subject matter;
• complexities; and
• sufficient depth to clearly locate content in the general field of accountancy (as described by competencies II–VII) and to identify implications and relationships.

At this level the candidate should be equipped with a level of knowledge and understanding of the substance of the subject matter that enables him/her to perform tasks and solve problems with a high degree of rigour, exercising sound judgement.

This level includes the level of knowledge and understanding required for level 1 (Basic) and level 2 (Intermediate).

**The Academic Programme – Specific Courses**

In the past SAICA expected the academic programme (undergraduate and CTA equivalent) to include courses in the core accounting disciplines and the ‘supportive courses’. SAICA provided detailed syllabus guidance for the core disciplines and the supportive courses. SAICA did not stipulate particular courses but rather required that the prescribed syllabus content be incorporated into a suite of courses independently determined by each provider.
With the introduction of the competency framework by SAICA, this approach changed fundamentally. The competency framework identifies those competencies with which a new entrant to the profession should be equipped, while this document (Competency Framework – Guidance for the Academic Programme) identifies the competencies which should be acquired through the academic programme as well as the expected level of proficiency. It is these competencies, at the proficiency level indicated, that will be assessed in SAICA’s ITC examination. This document provides detailed guidance about the nature of competencies as well as guidelines on the application of levels of proficiency. Specific courses are not prescribed (i.e. the old ‘supportive courses’).

 Providers have the responsibility, therefore, of designing courses which enable the acquisition, at the stipulated proficiency level, of the competencies identified in this document. **There is an inherent flexibility in this approach which provides an opportunity for innovation in course and curriculum design.**

It is clear that the acquisition of competencies cannot, in all cases, be compartmentalised into dedicated courses. Many competencies will be addressed across the curriculum and also, perhaps, in courses focused on that category of competency. Many of the pervasive qualities will, for example, be addressed across the curriculum (e.g. communication, problem solving, team work, time management) while some may be addressed in dedicated courses (e.g. legal concepts, IT) and also directly addressed in other courses.

It is probable that providers will continue to offer separate courses in the core accounting disciplines. However, this approach provides wide opportunity for innovation through, for example, integration of core disciplines into multi-discipline based courses. This is a matter for each provider to consider.

With regard to the pervasive qualities, too, it will be clear that these will be addressed according to their nature and at the discretion of each provider. It is probable, for example, that communication skills will be addressed across the curriculum although some providers may also choose to offer dedicated courses; and legal concepts will probably be addressed through dedicated courses and core accounting courses. An excellent example of the flexibility and opportunity available is provided through the personal attribute relating to ‘understands the national and international environment’ (IC-8). This attribute could be addressed through traditional courses such as economics, history, sociology, political science, or through a purpose-designed course(s), or through integration of relevant subject matter into other courses.

In summary, SAICA will no longer prescribe ‘syllabi’ for ‘supportive courses’, but will expect providers of the academic programme to offer a curriculum made up of courses which, taken together, address the competencies identified in this document at the stipulated proficiency levels.

SAICA believes this approach recognises the right of providers to place emphasis in their programmes where they consider appropriate, provided that the competencies
identified in the competency framework are properly addressed. It is likely that this approach will result in a wide range of programmes, each with unique characteristics but all providing an education which addresses the competencies identified by SAICA and which, therefore, properly prepares candidates for SAICA’s ITC.
D. Definitions

This document uses a number of terms in ways specific to the CA profession. Understanding their special ‘CA’ sense is essential for understanding the competency framework.

**Competence:** The broad range of knowledge, skills, attitudes and behaviour that together account for the ability to deliver a specified professional service. Competence also involves adoption of a professional role that values accountability to the public and leadership in professional practice, the public sector, the corporate sector and education.

**Competency:** The particular tasks that CAs(SA) perform while applying, or bringing to bear, the pervasive qualities and skills that are characteristic of CAs(SA) to the level of proficiency defined as appropriate by the profession.

**Proficiency levels that are assigned to the competencies in this document set out what should reasonably be expected of the candidates who have completed the academic programme but who have not yet embarked upon the professional and training programmes.**

**Pervasive Qualities and Skills:** The professional qualities and skills that all CAs(SA) are expected to bring to all tasks — the ‘how’ of a CA’s work. The competency framework identifies pervasive qualities in three categories: IA – Ethical behaviour and professionalism, IB – Personal attributes and IC – Professional skills. They are defined as follows:

- **IA – Ethical behaviour and professionalism:** The CA profession is committed to maintaining the confidence of clients, employers and the public through an overriding commitment to integrity in all professional tasks. Thus, all CAs(SA) are expected at all times to abide by the highest standards of integrity; they must be, and must be seen to be, carrying out all assignments objectively and independently, in accordance with the ethical values outlined in detail in Section I.

- **IB – Personal attributes:** CAs(SA) are expected to develop a number of personal qualities that shape the way they conduct themselves as professionals. These qualities or attributes are outlined in Section I.

- **IC – Professional skills:** CAs(SA) are also expected to develop a wide range of professional skills that, while not unique to the CA profession, are critical to its successful practice. These skills are outlined in Section I.

**The integration of information and information technology:** The competencies related to the role technology and information plays in strategy, decision making, processing and reporting of information that candidates are expected to develop are
an integral part of virtually all the tasks undertaken by CAs. These competencies are included in the specific competency areas.

**Specific competencies:** The competencies that CA candidates are expected to develop – the ‘what’ of a CA’s work. The ‘what’ of a CA’s work can be broadly categorised as measuring, reporting and assuring. These competencies are grouped into six main categories or sections:

II – Strategy, risk management and governance: Competencies related to the development and evaluation of an entity’s ability to make decisions and maximise its organisational performance, including its governance, strategies, policies and resources.

III – Accounting and external reporting: Competencies related to the recording, recognition, measurement and presentation of both financial and non-financial information to external users in a manner that ensures compliance with International Financial Reporting Standards (IFRS) (or alternative standards and principles where applicable).

IV – Auditing and assurance: Competencies related to enhancing the reliability of information, including the validation, testing and provision of assurance services, including statutory and regulatory audit / assurance requirements, documentation and evaluation of controls.

V – Financial management: Competencies related to the management of financial assets, treasury and assessment of an entity’s value.

VI – Management decision making and control: Competencies related to the identification of information needs, and to the development and use of decision-making tools in achieving the entity’s strategies.

VII – Taxation: Competencies related to taxation planning, compliance and reporting for various entities.
Part 2: THE PERVERSIVE QUALITIES AND SKILLS

Pervasive qualities and skills — a vital relationship

IA - Ethical behaviour and professionalism

IB - Personal attributes

IC - Professional skills
Pervasive Qualities and Skills – A Vital Relationship

The pervasive qualities and skills in the competency framework combine with the specific competencies in a vital relationship that result in the competencies that are unique to the CA profession. Together, they combine to produce the technical excellence, integrity, objectivity and commitment to public interest for which the CA(SA) profession is known.

CA(SA) candidates are expected to demonstrate the highest level of proficiency, level X, for all the pervasive qualities and skills described below at entry point to the profession (i.e. after completing all education, professional, training and assessment programmes). See page 17 of this document for more details of how this should be achieved in the academic programme.

Providers of the academic programme are expected to address all those qualities and skills which, in their opinion, are suitable for inclusion in the academic programme. Providers will be required to explain how these qualities and skills are addressed and provide full motivation for excluding any from the academic programme through the monitoring and accreditation process.
Ethical behaviour and professionalism is the first of three categories of the ‘Pervasive qualities and skills’, i.e. those qualities that a CA brings to any task.

Whether recently qualified or highly experienced, all CAs are required to uphold ethical principles and conduct themselves professionally. Acting with integrity, through adherence to these values, is fundamental to the profession’s commitment to excellence and the public interest.

Integrity means acting ethically and honestly, carrying out all work with an objective frame of mind and maintaining independence, both in fact and in appearance, when involved in independent services. Integrity also means that CAs raise and address issues regarding stewardship – that is, the discharge by management of its stewardship responsibilities to those who have provided resources to an entity. CAs monitor whether management is being accountable and honest in addressing issues of stewardship and when making decisions or reporting information. Whether acting in a management or monitoring role, CAs are required to consider the impact of the entity’s operations on the resources and relationships or capitals that it relies on, produces and affects and understand their stewardship and reporting responsibilities.

In addition they must take into account their responsibility to act as good corporate citizens, taking into account the current resources of the entity, the natural environment and other such matters.
It is this strong commitment to integrity in everything that CAs do that earns them their reputation for trustworthiness, and the confidence of clients, employers and the public at large. As a result, clients and employers seek to involve CAs in the most significant financial and business decisions that they face.

### IA-1 Uses an ethical reasoning process
- Identifies situations involving existing or potential ethical issues
- Clarifies and uses appropriate professional values for choosing or recommending ethical courses of action
- Uses all appropriate internal and/or external resources in resolving ethical dilemmas
- Reports ethical issues to higher levels of management, legal or regulatory authorities or others when appropriate

### IA-2 Protects the public interest
- Adheres to the related standards for all assignments
- Understands the profession’s standards of competence and integrity and how these standards serve the public and protect the public interest
- Identifies ethical dilemmas and makes decisions that ensure the public interest is paramount

### IA-3 Acts competently with honesty and integrity
- Understands and adheres to the profession’s standards of competence and integrity
- Follows the law and the spirit of the law
- Acts honestly
- Makes transparent decisions, recognising and accepting responsibility for actions and for the consequences of those decisions

### IA-4 Performs work competently and with due care
- Carries out work so as to protect the interests of the public, the client and the employer and put it before one’s own self-interest
- Preserves the trust inherent in fiduciary relationships with the public at large, the client, the employer and the profession
- Prepares information in such a way that the pertinent facts are fairly presented
- Interprets information in an objective manner, exercising professional scepticism when required
- Makes appropriate ethical judgements based on an understanding of the level of care
expected of professional accountants in various situations

Adopts an attitude of life-long learning and stays abreast of current trends and emerging issues

<table>
<thead>
<tr>
<th>IA-5</th>
<th>Maintains objectivity and independence</th>
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<tr>
<td></td>
<td>Understands the principles and rules of objectivity and independence and acts appropriately and within the public interest</td>
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<td></td>
<td>Identifies and evaluates threats to objectivity in a proposed activity or decision, and implements suitable safeguards to obviate the threats / reduce the threats to an acceptably low level</td>
</tr>
<tr>
<td></td>
<td>Identifies and evaluates threats to independence (both in fact and appearance) and implements safeguards to obviate the threats / reduce the threats to an acceptably low level</td>
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<tr>
<th>IA-6</th>
<th>Avoids conflict of interest</th>
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<tr>
<td></td>
<td>Understands the reasons for avoiding conflict of interest situations and is familiar with the guidelines and laws that have been developed to prevent their occurrence</td>
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<tr>
<td></td>
<td>Consciously identifies and avoids real, potential or perceived conflicts of interest</td>
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<tr>
<td></td>
<td>Ensures that the interest of one party is not favoured over that of another</td>
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<tr>
<th>IA-7</th>
<th>Protects the confidentiality of information</th>
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<tr>
<td></td>
<td>Does not divulge or exploit confidential information</td>
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<td></td>
<td>Protects against the accidental distribution of confidential information</td>
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<tr>
<th>IA-8</th>
<th>Maintains and enhances the profession’s reputation</th>
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<tr>
<td></td>
<td>Performs work to a high standard of quality</td>
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<tr>
<td></td>
<td>Understands the role of the profession within the economic and social environment of South Africa and the region</td>
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<td></td>
<td>Contributes to the enhancement of the profession’s image</td>
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<td></td>
<td>Promotes the profession</td>
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<td></td>
<td>Practises professional courtesy</td>
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<td></td>
<td>Contributes to the community at large through, for example, acts of philanthropy, social responsibility and environmental stewardship</td>
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<tr>
<th>IA-9</th>
<th>Adheres to laws, professional standards and policies and the rules of professional conduct when exercising professional judgement</th>
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<tr>
<td></td>
<td>Complies with laws and regulations</td>
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<tr>
<td></td>
<td>Acts in accordance with the Codes of Professional Conduct of the SAICA and, in the case of an RA, the IRBA</td>
</tr>
<tr>
<td>Refrains from improper conduct as defined in the SAICA By-laws and, in the case of an RA, the IRBA Rules regarding improper conduct</td>
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<tr>
<td>Abides by the code of ethics implemented by an organisation, employer or academic institution</td>
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<tr>
<td>Fulfils all relevant professional standards</td>
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IB - Personal Attributes

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<tbody>
<tr>
<td>IB-1</td>
<td>Self-manages</td>
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<tr>
<td>IB-2</td>
<td>Demonstrates responsible leadership</td>
</tr>
<tr>
<td>IB-3</td>
<td>Maintains and demonstrates competence and recognises limits</td>
</tr>
<tr>
<td>IB-4</td>
<td>Strives to add value in an innovative manner</td>
</tr>
<tr>
<td>IB-5</td>
<td>Manages change</td>
</tr>
<tr>
<td>IB-6</td>
<td>Treats others in a professional manner</td>
</tr>
<tr>
<td>IB-7</td>
<td>Is a life-long learner</td>
</tr>
<tr>
<td>IB-8</td>
<td>Plans and effectively manages teams and projects</td>
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<tr>
<td>IB-9</td>
<td>Works effectively as a team member</td>
</tr>
<tr>
<td>IB-10</td>
<td>Manages time effectively</td>
</tr>
<tr>
<td>IB-11</td>
<td>Demonstrates good corporate citizenship attributes</td>
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Certain personal or individual attributes make up the second of the three categories of ‘Pervasive qualities and skills’, i.e. those qualities that a CA brings to any task. The profession’s commitment to be leaders in enhancing decision making and improving organisational performance requires CAs to foster individual characteristics that are vital to fulfilling this commitment. Thus, CAs take responsibility for sustaining their own professional competence by maintaining awareness of new developments and for managing their own careers. They know their own limitations, and use professional judgement in deciding when to involve specialists and other professionals. They demonstrate leadership, exercise initiative and strive constantly to add value; they are innovators, and they are adaptable. These individual attributes manifest themselves in all of the CA’s professional undertakings and at all stages of his/her career.

In addition to these attributes CAs should have a combination of intellectual ability and ability to apply themselves which, together with other competencies, make life-long learning possible. It is recognised that CAs work in demanding situations and that intellectual and application ability should be of a level which enables life-long learning to occur in this context.

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<tbody>
<tr>
<td>IB-1</td>
<td>Self-manages</td>
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<tr>
<td>Completes all assigned work and self-assesses performance</td>
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<tr>
<td>Evaluates whether work meets others’ expectations</td>
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Solicits and acts upon feedback from others
Identifies opportunities, issues and possible improvements and makes suggestions or recommendations to the supervisor or internal and external clients as appropriate

**IB-2  Demonstrates responsible leadership**
Demonstrates the key principles of *responsible* leadership which include:
- Courage
- Consideration for the future (creation of sustainable value for the individual, the institution (e.g. business and industry) and for humanity on a global basis)
- Development of key relationships
- Regard for justice (what is right and wrong)
- Respect
- Recognition
- Care for nature, living conditions and regard for future generations

Challenges assumptions, including assumptions around an entity's underlying business model

Contributes and leads by action and example

**IB-3  Maintains and demonstrates competence and recognises limits**
Engages in professional development through defining goals and creating a professional development plan that reflects life-long learning

Recognises the limits of his/her competence and voluntarily defers to other professionals or experts when more experience or greater expertise is necessary to complete the task successfully and, if applicable, arranges for adequate supervision

Provides expert advice in areas of capability and qualification only

**IB-4  Strives to add value in an innovative manner**
Seeks internal and external information pertaining to the entity that will provide insights and useful ideas that are consistent with the entity's objectives

Identifies and explores innovative alternatives before making decisions or limiting alternatives

Seeks to improve effectiveness and efficiency of assigned tasks

**IB-5  Manages change**
Anticipates change in the environment and considers impact on entity's or own objectives

For anticipated changes, provides a realistic analysis of adjustments and challenges likely to be encountered and suggests steps to deal with them

Assesses how own work is likely to be affected by changes and is open to change
### IB-6  Treats others in a professional manner
Treats others respectfully, courteously and equitably
- Shows empathy by understanding why others have a particular perspective on an issue
- Resolves conflict and differences of opinion by focusing on issues, not personalities

### IB-7  Is a life-long learner
Demonstrates intellectual ability and the ability to apply him/herself at a level which enables life-long learning in the demanding context in which a CA works
- Continuously assesses personal development needs by creating a personal development plan that reflects a positive attitude towards life-long learning
- Actively seeks appropriate learning opportunities (technical and other professional development) in a variety of different ways

### IB-8  Plans and effectively manages teams and projects
Establishes project plans for projects, team assignments or other important milestones
- Identifies key stakeholders whose perspective and input should be sought
- Monitors project performance and revises plans as needed
- Conducts effective meetings
- Communicates with appropriate stakeholders about progress and whether objectives are being achieved

### IB-9  Works effectively as a team member
Demonstrates knowledge of group processes and dynamics
- Recognises the value of and supports working with diverse and cross-functional teams
- Assists team members and encourages participation by all team members
- Commits to team success and plays an active role in team activities through collaboration with colleagues and by working effectively as a team member
- Evaluates performance of team members honestly and provides timely and constructive feedback
- Manages conflict between individuals and across teams

### IB-10  Manages time effectively
Respects deadlines, manages time and organises tasks logically
Identifies milestones that measure whether work is being performed on time and within budget for each assignment

Communicates with internal and external clients to assure them that milestones are being met and objectives are being achieved

**IB-11 Demonstrates good corporate citizen attributes**

Demonstrates good corporate citizenship attributes, which include:
- Having the right attitude
- Living the value of integrity
- Identifying issues relating to sustainability
- Thinking willingly about the environmental **and social issues**
- Engage transparently with stakeholders
- Holistic decision-making
## IC - Professional Skills

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<tr>
<th>IC-1</th>
<th>Obtains information</th>
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<tbody>
<tr>
<td>IC-1.1</td>
<td>Gathers or develops accurate and relevant information and ideas</td>
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<tr>
<td>IC-1.2</td>
<td>Develops an understanding of the entity’s environment</td>
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<thead>
<tr>
<th>IC-2</th>
<th>Examines and interprets information and ideas critically (critical thinking)</th>
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</thead>
<tbody>
<tr>
<td>IC-2.1</td>
<td>Analyses information or ideas</td>
</tr>
<tr>
<td>IC-2.2</td>
<td>Performs computations</td>
</tr>
<tr>
<td>IC-2.3</td>
<td>Verifies and validates information</td>
</tr>
<tr>
<td>IC-2.4</td>
<td>Evaluates information and ideas</td>
</tr>
<tr>
<td>IC-2.5</td>
<td>Integrates ideas and information from various sources (integrated thinking)</td>
</tr>
<tr>
<td>IC-2.6</td>
<td>Draws conclusions / forms opinions</td>
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<table>
<thead>
<tr>
<th>IC-3</th>
<th>Solves problems and makes decisions</th>
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<tbody>
<tr>
<td>IC-3.1</td>
<td>Identifies and diagnoses problems and/or issues</td>
</tr>
<tr>
<td>IC-3.2</td>
<td>Develops solutions</td>
</tr>
<tr>
<td>IC-3.3</td>
<td>Makes decisions and recommendations and provides advice</td>
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<th>IC-4</th>
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| IC-8 | Understands how the national and international environment impacts a CA’s role |

Wide-ranging professional skills make up the third of the three categories of ‘Pervasive qualities and skills,’ i.e. those qualities that the CA brings to any task.
These skills are listed and defined below. They encompass the creation, analysis, evaluation and synthesis of information and ideas; problem-solving and decision-making skills; communication and management skills, and proficiency in technology. They are vital to the professional success of CAs.

Professional judgement is a required element in the development of these professional skills. As CAs gain real-life experience, their professional skills will grow in breadth and depth.

**Communication skills are critically important and much emphasis is placed on the assessment of these communication skills in the ITC. It is important therefore for providers of the academic programme to appropriately develop and assess these communication skills consistently throughout the academic programme.**

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<thead>
<tr>
<th>IC-1</th>
<th>Obtains information</th>
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<tr>
<td>IC-1.1</td>
<td>Gathers or develops accurate and relevant information and ideas</td>
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- Identifies the purpose of gathering information or researching an issue
- Uses appropriate methods for obtaining or developing the information needed, e.g. internal or external electronic resources, document reviews, observation of activities, interviews and discussions
- Asks appropriate questions to gather relevant information and clarify meaning
- Accurately summarises key points obtained through research
- Evaluates information and the quality of information sources

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<tr>
<th>IC-1.2</th>
<th>Develops an understanding of the entity’s environment</th>
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- Uses information obtained from a variety of sources to develop an understanding of the entity’s operating environment, including –
  - stakeholders and relationships with stakeholders
  - critical success factors for the industry / sector
  - exposure to uncertainties, e.g. political, financial, technological
- Identifies the factors that could influence the ability of the entity to create value in the short, medium and long term. These could include:
  - environmental shifts that might affect the entity, e.g. emerging market trends, legislative and regulatory changes
- sustainability in broader terms (business model and trends) and the impact of this on the work environment of CAs
**IC-2** Examines and interprets information and ideas critically (critical thinking)

*In SAICA’s view, critical thinking is the process of actively conceptualising, applying, analysing, synthesising, and/or evaluating information. It is evidenced by clarity, accuracy, precision, consistency, relevance, sound evidence, good reasoning, depth and breadth*

**IC-2.1** Analyses information or ideas

- Identifies the purpose of the analysis and the information and/or ideas and material to be considered and considers qualitative factors
- Breaks down information or ideas in detail, seeking to identify essential elements and hence to uncover new information or gain new insights
- Chooses and applies appropriate analysis techniques
- Uses information technology to support and improve analysis
- Identifies the limitations of given information with regard to achieving the identified purpose of the analysis
- Compares information from internal or external sources as needed to achieve the identified purpose:
  - Internal comparisons – compares elements of a body of information for insights and as a check on consistency and reliability
  - External comparisons – compares information to data obtained from other relevant, credible sources
- Makes logical inferences
- Performs and interprets results of analysis techniques applied

**IC-2.2** Performs computations

- Identifies the purpose of the computation(s) and whether a precise calculation, an estimate, a forecast, or a projection is required
- When the computation involves a forecast or projection, identifies the supporting facts, data, and acquires the knowledge of trends necessary to achieve the purpose and states most of the key assumptions

**IC-2.3** Verifies and validates information

- Identifies information that needs to be verified
- Determines the extent of testing needed to validate the completeness, accuracy and reliability of information used in the analysis
- Identifies corroborating information that will strengthen the ability to draw sound conclusions about the information
- Concludes, based on the work done, whether to accept or reject the information or whether to modify the testing
### IC-2.4 Evaluates information and ideas

| Studies the available information in detail |
| Determines whether information collected and work performed are sufficient to support conclusions |
| Identifies further work or action that is appropriate in response to unexpected findings |

### IC-2.5 Integrates ideas and information from various sources (integrated thinking)

| Considers and combines ideas and information from a variety of sources to create a design, formulate a plan, arrive at a solution to a problem, obtain a broader understanding of an issue, etc. |
| Considers and applies integrated thinking |
| Explores a variety of potentially viable solutions |
| Analyses cause and effect relationships and makes logical inferences |
| Considers alternative interpretations of qualitative and quantitative information |
| Synthesises the views of others to develop a more complete understanding of issues and/or implications of alternatives |
| Integrates information and results of analyses to evaluate alternative solutions |
| Considers longer term and indirect implications |
| Explicitly articulates and justifies assumptions |

### IC-2.6 Draws conclusions / forms opinions

| Forms an opinion about the outcome of an issue or the impact of the information on a situation, taking into account the identified purpose, the information gathered and the analysis of that information |
| Recommends and justifies a solution or opinion or reaches a conclusion based on an integrative view of the information and analysis |

### IC-3 Solves problems and makes decisions

#### IC-3.1 Identifies and diagnoses problems and/or issues

| Identifies cause and effect relationships |
| Distinguishes between problems that can be solved and insoluble issues that have to be managed |
| Understands, identifies and analyses the nature and context of a problem or issue, and |
understands the factors contributing to the problem, before drawing conclusions or considering potential solutions or courses of action

**IC-3.2 Develops solutions**
Develops potential solutions to address root causes of problems in collaboration with affected stakeholders

Considers for each alternative course of action –
- the likely outcome
- apparent effectiveness in addressing root causes of problems
- feasibility of effective implementation
- stakeholder support for effective implementation

Identifies preferred solutions or ranks potential solutions, providing motivation for the ranking

**IC-3.3 Makes decisions and recommendations and provides advice**
Exercises professional judgement by selecting or recommending a course of action or by providing advice that –
- is likely to contribute the most to achieving the stated goals
- complies with all relevant standards, especially those protecting the public interest
- gives due recognition to stakeholder interests
- makes optimal use of available resources

Prioritises the decisions based on degree of urgency or some other criterion

Suggests an approach to manage an apparently insolvable problem

**IC-4 Communicates effectively and efficiently**

**IC-4.1 Seeks and shares information, facts and opinions through written and oral discussion**
Obtains and evaluates the views of others

Confirms own understanding by summarising views

States own views clearly and concisely and in a professional manner (styles and tone is appropriate to the intended audience)

Analyses and synthesises the comments of all parties to develop a complete and insightful understanding of the issues at hand

Communicates conclusions reached or next steps to be taken in a logical, clear and concise manner

**IC-4.2 Prepares documents in written and graphic form**
Records information and ideas using the appropriate form and medium of written and/or
Part 2 – The pervasive qualities and skills

IC Professional Skills

graphic communication

Identifies the intended purpose of the document, its intended users and user needs, the uses to which the document will be put, deadlines and restrictions on its distribution

Identifies and develops (given the intended purpose and the user’s needs) –
- a logical and appropriate structure for the document
- the nature and amount of background information needed and the appropriate level of technical language to use
- the amount of detail required

Prepares documentation that is appropriate, clear, concise and precise

IC-4.3 Presents information effectively to enhance understandability and usefulness

Identifies the intended purpose, context and intended users’ needs for all written and oral communication

Decides on the appropriate presentation medium to achieve the purpose

Considers the likely extent of the audience’s existing knowledge of the subject and range of knowledge of intended users through use of appropriate language, terminology and degree of detail

Analyses the amount of detail required and the necessary extent of precision and/or verification of any information being used

Considers any restrictions on the dissemination of confidential information, and/or the risk of such information being obtained by unauthorised users

IC-5 Manages and supervises

IC-5.1 Plans and manages projects

Develops plans in sufficient detail and appropriate to the nature of the task

Suggests revisions to the plan to reflect new developments

Provides an outline of the objective of a project, or provides input on proposed objectives

IC-5.2 Identifies need for internal and external expertise

Identifies the need for additional expertise to achieve the entity’s strategies

Analyses the optimal mix of employees and external consultants and contract employees needed to provide that expertise for those areas under the CA’s supervision

IC-5.3 Facilitates decision making

Uses appropriate problem-solving techniques and processes to assist in reaching decisions particularly where applying professional judgement

Negotiates and reconciles differing views to find acceptable compromises leading to
agreement where possible

Exercises judgement in determining whether an issue requires attention

**IC-5.4 Leads effective meetings**

Plans, controls and leads effective meetings

**IC-5.5 Supervises**

Organises and develops tasks

Organises and develops staff

Supervises team members in the context of plans, projects or operational activities

**IC-6 Understands and uses appropriate IT systems and tools**

**IC6.1 Understands computerised business systems**

Understands the IT environment within which an entity operates

Understands the processes for evaluation and selection of an appropriate business system

Understands the functionality offered by accounting packages

*Please note that trends and terminology are constantly changing, and it is part of the task of programme providers to keep up to date with these*

**IC6.2 Uses appropriate IT software tools**

Uses, at a basic level, tools which include –

- spreadsheets*
- word processing*
- databases
- internet
- relevant research

in a relevant accounting / business context

*Candidates will be required to write the APC using spreadsheet and word processing tools (based on Excel and Word functionality)*

**IC-7 Considers and applies legal concepts**

Understands the structure of the legal system and legal framework within which the entity and its stakeholders operates

Assesses the impact of relevant regulations and legislation* on routine and long-term decisions

Obtains and applies a general understanding of basic legal concepts relevant to the work being performed
Interprets relevant legislation and case law
Recognises the need for guidance on the applicability of general legal concepts when analysing transactions

* In this regard universities are tasked with identifying the most appropriate legislation to be covered in relation to the balance of competencies outlined in this framework.

**IC-8 Understands how the national and international environment impacts a CA’s role**

Understands and assesses, at a basic level, the impact of economic, social and political fundamentals within South Africa, the Southern African region and internationally on the environment in which the entity operates

* In this regard universities are encouraged to develop in prospective CAs the ability to keep up to date with events in both the national and international environment so that they can understand and react to the impact this will have on business and the economy.
Part 3: THE SPECIFIC COMPETENCIES

II  Strategy, risk management and governance

III Accounting and external reporting

IV  Auditing and assurance

V  Financial management

VI Management decision making and control

VII Taxation
### II - Strategy, Risk Management and Governance

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<th>The competencies</th>
<th>Level</th>
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<td>Identifies and evaluates an entity’s strategies and makes recommendations for improvement</td>
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<tr>
<td>II-1.1</td>
<td>Assesses whether management decisions align with the entity’s vision, mission, values and mandate</td>
<td>I</td>
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<tr>
<td>II-1.2</td>
<td>Understands and evaluates the external influences on an entity’s strategy</td>
<td>I</td>
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<tr>
<td>II-1.3</td>
<td>Understands and evaluates the internal influences on an entity’s strategy</td>
<td>I</td>
</tr>
<tr>
<td>II-1.4</td>
<td>Understands and evaluates the business model of the entity in the context of the entity's vision, mission, values, mandate and overall objective</td>
<td>I</td>
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<tr>
<td>II-1.5</td>
<td>Identifies and evaluates opportunities and risks stemming from the strategy</td>
<td>I</td>
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<td>II-1.6</td>
<td>Understands the entity’s IT strategy</td>
<td>A</td>
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<td><strong>II-2</strong></td>
<td>Evaluates an entity’s plans for risk management</td>
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<tr>
<td>II-2.1</td>
<td>Understands the entity’s risk management framework and processes</td>
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<td>Evaluates the entity’s risk management programme</td>
<td>I</td>
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<tr>
<td>II-2.3</td>
<td>Identifies courses of action to help manage risks</td>
<td>I</td>
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<tr>
<td><strong>II-3</strong></td>
<td>Evaluates an entity’s governance model</td>
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<tr>
<td>II-3.1</td>
<td>Understands the importance of governance planning</td>
<td>A</td>
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<tr>
<td>II-3.2</td>
<td>Evaluates the entity’s governance structure</td>
<td>X</td>
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<tr>
<td>II-3.3</td>
<td>Understands the leadership processes of the board or other governing body</td>
<td>A</td>
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<tr>
<td>II-3.4</td>
<td>Evaluates the audit and risk committees’ roles in governance</td>
<td>X</td>
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<tr>
<td>II-3.5</td>
<td>Evaluates the internal audit function’s role in governance</td>
<td>X</td>
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#### 2 Knowledge reference list
- Strategy
- Risk management
- Corporate Governance (King IV report)
- Companies Act of 2008

#### 3 Examples of the expectations at different proficiency levels
Overview – Strategy Risk Management and Governance

Strategy, risk management and governance, considered together as a single broad competency area, ensures that a CA can assist an entity to identify and exploit opportunities while reducing risks (strategic, operational, financial, marketing, legal, environmental, etc.), in pursuit of the entity’s overall objectives. The entity’s context influences the definition of its overall objectives, namely to provide sustainable value to the entity and its stakeholders.

Achievement of the entity’s overall objectives involves the development and implementation of strategies that take advantage of identified opportunities while minimising the damage that risks can do to the achievement of organisational goals. This process is informed by the competitive environment, the availability of sustainable resources and the importance of stakeholder relationships. Collectively this is communicated through the integrated report.

It must be emphasised that this competency focuses on equipping the entry-level CA with the analytical tools and competencies from which the strategic and organisational insights that underpin the general aptitude for driving, managing and developing a competitive business entity are generated. Consequently this section comprises three related parts, all of which focus on developing, protecting and implementing the competitive strength of the enterprise.

- The first part (Strategy) addresses the identification of the entity’s appropriate competitive strategies.
- The second part (Risk Management) flows from the first, and is concerned with identifying, assessing and managing the threats / risks resulting from pursuing the entity’s strategies.
- The third part (Governance) addresses the organisational structures and behaviours appropriate for the effective implementation and management of the entity’s strategic plan.
The primary role of the CA in this competency area will be as part of a team\(^6\) of external advisors or employed as a member of a management team or as an individual. Management teams provide audit committees, boards of directors and other governing bodies with expertise and advice to help them discharge their governance, strategic, and risk management responsibilities. As part of the management team, a CA contributes to the enhancement of the entity’s performance. Management teams take into account the needs of key stakeholders, including shareholders, suppliers, employees and customers, while striving to protect the public interest.

This section identifies the specific CA competencies in Strategy, risk management and governance. However, the importance of integrating them with the pervasive qualities listed in Section I, particularly ethics, when reading each of the specific competencies, cannot be overstated.

The competencies identified in this section are also further developed and applied in the context of the direction and management of the entity’s operations, investing activities, acquisitions and financing decisions in Section V – Financial management and Section VI – Management decision making and control.

**Education Guidance**

This competency area requires prospective CAs to contextualise their technical knowledge, skills and abilities within the entity’s operating environment and apply these in a manner that is appropriate and relevant to the entity and its objectives.

Assessment of this competency would require the prospective CA –

- to demonstrate the ability to identify and exercise the appropriate and relevant application of his/her technical skill set to a business problem, given the operating environment and organisational structure of the entity (as described in this section);

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\(^6\) Reference to a member of a team is applicable to entry-level CAs, but this does not apply to candidates writing the ITC, as they are assessed on their core competence as individuals.
Part 3 – The specific competencies

II Strategy, Risk Management and Governance

- to assimilate the key attributes of the external and internal operating environment, opportunities and risk factors, in the evaluation of a particular problem and/or response thereto (as described in this section); and
- to demonstrate the ability to identify relevant linkages between this competency and other competency areas.

The level of proficiency required by candidates writing SAICA’s ITC is specified for each specific competency.

### Levels of Proficiency

The degree of expertise an individual is expected to exhibit in a competency.

This document defines the levels of proficiency candidates must demonstrate at the time of writing SAICA’s ITC. Three distinct and increasingly higher levels of proficiency are identified. Level A requires the lowest proficiency, whereas level X requires the highest. Each of the levels is defined below. The levels indicate the depth of detailed knowledge which is required of the prospective CA, the extent to which that knowledge is required to be applied and integrated, and the complexity of the problem to be solved in each aspect of this competency. These levels in turn make it possible to determine the degree of rigour and independence with which a newly qualified CA should be able to complete the task described.

It is stressed that for all three levels a high degree of contextualisation is required. By requiring a high degree of contextualisation it is recognised that competence in the field of accounting is ‘grounded in the real world’ (see Part 1 - Overview ‘The Competency Framework: Some implications for the academic programme and assessment’) and that teaching, learning and assessment are most effectively executed through application in ‘real world’ scenarios. This is achieved in the academic programme through mini case studies and contextualised questions.

**Level A (Awareness)**

Requires an awareness of the key ideas and principles within the area. Demonstration of technical expertise or detailed knowledge in this area is not required. The candidate
identifies and explains the significance of the competency, and the types of circumstances in which it would arise or be applied.

**Level I (Initiates the Task)**
Demonstrates an understanding of the requirements of the task and identifies and applies the required professional skills, including basic quantitative and qualitative analysis, to perform the task on a preliminary basis (recognising that a review by more senior staff is still necessary). An intermediate understanding of the subject matter is required. Complex calculations are not required. Integration with other competencies is straightforward and is of limited complexity. Level I includes level A proficiency.

**Level X (Completes the Task)**
Completes all elements of a specified task successfully; therefore an advanced understanding of the subject matter is required. Relevant pervasive skills and reflective capacity should be demonstrated at an advanced level. Technical skills expected to be demonstrated at this level include, for example, performing complex calculations and concluding on an appropriate course of action. Proficiency at level X is demonstrated when the problem is clearly identified and thoroughly analysed, or when a situation is evaluated and useful recommendations are made. This level of proficiency includes level A and I proficiencies.

Short examples are included at the end of this section to demonstrate the interpretation of a particular competency with reference to each of the levels described above.

**Content**

The academic programme is principally concerned with the following legislation and governing documents:

- King IV Report on Corporate Governance for South Africa; and
- Companies Act.

**Specific Exclusions**
In context of the included guiding documents and legislation it is more appropriate to identify areas that will be seen as specialist and to exclude them from the academic programme, as this programme concerns itself with the development of entry-level CAs and specialist areas are not considered appropriate at this point.

Where applicable, the topics to be excluded from the academic programme will be updated annually and included with the examinable pronouncements document that will be published each year for the following year’s ITC on the SAICA website.

Candidates are not expected to deal with any specific specialised industry strategy, risks, legal or regulatory requirements relating to any aspects of this competency area. Candidates may however be expected to deal with general strategy, risk management and governance issues in the context of a company in a specialised industry.

Link between competencies, knowledge lists and examinable pronouncements

- **Competencies** – the competencies outline the knowledge, skills and attributes (competencies) CAs should have developed at point of entry to the CA profession. This is developed through both the academic and training programme.

- **Knowledge Lists** – provides guidance at a high level of the knowledge areas to be covered within the specific discipline’s academic programme, that is, over the full period spent in the academic programme. It is entirely up to each university to determine where (i.e. in which years) each discipline is covered when planning their programmes.

- **Examinable Pronouncements** – provides specific and more detailed information in relation to the disciplines of accounting and external reporting, audit and assurance and taxation on an annual basis and are used to inform what will be assessed in the following year’s ITC. This may in some cases contradict what is included in the knowledge lists as it has a different purpose. Some topics are deemed inappropriate to examine from time to time as they are in process of being updated by the relevant authority. This list simply excludes such topics from the ITC but not the academic programme.
### 1 Competencies in Strategy, Risk Management and Governance

#### II-1 Identifies and evaluates an entity’s strategies and makes recommendations for improvement

**II-1.1** Assesses whether management decisions align with the entity’s vision, mission, values and mandate

Assesses the extent of the alignment:

- Explains how the entity’s context influences the definition of its overall objective: to provide sustainable value to the entity and its stakeholders
- Identifies the overall objective of the entity
- Assesses the alignment of the entity’s vision, mission, values and mandate with the overall objective defined
- Critiques the alignment of specific decisions and strategies with the entity’s vision, mission, values and mandates (e.g. in areas such as Taxation)

#### II-1.2 Understands and evaluates the external influences on an entity’s strategy

**Level I**

Understands and evaluates the competitive environment and industry in which the entity operates including –

- competitive positioning and strategies
- market forces

Analyses and evaluates the environment (both external and internal) by using relevant strategic analysis tools, frameworks and models

Understands and evaluates the economic environment in which the entity operates and understands the impact the social, natural and political environments have on the entity’s strategy

#### II-1.3 Understands and evaluates the internal influences on an entity’s strategy

**Level I**

Identifies (at a basic level) and is able to explain the internal factors that should be taken into consideration in determining an entity’s strategies including the following:

- Identifies the key components of organisational behaviour, corporate culture and the impact on the entity’s pursuit of its mission and strategies (e.g. tone of the entity’s leadership, human resources policies, personnel selection and development, remuneration strategies, work motivation and management–union relationships, accepted norms)
- Understands the importance of identifying appropriate measures of performance and linked remuneration
- Entity level controls: Identifies the existence of tools such as a code of conduct, a code of ethics, and training and reward systems used to communicate, reinforce and renew the entity’s stated values

Evaluates, on a preliminary basis, the implications of these findings with regard to the entity’s formulation and pursuit of its mission and strategies
**II-1.4**  Understands and evaluates the business model of the entity in the context of the entity’s vision, mission, values, mandate and overall objective

**Level I**

Understands and evaluates the business model of the entity and its role as the vehicle for the implementation of the strategies of the entity in pursuit of the long-term value creation for the stakeholders of the entity.

Evaluates the business model of the entity in terms of its key building blocks

Understands, in the context of an integrated report, the importance of the business model in assessing the performance of the enterprise in the process of value creation

**II-1.5**  Identifies and evaluates opportunities and risks stemming from the strategy

**Level I**

Identifies and evaluates significant opportunities and risks associated with the entity’s external and internal environments

Applies strategic analysis tools in the identification and analysis of opportunities and risks, and with reference to external and internal factors that characterise the entity’s competitive environment and strategic response thereto

Assesses the risk tolerance of the entity’s stakeholders’ and its balance with opportunity

Identifies information that will help assess opportunities and manage risk

Identifies significant environmental trends as well as legitimate needs and expectations of stakeholders and assesses their implications for the entity in meeting its overall objectives

Identifies the entity’s material impact on environmental, economic and social systems and consequently identifies any risks relating to the entity’s continuity

**II-1.6**  Understands the entity’s IT strategy

**Level A**

Understands the entity’s IT strategy

Identifies, analyses and discusses some of the key factors, such as –

- the efficiency and effectiveness of the entity’s IT solutions in meeting its IT needs and in helping to solve common business problems, based on the entity’s overall strategy
- the feasibility of using the latest IT technologies
- the manner in which the entity uses IT to obtain, create and disseminate information that helps to achieve its various strategies
- the development of an appropriate IT structure, including committees to address the entity’s IT needs
- the evaluation of the adequacy of the entity’s strategy regarding waste management with regard to IT hardware disposal

Suggests possible improvements to the entity’s existing IT strategy
II-2  Evaluates an entity’s plans for risk management

II-2.1  Understands the entity’s risk management framework and processes

**Level I**

Understands and explains the components of a risk management philosophy and risk management strategy

Understands and explains the role of risk maturity on the risk management philosophy and risk management processes

Understands and explains the critical components of an Enterprise Risk Management (ERM) framework using a suitable framework (such as COSO II) and processes including:

- Principle of managing risk (financial and non-financial) across the entity and consolidating risk metrics rather than managing risk on a ‘silo’ basis
- Objectives of an enterprise risk management framework
- Risk management policy vs risk management plan
- Risk appetite vs risk tolerance limits
- Identification of risk events
- Understands the link between strategy and risk
- Risk assessment – in terms of likelihood of occurrence and impact
- Risk response (including acceptance, transference, sharing of risk and avoidance)
- Risk documentation – risk register – documenting risk identified, assessment of risk, risk response and residual risk
- Risk monitoring through amongst others the use of key risk indicators (KRIs)
- Provision of risk assurance

Identifies and assesses strategic, operational, financial and informational risks (including IT risks and risks related to sustainability), based on an understanding of the environment in which the entity operates, its strategy and management processes

Understands the role of control procedures in risk reduction

Identifies the possible consequences for the entity of having an ineffective risk management programme

II-2.2  Evaluates the entity’s risk management programme

**Level I**

Identifies the existence of policies, procedures, processes and reporting mechanisms that are part of the entity’s risk management programme

Evaluates whether the risk management programme can respond effectively and timeously to significant changes in the entity’s environment

Evaluates, on a preliminary basis, the consistency of the policies, procedures, etc., with the entity’s stated mission and strategies

II-2.3  Identifies courses of action to help manage risks

**Level I**

Identifies and suggests methods to manage risks (avoid, transfer, mitigate and accept)

Decides and advises on a preliminary basis on actions that the entity should take to adapt to changes in risks and opportunities
II-3 Evaluates an entity’s governance model

II-3.1 Understands the importance of governance planning

Level A

Understands and communicates the importance of having a governance plan in place that includes –

- management oversight of regular operations
- key information reports, including performance reports and budgets and monitoring progress towards stated strategic plans and identified risks
- appropriate IT policies, processes and structures
- non-typical transaction control processes

II-3.2 Evaluates the entity’s governance structure

Level X

Understands and explains the components of the entity’s governance structure (e.g. board of directors, audit committee)

Understands the governance structures within the entity related to sustainability

Explains to stakeholders the primary characteristics of good governance (i.e. discipline, transparency, independence, accountability, responsibility, fairness, social responsibility)

Evaluates an entity’s governance structure and identifies areas needing improvement (gap analysis)

II-3.3 Understands the leadership processes of the board or other governing body

Level A

Understands the importance of the leadership processes implemented by the board or other governing body

Examples of processes include:

- Implementation and maintenance of an effective stakeholder engagement process which includes regular feedback from key stakeholders
- Keeping board members fully informed on the changing dynamics of the operating environment, etc.
- Conducting effective discussion, analysis, synthesis and decision making based on accurate and timely information
- Building an open and constructive relationship between the board and management
- Evaluating relationships and performance of external advisors, e.g. lawyers, actuaries, auditors
- Reviewing the entity’s strategic direction on a regular basis and assessing performance through on-going monitoring

II-3.4 Evaluates the audit and risk committees’ roles in governance

Level X

Evaluates whether the audit and risk committees have satisfactorily performed their duties, as –

- prescribed in terms of the Companies Act of 2008; and
- recommended in terms of the King Report on Governance for South Africa (King IV Report)

Identifies any further duties required in terms of the entity’s audit and risk committees’ charter;
Part 3 – The specific competencies

II Strategy, Risk Management and Governance

- evaluates the appropriateness of such duties in relation to the effectiveness of the audit and risk committees; and
- evaluates whether these duties have been satisfactorily performed

II-3.5 Evaluates the internal audit function’s role in governance

Level X

Evaluates whether the internal audit function of an entity is effective in terms of –
- its organisational status (including its ‘independence’)
- the scope of its work
- whether reported findings are acted upon

2 Knowledge Reference List

Knowledge and understanding of content provide the foundation for the acquisition of a competency (see above). The list which follows indicates the content of this foundation for competencies in Strategy, risk management and governance. It is recognised that depth of knowledge and understanding will be informed by the competency(ies) to which content relates. In order to assist providers with guidance as to depth of knowledge and understanding required, the following description for each knowledge level may be useful:

Level 1 (Basic)

At this level the candidate is required to acquire a knowledge and understanding of the core / essence of the subject matter which include that the subject matter exists, the significance and relevance thereof, and its defining attributes.

Consequently the candidate is required to have a knowledge and understanding –
- of the purpose and objective of the subject matter;
- of the underlying principles / practices / legislation / requirements (hereafter ‘content’);
- of how the content relates to the discipline as a whole and to other disciplines (how it ‘fits in’); and
- that is at a broad conceptual level.

At this level, knowledge and understanding of detail, including procedural or numerical aspects specific to the subject matter, are not required.
At this level the candidate should be equipped with the extent and depth of knowledge and understanding which enable the candidate to recognise issues when encountered and to seek further depth of knowledge and understanding.

**Level 2 (Intermediate)**

At this level the candidate is required to acquire a detailed knowledge and understanding of the central ideas and issues that comprise the substance of the subject matter.

Consequently, the candidate is required to have a knowledge and understanding –

- of those aspects of the content that are central to the subject matter, so as to achieve a sound conceptual understanding; and
- of the detail, including procedural and numerical aspects specific to the subject matter, where appropriate.

Knowledge and understanding of complexities and unusual / exceptional aspects are, however, not required.

At this level the candidate should be equipped with a sound knowledge and understanding of the substance of the subject matter to enable him/her to deal with issues and solve problems that are central to the topic. The candidate has a sound conceptual knowledge which enables him/her to further explore and understand complexities, if necessary.

This level includes the level of knowledge and understanding required for level 1 (Basic).

**Level 3 (Advanced)**

At this level the candidate is required to acquire a thorough knowledge and rigorous understanding of the subject matter. This level of knowledge and understanding extends beyond a sound understanding of central issues, to include complexities and unusual / exceptional aspects associated with the subject matter.
Consequently the candidate is required to have a knowledge and understanding of –
- all content that is required to develop a thorough and rigorous understanding of the subject matter;
- complexities; and
- sufficient depth to clearly locate content in the general field of accountancy (as described by competencies II–VII) and to identify implications and relationships.

At this level the candidate should be equipped with a level of knowledge and understanding of the substance of the subject matter that enables him/her to perform tasks and solve problems with a high degree of rigour, exercising sound judgement.

This level includes the level of knowledge and understanding required for level 1 (Basic) and level 2 (Intermediate).

This knowledge reference list comprises the knowledge most relevant to, or most strongly identified with, Strategy, risk management and governance. This does not mean that the topics listed are relevant exclusively to these competencies. This knowledge reference list may include subject matter that is also relevant to other competency areas.

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Knowledge level</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Definition of strategy</td>
<td>1</td>
</tr>
<tr>
<td>• Definition of vision and mission</td>
<td>1</td>
</tr>
<tr>
<td>• Definition of mandate</td>
<td>1</td>
</tr>
<tr>
<td>• Definition of business model</td>
<td>1</td>
</tr>
<tr>
<td>• Analysis tools for assessing strategic focus:</td>
<td>2</td>
</tr>
<tr>
<td>▪ Porter's five forces (barriers to entry, bargaining power of suppliers and customers, competition and threat of substitutes)</td>
<td></td>
</tr>
<tr>
<td>▪ PESTEL</td>
<td></td>
</tr>
<tr>
<td>▪ Strengths, weaknesses, opportunities and threats (SWOT) analysis</td>
<td></td>
</tr>
<tr>
<td>• Resources/capitals (in terms of the International Integrated Reporting Framework): financial, manufactured, intellectual, human, social and human relationships and natural</td>
<td>2</td>
</tr>
<tr>
<td>• Competitive strategies: cost leadership, differentiation, focus (niche)</td>
<td>2</td>
</tr>
<tr>
<td>Knowledge level</td>
<td></td>
</tr>
<tr>
<td>-----------------</td>
<td></td>
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<tr>
<td>3</td>
<td></td>
</tr>
</tbody>
</table>

**Part 3 – The specific competencies**

### II Strategy, Risk Management and Governance

#### Key stakeholders of an entity and their roles
- Using appropriate techniques (such as stakeholder mapping to identify key stakeholders and their interests / needs)
  - Shareholders and lenders
  - Suppliers
  - Customers
  - Employees
  - Public interest

#### Management of stakeholders
- Managing conflicting stakeholder objectives
- Measuring stakeholder satisfaction
- Corporate social responsibility initiatives

#### External and internal influences on an entity’s strategy
- Macro forces (economic, political, regulatory / legal, technological and competitive environment)
- Internal influences (structures, systems and processes)
- Natural environment

#### Key building blocks of the business model of the entity:
- Customer segments
- Value propositions
- Channels (communication, distribution and sales)
- Customer relationships
- Revenue streams
- Key resources
- Key activities
- Key partnerships
- Cost structure

#### Sustainability phenomenon (definition)

#### International Integrated Reporting Framework

#### Sustainability related issues:
- Global Reporting Initiative (GRI)
- JSE Socially Responsible Investment (SRI) Index
- Equator principles

#### Corporate culture

#### Analytical tools for assessing feasibility of strategies formulated
- General Electric Corporation (GEC) Model
- Product-market matrix

### Risk Management

#### Enterprise risk management
- Risk Management Philosophy
- Risk Management Strategy
- Risk Management Framework (such as COSO II)

#### Risk maturity, risk appetite and risk tolerance limits
- Risk management policy vs risk management plan
- Identification of risk events
- Analysing and assessing risk (probability of occurrence or likelihood vs impact)
### Knowledge level

<table>
<thead>
<tr>
<th>Knowledge level</th>
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<tbody>
<tr>
<td>2</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>n/a</td>
</tr>
</tbody>
</table>

#### Part 3 – The specific competencies

**II Strategy, Risk Management and Governance**

- Risk responses (avoidance, transference, mitigation, acceptance)
- Control procedures in risk reduction
- Risk register
  - Risks identified
  - Measurement thereof
  - Response
  - Residual risk
- Monitoring of risk (using key risk indicators (KRI)s)
- Risk assurance
  - Objectives of risk management
    - Values related to risk management
    - Accountability for risk management
    - Authority for risk management
- Principal categories of risk
  - Strategic
  - Operational
  - Financial
  - Information
- Identification of different risks and appropriate responses thereto
- Implementing and integrating risk management
  - Members of a risk management team
  - Role of management
  - Infrastructure for risk management
  - Objectives of risk management within context of environment
  - Role of board of directors
  - Role of chief risk officer
  - Role of internal auditors
  - Role of external auditors

### Corporate Governance

- Importance and objectives of corporate governance
  - The King IV Report on Corporate Governance for South Africa
    - Part 1: Glossary of terms
    - Part 2: Fundamental concepts
    - Part 3: King IV Application and disclosure
      - Legal status
      - Scope and application
      - Practices, principles and governance outcomes
      - Proportionality
      - Disclosure on application
    - Part 4: King IV on a page [not specifically examinable]
    - Part 5: King Code on Corporate Governance for South Africa
      - Principle 1 – Ethical leadership
      - Principle 2 – Organisation ethics
      - Principle 3 – Responsible corporate citizenship
      - Principle 4 – Strategy and performance
      - Principle 5 – Reporting and disclosure
### Companies Act of 2008 (Act 71 of 2008)

**NOTES:**

i) These sections have been identified as being of specific importance to accountants and auditors in fulfilling their roles in ensuring effective governance and, as such, may be examined in the ITC examinations. It is for this reason that they are listed here, with knowledge levels.

ii) A number of other sections of the Companies Act are, however, likely to fall within the ambit of other competencies such as IC-7 and V-1.2. As such, from a pedagogical perspective, the sections not listed below may still need to be covered in the academic programme – even though they are not specifically examinable in the ITC examination.

iii) The Companies Regulations, 2011, are examinable in the ITC examination to the extent that the regulation relates to an examinable section of the Companies Act. The regulations are examinable on the same level as the section of the Companies Act to which it relates.

<table>
<thead>
<tr>
<th>Section</th>
<th>Topic</th>
<th>Knowledge level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chapter 1: Interpretation, purpose and application</td>
<td><strong>Part A: Interpretation</strong></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Definitions - To be read in conjunction with relevant sections</td>
<td>3</td>
</tr>
<tr>
<td>2</td>
<td>Related and inter-related persons, and control</td>
<td>3</td>
</tr>
<tr>
<td>3</td>
<td>Subsidiary relationships</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>Solvency and liquidity test</td>
<td>3</td>
</tr>
<tr>
<td>Chapter 2: Formation, administration and dissolution of companies</td>
<td><strong>Part B: Incorporation and legal status of companies</strong></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Categories of companies</td>
<td>3</td>
</tr>
<tr>
<td>15</td>
<td>Memorandum of Incorporation, shareholder agreements and rules of company</td>
<td>3</td>
</tr>
<tr>
<td>16</td>
<td>Amending Memorandum of Incorporation</td>
<td>2</td>
</tr>
<tr>
<td>20</td>
<td>Validity of company actions</td>
<td>3</td>
</tr>
<tr>
<td>21</td>
<td>Pre-incorporation contracts</td>
<td>3</td>
</tr>
<tr>
<td>22</td>
<td>Reckless trading prohibited</td>
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### Part C: Transparency, accountability and integrity of companies

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<td>External companies and registered office</td>
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<td>24</td>
<td>Form and standards for company records</td>
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<td>25</td>
<td>Location of company records</td>
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<td>26</td>
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<td>27</td>
<td>Financial year of company</td>
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<td>Access to financial statements or related information</td>
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<td>32</td>
<td>Use of company name and registration number</td>
<td>1</td>
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<td>33</td>
<td>Annual return</td>
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<td>34</td>
<td>Additional accountability requirements for certain companies</td>
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</table>

### Part D: Capitalisation of profit companies

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<th>Description</th>
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<td>Legal nature of company shares and requirement to have shareholders</td>
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<td>36</td>
<td>Authorisation for shares</td>
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<td>37</td>
<td>Preferences, rights, limitations and other share terms</td>
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<td>38</td>
<td>Issuing shares</td>
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<td>39</td>
<td>Pre-emptive right to be offered and to subscribe for shares</td>
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<td>Consideration for shares</td>
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<td>Shareholder approval for issuing shares in certain cases</td>
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<td>Distributions must be authorised by board</td>
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<td>Capitalisation shares</td>
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<td>Company or subsidiary acquiring company’s shares</td>
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### Part F: Governance of companies

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<td>Interpretation and restricted application of Part</td>
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<td>58</td>
<td>Shareholder right to be represented by proxy</td>
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<td>59</td>
<td>Record date for determining shareholder rights</td>
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<td>60</td>
<td>Shareholders acting other than at meeting</td>
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<td>61</td>
<td>Shareholders meetings</td>
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<td>Notice of meetings</td>
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<td>Conduct of meetings</td>
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<td>Meeting quorum and adjournment</td>
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<td>Shareholder resolutions</td>
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<td>Board, directors and prescribed officers</td>
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<td>First director or directors</td>
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<td>68</td>
<td>Election of directors</td>
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<td>69</td>
<td>Ineligibility and disqualification of persons to be director or prescribed officer</td>
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<td>70</td>
<td>Vacancies on board</td>
<td>2</td>
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<td>71</td>
<td>Removal of directors</td>
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<tr>
<td>72</td>
<td>Board committees</td>
<td>3</td>
</tr>
</tbody>
</table>
Chapter 3: Enhanced accountability and transparency

Part A: Application and general requirements of chapter
- Application of Chapter
- Registration of secretaries and auditors

Part B: Company secretary
- Mandatory appointment of company secretary
- Juristic person or partnership may be appointed company secretary
- Duties of company secretary
- Resignation or removal of company secretary

Part C: Auditors
- Appointment of auditor
- Resignation of auditors and vacancies
- Rotation of auditors
- Rights and restricted functions of auditors

Part D: Audit committees
- Audit committees

Chapter 6: Business rescue and compromise with creditors

Part A: Business rescue proceedings
- To be covered at a high level awareness for the Part I and Part II exam

Chapter 7: Remedies and enforcement

Part A: General principles
- Protection for whistle-blowers

Chapter 9: Offences, miscellaneous matters and general provisions

Part A: Offences and penalties
- Breach of confidence
- False statements, reckless conduct and non-compliance

3 Examples of the Expectations at Each Proficiency Level

Example 1: II-1.2 Understands the external influences on an entity’s strategy

The required level of proficiency for this competency is level I. However, to assist candidates in differentiating between the three proficiency levels, expectations for proficiency at levels A and X are also provided.
Level A
The prospective CA identifies and describes the key external elements that influence the strategy development of an entity and relates the significance of these in the context of the scenario presented, suggesting potential areas for further analysis. At level A the prospective CA does not perform an analysis or evaluation of the situation and consequently does not make suggestions or recommendations with regard to determining an appropriate strategy.

Level I
The prospective CA performs qualitative analysis (as well as supporting quantitative analysis where appropriate), using basic strategic analysis tools and techniques (e.g. Porter’s five forces, PESTEL, SWOT analysis). The analysis or evaluation is not comprehensive as the objective is not to perform a complete strategic analysis of the external environment of a particular entity. Rather, the prospective CA identifies elements of the external environment relevant to the scenario presented and primary problem at hand (e.g. an investment opportunity, business decision or assessment of audit risk), and relates the relevance and implications thereof.

The prospective candidate identifies possible strategies, but does not advise or conclude on an appropriate strategy for the entity. (This does not preclude the prospective CA from concluding on the primary problem presented in the scenario which is not the development of an entity’s strategy (e.g. a business decision), depending on the proficiency level assigned to that competency.) Proficiency at level I is demonstrated when the key problems are identified and analysed on a preliminary basis. This level of proficiency includes level A proficiencies.

Level X
The prospective CA performs quantitative and qualitative analysis, using basic strategic analytic tools and techniques (e.g. Porter’s five forces, PESTEL, SWOT analysis). The objective of the analysis is a comprehensive evaluation of the entity’s external environment.

The prospective candidate identifies and/or evaluates suggestions for potential strategic responses to the entity’s external environment which may lead to
improvement in profitability and enhancement of the value of the entity, and advises and concludes on an appropriate course of action. Key features of the external environment are clearly identified and thoroughly analysed, the situation is evaluated and useful recommendations regarding adoption of an appropriate strategy by the entity are made. This level of proficiency includes level A and I proficiencies.

**Example 2: II-3.2 Evaluates the entity’s governance structure**

The required level of proficiency for this competency is level X. However, to assist candidates in differentiating between the three proficiency levels, expectations for proficiency at levels A and I are also provided.

One of the elements of competency II-3.2 is to ‘evaluate an entity’s governance structure and identify areas needing improvement’. This element will be used as an example to illustrate the levels of proficiency.

**Level A**

In order to satisfy the level A proficiency, the candidate should be able to inter alia –

- explain the importance of an effective governance structure in managing abuses of power; and
- describe in general terms the key recommendations of the King Code regarding the composition of the board of directors and the board committees.

**Level I**

In order to satisfy a level I proficiency level the candidate should (in addition to demonstrating proficiency at level A) be able to inter alia –

- identify, with reasons, concerns regarding the composition of a given board of directors and its committees with reference to the recommendations of the King Code.

**Level X**

In order to satisfy a level X proficiency the candidate should (in addition to demonstrating proficiency at levels A and I) be able to inter alia –
• for a given company’s corporate governance report (which forms part of the annual report), prepare a memorandum to the company’s board of directors which identifies and explains the concerns which arise in terms of corporate governance best practice and applicable legislation and recommends appropriate remedial action.
## III - Accounting and External Reporting

### 1 The Competencies

<table>
<thead>
<tr>
<th>III-1</th>
<th>Analyses financial reporting needs and establishes the necessary systems</th>
</tr>
</thead>
<tbody>
<tr>
<td>III-1.1</td>
<td>Identifies the appropriate reporting framework</td>
</tr>
<tr>
<td>III-1.2</td>
<td>Analyses financial reporting needs</td>
</tr>
<tr>
<td>III-1.3</td>
<td>Develops or evaluates reporting processes to support financial reporting</td>
</tr>
<tr>
<td>III-1.4</td>
<td>Develops reliable information</td>
</tr>
<tr>
<td>III-1.5</td>
<td>Establishes or enhances financial reporting using IT</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>III-2</th>
<th>Conducts external financial reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>III-2.1</td>
<td>Develops or evaluates accounting policies in accordance with IFRS</td>
</tr>
<tr>
<td>III-2.2</td>
<td>Accounts for the entity’s routine transactions</td>
</tr>
<tr>
<td>III-2.3</td>
<td>Accounts for the entity’s non-routine transactions</td>
</tr>
<tr>
<td>III-2.4</td>
<td>Prepares financial statements using IFRS</td>
</tr>
<tr>
<td>III-2.5</td>
<td>Prepares or evaluates financial statement note disclosure</td>
</tr>
<tr>
<td>III-2.6</td>
<td>Explains the financial statement results and balances to stakeholders</td>
</tr>
<tr>
<td>III-2.7</td>
<td>Maintains awareness of key ideas and principles of proposed financial reporting standards changes</td>
</tr>
<tr>
<td>III-2.8</td>
<td>Considers the integrity of financial information in the integrated report</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>III-3</th>
<th>Conducts specialised reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>III-3.1</td>
<td>Identifies and analyses specific reporting obligations</td>
</tr>
<tr>
<td>III-3.2</td>
<td>Identifies regulatory and other filing requirements</td>
</tr>
<tr>
<td>III-3.3</td>
<td>Identifies and analyses non-financial reporting needs</td>
</tr>
<tr>
<td>III-3.4</td>
<td>Conducts external and internal non-financial reporting</td>
</tr>
</tbody>
</table>

### 2 Knowledge reference list

- The objectives of financial statements
- Qualitative characteristics of financial reporting
- The elements of financial statements
- Preface to the Standards of GRAP (November 2012) – see Appendix 3
- Specialised topics – SAICA documentation available in Appendix 1

### 3 Examples of the expectations at different proficiency levels

**THIS SECTION MUST BE READ IN CONJUNCTION WITH THE DOCUMENT SETTING OUT THE PRINCIPLES OF HOW THIS SECTION WILL BE EXAMINED IN ITC WHICH CAN BE FOUND ON THE SAICA WEBSITE.**
Overview – Accounting and External Reporting

Entities record the results of transactions (accounting) and measure and report on their performance and financial position. The reports generated for external use can be financial or non-financial in nature. Common examples include general-purpose financial statements and integrated reports. Entities report information to their various stakeholders in order to meet their stewardship requirements and to fulfil stakeholders’ needs.

The primary role in this competency area will be as part of a team⁷ that is competent in understanding an entity’s reporting requirements and the importance of providing relevant, accurate and complete information in meeting the entity’s reporting requirements. The team has a thorough knowledge of generally accepted accounting practice (GAAP), their application in IFRS and a thorough understanding of when and how to apply them. In addition, the team understands that different entities have different objectives and may be required to use different reporting frameworks.

This section identifies the specific CA competencies in Accounting and external reporting. However, the importance of integrating the pervasive qualities listed in Section I, particularly ethics, when reading each of the specific competencies cannot be overstated.

Education Guidance

This competency area requires prospective CAs to contextualise their technical knowledge, skills and abilities within the entity’s operating environment and apply these in a manner that is appropriate and relevant to the entity and its objectives.

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⁷ Reference to a member of a team is applicable to entry-level CAs, but this does not apply to candidates writing the ITC, as they are assessed on their core competence as individuals.
Assessment of this competency would require the prospective CA –

- to demonstrate the ability to identify and exercise the appropriate and relevant application of his/her technical skill set to a business problem, given the operating environment and organisational structure of the entity (as described in Section II – Strategy, risk management and governance);
- to assimilate the key attributes of the external and internal operating environment, opportunities and risk factors, in the evaluation of a particular problem and/or response thereto (as described in Section II – Strategy, risk management and governance); and
- to demonstrate the ability to identify relevant linkages between this competency and other competency areas.

The level of proficiency required by candidates writing SAICA’s ITC is specified for each specific competency.

### Levels of Proficiency

The degree of expertise an individual is expected to exhibit in a competency.

This document defines the levels of proficiency candidates must demonstrate at the time of writing SAICA’s ITC. Three distinct and increasingly higher levels of proficiency are identified. Level A requires the lowest proficiency, whereas level X requires the highest. Each of the levels is defined below. The levels indicate the depth of detailed knowledge which is required of the prospective CA, the extent to which that knowledge is required to be applied and integrated, and the complexity of the problem to be solved in each aspect of this competency. These levels in turn make it possible to determine the degree of rigour and independence with which a newly qualified CA should be able to complete the task described.

It is stressed that for all three levels a high degree of contextualisation is required. By requiring a high degree of contextualisation it is recognised that competence in the field of accounting is ‘grounded in the real world’ (see Part 1 - Overview ‘The Competency Framework: Some implications for the academic programme and assessment’) and that teaching, learning and assessment are most effectively
executed through application in ‘real world’ scenarios. This is achieved in the academic programme through mini case studies and contextualised questions.

**Level A (Awareness)**
Requires an awareness of the key ideas and principles within the area. Demonstration of technical expertise or detailed knowledge in this area is not required. The candidate identifies and explains the significance of the competency, and the types of circumstances in which it would arise or be applied.

**Level I (Initiates the Task)**
Demonstrates an understanding of the requirements of the task and identifies and applies the required professional skills, including basic quantitative and qualitative analysis, to perform the task on a preliminary basis (recognising that a review by more senior staff is still necessary). An intermediate understanding of the subject matter is required. Complex calculations are not required. Integration with other competencies is straightforward and is of limited complexity. Level I includes level A proficiency.

**Level X (Completes the Task)**
Completes all elements of a specified task successfully; therefore an advanced understanding of the subject matter is required. Relevant pervasive skills and reflective capacity should be demonstrated at an advanced level. Technical skills expected to be demonstrated at this level include, for example, performing complex calculations and concluding on an appropriate course of action. Proficiency at level X is demonstrated when the problem is clearly identified and thoroughly analysed, or when a situation is evaluated and useful recommendations are made. This level of proficiency includes level A and I proficiencies.

Short examples are included at the end of this section to demonstrate the interpretation of a particular competency with reference to each of the levels described above.
Content

The academic programme is principally concerned with the following:

- International Financial Reporting Standards

**Specific Exclusions**

In the context of the included Acts it is more appropriate to identify areas that will be seen as specialist and to exclude them from the academic programme as this programme concerns itself with the development of entry-level CAs and specialist areas are not considered appropriate at this point.

The following industries, entities and/or activities are specifically excluded\(^8\):

- Agriculture
- Co-operatives
- Collective investments (e.g. unit trust funds).

Where applicable, additional topics / specific areas to be excluded from the academic programme will be updated annually and included with the Examinable Pronouncements document that will be published each year for the following year’s ITC on the SAICA website.

Candidates are not expected to deal with any specific specialised industry external reporting requirements relating to any aspects of this competency area. Candidates may however be expected to deal with general external reporting issues or requirements in the context of a company in a specialised industry.

**Link between competencies, knowledge lists and examinable pronouncements**

- **Competencies** – the competencies outline the knowledge, skills and attributes (competencies) CAs should have developed at point of entry to the CA profession. This is developed through both the academic and training programme.

\(^8\) Specific exclusions mean that technical knowledge peculiar to these industries will not be examined in the ITC. However, questions may be set within the context of such industries.
• **Knowledge Lists** – provides guidance at a high level of the knowledge areas to be covered within the specific discipline’s academic programme, that is, over the full period spent in the academic programme. It is entirely up to each university to determine where (i.e. in which years) each discipline is covered when planning their programmes.

• **PRINCIPLES OF EXAMINATION (Replace the current Examinable Pronouncements document)** – is a document setting out how specific sections of accounting standards are selected and assessed in the ITC. Details behind this will only be provided to Examco and Accounting Academics and the detailed document will not be publicly available as we want to move away from having to learn “lists” of standards. This is done in an effort to reduce the “syllabus overload”. Each year, should there be any specific versions of standards that are to be examined, this will communicated to academics and students and posted on the SAICA website.

### 1 Competencies in Accounting and External Reporting

<table>
<thead>
<tr>
<th>III-1</th>
<th>Analyses financial reporting needs and establishes the necessary systems</th>
</tr>
</thead>
<tbody>
<tr>
<td>III -1.1</td>
<td>Identifies the appropriate reporting framework</td>
</tr>
<tr>
<td></td>
<td><strong>Level X</strong></td>
</tr>
</tbody>
</table>

Decides on the appropriate reporting framework based on the entity’s financial reporting regulatory requirements and on the needs of identified stakeholders:

- For general-purpose financial statements, the basis may be full IFRS or IFRS for SMEs depending on the public interest score, or generally recognised accounting practice (GRAP) in the case of certain entities in the public sector
- For special-purpose financial reporting, considers the basis that will best meet users’ needs

<table>
<thead>
<tr>
<th>III-1.2</th>
<th>Analyses financial reporting needs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Level X</strong></td>
</tr>
</tbody>
</table>

Based on an entity’s mission, vision and strategies (per Section II), identifies the entity’s external financial reporting needs:

- Identifies stakeholders
- Identifies each stakeholder group’s information and reporting needs

Explains the impact of financial reporting choices on each stakeholder group

Links financial reporting to other reporting requirements, such as integrated reporting

<table>
<thead>
<tr>
<th>III-1.3</th>
<th>Develops or evaluates reporting processes to support financial reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Level X</strong></td>
</tr>
</tbody>
</table>

Develops or evaluates a reporting infrastructure that includes a chart of accounts, journals, ledgers and management reports based on the financial reporting needs of the entity.

Ensures the processes and IT systems –
- accurately report performance relative to stated financial objectives
- take into consideration the entity’s financial strategies

### III-1.4 Develops reliable information

**Level X**

Establishes policies and procedures to ensure the reliability of the processes used to record transactions.

Establishes processes to reconcile or compare balances to external party records, e.g. banks, customers, suppliers, debtors.

Evaluates the reliability of the processes used in financial reporting.

Reviews and analyses information and investigates possible signs of errors, fraud and illegal acts, e.g. inconsistency in data, lack of completeness, unexpected trends.

### III-1.5 Establishes or enhances financial reporting using IT

**Level I**

Establishes, or suggests improvements to, the financial reporting process through the use of IT, such as –
- producing summarised management reporting for decision making
- protecting access and integrity of financial information
- identifying new sources of technology that enhance reporting

### III-2 Conducts external financial reporting

#### III-2.1 Develops or evaluates accounting policies in accordance with IFRS

**Level X**

Identifies the economic substance of financial transactions in order to correctly identify the appropriate IFRS and accounting treatment.

Selects accounting policies, within IFRS, that most fairly present the financial situation where there are choices.

Is able to apply a conceptual framework basis for developing a suitable accounting policy where there is no appropriate IFRS.

Understands and incorporates the requirements of new standards into the entity’s accounting policies.

#### III-2.2 Accounts for the entity’s routine transactions

**Level X**

Analyses and calculates, or evaluates, the accounting for routine transactions (e.g. sales, cost of sales, operating expenses).

#### III-2.3 Accounts for the entity’s non-routine transactions

**Level X**

Analyses and calculates, or evaluates, the accounting for non-routine transactions, such as –
- business acquisitions
- disposals of assets or groups of assets, and discontinued operations

### III-2.4 Prepares financial statements using IFRS

<table>
<thead>
<tr>
<th>Level X</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gathers the relevant financial information from various sources</td>
</tr>
<tr>
<td>Prepares general-purpose financial statements or, if appropriate, special-purpose financial statements to achieve fair presentation of the entity’s financial position and performance.</td>
</tr>
</tbody>
</table>

### III-2.5 Prepares or evaluates financial statement note disclosure

<table>
<thead>
<tr>
<th>Level X</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepares information to be included in the notes to the financial statements</td>
</tr>
<tr>
<td>Ensures note disclosure enhances the fair presentation of the entity’s financial performance</td>
</tr>
<tr>
<td>Ensures note disclosure is in accordance with the identified basis of accounting, is complete, and provides useful and understandable information to users</td>
</tr>
</tbody>
</table>

### III-2.6 Explains the financial statement results and balances to stakeholders

<table>
<thead>
<tr>
<th>Level X</th>
</tr>
</thead>
<tbody>
<tr>
<td>Explains the financial information in the context of the entity’s operations and activities during the period using financial statement tools such as ratio and trend analysis</td>
</tr>
<tr>
<td>Provides a tailored description of the entity’s balances as at the reporting date to the different stakeholder groups</td>
</tr>
<tr>
<td>Ensures that the explanation accurately reflects the entity’s results and takes into account the degree of sophistication of the stakeholder group (in user friendly language that can be understood by all stakeholders)</td>
</tr>
<tr>
<td>Calculates and explains any financial key performance indicators (KPIs) or any other KPIs that may have a link to a financial component and explains whether such KPIs are appropriate within the context of the business</td>
</tr>
</tbody>
</table>

### III-2.7 Maintains awareness of key ideas and principles of proposed financial reporting standards changes

<table>
<thead>
<tr>
<th>Level A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Understands the purpose and process of issuing exposure drafts, and is aware of any major proposed changes and major shortcomings of standards currently in use.</td>
</tr>
</tbody>
</table>

### III-2.8 Considers the integrity of the financial information in the integrated report

<table>
<thead>
<tr>
<th>Level A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensures financial information in the integrated report is aligned with the financial information provided in the detailed annual financial statements</td>
</tr>
<tr>
<td>Explains how materiality is defined for the context of the integrated report</td>
</tr>
</tbody>
</table>

### III-3 Conducts specialised reporting

#### III-3.1 Identifies and analyses specific reporting obligations

<table>
<thead>
<tr>
<th>Level I</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identifies, analyses and advises on obligations relating to financial contracts and transactions such as debt covenants</td>
</tr>
</tbody>
</table>
Part 3 – The specific competencies

III Accounting and External Reporting

III.3.2 Identifies regulatory and other filing requirements

Level A

Describes the types of reports needed to meet other specialised financial reporting needs

Describes the processes and systems that support compliance and reporting obligations

III.3.3 Identifies and analyses non-financial reporting needs

Level I

Based on the entity’s mission, vision and strategies, identifies, on a preliminary basis, the entity’s non-financial reporting needs (taking into account the needs of stakeholders, in particular the needs of investors and lenders)

Understands and describes the process used to design and develop information systems to capture non-financial information relevant to the measurement criteria established

Establishes, on a preliminary basis, procedures to ensure reliability of the processes used to record non-financial information

III.3.4 Conducts external and internal non-financial reporting

Level I

Describes and gives examples of criteria that might be suitable for evaluating the subject matter, e.g. industry best practices, benchmarks

Considers the needs of stakeholders and materiality

Develops, evaluates and presents, on a preliminary basis, non-financial information to measure in terms of established criteria

Ensures non-financial information enhances the fair presentation of the entity’s performance

Links financial and non-financial reporting to strategy and key activities of the entity

Explains results to stakeholders drawing on insights from developing or reviewing non-financial information

Knowledge Reference List

Knowledge and understanding of content provide the foundation for the acquisition of a competency (see above). The list which follows indicates the content of this foundation for competencies in Accounting and External Reporting. It is recognised that depth of knowledge and understanding will be informed by the competencies to which content relates. In order to assist providers with guidance as to depth of knowledge and understanding required, the following description for each knowledge level may be useful:

Level 1 (Basic)
At this level the candidate is required to acquire a knowledge and understanding of the core / essence of the subject matter which include that the subject matter exists, the significance and relevance thereof, and its defining attributes.

Consequently the candidate is required to have a knowledge and understanding –

- of the purpose and objective of the subject matter;
- of the underlying principles / practices / legislation / requirements (hereafter ‘content’);
- of how the content relates to the discipline as a whole and to other disciplines (how it ‘fits in’); and
- that is at a broad conceptual level.

At this level, knowledge and understanding of detail, including procedural or numerical aspects specific to the subject matter, are not required.

At this level the candidate should be equipped with the extent and depth of knowledge and understanding which enable him/her to recognise issues when encountered and to seek further depth of knowledge and understanding.

**Level 2 (Intermediate)**

At this level the candidate is required to acquire a detailed knowledge and understanding of the central ideas and issues that comprise the substance of the subject matter.

Consequently, the candidate is required to have a knowledge and understanding –

- of those aspects of the content that are central to the subject matter, so as to achieve a sound conceptual understanding; and
- of the detail, including procedural and numerical aspects specific to the subject matter, where appropriate.

Knowledge and understanding of complexities and unusual / exceptional aspects are, however, not required.
At this level the candidate should be equipped with a sound knowledge and understanding of the substance of the subject matter to enable him/her to deal with issues and solve problems that are central to the topic. The candidate has a sound conceptual knowledge which enables him/her to further explore and understand complexities, if necessary.

This level includes the level of knowledge and understanding required for level 1 (Basic).

**Level 3 (Advanced)**

At this level the candidate is required to acquire a thorough knowledge and rigorous understanding of the subject matter. This level of knowledge and understanding extends beyond a sound understanding of central issues, to include complexities and unusual / exceptional aspects associated with the subject matter.

Consequently the candidate is required to have a knowledge and understanding –

- of all content that is required to develop a thorough and rigorous understanding of the subject matter;
- of complexities; and
- of sufficient depth to clearly locate content in the general field of accountancy (as described by competencies II – VII) and to identify implications and relationships.

At this level the candidate should be equipped with a level of knowledge and understanding of the substance of the subject matter that enables him/her to perform tasks and solve problems with a high degree of rigour, exercising sound judgement.

This level includes the level of knowledge and understanding required for level 1 (Basic) and level 2 (Intermediate).

The knowledge list consists primarily of the Framework plus IFRS. The knowledge list also includes specialised topics not currently incorporated in IFRS (e.g. accounting for mineral and mining resources) which are outlined in Appendix 1.
<table>
<thead>
<tr>
<th>The Objectives of Financial Statements</th>
<th>Knowledge Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The provision of useful information</td>
<td>3</td>
</tr>
<tr>
<td>• Users and their information needs</td>
<td></td>
</tr>
<tr>
<td>▪ Economic decisions requiring financial information</td>
<td>3</td>
</tr>
<tr>
<td><strong>The need for a conceptual framework and for standards</strong></td>
<td>3</td>
</tr>
<tr>
<td>• Fair presentation</td>
<td>3</td>
</tr>
</tbody>
</table>

**Reporting requirements**

- IFRS (GAAP)                      | 3 |
- Statutory reporting requirements, limited to the following
  ▪ Companies Act                        | 3 |
- Johannesburg Securities Exchange requirements | 1 |
- King IV Report and King Code (also see the Strategy, risk management and governance knowledge reference list)
  ▪ Sustainability reporting | 1 |
  ▪ Disclosure                        | 2 |
- Underlying assumptions              | 3 |

**Qualitative characteristics of financial reporting**

- Fundamental (relevance and faithful presentation) | 3 |
- Enhancing (comparability, verifiability, timeliness and understandability) | 3 |

**The elements of financial statements**

- Financial position
  ▪ Assets                             | 3 |
  ▪ Liabilities                        |
  ▪ Equity                             |
- Performance
  ▪ Revenue / gains                    | 3 |
  ▪ Expenses / losses                  |

**Recognition of the elements of financial statements**

**Measurement of the elements of financial statements**

**Standard-setting process**

**Financial statements analysis (see Financial Management syllabus)**

**Preface to the standards of GRAP (November 2012)**

(see Appendix 3)

**Specialised topics – SAICA documentation available in Appendix 1**

- The insurance industry and IFRS   | 1 |
- The banking industry and IFRS      | 1 |
- Other regulated industries – medical schemes | 1 |
- Other regulated industries – retirement funds | 1 |
- Mineral resources and mining exploration costs | 1 |
- IFRIC 12 - service concession arrangements | 1 |
- Sustainability reporting           | 1 |
- XBRL                               | 1 |
3 Examples of the Expectations at Each Proficiency Level

Example 1: Hyperinflation (III-2.5 – Prepares financial statements using IFRS)

Level A
At level A candidates are able to identify a hyperinflationary environment and know that a specific accounting treatment applies. They are able to identify that they are unable to deal with the situation and need to ask an expert.

Level I
At this level candidates know that restatement is required using a general inflation measure, and are able to perform a simple calculation for an individual asset, i.e. a property purchased x the year-end CPI / the CPI when that property were purchased. They know that the resulting adjustment is recognised in profit and loss.

Level X
At level X, candidates are able to consolidate a subsidiary in a hyperinflationary environment and therefore are able to restate all aspects of the subsidiary, including the equity adjustment and comparative figures.

Note: While accounting for hyperinflation is an example of the competency of using the identified basis of accounting, it is also necessary to check whether the relevant IFRS is examinable. The applicable IFRS is IAS 29, which was excluded from the list of examinable pronouncements for the 2010 Part I of the QE.

Example 2: Deferred tax (III-2.3 and 2.4 – Accounting for the entity’s routine and non-routine transactions.)

Level A
At level A, candidates know that there are accounting implications arising from a difference between the tax and accounting treatment for the transaction. They realise they must refer to someone else to perform the necessary calculations when identifying a difference.
Level I
At level I, candidates perform a deferred tax calculation for a routine type of transaction, such as the purchase of machinery. They perform the calculation of the amount on the balance sheet and understand where to recognise the other side of the transaction.

Level X
At level X, candidates are able to perform the deferred tax calculation in respect of any transaction that is included in the accounting syllabus and the related tax syllabus (or the appropriate tax treatment may be explained to them). They are able to integrate their tax knowledge into the preparation of any aspect of the financial statements.

Example 3: Consolidations

Consolidations are examinable at level X (various competencies)

Level A
At level A candidates know that if a parent company has a subsidiary company, consolidated financial statements are required to be prepared. They are not expected to be able to prepare the consolidated accounts.

Level I
At level I, candidates are able to prepare a simple form of consolidation with a limited number of routine types of intercompany transactions (e.g. sale of inventory and depreciable assets). They are not expected to handle more complex group situations such as vertical holdings, piecemeal acquisitions and disposals or complex fair value adjustments arising at acquisition.

Level X
Candidates are able to consolidate any company (including those with a different functional currency) and deal with any type of fair value adjustment at acquisition as well as the subsequent implications. They are also able to deal with any purchase or sale of shares, irrespective of whether or not that gives rise to a change in control.
Overall Comment on Levels

Knowledge levels indicate the depth of knowledge and understanding that a candidate is expected to have relating to a particular financial reporting issue, such as IFRS. Proficiency levels indicate the extent to which they are expected to be able to apply and integrate their knowledge.

If a topic such as deferred tax had a knowledge level of 3 and a proficiency of I (Intermediate), it would imply that candidates would be expected to have a thorough knowledge of the requirements of the tax standard, but would not be expected to be able to integrate and apply their knowledge in complex situations. If deferred tax were examinable at a proficiency level of X and a knowledge level of 2, it would imply that an advanced level of application and integration is examinable, but the complexities of deferred tax (e.g. debit balance restrictions) would not be included in the questions.

With regard to financial reporting, all level 3 knowledge is examinable at a proficiency level X.
### IV - Auditing and Assurance

<table>
<thead>
<tr>
<th>1</th>
<th>The competencies</th>
<th>Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>IV-1</td>
<td>Analyses, evaluates and advises on an entity’s assurance needs</td>
<td>I</td>
</tr>
<tr>
<td>IV-2</td>
<td>Provides assurance services</td>
<td></td>
</tr>
<tr>
<td>IV-2.1</td>
<td>Identifies and considers issues related to accepting an engagement</td>
<td>I</td>
</tr>
<tr>
<td>IV-2.2</td>
<td>Follows prescribed procedures to accept the engagement</td>
<td>X</td>
</tr>
<tr>
<td>IV-2.3</td>
<td>Determines which set of criteria to apply to the subject matter being evaluated</td>
<td>I</td>
</tr>
<tr>
<td>IV-2.4</td>
<td>Assesses materiality for the engagement</td>
<td>I</td>
</tr>
<tr>
<td>IV-2.5</td>
<td>Identifies and assesses the key risks in the performance of the engagement</td>
<td>X</td>
</tr>
<tr>
<td>IV-2.6</td>
<td>Designs effective and efficient procedures based on the engagement’s scope and the assessed risks</td>
<td>X</td>
</tr>
<tr>
<td>IV-2.7</td>
<td>Performs the work plan</td>
<td>X</td>
</tr>
<tr>
<td>IV-2.8</td>
<td>Documents the work performed and its results</td>
<td>X</td>
</tr>
<tr>
<td>IV-2.9</td>
<td>Evaluates the evidence and draws conclusions</td>
<td>I</td>
</tr>
<tr>
<td>IV-2.10</td>
<td>Drafts the report upon completion of the engagement</td>
<td>X</td>
</tr>
<tr>
<td>IV-2.11</td>
<td>Prepares or interprets information for stakeholders</td>
<td>I</td>
</tr>
<tr>
<td>IV-3</td>
<td>Provides control-related services</td>
<td></td>
</tr>
<tr>
<td>IV-3.1</td>
<td>Identifies and evaluates the risks pertaining to the entity’s financial information systems</td>
<td>X</td>
</tr>
<tr>
<td>IV-3.2</td>
<td>Evaluates the entity’s financial information systems, including the related controls</td>
<td>X</td>
</tr>
<tr>
<td>IV-4</td>
<td>Designs, implements and manages the quality control system in the firm</td>
<td>A</td>
</tr>
<tr>
<td>IV-5</td>
<td>Identifies and responds to reportable irregularities</td>
<td>I</td>
</tr>
</tbody>
</table>

#### 2 Knowledge Reference Lists
- The legal and regulatory environment governing auditors and their responsibilities, functions and qualities
- The audit process
- Non-audit engagements
- Applicable legislation
- Internal control

#### 3 Examples of the expectations at different proficiency levels
Overview – Audit and Assurance

In assurance engagements a practitioner expresses ‘... a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the evaluation or measurement of a subject matter against criteria’ (Assurance Framework of the International Auditing and Assurance Standards Board (IAASB)). The audit of annual financial statements is perhaps the best known assurance engagement in South Africa. Entities, the public at large and constitutional oversight institutions look to the external audit of financial statements to validate the information and to attest to the reliability of the information gathering and reporting processes. There are also many other types of assurance services that CAs may perform.

The assurance engagement will vary with the following factors:

- The provider of the engagement.
  - Is it an internal or external provider?
  - Is it a public or private provider?
- The level of assurance required.
  - Is a reasonable level of assurance required (as in a financial statement audit)?
  - Is a limited level of assurance required (as in a review of financial statements)?
  - Is the level of assurance not expressed but simply the provision of some agreed-upon procedures and the reporting of findings and conclusions?
- The subject of the engagement. Does it relate to –
  - financial performance or conditions,
  - non-financial performance or conditions,
  - physical characteristics,
  - systems and processes, or
  - behaviour?
- The users of the subject matter of the engagement. Who are the users and how will the subject matter of the engagement be used? Are the users –
  - shareholders,
  - management,
  - regulators,
  - creditors,
  - financial institutions,
  - government and its entities,
  - citizens (the general public), or
  - others?
The four outer areas of the triangle illustrate that the appropriate approach for an audit or other assurance or related engagement depends on the context in which the engagement is carried out.
Part 3 – The specific competencies

IV Auditing and Assurance

Framework for Audit and Other Assurance and Audit Related engagements

- Ethical requirements
- Quality control
- Engagement acceptance and continuance
- Agreeing on the terms of engagement
- Planning & performing the engagement
- Obtaining evidence
- Documentation
- Preparing an assurance report

Provider
- Internal or external
- Public or private

Level of assurance
- Reasonable (audit)
- Limited (review)
- None expressed (agreed upon procedures)

Legal and professional requirements

Subject matter of the engagement
- Financial performance or conditions
- Non-financial performance or conditions
- Physical characteristics
- Systems & processes

The Users:
- Shareholders: potential; existing
- Management
- Regulators
- Creditors
- Financial institutions
- Government and its entities
- Others

Detailed Guidance for the Academic Programme – 2019 onwards
Although a CA may have no intention of practicing as an RA, it is recognised that the specific competencies in auditing and assurance are essential for all CAs, albeit at different levels of proficiency. For example, the competency of being able to assess the risk of material misstatement at the overall and assertion levels in an entity’s financial statements will contribute to the ability of the CA, as the preparer, to achieve fair presentation of the financial statements (i.e. the CA will in the capacity of the preparer be able to identify and respond to those assertions that are at risk). Although a CA who is not a RA will not be required to ‘establish the terms of the engagement’ or ‘draft a report upon the completion of an engagement’, she/he will nonetheless need to have a thorough understanding of, amongst others, the purpose and content of these processes as a member of a body charged with governance when interacting with RAs. The competencies described in this section will also be of use to those CAs required to perform internal audit work.

For purposes of SAICA’s ITC, candidates must for the following engagements demonstrate proficiency at the levels stated for each competency except where a lower level is specified for the engagement in its entirety (in which case the lower proficiency level will apply):

<table>
<thead>
<tr>
<th>Type of engagement</th>
<th>Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Review of financial statements</td>
<td>I</td>
</tr>
<tr>
<td>Engagements to perform agreed-upon procedures regarding financial information</td>
<td>I</td>
</tr>
<tr>
<td>Compilation engagements</td>
<td>I</td>
</tr>
</tbody>
</table>

For all other types of engagement for which IAASB standards, as adopted by the IRBA, have been issued, ITC candidates must be aware of the existence and scope of such standards. Specific examples include:

- Review of interim financial information performed by the independent auditor of the entity (ISRE2410)
- Assurance engagements other than audits or reviews of historical information (ISAE3000)
- The examination of prospective financial information (ISAE3400)
Part 3 – The specific competencies

• Assurance reports on control at a service organisation (ISAE3402)
• Assurance engagements on greenhouse gas statements (ISAE 3410)
• Assurance engagements to report on the compilation of pro forma financial information included in a prospectus (ISAE3420)
• Audits of financial statements prepared in accordance with special purpose frameworks (ISA 800)
• Audits of single financial statements and specific elements, accounts or items in a financial statement (ISA 805)
• Engagements to report on summary financial statements (ISA 810)

The primary role of the CA in this competency area will be as part of a team\(^9\) of external advisors or employed as a member of a management team or as an individual. Management teams provide audit committees, boards of directors and other governing bodies with expertise and advice to help them discharge their governance, strategic, and risk management responsibilities. As part of the management team, a CA contributes to the enhancement of the entity’s performance. Management teams take into account the needs of key stakeholders, including shareholders, suppliers, employees and customers, while striving to protect the public interest.

This section identifies the specific CA competencies in auditing and assurance. However, the importance of integrating the pervasive qualities listed in Section I, particularly ethics, when reading each of the specific competencies cannot be overemphasised.

**Education Guidance**

This competency area requires prospective CAs to contextualise their technical knowledge, skills and abilities within the entity’s operating environment and apply these in a manner that is appropriate and relevant to the entity and its objectives.

Assessment of this competency would require the prospective CA –

\(^9\) Reference to a member of a team is applicable to entry-level CAs, but this does not apply to candidates writing the ITC, as they are assessed on their core competence as individuals.
• to demonstrate the ability to identify and exercise the appropriate and relevant application of his/her technical skill set to a business problem, given the operating environment and organisational structure of the entity (as described in Section II – Strategy, risk management and governance);
• to assimilate the key attributes of the external and internal operating environment, opportunities and risk factors, in the evaluation of a particular problem and/or response thereto (as described in Section II – Strategy, risk management and governance); and
• to demonstrate the ability to identify relevant linkages between this competency and other competency areas.

The level of proficiency required by candidates writing SAICA’s ITC is specified for each specific competency.

**Levels of Proficiency**

The degree of expertise an individual is expected to exhibit in a competency.

This document defines the levels of proficiency candidates must demonstrate at the time of writing SAICA’s ITC. Three distinct and increasingly higher levels of proficiency are identified. Level A requires the lowest proficiency, whereas level X requires the highest. Each of the levels is defined below. The levels indicate the depth of detailed knowledge that is required of the prospective CA, the extent to which that knowledge is required to be applied and integrated, and the complexity of the problem to be solved in each aspect of this competency. These levels in turn make it possible to determine the degree of rigour and independence with which a newly qualified CA would be able to complete the task described.

It is stressed that for all three levels a high degree of contextualisation is required. By requiring a high degree of contextualisation it is recognised that competence in the field of accounting is ‘grounded in the real world’ (see Part 1 - Overview ‘The Competency Framework: Some implications for the academic programme and assessment’) and that teaching, learning and assessment is most effectively
executed through application in ‘real world’ scenarios. This is achieved in the academic programme through mini case studies and contextualised questions.

**Level A (Awareness)**
Requires an awareness of the key ideas and principles within the area. Demonstration of technical expertise or detailed knowledge in this area is not required. The candidate identifies and explains the significance of the competency, and the types of circumstances in which it would arise or be applied.

**Level I (Initiates the Task)**
Demonstrates an understanding of the requirements of the task and identifies and applies the required professional skills, including basic quantitative and qualitative analysis, to perform the task on a preliminary basis (recognising that a review by more senior staff is still necessary). Integration with other competencies is straightforward and is of limited complexity. Level I includes level A proficiency.

**Level X (Completes the Task)**
Completes all elements of a specified task successfully; therefore an advanced understanding of the subject matter is required. Relevant pervasive skills and reflective capacity should be demonstrated at an advanced level. Technical skills expected to be demonstrated at this level include, for example, performing complex calculations and concluding on an appropriate course of action. Proficiency at level X is demonstrated when the problem is clearly identified and thoroughly analysed, or when a situation is evaluated and useful recommendations are made. This level of proficiency includes level A and I proficiencies.

Short descriptions are included at the end of this section in order to demonstrate the interpretation of a particular competency with reference to each of the levels described above.

### Content

The academic programme is principally concerned with the following legislation and standards:
Part 3 – The specific competencies

IV Auditing and Assurance

- International Auditing and Assurance Standards as prescribed by the IRBA (who adopts the IAASB Standards)
- Auditing Profession Act
- Companies Act (as applicable to the auditor)
- SAICA Code of professional conduct
- IRBA Rules regarding improper conduct and Code of professional conduct

Specific Exclusions

In context of the included legislation and standards it is more appropriate to identify areas that will be seen as specialist and to exclude them from the academic programme as this programme concerns itself with the development of entry-level CAs and specialist areas are not considered appropriate at this point.

Where applicable, the topics to be excluded from the academic programme will be updated annually and included with the Examinable Pronouncements document that will be published each year for the following year’s ITC on the SAICA website.

The following industries, entities and/or activities are specifically excluded10 in the both the accounting and external reporting AND the auditing and assurance competency areas:
- Agriculture
- Co-operatives
- Collective investments (e.g. unit trust funds)

Knowledge of the following industries, entities and/or activities is required at an awareness level only and these are therefore excluded from the auditing and assurance competency area (refer to Appendix 1 for awareness of these topics):
- Banking and financial institutions
- Insurance companies
- Medical aid funds

10 Specific exclusions mean that technical knowledge peculiar to these industries will not be examined in the ITC. However, questions may be set within the context of such industries.
Candidates are not expected to deal with any specific specialised industry auditing and assurance requirements relating to any aspects of this competency area. Candidates may however be expected to deal with general auditing and assurance issues or requirements in the context of a company in a specialised industry.

**Link between competencies, knowledge lists and examinable pronouncements**

- **Competencies** – the competencies outline the knowledge, skills and attributes (competencies) CAs should have developed at point of entry to the CA profession. This is developed through both the academic and training programme.

- **Knowledge Lists** – provides guidance at a high level of the knowledge areas to be covered within the specific discipline’s academic programme, that is, over the full period spent in the academic programme. It is entirely up to each university to determine where (i.e. in which years) each discipline is covered when planning their programmes.

- **Examinable Pronouncements** – provides specific information in relation to the disciplines of accounting and external reporting, audit and assurance and taxation on an annual basis and are used to inform which version of the standards or legislation will be assessed in the following year’s ITC. *This may in some cases contradict what is included in the knowledge lists as it has a different purpose. Some topics are deemed inappropriate to examine from time to time as they are in the process of being updated by the relevant authority. This list simply excludes such topics from the ITC but not the academic programme.*

<table>
<thead>
<tr>
<th>1 Competencies in Auditing and assurance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IV-1 Analyses, evaluates and advises on an entity’s assurance needs</strong></td>
</tr>
<tr>
<td><strong>Level I</strong></td>
</tr>
<tr>
<td>Understands the various types of assurance and non-assurance services that are available</td>
</tr>
<tr>
<td>Uses the entity’s mission, vision, strategies, applicable legislation and stakeholder needs in</td>
</tr>
</tbody>
</table>
order to identify and evaluate assurance requirements and options for the entity

Recommends assurance and non-assurance services appropriate to meeting the entity’s needs

**IV-2 Provides assurance services**

**IV-2.1 Identifies and considers issues related to accepting an engagement**

**Level I**

Gathers and examines information pertaining to a potential client and engagement to assess whether or not there are significant threats to the adherence to ethical requirements and professional standards and legislation resulting from undertaking the engagement

Utilises the understanding gained of the elements of risk and the decision factors to evaluate the overall risk in accepting the engagement

Concludes on whether to accept the engagement

**IV-2.2 Follows prescribed procedures to accept the engagement**

**Level X**

Drafts an appropriate engagement letter for a new engagement

Recognises circumstances when a new engagement letter needs to be issued for existing engagements

Follows the procedures required by legislation or professional pronouncements to accept appointment

**IV-2.3 Determines which set of criteria to apply to the subject matter being evaluated**

**Level I**

Assesses the suitability of criteria:
- For general-purpose financial statements, such criteria would include IFRS, IFRS for SMEs and GRAP
- For other engagements identifies what set of criteria best applies to the subject matter being evaluated

**IV-2.4 Assesses materiality for the engagement**

**Level I**

Identifies the users of the assurance engagement and their decision-making needs

Identifies the factors that affect materiality

Determines the materiality level for planning and performing the engagement

**IV-2.5 Identifies and assesses the key risks in the performance of the engagement**

**Level X**

Undertakes risk assessment procedures to obtain / update an understanding of the entity and its environment, including its internal controls

Based on the understanding, identifies the specific risks that could result in material misstatement of the subject matter, including fraud risk factors

Assesses the risk of material misstatement in the subject matter at the overall and
### IV-2.6 Designs effective and efficient procedures based on the engagement’s scope and the assessed risks

**Level X**

For a given set of circumstances, decides on –
- the form, extent and quality of evidence required to support the assurance report
- the most efficient testing procedures (e.g., tests of control and/or substantive tests of detail / analytical procedures) to obtain the evidence
- the need to make use of others (experts, internal auditors, other auditors) or the need to use computer assisted audit techniques to gather evidence

Communicates the plan to appropriate key stakeholders (including those charged with governance)

Designs and documents appropriate programmes of engagement procedures based on the above considerations

Is alert to changes in circumstances not considered in the design of the engagement procedures and adjusts the procedures appropriately

### IV-2.7 Performs the work plan

**Level X**

Performs the procedures specified in the programme (e.g. analytical review of expenses) with due care and an objective state of mind

Applies an appropriate level of professional scepticism, remaining alert to the possibility of fraud and non-compliance with laws and regulations

Understand the need to supervise and review work of junior staff

Modifies the work plan as necessary

### IV-2.8 Documents the work performed and its results

**Level X**

Prepares documentation with sufficient detail to support the nature, timing and extent of the further audit procedures performed and the results of the procedures

For each procedure performed, ensures that the documentation provides a clear link to significant findings or issues that arose during the engagement

Evaluates the overall adequacy of documentation

### IV-2.9 Evaluates the evidence and draws conclusions

**Level I**

Evaluates the sufficiency and significance of the evidence and/or results of analysis

Draws a conclusion as to whether each procedure performed meets its objective

Identifies and evaluates inconsistencies, unexpected circumstances or findings, or findings that indicate possible fraud, error or illegal acts and assesses the impact on the report

Analyses and decides on the reasonableness of the conclusions on the subject matter,
Based on an understanding of the nature of the business and its operations for the period and on the outcome of assurance procedures

Determines whether the subject matter conforms to the set of criteria used for evaluation

Evaluates the reasonableness / fair presentation of the subject matter as a whole

Analyses the impact of unresolved uncorrected misstatements / scope limitations in the context of materiality, and decides on the need to gather additional evidence or to extend the scope of procedures

Assesses the need to make corrections to the subject matter or other remediation

**IV-2.10 Drafts the report upon completion of the engagement**

*Level X*

Develops an appropriate report in accordance with the terms of the engagement, and the applicable statutory, regulatory or professional requirements

Identifies and considers the impact of subsequent events on the report

Considers the impact of other information in documents containing assurance reports on the report

**IV-2.11 Prepares or interprets information for stakeholders**

*Level I*

Prepares information for timely discussion with management, those charged with governance, and other stakeholders in presentation or report format, on matters which may include –

- the results of assurance procedures
- recommendations for improvement to processes, controls, etc.
- misstatements arising from fraud
- misstatements arising from error
- illegal or possibly illegal acts
- any other item required due to the nature of the engagement (e.g. applicable statutory requirements)

Provides information and explanations that meet the requirements of the professional standards and the target audience

**IV-3 Provides control-related services**

**IV-3.1 Identifies and evaluates the risks pertaining to the entity’s financial information systems**

*Level X*

Assesses the financial reporting implications arising from the nature of the entity and its business processes

Assesses the financial reporting implications of the entity’s risks and related controls

Understands the major activities that the entity uses to monitor internal control over financial reporting (including those related to those control activities relevant to the audit) and how the entity initiates remedial actions where there are deficiencies in its controls

Based on this understanding, identifies and evaluates the entity’s information risks
### IV-3.2  Evaluates the entity’s financial information systems, including the related controls

**Level X**

- Selects suitable criteria or a recognised framework for control evaluation, and evaluates the internal control system in terms of the criteria / framework
- Gains an understanding of, and evaluates, the design and effectiveness of internal controls
- Assesses the implications of control deficiencies identified, identifies the root causes, and recommends improvements
- Communicates weaknesses in internal controls to the appropriate level of management and/or the audit committee
- Considers IT security requirements and tools and evaluates opportunities to enhance controls through the application of IT, and collaborates with specialists as needed to implement enhancement

### IV-4  Designs, implements and manages the quality control system in the firm

**Level A**

- Understands the importance of quality control in the performance of engagements
- Designs, implements and manages an effective quality control system in the professional accounting firm that addresses the following areas:
  - Leadership responsibilities for quality within the firm
  - Ethical requirements
  - Acceptance and continuance of client relationships and specific engagements
  - Human resources
  - Engagement performance
  - Monitoring
- Responds to findings of inspections undertaken by the IRBA and the findings of internal reviews
- Ensures that the quality control system is effective in managing the legal liability of the firm to clients and third parties

### IV-5  Identifies and responds to reportable irregularities

**Level I**

- Investigates a potential unlawful act or omission to determine whether there is reason to believe that it constitutes a reportable irregularity
- Follows the prescribed process if a reportable irregularity is identified
- Modifies the audit report to deal with any reportable irregularity reported to the IRBA
Knowledge and understanding of content provide the foundation for the acquisition of a competency (see above). The list which follows indicates the content of this foundation for competencies in Auditing and Assurance. It is recognised that depth of knowledge and understanding will be informed by the competency(ies) to which content relates. In order to assist providers with guidance as to depth of knowledge and understanding required, the following description for each knowledge level may be useful:

**Level 1 (Basic)**

At this level the candidate is required to acquire a knowledge and understanding of the core / essence of the subject matter which include that the subject matter exists, the significance and relevance thereof, and its defining attributes.

Consequently the candidate is required to have a knowledge and understanding –
- of the purpose and objective of the subject matter;
- of the underlying principles / practices / legislation / requirements (hereafter ‘content’);
- of how the content relates to the discipline as a whole and to other disciplines (how it ‘fits in’); and
- that is at a broad conceptual level.

At this level, knowledge and understanding of detail, including procedural or numerical aspects specific to the subject matter, are not required.

At this level the candidate should be equipped with the extent and depth of knowledge and understanding which enable him/her to recognise issues when encountered and to seek further depth of knowledge and understanding.

**Level 2 (Intermediate)**

At this level the candidate is required to acquire a detailed knowledge and understanding of the central ideas and issues that comprise the substance of the subject matter.
Consequently, the candidate is required to have a knowledge and understanding –

- of those aspects of the content that are central to the subject matter, so as to achieve a sound conceptual understanding; and
- of the detail, including procedural and numerical aspects specific to the subject matter, where appropriate.

Knowledge and understanding of complexities and unusual / exceptional aspects are, however, not required.

At this level the candidate should be equipped with a sound knowledge and understanding of the substance of the subject matter to enable him/her to deal with issues and solve problems that are central to the topic. The candidate has a sound conceptual knowledge which enables him/her to further explore and understand complexities, if necessary.

This level includes the level of knowledge and understanding required for level 1 (Basic).

**Level 3 (Advanced)**

At this level the candidate is required to acquire a thorough knowledge and rigorous understanding of the subject matter. This level of knowledge and understanding extends beyond a sound understanding of central issues, to include complexities and unusual / exceptional aspects associated with the subject matter.

Consequently the candidate is required to have a knowledge and understanding –

- of all content that is required to develop a thorough and rigorous understanding of the subject matter;
- of complexities; and
- of sufficient depth to clearly locate content in the general field of accountancy (as described by competencies II – VII) and to identify implications and relationships.

At this level the candidate should be equipped with a level of knowledge and understanding of the substance of the subject matter that enables him/her to perform tasks and solve problems with a high degree of rigour, exercising sound judgement.
This level includes the level of knowledge and understanding required for level 1 (Basic) and level 2 (Intermediate).

<table>
<thead>
<tr>
<th>The legal and regulatory environment governing auditors and their responsibilities, functions and qualities</th>
<th>Knowledge level</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Structure of assurance pronouncements issued by the IAASB, IRBA and SAICA</td>
<td>1</td>
</tr>
<tr>
<td>• International framework for assurance engagements</td>
<td>2</td>
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<tr>
<td>• Glossary</td>
<td>1 - 3</td>
</tr>
<tr>
<td>• The standard setting process</td>
<td></td>
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<tr>
<td>‧ Preface</td>
<td></td>
</tr>
<tr>
<td>‧ The authority of auditing and assurance standards, practice statements and other pronouncements issued nationally and internationally</td>
<td>1</td>
</tr>
<tr>
<td>• Different levels of assurance expressed for the different types of engagements and the legal implications for the auditor</td>
<td>2</td>
</tr>
</tbody>
</table>

**Auditor's rights and duties covered by statute**

- Auditing Profession Act (refer detail below)
- Companies Act (refer detail below)
- Professional ethics (see Pervasive Qualities and Skills IA-8)
  - SAICA Code of professional conduct and By-Law 34
  - IRBA Rules regarding improper conduct and code of professional conduct
  - Guide on S90 of the Companies Act
  - The role of public oversight boards in regulating the profession
- Relevant aspects of commercial law
  - Principles of the law of contracts and agency laws affecting agreements
  - Other statutes and common law that impose audit and/or reporting responsibilities on the professional accountant / registered auditor
- Company law affecting an auditor
  - Refer to the Knowledge Reference List under ‘Strategy, Risk Management and Governance’

**Quality controls for firms that perform audits and reviews of financial statements, and other assurance and related service engagements (ISQC 1)**

- Inspections by the IRBA
- Continuing professional development
- The auditor’s responsibilities
  - Overall objectives of the independent auditor and the conduct of an audit in accordance with International Standards on Auditing (ISA 200)
### Part 3 – The specific competencies

<table>
<thead>
<tr>
<th>Knowledge level</th>
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<td>2</td>
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#### IV Auditing and Assurance

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### Detailed Guidance for the Academic Programme – 2019 onwards

#### Specific audit evidence considerations

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<td>Knowledge level</td>
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<tr>
<td><strong>External confirmations (ISA 505)</strong></td>
</tr>
<tr>
<td><strong>External confirmations from financial institutions (SAAPS 6)</strong></td>
</tr>
<tr>
<td><strong>Initial audit engagements – opening balances (ISA 510)</strong></td>
</tr>
<tr>
<td><strong>Analytical procedures (ISA 520)</strong></td>
</tr>
<tr>
<td><strong>Audit sampling (ISA 530)</strong></td>
</tr>
<tr>
<td><strong>Audit of accounting estimates, including fair value accounting estimates, and related disclosures (ISA 540)</strong></td>
</tr>
<tr>
<td><strong>Related parties (ISA 550)</strong></td>
</tr>
<tr>
<td><strong>Subsequent events (ISA 560)</strong></td>
</tr>
<tr>
<td><strong>Going concern (ISA 570)</strong></td>
</tr>
<tr>
<td><strong>Written representations (ISA 580)</strong></td>
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</tbody>
</table>

### Using the work of others

<table>
<thead>
<tr>
<th>Knowledge level</th>
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<tbody>
<tr>
<td><strong>Audits of group financial statements (including the work of component auditors) (ISA 600)</strong></td>
<td>2</td>
</tr>
<tr>
<td><strong>Using the work of internal auditors (ISA 610)</strong></td>
<td>3</td>
</tr>
<tr>
<td><strong>Using the work of an auditor’s expert (ISA 620)</strong></td>
<td>3</td>
</tr>
</tbody>
</table>

### Evaluating and concluding

<table>
<thead>
<tr>
<th>Knowledge level</th>
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<tbody>
<tr>
<td><strong>Consideration of the sufficiency and appropriateness of audit evidence</strong></td>
<td>2</td>
</tr>
<tr>
<td><strong>Evaluation of misstatements identified during the audit (ISA 450)</strong></td>
<td>2</td>
</tr>
<tr>
<td><strong>Consideration of the fair presentation of the financial statements</strong></td>
<td>3</td>
</tr>
<tr>
<td><strong>Responding to circumstances where a client may be trading while factually insolvent</strong></td>
<td>2</td>
</tr>
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### Reporting

<table>
<thead>
<tr>
<th>Knowledge level</th>
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<tbody>
<tr>
<td><strong>Forming an opinion and reporting on financial statements (ISA 700)</strong></td>
<td>3</td>
</tr>
<tr>
<td><strong>Communicating key audit matters in the independent auditor’s report (ISA701)</strong></td>
<td>1</td>
</tr>
<tr>
<td><strong>Modifications to the opinion in the independent auditor’s report (ISA 705)</strong></td>
<td>3</td>
</tr>
<tr>
<td><strong>Emphasis of matter paragraphs and other matter paragraphs in the independent auditor’s report (ISA 706)</strong></td>
<td>3</td>
</tr>
<tr>
<td><strong>Comparative information (ISA 710)</strong></td>
<td>1</td>
</tr>
<tr>
<td><strong>The auditor’s responsibility relating to other information in documents containing audited financial statements (ISA 720)</strong></td>
<td>3</td>
</tr>
<tr>
<td><strong>Financial reporting frameworks and audit opinions (SAAPS 2)</strong></td>
<td>1</td>
</tr>
<tr>
<td><strong>Illustrative audit reports (SAAPS 3)</strong></td>
<td>3</td>
</tr>
<tr>
<td><strong>Guidance to adapt the ISA 700 auditor report for South African circumstances</strong></td>
<td></td>
</tr>
<tr>
<td><strong>The example auditor reports may be of use in understanding the requirements of the ISAs, but are illustrative. As such no knowledge is assigned to these</strong></td>
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</tbody>
</table>

### Audit in the public sector

<table>
<thead>
<tr>
<th>Knowledge level</th>
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<tbody>
<tr>
<td><strong>Guidance for auditing in the public sector and audit of predetermined objectives (PUBSEC1)</strong></td>
<td>1</td>
</tr>
</tbody>
</table>
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**Part 3 – The specific competencies**  
*IV Auditing and Assurance*

<table>
<thead>
<tr>
<th>Knowledge level</th>
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<tbody>
<tr>
<td><strong>The following paragraphs are however specifically excluded:</strong></td>
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<tr>
<td>1.9</td>
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<td>2.33 – 2.36</td>
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<td>3.1 – 3.22</td>
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<td>4.9 – 4.40</td>
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<td>5.1</td>
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<td>Appendix 1 &amp; 2</td>
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</table>

### Non-audit engagements

<table>
<thead>
<tr>
<th>Engagements</th>
<th>Knowledge level</th>
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</thead>
<tbody>
<tr>
<td>International framework for assurance engagements</td>
<td>2</td>
</tr>
<tr>
<td>Engagements to review financial statements (ISRE 2400)</td>
<td>2</td>
</tr>
<tr>
<td>Engagements to perform agreed-upon procedures regarding financial information (ISRS 4400)</td>
<td>2</td>
</tr>
<tr>
<td>Engagements to compile financial information (ISRS 4410)</td>
<td>2</td>
</tr>
</tbody>
</table>

### Applicable legislation:

#### Auditing Profession Act

- Section 1 – Definitions (as required to interpret requirements of sections) | 1 |
- Section 2 – Objects of Act | 1 |
- Section 3 – Establishment and legal status | 1 |
- Section 4 – General functions | 1 |
- Section 37 – Registration of individuals as registered auditors | 3 |
- Section 38 – Registration of firms as registered auditors | 3 |
- Section 39 – Termination of registration | 2 |
- Section 41 – Practice | 3 |
- Section 44 – Duties in relation to audit | 3 |
- Section 45 – Duties to report on irregularities | 3 |
- Section 46 – Limitation of liability | 3 |
- Section 52 – Reportable irregularities and false statements in connection with audits | 3 |
- Guide on reportable irregularities in terms of the Auditing Professions Act | 3 |

#### Companies Act

- Auditors
  - Appointment | 3 |
  - Removal, resignation and rotation | 3 |
  - Rights and restricted functions | 3 |
  - Duties | 3 |

#### Internal control

- Principles of internal control | 3 |
- Respective responsibilities of management, those charged with governance, the internal auditor and the external auditor | 3 |
- Components of internal control
  - The control environment | 3 |
  - The entity’s risk assessment process | 3 |
  - The information system, including the related business | 3 |
### Knowledge level

<table>
<thead>
<tr>
<th>Process, relevant financial reporting, and communications</th>
<th>Knowledge level</th>
</tr>
</thead>
<tbody>
<tr>
<td>o Control activities</td>
<td>3</td>
</tr>
<tr>
<td>o Monitoring of controls</td>
<td>3</td>
</tr>
<tr>
<td>• Design / assessment of internal controls for financial information systems (including IT environments)</td>
<td>3</td>
</tr>
<tr>
<td>▪ Select suitable control criteria</td>
<td></td>
</tr>
<tr>
<td>o Identify relevant control objectives</td>
<td>3</td>
</tr>
<tr>
<td>o Identify relevant layers of control</td>
<td>2</td>
</tr>
<tr>
<td>o Understand areas of responsibility for identified control objectives</td>
<td>2</td>
</tr>
<tr>
<td>▪ Control environment</td>
<td>3</td>
</tr>
<tr>
<td>▪ System acquisition / development process and controls</td>
<td>2</td>
</tr>
<tr>
<td>▪ Risk assessment processes and activities</td>
<td>3</td>
</tr>
<tr>
<td>▪ Information system processing operations and controls:</td>
<td></td>
</tr>
<tr>
<td>o Controls other than automated controls</td>
<td>3</td>
</tr>
<tr>
<td>o Automated controls</td>
<td>2</td>
</tr>
<tr>
<td>▪ Monitoring processes and activities</td>
<td>3</td>
</tr>
</tbody>
</table>

### 3 Examples of the Expectations at Each Proficiency Level

#### Example 1: IV-2.5 Identifies and assesses the key risks in the performance of the engagement

The required level of proficiency for this competency is level X. However, to assist candidates in differentiating between the three proficiency levels, expectations for proficiency at levels A and I are also provided.

**Level A**

In order to satisfy the level A proficiency, the candidate is able to –

- explain the importance of assessing the risk of material misstatement in planning the audit;
- outline, in general terms, the procedures that should be performed to assess risks of material misstatement; and
- describe the components of the risk of material misstatement.
In order to satisfy a level I proficiency, the candidate is (in addition to demonstrating proficiency at level A) able to –

- describe risk assessment procedures that should have been performed to gather the specified required information about the entity and its environment; and
- discuss the effects of a structured set of facts relating to an audit client on the assessment of the risk of material misstatement at the overall and assertion levels.

**Level X**

In order to satisfy a level X proficiency, the candidate is (in addition to demonstrating proficiency at levels A and I) able to –

- describe risk assessment procedures that should be performed to identify and assess the risks pertaining to specified assertion(s); and
- assess the risk of material misstatement for specific assertions, having identified relevant risk factors from an unstructured scenario and having considered factors such as planning materiality, overall risks (e.g. due to a weak control environment) and the outcome of analytical procedures undertaken.

For both levels I and X the candidate is, in addition to having a general understanding of risk assessments in planning the audit, able to apply the requirements of ISA 315 to solve the specified problem.

**Example 2: IV-2.9 Evaluates the evidence and draws conclusions**

The required level of proficiency for this competency is level I. However, to assist candidates in differentiating between the three proficiency levels, expectations for proficiency at levels A and X are also provided.

One of the elements required for competency IV-2.9 is to ‘Assesses the need to make corrections to the subject matter or other remediation’. This element will be used as an example to illustrate the levels of proficiency.

**Level A**

The candidate is, in order to satisfy a level A proficiency, able to –
• explain what final materiality is;
• describe in general terms the process to analyse the impact of unresolved misstatements on the fair presentation of financial statements; and
• explain in general terms the effect of an unresolved material misstatement on the audit report.

*Level I*

The candidate is, in order to satisfy a level I proficiency (in addition to demonstrating proficiency at level A), able to –

• compute a final materiality figure; and
• discuss whether a limited number of unresolved misstatements are material individually or in aggregate (considered both qualitatively and quantitatively, with reference to a given final materiality figure).

*Level X*

The candidate is, in order to satisfy a level X proficiency (in addition to demonstrating proficiency at levels A and I), able to –

• set final materiality, taking into account all the relevant qualitative and quantitative factors; and
• conclude on whether the unresolved misstatements are material. Some of these misstatements will have to be identified and quantified by the candidate with reference to information provided, and may include qualitatively material matters. The candidate may also have to recognise the need to compute a final materiality figure in order to evaluate the materiality of the unresolved misstatements.

With regard to both levels I and X the candidate should, in addition to having a general understanding of the use of final materiality in an audit, be able to apply the requirements of ISA 450 to solve the specified problem.
## V - Financial Management

### 1 The competencies

<table>
<thead>
<tr>
<th>V-1</th>
<th>Establishes or evaluates overall financial goals</th>
<th>Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>V-1.1</td>
<td>Understands financial objectives</td>
<td>A</td>
</tr>
<tr>
<td>V-1.2</td>
<td>Understands the legal form and structure of the entity</td>
<td>A</td>
</tr>
<tr>
<td>V-1.3</td>
<td>Identifies ways in which ownership can change</td>
<td>A</td>
</tr>
</tbody>
</table>

### V-2 Analyses the value of a business

| V-2.1 | Analyses the entity’s current financial situation and considers factors impacting on the future outlook of the entity | I |
| V-2.2 | Evaluates the appropriateness and impact of the growth strategies formulated and adopted by the entity | I |
| V-2.3 | Estimates the value of the business | X |
| V-2.4 | Analyses and evaluates a proposed merger, acquisition or divesture | I |

### V-3 Plans and monitors an entity’s financing

| V-3.1 | Monitors cash flow | X |
| V-3.2 | Analyses the entity’s working capital | X |
| V-3.3 | Identifies and evaluates sources of funds | I |
| V-3.4 | Evaluates decisions related to distribution of profits | I |
| V-3.5 | Evaluates the entity’s cost of capital and capital structure | X |

### V-4 Management of financial risks as part of the entity’s risk management policy

| V-4.1 | Develops and evaluates risk management policies related to financial risk | I |
| V-4.2 | Evaluates the use of derivatives | I |

### V-5 Develops or analyses business plans and financial proposals

| V-5.1 | Develops or analyses business plans and financial proposals | A |

### V-6 Appraises capital investment opportunities

| V-6.1 | Evaluates the investment decision | X |
| V-6.2 | Evaluates the alternative of asset specific finance | I |
| V-6.3 | Considers relevant structural and governance issues | A |

### V-7 Identifies or advises a financially troubled business

| V-7 | Identifies or advises a financially troubled business | A |

### 2 Knowledge Reference List

- Function of financial management
- Risk and return
- Sources and forms of finance
- Mergers, takeovers and divestitures

### 3 Examples of the expectations at different proficiency levels
Overview – Financial Management

Corporate transactions such as mergers, acquisitions, and divestitures have become commonplace in our global environment. Entities are frequently faced with financing choices which have strategic consequences. Their managers must make capital structure decisions, evaluate short-term and long-term financing needs, and choose finance tools that are appropriate to the entity’s strategic direction and to the competitive environment within which it operates.

The primary role in this competency area will be as part of a team\textsuperscript{11} of external advisors or employed as a member of a management team. As part of the team, a CA assists in converting the entity’s strategies into specific financial objectives and then fulfilling those objectives. The team evaluates the entity’s financing needs and recommends appropriate financing tools.

This section identifies the specific CA competencies in Financial management. However, the importance of integrating the pervasive qualities listed in Section I, particularly ethics, when reading each of the specific competencies cannot be overstated.

This section does not stand in isolation from the specific competencies listed in sections II, III, IV, VI and VII. In particular, this section develops and applies the specific competencies identified in Section II – Strategy, risk management and governance, and should be read and understood in the context of that section.

Education Guidance

This competency area requires prospective CAs to contextualise their technical knowledge, skills and abilities within the entity’s operating environment and apply these in a manner that is appropriate and relevant to the entity and its objectives. Assessment of this competency would require the prospective CA –

\textsuperscript{11} Reference to a member of a team is applicable to entry-level CAs, but this does not apply to candidates writing the ITC, as they are assessed on their core competence as individuals.
Part 3 – The specific competencies

V Financial Management

- to demonstrate the ability to identify and exercise the appropriate and relevant application of his/her technical skill set to a business problem, given the operating environment and organisational structure of the entity (as described in Section II – Strategy, risk management and governance);

- to assimilate the key attributes of the external and internal operating environment, opportunities and risk factors, in the evaluation of a particular problem and/or response thereto (as described in Section II – Strategy, risk management and governance); and

- to demonstrate the ability to identify relevant linkages between this competency and the other competency areas, with particular reference to Section VI – Management decision making and control.

The level of proficiency required by candidates writing SAICA’s ITC is specified for each specific competency.

<table>
<thead>
<tr>
<th>Levels of Proficiency</th>
</tr>
</thead>
</table>

The degree of expertise an individual is expected to exhibit in a competency.

This document defines the levels of proficiency candidates must demonstrate at the time of writing SAICA’s ITC. Three distinct and increasingly higher levels of proficiency are identified. Level A requires the lowest proficiency, whereas level X requires the highest. Each of the levels is defined below. The levels indicate the depth of detailed knowledge which is required of the prospective CA, the extent to which that knowledge is required to be applied and integrated, and the complexity of the problem to be solved in each aspect of this competency. These levels in turn make it possible to determine the degree of rigour and independence with which a newly qualified CA would be able to complete the task described.

It is stressed that for all three levels a high degree of contextualisation is required. By requiring a high degree of contextualisation it is recognised that competence in the field of accounting is ‘grounded in the real world’ (see Part 1 - Overview ‘The Competency Framework: Some implications for the academic programme and assessment’) and that teaching, learning and assessment is most effectively
executed through application in ‘real world’ scenarios. This is achieved in the academic programme through mini case studies and contextualised questions.

**Level A (Awareness)**
Requires an awareness of the key ideas and principles within the area. Demonstration of technical expertise or detailed knowledge in this area is not required. The candidate identifies and explains the significance of the competency, and the types of circumstances in which it would arise or be applied.

**Level I (Initiates the Task)**
Demonstrates an understanding of the requirements of the task and identifies and applies the required professional skills, including basic quantitative and qualitative analysis, to perform the task on a preliminary basis (recognising that a review by more senior staff is still necessary). An intermediate understanding of the subject matter is required. Complex calculations are not required. Integration with other competencies is straightforward and is of limited complexity. Level I includes level A proficiency.

**Level X (Completes the Task)**
Completes all elements of a specified task successfully; therefore an advanced understanding of the subject matter is required. Relevant pervasive skills and reflective capacity should be demonstrated at an advanced level. Technical skills expected to be demonstrated at this level include, for example, performing complex calculations and concluding on an appropriate course of action. Proficiency at level X is demonstrated when the problem is clearly identified and thoroughly analysed, or when a situation is evaluated and useful recommendations are made. This level of proficiency includes level A and I proficiencies.

Short examples are included at the end of this section in order to demonstrate the interpretation of a particular competency with reference to each of the levels described above.
The academic programme is principally concerned with aspects of financial management, financial risk and return, sources and forms of finance and mergers, takeovers and divestitures. There is no specific legislation or standards applicable to this section other than the Companies Act.

**Specific Exclusions**

In context of the included legislation and standards (where relevant) it is more appropriate to identify areas that will be seen as specialist and to exclude them from the academic programme as this programme concerns itself with the development of entry-level CAs and specialist areas are not considered appropriate at this point.

Where applicable, the topics to be excluded from the academic programme will be updated annually and included with the Examinable Pronouncements document that will be published each year for the following year’s ITC on the SAICA website.

Candidates are not expected to deal with any specific specialised industry matters relating to either the raising of finance or application of investment of funds relating to any aspects of this competency area. Candidate may however be expected to deal with general issues related to the raising of finance, financing or application of investment of funds in the context of a company in a specialised industry.

**Link between competencies, knowledge lists and examinable pronouncements**

- **Competencies** – the competencies outline the knowledge, skills and attributes (competencies) CAs should have developed at point of entry to the CA profession. This is developed through both the academic and training programme.

- **Knowledge Lists** – provides guidance at a high level of the knowledge areas to be covered within the specific discipline’s academic programme, that is, over the full period spent in the academic programme. It is entirely up to each university to determine where (i.e. in which years) each discipline is covered when planning their programmes.

- **Examinable Pronouncements** – provides specific and more detailed information in relation to the disciplines of accounting and external reporting, audit and assurance and taxation on an annual basis and are used to inform what will be
assessed in the following year's ITC. This may in some cases contradict what is included in the knowledge lists as it has a different purpose. Some topics are deemed inappropriate to examine from time to time as they are in process of being updated by the relevant authority. This list simply excludes such topics from the ITC but not the academic programme.12

1 Competencies in Financial Management

<table>
<thead>
<tr>
<th>V-1</th>
<th>Establishes or evaluates overall financial goals</th>
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</thead>
<tbody>
<tr>
<td>V-1.1</td>
<td>Understands financial objectives</td>
</tr>
<tr>
<td></td>
<td>Level A</td>
</tr>
<tr>
<td></td>
<td>Gains an understanding of the financial objectives that form part of the entity’s finance strategy in the light of the entity's overall objective, vision, mission and mandate</td>
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<tr>
<td></td>
<td>Gains an understanding of the inter-relationship of the financial objectives with the other resources and capitals which impact on the entity’s business model</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>V-1.2</th>
<th>Understands the legal form and structure of the entity</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Level A</td>
</tr>
<tr>
<td></td>
<td>Prepares a preliminary analysis of the appropriate forms of organisation for fulfilling these objectives in the light of the entity’s stated financial objectives,</td>
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<tr>
<td></td>
<td>Includes consideration of –</td>
</tr>
<tr>
<td></td>
<td>• form of ownership (e.g. public vs private company, close corporations, proprietorship, partnership)</td>
</tr>
<tr>
<td></td>
<td>• extent of ownership (e.g. direct investment vs outsourcing or strategic alliances)</td>
</tr>
<tr>
<td></td>
<td>• tax issues, trade issues and location of investment or sourcing</td>
</tr>
<tr>
<td></td>
<td>• applicable legislation</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>V-1.3</th>
<th>Identifies ways in which ownership can change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level A</td>
</tr>
<tr>
<td></td>
<td>Identifies ways the ownership of an entity can be restructured (e.g. buyouts, takeovers, restructurings)</td>
</tr>
<tr>
<td></td>
<td>Explains some of the issues that can arise from a change in control (changes to structure, due diligence, risks, etc.)</td>
</tr>
</tbody>
</table>

12 NOTE: This competency area does not typically have a list of examinable pronouncements.
### V-2 Analyses the value of a business

#### V-2.1 Analyses the entity’s current financial situation and considers factors impacting on the future outlook of the entity

**Level I**

Performs financial analysis, interprets the results, and draws conclusions as to the entity’s present and forecasted financial situation, including –
- ratio analysis
- trend analysis
- cash flow analysis

Identifies the influence of the entity’s competitive, economic, social, political and internal environment on the results and forecasts including:
- Long-term sustainability of the entity considering environmental, social and governance factors
- Governance of the entity

#### V-2.2 Evaluates the appropriateness and impact of the growth strategies formulated and adopted by the entity

**Level I**

Evaluates the different growth strategies (as listed below) which an entity could implement, taking cognisance of the entity’s overall objectives, mission and mandate and the creation of value:
- Direction of growth (applying Ansoff’s growth vector matrix)
- Organic growth (incorporating in-house innovation and international expansion)
- External growth strategies (mergers and acquisitions)
- Joint ventures
- Strategic alliances
- Divestment decisions

#### V-2.3 Estimates the value of the business

**Level X**

Using different valuation methods, analyses, calculates, estimates and forecasts a plausible range of values for a business for review and input by others, using –
- asset-based approaches
- transaction-based approaches, e.g. discounted cash flow and relationship thereof to EVA and MVA
- market-based approaches

Explains the shortcomings of the various valuation methodologies

Identifies the critical assumptions and facts that underlie the valuation estimate, for review and input by others, including –
- ownership structures (e.g. shares or assets, private company, partnership, listed or not)
- legal risk (e.g. completeness of liabilities)
- factors affecting the accuracy of the valuation
- risks related to sustainability
- growth strategies and growth prospects

#### V-2.4 Analyses and evaluates a proposed merger, acquisition or divesture

**Level I**

Analyses, on a preliminary basis, the risks and financial implications of a proposed start-
up, expansion, merger, acquisition, strategic alliance or divestiture, including –
- the strategic context
- behavioural implications
- legal implications
- pricing considerations
- impact of synergy
- financing considerations
- management buy-outs
- Black Economic Empowerment (BEE)
- post-acquisition review
- industry regulation (e.g. mining, banks and broadcasting)
- environmental, social and governance implications

Identifies, based on the analysis, –
- the form of the transaction (e.g. percentage ownership, assets v shares, expansion through franchising / alliance / joint venture)
- financing options and terms
- systems, information, confidentiality and disclosure requirements
- key risks and rewards and potential fit with strategies
- due diligence procedures
- conflict of interest issues

<table>
<thead>
<tr>
<th>V-3</th>
<th>Plans and monitors an entity’s financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>V-3.1</td>
<td>Monitors cash flow</td>
</tr>
</tbody>
</table>

**Level X**

Monitors annual, monthly, weekly and if necessary daily cash flow, to ensure that the entity’s financial obligations are met and performance objectives are achieved

Identifies cash shortfalls (or excesses) and advises on suitable finance (or investment) options

Develops strategies concerning an entity’s short-term / long-term cash position, in accordance with the entity’s strategic plan

| V-3.2 | Analyses the entity’s working capital |

**Level X**

Develops strategies and monitors the entity’s working capital, including –
- accounts receivable management
- accounts payable management
- inventory management

| V-3.3 | Identifies and evaluates sources of funds |

**Level I**

Understands of the workings of capital and money markets and an awareness of trends in capital markets at a basic level (e.g. availability of project finance and the role of ratings).

Identifies possible sources of funds through capital markets, private investors, personal contributions, bank financing and/or government assistance, taking into consideration the size and stage of development of the entity (e.g. start-up)
Describes the role, characteristics, advantages and disadvantages of various sources of financing, suggests which source of financing is most appropriate in the circumstances (e.g. debt, equity, leasing), taking the entity’s financial strategies and objectives into account.

Evaluates financing alternatives considering the consequences, relative costs and benefits, and implications for operational and future financing decisions (including any tax implications) suitable for the entity based on its strategies, including –

- an initial public offering
- taking a company private
- leases
- a private placement
- bank loans and other debt instruments
- shareholder contributions
- foreign finance
- sources of venture capital

Develops a portion of a financial proposal or financing plan that is supported by well-reasoned assumptions and up-to-date information.

Identifies the strengths and weaknesses of the financial proposal or financing plans.

Reviews the alignment of proposal or plan with strategic objectives.

**V-3.4 Evaluates decisions related to distribution of profits**  
**Level I**

Evaluates the manner in which an entity distributes profits to shareholders.

Incorporates tax considerations.

Recommends the most appropriate method to distribute profits.

**V-3.5 Evaluates the entity's cost of capital and capital structure**  
**Level X**

Determines an entity’s cost of capital using a range of methodologies.

Evaluates the capital structure of an entity (quantitatively and qualitatively).

**V-4 Management of financial risks as part of the entity's risk management policy**

**V-4.1 Develops and evaluates risk management policies related to financial risk**  
**Level I**

Develops and evaluates risk management policies that relate specifically to financial risk (e.g., hedging policy, investment policy, and insurance coverage), so that policies are consistent with the entity’s overall risk management policies.

Monitors exposure in order to manage the level of these financial risks.

Monitors changes in the economy (e.g. changes in interest rates, foreign exchange, employment, and fiscal and monetary policy) and changes within the entity, assessing their impact on the entity’s finances.
Recommends changes to risk management policies in line with the assessment of the impact on the entity’s finances

V-4.2 Evaluates the use of derivatives

<table>
<thead>
<tr>
<th>Level I</th>
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</thead>
<tbody>
<tr>
<td>Identifies the significant risks within an entity, including interest rate risks, foreign exchange risks, and commodity risks</td>
</tr>
<tr>
<td>Analyses various derivative instruments that are available to mitigate risks</td>
</tr>
<tr>
<td>Identifies the need for, and evaluates on a preliminary basis, the usefulness of forward and future contracts, swaps, put and call options (including warrants) and other derivatives, in meeting the entity’s objectives and staying within its risk tolerance level.</td>
</tr>
<tr>
<td>Suggests appropriate derivative instruments to mitigate risks</td>
</tr>
<tr>
<td>Differentiates between the use of derivatives for hedging and speculation purposes.</td>
</tr>
</tbody>
</table>

V-5 Develops or analyses business plans and financial proposals

<table>
<thead>
<tr>
<th>Level A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gains an understanding of the intended purpose and audience and takes them into account when preparing the business plan or financial proposal</td>
</tr>
<tr>
<td>Ensures that the plan or proposal contains relevant and accurately prepared information by –</td>
</tr>
<tr>
<td>• identifying and explaining the business strategy and strategic plan</td>
</tr>
<tr>
<td>• identifying the strengths and weaknesses of the plan or proposal</td>
</tr>
<tr>
<td>• determining the resources needed to complete the plan or proposal</td>
</tr>
<tr>
<td>• calculating the anticipated costs and recoveries</td>
</tr>
<tr>
<td>• identifying suitable sources of financing (e.g. debt, issuance of shares, additional private investors)</td>
</tr>
<tr>
<td>Identifies clearly all underlying assumptions made</td>
</tr>
</tbody>
</table>

V-6 Appraises capital investment opportunities

V-6.1 Evaluates the investment decision

<table>
<thead>
<tr>
<th>Level X</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identifies and analyses the opportunities (including the growth strategies of the entity), risks, financial and sustainability implications of a proposed start-up or expansion involving the replacement or acquisition of a capital asset, including qualitative and quantitative considerations</td>
</tr>
<tr>
<td>Applies appropriate capital budgeting techniques in the analysis of the investment decision, and adequately considers the following issues:</td>
</tr>
<tr>
<td>• Differing project life cycles</td>
</tr>
<tr>
<td>• Capital rationing</td>
</tr>
<tr>
<td>• Possibility of abandonment or expansion</td>
</tr>
<tr>
<td>• Impact of inflation</td>
</tr>
<tr>
<td>• Analysis of and allowance for risk, including the use of probabilities and consideration of appropriate discount rate</td>
</tr>
</tbody>
</table>
| • Key variables affecting the value of the investment, including the performance of
sensitivity analysis and application of equivalent annual annuities, etc.
- Key variables impacting on foreign capital investment decisions

V-6.2 Evaluates the alternative of asset specific finance

**Level I**
Evaluates the cost of asset specific finance such as a loan, instalment sale and lease as an alternative to the entity’s usual method of financing acquisitions, and the implications thereof on the decision to invest in the proposed expansion / asset replacement

V-6.3 Considers relevant structural and governance issues

**Level A**
Suggests, based on analysis performed –
- the form of the transaction (e.g. percentage ownership, assets v shares, expansion through franchising / alliance / joint venture)
- financing options and terms
- systems, information, confidentiality and disclosure requirements
- key risks and rewards and potential fit with strategies
- due diligence procedures
- conflict of interest issues

V-7 Identifies or advises a financially troubled business

**Level A**
Identifies a financially troubled business
Prepares a preliminary analysis of –
- the severity of the situation
- the causes of financial difficulty
- the potential for the success or failure of proposed recovery plans and suggests an appropriate course of action

Examines the possible courses of action to rectify the situation
Identifies the tax implications of the possible courses of actions
Contributes to the development of a preliminary business recovery plan, including future-oriented suggestions and direction for the entity’s long-term health
Suggests appropriate means of refinancing of the business
Understands business rescue principles as set out in the Companies Act

### 2 Knowledge Reference List

Knowledge and understanding of content provide the foundation for the acquisition of a competency (see above). The list which follows indicates the content of this foundation for competencies in Financial Management. It is recognised that depth of knowledge and understanding will be informed by the competency(ies) to which
content relates. In order to assist providers with guidance as to depth of knowledge and understanding required, the following description for each knowledge level may be useful:

**Level 1 (Basic)**

At this level the candidate is required to acquire a knowledge and understanding of the core / essence of the subject matter which include that the subject matter exists, the significance and relevance thereof, and its defining attributes.

Consequently the candidate is required to have a knowledge and understanding –
- of the purpose and objective of the subject matter;
- of the underlying principles / practices / legislation / requirements (hereafter ‘content’);
- of how the content relates to the discipline as a whole and to other disciplines (how it ‘fits in’); and
- that is at a broad conceptual level.

At this level, knowledge and understanding of detail, including procedural or numerical aspects specific to the subject matter, are not required.

At this level the candidate should be equipped with the extent and depth of knowledge and understanding which enable him/her to recognise issues when encountered and to seek further depth of knowledge and understanding.

**Level 2 (Intermediate)**

At this level the candidate is required to acquire a detailed knowledge and understanding of the central ideas and issues that comprise the substance of the subject matter.

Consequently, the candidate is required to have a knowledge and understanding –
- of those aspects of the content that are central to the subject matter, so as to achieve a sound conceptual understanding; and
• of the detail, including procedural and numerical aspects specific to the subject matter, where appropriate.

Knowledge and understanding of complexities and unusual / exceptional aspects are, however, not required.
At this level the candidate should be equipped with a sound knowledge and understanding of the substance of the subject matter to enable him/her to deal with issues and solve problems that are central to the topic. The candidate has a sound conceptual knowledge which enables him/her to further explore and understand complexities, if necessary.

This level includes the level of knowledge and understanding required for level 1 (Basic).

**Level 3 (Advanced)**
At this level the candidate is required to acquire a thorough knowledge and rigorous understanding of the subject matter. This level of knowledge and understanding extends beyond a sound understanding of central issues, to include complexities and unusual / exceptional aspects associated with the subject matter.

Consequently the candidate is required to have a knowledge and understanding –
• of all content that is required to develop a thorough and rigorous understanding of the subject matter;
• of complexities; and
• of sufficient depth to clearly locate content in the general field of accountancy (as described by competencies II – VII) and to identify implications and relationships.

At this level the candidate should be equipped with a level of knowledge and understanding of the substance of the subject matter that enables him/her to perform tasks and solve problems with a high degree of rigour, exercising sound judgement.

This level includes the level of knowledge and understanding required for level 1 (Basic) and level 2 (Intermediate).
This knowledge reference list comprises the knowledge most relevant to, or most strongly identified with, Financial Management. This does not mean the topics listed are relevant exclusively to these competencies. This knowledge reference list may include subject matter that is also relevant to other competency areas.

<table>
<thead>
<tr>
<th>Function of financial management</th>
<th>Knowledge Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Objective of the firm</td>
<td></td>
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<tr>
<td>▪ Sustainable wealth creation</td>
<td></td>
</tr>
<tr>
<td>▪ Shareholder value maximisation</td>
<td>2</td>
</tr>
<tr>
<td>▪ Other financial and non-financial objectives</td>
<td></td>
</tr>
<tr>
<td>▪ Forms of business organisations</td>
<td></td>
</tr>
<tr>
<td>▪ Environmental, social and governance factors</td>
<td></td>
</tr>
<tr>
<td>▪ Efficiency of markets</td>
<td></td>
</tr>
<tr>
<td>▪ Socio-economic conditions</td>
<td></td>
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<tr>
<td>▪ Shareholders vs management</td>
<td></td>
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</table>

This section must be read together with the Strategy, Risk Management and Governance knowledge list

| Analysis of financial information                                                               |                 |
| ▪ Objective of analysis                                                                          | 2               |
| ▪ Calculation and interpretation of ratios                                                       | 3               |
| ▪ Discussion and conclusion                                                                      | 3               |

| Analysis of non-financial information                                                          |                 |
| ▪ Contents of the integrated report in terms of strategy and risk                               | 2               |
| ▪ Ratios and targets                                                                            | 2               |
| ▪ Interpretation                                                                               | 2               |

| Businesses in difficulty                                                                       |                 |
| ▪ Business recovery and restructuring                                                           |                 |
| ▪ Tools used to measure performance of a business                                               | 1               |
| ▪ Strategies for avoiding and dealing with business failure                                     | 1               |
| ▪ Refinancing a business (specifically as it relates to businesses in difficulty)               | 1               |
| ▪ Companies Act requirements relating to business rescue                                        | 1               |
### Valuations

- Valuation of –
  - equity shares 3
  - preference shares 3
  - debentures and bonds 3
  - convertible securities 1
- options (including the use of the Black-Scholes model – understanding how model works, numbers to be provided, only include Black Scholes model to the extent of understanding how changes in the key drivers impact option value) 1
- Selection of the appropriate valuation basis:
  - Earnings 3
  - Dividend growth model 1
  - Net assets (incorporating liquidation basis) 3
  - Free cash flow 3
  - Market-based approaches (e.g. market to book ratio, price to sales ratio, EBIT, EBITDA) 2
- Valuations for mergers 3
- Qualitative factors for valuations 3

### Risk and return

- Risk assessment
  - Business risk and financial risk
  - Unsystematic and systematic risk
  - Return
  - Measurement of return 2
- Portfolio theory (effect of portfolio diversification, systematic risks – no calculations required) 1

### The cost of capital

- Cost of debt (including the implications of S24J) 3
- Cost of preference shares 3
- Cost of equity
  - Consider factors affecting cost of equity (such as dividends, and the capital asset pricing model (including asset specific betas)) 3
- Weighted average cost of capital (including consideration of the appropriateness of using WACC) 3
- Project specific cost of capital 3
- Asset betas 2
- Interaction of the investment and financing decisions 2
- Cost of capital for foreign investments 2

### Capital investment appraisal

- Capital budgeting decisions
  - Replacement
  - Acquisition of new capital assets
  - Strategic management decisions
- Capital budgeting techniques
  - Payback and discounted payback 3
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<td>▪ Modified internal rate of return (no calculation)</td>
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<td>▪ Issues in investment appraisal</td>
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<td>▪ Differing project life cycles</td>
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<td>▪ Sensitivity analysis (including the use of equivalent annual annuities)</td>
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<td>▪ Sustainability factors</td>
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</table>

**Sources and forms of finance**

| ▪ Capital and money markets as potential sources of finance | 2 |
| ▪ Identification of possible markets and most appropriate market | 2 |
| ▪ Basic understanding of the workings of capital and money markets | 1 |
| ▪ The theory of capital structure | 2 |
| ▪ Long- and short-term finance | 2 |
| ▪ Asset securitisation | 1 |
| ▪ Discounting and factoring of accounts receivable | 1 |
| ▪ Leasing vs borrowing | 2 |
| ▪ Foreign finance | 2 |

**The dividend decision**

| ▪ Factors affecting the dividend decision | 2 |
| ▪ Relevance and irrelevance theories | 2 |
| ▪ Setting appropriate dividend policies | 2 |
| ▪ Scrip dividends | 2 |
| ▪ Share buy-backs | 2 |

**Management of working capital**

| ▪ Accounts receivable (excluding discounting and factoring which are included under sources and forms of finance above) | 3 |
| ▪ Inventories (including a basic knowledge of EOQ) | 3 |
| ▪ Accounts payable | 3 |
| ▪ Working capital cycle | 3 |

**Treasury function**

| ▪ Role of treasury | 1 |
| ▪ Cash management (excluding Baumol & Miller-Ore) | 3 |
| ▪ Workings of foreign exchange and interest rates | 2 |
Part 3 – The specific competencies

V Financial Management

- Understanding risks related to –
  - foreign exchange
  - interest rate
  - duration
  - refinancing and liquidity risks

- Hedging and risk management
  - Operational hedges (natural hedges)
  - Forwards (e.g. FECs)
  - Futures
  - Options
  - The use of caps, floors and collars in relation to interest rates (excluding the pricing thereof, as well as the offsetting of risk from the perspective of the financial institution)
  - Swaps (no detailed calculations for interest rate swaps)

**Note:**
The candidates must be aware of and understand the drivers of value of the various derivatives. In particular the drivers of value of FECs and interest rate swaps need to be understood in order to support financial reporting requirements. (See the Accounting and External Financial Reporting examinable pronouncements for the level at which the accounting implications of derivatives are required)

For the purposes of the competency framework, derivatives are included from the perspective of their role in risk management. While speculation and trading strategies are excluded from the core competencies and this knowledge list, it is important that candidates are able to discriminate between instances of hedging and speculation.

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<td>Post-acquisition review</td>
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<tr>
<td>Due diligence</td>
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</tbody>
</table>
3 Examples of the Expectations at Each Proficiency Level

**Example 1: V-2.3 Estimates the value of the business**

Level X proficiency is required in this competency. However, to assist candidates in differentiating between the three proficiency levels, expectations for proficiency at levels A and I are also provided.

**Level A**
The prospective CA defines and describes the various approaches that can be taken to value a business, and identifies various factors (e.g. legal, staffing, assets, liabilities, operating and strategic) that should be taken into consideration in the decision to purchase an equity stake in the business, relating the significance of these factors to the context of the scenario presented. At level A the candidate does not perform the valuation or consider variables affecting the value of the firm or equity.

**Level I**
The prospective CA performs basic quantitative and qualitative analysis, with limited numerical or conceptual complexity, in scenarios where integration with other financial management competencies occurs in a straightforward manner, and numerical complexity arising from detailed operating information is limited. The candidate identifies the appropriate valuation technique to apply. The candidate performs the analysis on a preliminary basis only, identifying the nature of the problem and issues to be addressed, raising pertinent questions and considerations. Level I competency includes level A competencies.

**Level X**
The candidate estimates the value of the business for review and input by others, demonstrating advanced technical competence and quantitative skills, competently performing the technical aspects of a valuation and incorporating into the valuation the presence of technical complexities described in other competencies (e.g. existence of derivatives such as share options at a basic level, appropriate discount rate, valuation of bonds, debentures, taxation considerations). (Note that the candidate does not need
to demonstrate the depth and breadth of specific knowledge and judgement to thoroughly analyse the situation, or estimate underlying the variables used in the valuation, as these competencies are included in V2.1 at level I proficiency, hence the requirement for V-2.2 is to perform this task for the review and input of others.) The candidate demonstrates a detailed knowledge of the techniques, assumptions underlying the techniques and variables affecting the value of the firm and/or equity, and relates these to the facts of the situation presented, comparing, thoroughly analysing and explaining the difference in estimates of value generated by the different valuation models. Level X competency includes levels A and I competencies.

**Example 2: V-4.2 Evaluates the use of derivatives**

*Level I proficiency is required in this competency. However, to assist candidates in differentiating between the three proficiency levels, expectations for proficiency at levels A is also provided.*

**Level A**
The prospective CA defines and describes the instruments in their basic form – what they are, how they are used, the difference between the various instruments, the markets in which they are purchased or traded – and identifies the situations in which the use of the instrument is appropriate. At level A the candidate does not consider the valuation of the instrument.

**Level I**
The prospective CA identifies variables affecting the value of the instrument and how changes in those variables would affect the value of the instrument. The candidate establishes the price or value of the basic instruments by performing simple valuation or pricing calculations, and is able to use the Black-Scholes option pricing model in simple scenarios in this regard, where all inputs are provided. The candidate is not expected to explain the underlying assumptions of the models, or determine the values of the inputs. The candidate identifies the appropriate application of the instruments within the context of managing interest rate risk, foreign exchange risk and commodity risk. The candidate explains, by performing basic calculations, the significance of the instrument in a simple integrated scenario, for example the existence of share options.
on the valuation of the firm’s equity, or the role of the instrument within the context of international financial management decisions, considering interest differentials and alternate sources of finance, such as money market hedges.

Level I competency includes level A competencies.

Level X
Not applicable
### VI - Management Decision Making and Control

<table>
<thead>
<tr>
<th></th>
<th>The competencies</th>
<th>Level</th>
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</thead>
<tbody>
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<td>VI-1</td>
<td>Identifies and analyses factors influencing the financial performance of an entity</td>
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</tr>
<tr>
<td>VI-1.1</td>
<td>Identifies management's information needs and the entity’s key performance indicators</td>
<td>I</td>
</tr>
<tr>
<td>VI-1.2</td>
<td>Evaluates the design of the entity’s responsibility accounting system</td>
<td>X</td>
</tr>
<tr>
<td>VI-1.3</td>
<td>Analyses the financial performance of an entity and makes and/or evaluates recommendations for improvement</td>
<td>X</td>
</tr>
<tr>
<td>VI-2</td>
<td>Manages an entity’s budgeting process and control system</td>
<td></td>
</tr>
<tr>
<td>VI-2.1</td>
<td>Designs, prepares, analyses and monitors financial budgets</td>
<td>X</td>
</tr>
<tr>
<td>VI-2.2</td>
<td>Analyses and interprets budget variances</td>
<td>X</td>
</tr>
<tr>
<td>VI-2.3</td>
<td>Considers the applicability of a standard costing system and performs detailed variance analysis</td>
<td>X</td>
</tr>
<tr>
<td>VI-2.4</td>
<td>Considers the applicability of cost management techniques</td>
<td>I</td>
</tr>
<tr>
<td>VI-2.5</td>
<td>Evaluates procurement processes</td>
<td>I</td>
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<tr>
<td>VI-3</td>
<td>Evaluates internal cost allocation and transfer pricing options</td>
<td></td>
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<tr>
<td>VI-3.1</td>
<td>Evaluates transfer pricing options between operational divisions</td>
<td>X</td>
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<tr>
<td>VI-3.2</td>
<td>Evaluates cost allocation options for service departments</td>
<td>I</td>
</tr>
<tr>
<td>VI-4</td>
<td>Analyses financial and other data to provide information for decision making</td>
<td></td>
</tr>
<tr>
<td>VI-4.1</td>
<td>Identifies and evaluates financial information relevant to business decisions</td>
<td>X</td>
</tr>
<tr>
<td>VI-4.2</td>
<td>Identifies and analyses elements of business decisions subject to uncertainty, volatility or inaccuracy</td>
<td>X</td>
</tr>
<tr>
<td>VI-4.3</td>
<td>Identifies and evaluates the significance of the qualitative factors that impact the decision</td>
<td>X</td>
</tr>
<tr>
<td>VI-5</td>
<td>Identifies, develops and improves appropriate costing systems in order to meet the information requirements of the entity’s control and decision-making processes</td>
<td></td>
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<tr>
<td>VI-5.1</td>
<td>Identifies appropriate costing systems, and determines the appropriate assignment of costs to cost objects</td>
<td>X</td>
</tr>
<tr>
<td>VI-5.2</td>
<td>Develops and improves appropriate IT infrastructure needed to generate the necessary information</td>
<td>A</td>
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</tbody>
</table>

### Knowledge Reference List

- Cost accounting
- Planning and control
- Decision making

### Examples of the expectations at different proficiency levels
Overview – Management Decision Making and Control

It is the responsibility of management to direct and control the entity in the effective, efficient and ethical pursuit of the entity’s strategic objectives. The key attributes of management’s information requirements in this regard is information that is both relevant to, and sufficiently detailed for, management’s purposes.

The primary role of the CA in this competency area will be as part of a management team\(^\text{13}\) that enhances the entity’s decision-making performance because team members are competent in translating an entity’s strategies into measurable objectives, identifying the information requirements of the business decisions and control mechanisms necessary to pursue those objectives, designing the information systems necessary to generate the required information, and using the information generated to gauge an entity’s effectiveness in meeting those objectives.

This section identifies the specific CA competencies in Management decision making and control. However, the importance of integrating the pervasive qualities listed in Section I, particularly ethics, when reading each of the specific competencies cannot be overstated.

Further, this section does not stand in isolation from the specific competencies listed in sections II, III, IV, V and VII. In particular, this section develops and applies the specific competencies identified in Section II – Strategy, risk management and governance, and should be read and understood in the context of that section.

Education Guidance

This competency area requires prospective CAs to contextualise their technical knowledge, skills and abilities within the entity’s operating environment and apply these in a manner that is appropriate and relevant to the entity and its objectives. Assessment of this competency would require the prospective CA –

\(^{13}\) Reference to a member of a team is applicable to entry-level CAs, but this does not apply to candidates writing the ITC, as they are assessed on their core competence as individuals.
• to demonstrate the ability to identify and exercise the appropriate and relevant application of his/her technical skill set to a business problem, given the operating environment and organisational structure of the entity (as described in Section II – Strategy, risk management and governance);
• to assimilate the key attributes of the external and internal operating environment, opportunities and risk factors, in the evaluation of a particular problem and/or response thereto (as described in Section II – Strategy, risk management and governance); and
• to demonstrate the ability to identify relevant linkages between this competency and the other competence areas, with particular reference to Section V – Financial management.

The level of proficiency required by candidates writing SAICA’s ITC is specified for each specific competency.

### Levels of Proficiency

The degree of expertise an individual is expected to exhibit in a competency.

This document defines the levels of proficiency candidates must demonstrate at the time of writing SAICA’s ITC. Three distinct and increasingly higher levels of proficiency are identified. Level A requires the lowest proficiency, whereas Level X requires the highest. Each of the levels is defined below. The levels indicate the depth of detailed knowledge which is required of the prospective CA, the extent to which that knowledge is required to be applied and integrated, and the complexity of the problem to be solved in each aspect of this competency. These levels in turn make it possible to determine the degree of rigour and independence with which a newly qualified CA would be able to complete the task described.

It is stressed that for all three levels a high degree of contextualisation is required. By requiring a high degree of contextualisation it is recognised that competence in the field of accounting is ‘grounded in the real world’ (see Part 1 - Overview ‘The Competency Framework: Some implications for the academic programme and assessment’) and that teaching, learning and assessment is most effectively
executed through application in ‘real world’ scenarios. This is achieved in the academic programme through mini case studies and contextualised questions.

**Level A (Awareness)**
Requires an awareness of the key ideas and principles within the area. Demonstration of technical expertise or detailed knowledge in this area is not required. The candidate identifies and explains the significance of the competency, and the types of circumstances in which it would arise or be applied.

**Level I (Initiates the Task)**
Demonstrates an understanding of the requirements of the task and identifies and applies the required professional skills, including basic quantitative and qualitative analysis, to perform the task on a preliminary basis (recognising that a review by more senior staff is still necessary). An intermediate understanding of the subject matter is required. Complex calculations are not required. Integration with other competencies is straightforward and is of limited complexity. Level I includes level A proficiency.

**Level X (Completes the Task)**
Completes all elements of a specified task successfully and an advanced understanding of the subject matter is consequently required. Relevant pervasive skills and reflective capacity should be demonstrated at an advanced level. Technical skills expected to be demonstrated at this level include, for example, performing complex calculations and concluding on an appropriate course of action. Proficiency at level X is demonstrated when the problem is clearly identified and thoroughly analysed, or when a situation is evaluated and useful recommendations are made. This level of proficiency includes level A and I proficiencies.

Short examples are included at the end of this section in order to demonstrate the interpretation of a particular competency with reference to each of the levels described above.
Long questions should be referred to for illustration of the following:

- Contextualisation of the competency or knowledge area;
- Demonstration of proficiency levels in an assessment context; and
- Illustration of integration within this competency, and between this and other competencies, and professional skills (in particular Section IC), and demonstration of how an understanding of Strategy, risk management and governance shapes a student’s approach to operational / technical matters within a question, so elevating a technical body of skills and knowledge to application at the strategic level.

**Content**

The academic programme is principally concerned with aspects of cost accounting, planning and control, and decision making. There are no specific legislation or standards applicable to this section.

**Specific Exclusions**

In the context of the included legislation and standards it is more appropriate to identify areas that will be seen as specialist and to exclude them from the academic programme as this programme concerns itself with the development of entry-level CAs and specialist areas are not considered appropriate at this point.

Where applicable, the topics to be excluded from the academic programme will be updated annually and included with the Examinable Pronouncements document that will be published each year for the following year’s ITC on the SAICA website.

Candidates are not expected to deal with any specific specialised industry matters relating to any aspect of operations or reporting, or accountability structures relating to any aspects of this competency area. Candidate may however be expected to deal with general issues related to any aspect of operations or reporting, or accountability structures in the context of a company in a specialised industry.
**Link between competencies, knowledge lists and examinable pronouncements**

- **Competencies** – the competencies outline the knowledge, skills and attributes (competencies) CAs should have developed at point of entry to the CA profession. This is developed through both the academic and training programme.

- **Knowledge Lists** – provides guidance at a high level of the knowledge areas to be covered within the specific discipline’s academic programme, that is, over the full period spent in the academic programme. It is entirely up to each university to determine where (i.e. in which years) each discipline is covered when planning their programmes.

- **Examinable Pronouncements** – provides specific and more detailed information in relation to the disciplines of accounting and external reporting, audit and assurance and taxation on an annual basis and are used to inform what will be assessed in the following year’s ITC. This may in some cases contradict what is included in the knowledge lists as it has a different purpose. Some topics are deemed inappropriate to examine from time to time as they are in process of being updated by the relevant authority. This list simply excludes such topics from the ITC but not the academic programme.\(^{14}\)

### 1 Competencies in Management Decision Making and Control

<table>
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</tbody>
</table>

**Level I**

Determines what information is relevant and useful to both management and the governing body for the purposes of decision making and control based on the entity’s mission, vision and strategies and competitive position, economic, competitive and operating environments, products and governance structure.

Identifies key performance indicators, including any sector-specific tracking needs.

Describes and gives examples of non-financial key performance indicators that might be suitable for evaluating the entity’s effectiveness, such as –

- market share
- customer satisfaction
- health and safety record
- sales (or other) volume comparisons
- impact of economic, environmental, social and governance factors

\(^{14}\) **NOTE**: This competency area does not typically have a list of examinable pronouncements.
• service delivery
• economic, efficient and effective use of the limited resources

Considers the applicability of the following performance measurement and control techniques and tools, including –
• activity-based costing
• activity-based management
• balanced score card
• benchmarking

**VI-1.2 Evaluates the design of the entity’s responsibility accounting system**

**Level X**

Gains an understanding of the arrangement of an entity’s governance structure and responsibility accounting centres

Evaluates the impact of the structures on performance evaluation and incentivisation, in the context of the entity’s strategies and enhancement of shareholder wealth and fulfilment of stakeholder expectations or mandate

Evaluates the effectiveness and appropriateness (including strengths, weaknesses and effect of accounting distortions) of the performance incentive mechanisms (including measures of profit, return on investment, residual income and economic value added) and makes suggestions for improvement

Considers the creation of medium- to long-term value for stakeholders or fulfilment of mandate.

**VI-1.3 Analyses the financial performance of an entity and makes and/or evaluates recommendations for improvement**

**Level X**

Analyses, evaluates and explains the financial performance of the entity, or division, branch, department, etc., in the context of the entity’s product, competitive position, strategic plans, operations and activities during the period(s) and with consideration to cash flows, business risks, other financial risks, working capital policies, financial management principles, and management control mechanisms in place, where appropriate

Identifies and uses financial analysis tools and methods appropriate to the purpose of the evaluation, including –
• ratio and trend analysis
• CVP and sensitivity analysis
• appropriate categorisation, allocation and presentation of financial information

Identifies, determines, explains and excludes the effect of any distortions resulting from the application of IFRS or the entity’s internal or external accounting policies on the financial performance of the entity

Identifies reasons for any areas of strength or concern in performance, including management control over the entity and decision making, as well as the nature of the entity’s product, competitive position, operations, activities and operating environment

Identifies areas and makes and/or evaluates suggestions for potential improvement in profitability, management of resources, enhancement of the value of the entity or fulfilment of a mandate (or maximisation of service delivery outcomes)
Conducts further analysis of recommendations, utilising decision-making techniques, and identifies further relevant financial considerations and appropriate cost management techniques (including, but not limited to, cost driver identification and analysis, the behaviour and relevance of costs to long-term decision making and control) and control mechanisms.

**VI-2** Manages an entity's budgeting process and control system

**VI-2.1** Designs, prepares, analyses and monitors financial budgets

**Level X**

Designs entity budgets which are in accordance with the entity's strategic plans or mandate and appropriate to the level of accountability of the respective responsibility centres, taking into account behavioural aspects. These behavioural aspects include factors influencing –

- the preparation and management of budgets
- effective cost control
- equitable performance evaluation
- decision making
- effective allocation of funds
- effective use of resources

Prepares, using the information supplied –

- operating budgets (sales, production, procurement, and general and administrative) over an appropriate period of time
- financial budgets (capital expenditures, working capital) over an appropriate period of time
- special project budgets to be included in business plans
- forecasts
- short-term cash flow projections
- long-term cash flow forecasts, identifying the need for financing

Performs sensitivity analysis, varying key assumptions

Critically reviews the budget in the light of the entity's strategies / mandate and long-term plans

**VI-2.2** Analyses and interprets budget variances

**Level X**

Analyses the actual performance against budget and provides analysis of variances to the appropriate level of management

Makes recommendations based on findings, where applicable

**VI-2.3** Considers the applicability of a standard costing system and performs detailed variance analysis

**Level X**

Designs the system and develops appropriate standards

Reconciles actual to budgeted profit, analyses, interprets and investigates variances between standard and actual costs and reports results to appropriate levels of management

Makes recommendations based on findings, where applicable

Pro-rates variances in accordance with IFRS

**VI-2.4** Considers the applicability of cost management techniques

**Level I**
Consider the applicability of activity-based management given the entity’s long-term strategies, and makes recommendations for improving cost control and cost efficiency based on the results of the activity cost analysis.

Consider the applicability of the following techniques:

**Level I (requiring calculations)**
- Just in time
- Target costing

**Level A**
- Environmental management accounting including product life cycle
- Activity-based budgeting
- Total quality management
- Lifecycle costing

**VI-2.5 Evaluates procurement processes**

**Level I**
- Evaluates the ethical, corporate governance and financial management principles and processes related to procurement

**VI-3 Evaluates internal cost allocation and transfer pricing options**

**VI-3.1 Evaluates transfer pricing options between operational divisions**

**Level X**

Evaluates transfer pricing options with consideration to –
- the entity’s operating environment and strategies
- decision-making consequences
- motivational factors and performance evaluation of the respective divisions and other units comprising the entity’s organisational structure

Identifies the transfer pricing options (e.g. market price, negotiated price, cost-based) that are suitable and recommends a course of action.

**VI-3.2 Evaluates cost allocation options for service departments**

**Level I**

Identifies appropriate basis on which to allocate indirect costs incurred in service departments to other divisions and the entity’s products, giving consideration to –
- the applicability of activity-based costing and appropriate cost drivers
- organisational structure, performance evaluation implications and behavioural consequences for both service provider and user departments
- integration and consistency with the budgetary system and long-term strategic plans

**VI-4 Analyses financial and other data to provide information for decision making**

**VI-4.1 Identifies and evaluates financial information relevant to business decisions**

**Level X**

Identifies financial information that is relevant to decision making.

Considers and analyses the short-term and long-term impact of setting a certain price, taking into account –
- the cost drivers, behaviour and relevance of costs over both short- and long-term decision-making scenarios
- short- and long-term operating opportunities and limitations
• the competitive strategy and position of the entity (e.g. market leadership, differentiated product)
• the applicability of different pricing alternatives and cost management techniques
• environmental, social and governance factors

Determines the financial impact of business decisions, such as –
• special orders
• make or buy
• product mix
• sell or process further
• product line decisions (new product or drop a product)
• adding / dropping parts of an operation

Considers capacity utilisation and the implications of the existence of constraints, the applicability of contribution per limiting factor, the applicability of linear programming, and the inter-relationship between constraints where more than one constraint exists

Solves problems and determines the financial impact of a decision accordingly (excluding the execution of linear programming)

**VI-4.2 Identifies and analyses elements of business decisions subject to uncertainty, volatility or inaccuracy**

**Level X**

Performs sensitivity analysis (CVP analysis, including break-even and margin of safety calculations) on key variables affecting the financial outcome of the decision, and interprets the result of the calculation

Incorporates the possibility of various outcomes into the decision-making process, including the use of probabilities and expected values

Identifies appropriate basis on which to allocate indirect costs to cost objects

Considers the applicability of activity-based costing and identifies appropriate cost drivers and information content for both short- and long-term decision making in accordance with the entity’s strategic plans

**VI-4.3 Identifies and evaluates the significance of the qualitative factors that impact the decision**

**Level X**

Identifies and distinguishes between short- and long-term implications associated with the proposed business decision and identifies their potential financial implications, including, but not limited to, the application of the time value of money, net present value and ABC techniques.

Identifies opportunities and risks related to or arising from the proposed decision, including but not limited to operational, strategic, financial, legal and environmental opportunities and risks.

Considers the consistency of the proposed decision with the enterprise’s strategic objectives and plans

Evaluates alternatives and recommends a course of action, considering both quantitative and qualitative factors
**VI-5** Identifies, develops and improves appropriate costing systems in order to meet the information requirements of the entity’s control and decision-making processes

**VI-5.1** Identifies appropriate costing systems, and determines the appropriate assignment of costs to cost objects

**Level X**

Describes costing systems for for-profit and not-for-profit entities, and explains how such systems are typically applied.

Using the internally generated data, determines the cost of a cost object (product, service, process, function, department or customer) for decision-making and control purposes by –

- determining the appropriate criteria by which costs should be classified and analysed, given the purpose for which the cost information is required
- identifying and understanding the behaviour of the various costs
- identifying relevant costs (including opportunity costs, sunk costs, differential and non-differential costs)
- identifying the appropriate basis on which to allocate indirect costs to cost objects
- considering the applicability of activity-based costing and identifying appropriate cost drivers (e.g. for product or customer profitability analysis and related decisions)
- considering the applicability of costing systems such as job order, process and variable / absorption in the understanding of how the information, presentation and costing requirements for financial reporting and management accounting may differ

**VI-5.2** Develops and improves appropriate IT infrastructure needed to generate the necessary information

**Level A**

Analyses and determines the entity’s IT needs to support the entity’s strategies.

Identifies the key success factors for different IT elements, such as –

- communication architecture
- the entity’s IT structure
- mix and type of hardware
- operating and applications software
- new technology trends

Suggests possible IT solutions in an IT improvement project.

Evaluates and discusses, on a preliminary basis, different alternatives to support the IT strategy and the specific IT projects flowing from the strategy, such as –

- system and software acquisition and/or updates
- system development and/or program modifications
- outsourcing solutions

Identifies, and evaluates on a preliminary basis, the different factors to consider in an IT (or other) acquisition and in a sourcing decision, including –

- internal expertise and need for external consultants
- terms and conditions for external consultants
- services required (e.g. system design, development, implementation)

Evaluates, on a preliminary basis, the expected costs and benefits (quantitative and qualitative) of each option being considered, including –

- identifying the assessment criteria (e.g. return on investment)
- based on given information, calculating the net benefit that will accrue to the entity
Part 3 – The specific competencies

VI Management Decision Making and Control

Evaluates and ranks the alternatives

Documents the analysis and provides a preliminary recommendation

Identifies, on a preliminary basis, the need for improvement in the implementation processes of the entity’s existing IT systems

Provides preliminary advice or makes suggestions on –
- the creation of the IT project implementation team
- the management of change at both the operational and the IT infrastructure level
- the effectiveness of the implementation

2 Knowledge Reference List

Knowledge and understanding of content provide the foundation for the acquisition of a competency (see above). The list which follows indicates the content of this foundation for competencies in Management decision making and control. It is recognised that depth of knowledge and understanding will be informed by the competency(ies) to which content relates. In order to assist providers with guidance as to depth of knowledge and understanding required, the following description for each knowledge level may be useful:

Level 1 (Basic)
At this level the candidate is required to acquire a knowledge and understanding of the core / essence of the subject matter which include that the subject matter exists, the significance and relevance thereof, and its defining attributes.

Consequently the candidate is required to have a knowledge and understanding –
- of the purpose and objective of the subject matter;
- of the underlying principles / practices / legislation / requirements (hereafter ‘content’);
- of how the content relates to the discipline as a whole and to other disciplines (how it ‘fits in’); and
- that is at a broad conceptual level.

At this level, knowledge and understanding of detail, including procedural or numerical aspects specific to the subject matter, are not required.
At this level the candidate should be equipped with the extent and depth of knowledge and understanding which enable him/her to recognise issues when encountered and to seek further depth of knowledge and understanding.

**Level 2 (Intermediate)**

At this level the candidate is required to acquire a detailed knowledge and understanding of the central ideas and issues that comprise the substance of the subject matter.

Consequently, the candidate is required to have a knowledge and understanding –

- of those aspects of the content that are central to the subject matter, so as to achieve a sound conceptual understanding; and
- of the detail, including procedural and numerical aspects specific to the subject matter, where appropriate.

Knowledge and understanding of complexities and unusual / exceptional aspects are, however, not required.

At this level the candidate should be equipped with a sound knowledge and understanding of the substance of the subject matter to enable him/her to deal with issues and solve problems that are central to the topic. The candidate has a sound conceptual knowledge which enables him/her to further explore and understand complexities, if necessary.

This level includes the level of knowledge and understanding required for level 1 (Basic).

**Level 3 (Advanced)**

At this level the candidate is required to acquire a thorough knowledge and rigorous understanding of the subject matter. This level of knowledge and understanding extends beyond a sound understanding of central issues, to include complexities and unusual / exceptional aspects associated with the subject matter.
Consequently the candidate is required to have a knowledge and understanding –
- of all content that is required to develop a thorough and rigorous understanding of the subject matter;
- of complexities; and
- of sufficient depth to clearly locate content in the general field of accountancy (as described by competencies II – VII) and to identify implications and relationships.

At this level the candidate should be equipped with a level of knowledge and understanding of the substance of the subject matter that enables him/her to perform tasks and solve problems with a high degree of rigour, exercising sound judgement.

This level includes the level of knowledge and understanding required for level 1 (Basic) and level 2 (Intermediate).

This knowledge reference list comprises the knowledge most relevant to, or most strongly identified with, Management decision making. This does not mean the topics listed are relevant to these competencies exclusively. This knowledge reference list may include subject matter that is also relevant to other competency areas.

<table>
<thead>
<tr>
<th>Cost accounting</th>
<th>Knowledge Level</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Nature of costs</strong></td>
<td></td>
</tr>
<tr>
<td>- Cost classification</td>
<td>3</td>
</tr>
<tr>
<td>- Cost behaviour</td>
<td>3</td>
</tr>
<tr>
<td>- Cost-volume-profit analysis</td>
<td>3</td>
</tr>
<tr>
<td>- Cost estimation</td>
<td>3</td>
</tr>
<tr>
<td>- High-low</td>
<td></td>
</tr>
<tr>
<td>- Scattergraphs</td>
<td>1</td>
</tr>
<tr>
<td>- Regression</td>
<td>1</td>
</tr>
<tr>
<td>- Cost objects</td>
<td>3</td>
</tr>
<tr>
<td>- Joint and by-products</td>
<td>3</td>
</tr>
</tbody>
</table>

*The focus will be on the relevance and allocation basis of costs, not financial accounting recording thereof. The focus in respect of joint and by-products will be on the significance of the costs from a decision making perspective, not on the allocation thereof.*

<table>
<thead>
<tr>
<th>Costing and cost management: Material</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>- Recording material costs (direct and related)</td>
<td>3</td>
</tr>
</tbody>
</table>
### Part 3 – The specific competencies

#### VI Management Decision Making and Control

<table>
<thead>
<tr>
<th>Is required as base knowledge for other areas – will not be specifically examined</th>
<th>Knowledge Level</th>
</tr>
</thead>
</table>
| ▪ Bases of inventory valuation  
  o FIFO  
  o Weighted average  
  o Standard cost  
  o Specific identification | 3 |

**Inventory valuation bases will not be examined beyond knowledge level 1.** Material cost will only be examined to the degree that as part of total cost it may influence decisions under consideration or performance management.

### Costing and cost management: Labour

<table>
<thead>
<tr>
<th>Is required as base knowledge for other areas – will not be specifically examined</th>
<th>Knowledge Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Recording labour costs’</td>
<td>3</td>
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</tbody>
</table>

**Costing and cost management: Overheads**

<table>
<thead>
<tr>
<th>Is required as base knowledge for other areas – will not be specifically examined</th>
<th>Knowledge Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Recording overhead costs</td>
<td>3</td>
</tr>
</tbody>
</table>

**Product or service costing**

<table>
<thead>
<tr>
<th>Is required as base knowledge for other areas – will not be specifically examined</th>
<th>Knowledge Level</th>
</tr>
</thead>
</table>
| ▪ Types of costing systems  
  o Job costing (batch costing)  
  o Process costing systems | 3 |

**Planning and control**

#### Budgeting and control

<table>
<thead>
<tr>
<th>Is required as base knowledge for other areas – will not be specifically examined</th>
<th>Knowledge Level</th>
</tr>
</thead>
</table>
| ▪ Corporate strategy and long-term planning (as it relates to budgeting)  
  o Value chain  
  o Supply chain | 1 |

| Budgeting  
  o Responsibility centres  
  o Behavioural aspects | 3 |

---

**Detailed Guidance for the Academic Programme – 2019 onwards**
### Part 3 – The specific competencies

#### VI Management Decision Making and Control

<table>
<thead>
<tr>
<th>Knowledge Level</th>
<th>Particular Competencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>Master, capital, cash and subsidiary budgets</td>
</tr>
<tr>
<td>3</td>
<td>Fixed and flexible budgeting</td>
</tr>
<tr>
<td>1</td>
<td>Zero-base budgeting</td>
</tr>
<tr>
<td>1</td>
<td>Activity-based budgeting</td>
</tr>
<tr>
<td>1</td>
<td>Rolling forecasts</td>
</tr>
<tr>
<td>1</td>
<td>Cost management</td>
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<tr>
<td></td>
<td>Activity-based management</td>
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<tr>
<td></td>
<td>Business process re-engineering</td>
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<td>Total quality management</td>
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<td></td>
<td>Costs of quality</td>
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<td></td>
<td>Just In time</td>
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<tr>
<td></td>
<td>Target costing</td>
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<tr>
<td></td>
<td>Life cycle costing</td>
</tr>
</tbody>
</table>

**Standard costing**

- Design of standard costing systems
- Variance analysis (calculation and interpretation of variances)

*Capacity, efficiency and idle time variances will not be examined*

- Reporting on variance analysis
- Reconciliation of budget to actual
- Investigation of variances
- Pro-rating of variances and compliance with the relevant accounting standard

**Performance management**

- The role of decentralised control
- Responsibility accounting
- Performance measurement and incentivisation of managers
  - Possible performance measures
  - Including economic value added and market value added
  - Advantages and disadvantages of each
  - Behavioural aspects
  - Incentivisation (long-term reward strategy)
  - Share based compensation (see Section III - Accounting and external reporting, for reporting requirements)
- Transfer pricing
  
  *See taxation syllabus for tax implications. Focus will be on the behavioural aspects of transfer pricing as well as the calculation of minimum and maximum transfer prices*

- Non-financial performance measures including environmental, social, and governance factors
- Balanced scorecard
- Benchmarking

**Decision making**

- Criteria for relevant information
- Application to decisions
  - Pricing (long-term and short-term pricing, relevant costing)
3 Examples of the Expectations at Each Proficiency Level

Example 1: VI-1.3 Analyses the financial performance of an entity and makes and/or evaluates recommendations for improvement

Level X proficiency is required in this competency. However, to assist candidates in differentiating between the three proficiency levels, expectations for proficiency at levels A and I are also provided.

Level A
The prospective CA identifies and describes the key variables affecting the financial performance of an entity, or division, branch, department, etc., and relates the
Part 3 – The specific competencies

VI Management Decision Making and Control

significance of these to the context of the scenario presented, suggesting potential areas for further analysis, identifying financial analysis tools and methods appropriate to the purpose of the further analysis suggested. The prospective CA identifies areas where the application of IFRS may result in accounting distortions and explains how this may result in a distorted view of the entity’s financial performance (e.g. explains how the use of absorption costing would have influenced profitability where opening and closing inventory levels are inconsistent). At level A the prospective CA does not perform numerical analysis, and consequently does not make suggestions or recommendations for improvement.

**Level I**

The prospective CA performs quantitative and qualitative analysis, using basic financial analysis tools and techniques (e.g. ratio analysis, variance analysis, CVP, converting absorption costing to variable costing profit, return on investment). The prospective CA identifies and uses tools and techniques appropriate to the purpose of the evaluation, accurately applying these in a scenario that focuses on a particular knowledge area, or a limited set of related knowledge areas.

Numerical complexity is limited at level I where basic financial analysis tools and techniques are used in their standard forms, with limited necessity for the information in the scenario to be manipulated in order for the tool or technique to be applied, and limited creativity in the application of the technique. The prospective candidate identifies areas for potential improvement or further investigation or analysis, but does not advise or conclude on an appropriate course of action. Proficiency at level I is demonstrated when the key problems are identified and analysed on a preliminary basis. This level of proficiency includes level A proficiencies.

At this level the nature of the problem is identified and issues related to the problem are evaluated, analysed, etc., on a preliminary basis. Logical insights are presented, but the analysis is not thorough, and the situation is not addressed in its entirety.

**Level X**

The prospective CA performs quantitative and qualitative analysis, using basic financial analysis tools (e.g. ratio analysis, variance analysis, CVP, converting
absorption costing to variable costing profit, return on investment) and analytical review techniques to compare financial information to relevant operating information that drives revenues and costs (e.g. a comparison of revenue to number of products sold to identify pricing changes between periods or comparatives or a comparison of costs to plausible cost drives described in the scenario).

The prospective CA identifies and uses tools and techniques appropriate to the purpose of the evaluation, accurately applying these in a scenario characterised by a high degree of integration between knowledge areas, such as cost behaviour, CVP, variable absorption costing, relevant decision making, pricing, financial ratio analysis, strategic considerations relating to internal and external operating environments, financial performance measures, performance incentivisation, transfer pricing in a divisional context, activity-based costing and cost driver analysis, sensitivity analysis, standard costing and variance analysis, budgeting where analysis is carried out against a budget or group standards, cost management techniques and IFRS (particularly IAS 2).

Numerical complexity arises as a result of a high level of integration of knowledge areas, and detailed information provided regarding the entity’s operations and operating environment, which may necessitate creativity, critical thinking and problem-solving skills in performing the analysis and/or manipulation of the financial information in order to be able to apply the relevant tools and techniques.

The prospective candidate identifies areas and makes and/or evaluates suggestions for potential improvement in profitability and enhancement of the value of the entity and advises and concludes on an appropriate course of action. The problem is clearly identified and thoroughly analysed, the situation is evaluated and useful recommendations are made. This level of proficiency includes level A and I proficiencies.

Example 2: VI-4.2 Identifies and analyses elements of business decisions subject to uncertainty, volatility or inaccuracy
Level X proficiency is required in this competency. However, to assist candidates in differentiating between the three proficiency levels, expectations for proficiency at levels A and I are also provided.

Level A
The prospective CA identifies and describes the key variables subject to volatility, uncertainty or inaccuracy affecting the financial decision, and the possible significance of these in the context of the scenario presented, suggesting potential areas for further analysis. At level A the prospective CA does not perform numerical analyses, and consequently does not make suggestions or recommendations for improvement.

Level I
The prospective CA performs quantitative and qualitative analyses, using basic financial analysis tools and techniques (e.g. CVP, probability distributions and calculation of expected values, various cost allocation techniques). The prospective CA identifies and uses tools and techniques appropriate to the purpose of the evaluation, accurately applying these in a scenario that focuses on a particular knowledge area or limited set of related knowledge areas. The decision-making scenario is straightforward, introducing only limited complexity with regard to the identification and inclusion of relevant financial information in the analysis (e.g. only a limited number of differences between relevant cash flows and accounting information is taken into account in performing the CVP or expected value analysis). As a result, numerical complexity is limited at level I, with only basic financial analysis tools and techniques being used in their standard forms, with limited necessity for the information in the scenario to be manipulated in order for the tool or technique to be applied, and limited creativity in the application of the technique.

The prospective candidate identifies areas of concern or further investigation or analysis, but does not advise or conclude on an appropriate course of action. Proficiency at level I is demonstrated when the key problems are identified and analysed on a preliminary basis. This level of proficiency includes level A proficiencies.

Level X
Part 3 – The specific competencies

VI Management Decision Making and Control

The prospective CA performs quantitative and qualitative analyses, using basic financial analysis tools (e.g. CVP, probabilities and expected values, various cost allocation techniques). The prospective CA identifies and uses tools and techniques appropriate to the purpose of the evaluation, accurately applying these in a scenario characterised by a high degree of integration between knowledge areas, such as cost behaviour, CVP, variable absorption costing, relevant decision making, pricing, strategic considerations, financial performance measures, performance, activity-based costing and cost driver analysis, sensitivity analysis). In particular, sensitivity analysis, expected value calculations and cost allocation are considered and carried out with reference to relevant cash flows and in a manner that provides further financial insights into the business decision under consideration.

The decision-making scenario is not necessarily straightforward and the relevant financial information to be included in the analysis may include a variety of opportunity costs, sunk costs and cash flows that are otherwise not differential to the decision, with the result that the relevant financial information does not mirror accounting profits.

Numerical complexity at level X exceeds that of level I as the prospective CA is required to logically consider the application of the technique, incorporating the financial information in the analysis from a decision-making perspective. The numerical complexity arises as a result of a high level of integration of knowledge areas and the detailed information that is provided regarding the entity’s operations and operating environment, which may necessitate creativity, critical thinking and problem-solving skills in performing the analysis and/or manipulation of the financial information in order to be able to apply the relevant tools and techniques.

The prospective candidate identifies areas and makes and/or evaluates suggestions for potential improvement in profitability and enhancement of the value of the entity and advise and conclude on an appropriate course of action. The problem is clearly identified and thoroughly analysed, the situation is evaluated and useful recommendations are made. This level of proficiency includes level A and I proficiencies.
## VII - Taxation

### 1 The competencies

<table>
<thead>
<tr>
<th>VII-1</th>
<th>Analyses the taxpayer’s tax profile and identifies general tax issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>VII-1.1</td>
<td>Understands the taxpayer’s tax profile</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>VII-2</th>
<th>Prepares tax calculations and advises on tax matters in accordance with legal requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>VII-2.1</td>
<td>Calculates normal tax</td>
</tr>
<tr>
<td>VII-2.2</td>
<td>Calculates Value Added Tax (VAT)</td>
</tr>
<tr>
<td>VII-2.3</td>
<td>Calculates wealth taxes</td>
</tr>
<tr>
<td>VII-2.4</td>
<td>Calculates other taxes in terms of the Income Tax Act</td>
</tr>
<tr>
<td>VII-2.5</td>
<td>Identifies and discusses specific tax planning opportunities for taxpayers</td>
</tr>
<tr>
<td>VII-2.6</td>
<td>Identifies and discusses tax consequences associated with certain corporate transactions</td>
</tr>
<tr>
<td>VII-2.7</td>
<td>Applies anti-avoidance legislation</td>
</tr>
<tr>
<td>VII-2.8</td>
<td>Applies and interprets tax legislation by applying relevant decisions of the courts</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>VII-3</th>
<th>Practices effective tax administration</th>
</tr>
</thead>
<tbody>
<tr>
<td>VII-3.1</td>
<td>Identifies standard compliance and filing requirements</td>
</tr>
<tr>
<td>VII-3.2</td>
<td>Describes standard administrative requirements</td>
</tr>
<tr>
<td>VII-3.3</td>
<td>Prepares information for compliance and responds to administrative requirements</td>
</tr>
<tr>
<td>VII-3.4</td>
<td>Reviews and responds to assessments, reassessments and queries from SARS and prepares possible objections</td>
</tr>
</tbody>
</table>

### 2 Knowledge reference list

- The taxpayer’s tax profile and general tax issues
- Tax calculations and legal requirements
- Tax administration

### 3 Examples of the expectations at different proficiency levels
Overview - Taxation

Taxpayers are challenged to identify tax planning opportunities in order to reduce their tax burden while remaining in compliance with laws and regulations. They must stay abreast of new rules and regulations to ensure that their strategies are achieved.

The primary role in this competency area will be as an individual tax practitioner, or as part of a team of external advisors, or employed as a member of a corporate or a public sector management team. That team provides guidance on appropriate taxation strategies. A CA contributes to the team by being competent in calculating the taxable liabilities of various taxpayers, identifying a taxpayer's compliance and reporting requirements, and in developing and implementing an individual's or entity’s tax planning strategies.

Candidates are not expected to deal with any specific specialised industry matters relating to either the raising of finance or application of investment of funds relating to any aspects of this competency area. Candidate may however be expected to deal with general issues related to the raising of finance, financing or application of investment of funds in the context of a company in a specialised industry.

This section identifies the specific CA competencies in Taxation. However, the importance of integrating the pervasive qualities listed in Section I, particularly ethics, when reading each of the specific competencies cannot be overstated.

Education Guidance

This competency area requires prospective CAs to contextualise their technical knowledge, skills and abilities within the entity’s operating environment and apply these in a manner that is appropriate and relevant to the entity and its objectives.

The purpose of teaching taxation as one of the disciplines within the accountancy field is to apply current tax legislation and tax law to real life situations. This requires a

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15 Reference to a member of a team is applicable to entry-level CAs, but this does not apply to candidates writing the ITC, as they are assessed on their core competence as individuals.
prospective CA to have up to date technical knowledge as well as key skills which are outlined in the section IA to C – pervasive skills. The role of the academic programme is to impart / develop all technical tax knowledge (as at the date the ITC is written) as no new tax knowledge is learnt after this for the APC (although updated tax knowledge may be required). Further, the role of the academic programme is to develop as far as possible in this programme and to integrate as part of the technical courses, the applicable pervasive skills.

Assessment of this competency would require the prospective CA –
- to demonstrate the ability to identify and exercise the appropriate and relevant application of his/her technical skill set to a business problem, given the operating environment and organisational structure of the entity (as described in Section II – Strategy, Risk Management and Governance);
- to assimilate the key attributes of the external and internal operating environment, opportunities and risk factors, in the evaluation of a particular problem and/or response thereto (as described in Section II – Strategy, Risk Management and Governance); and
- to demonstrate the ability to identify relevant linkages between this competency and the other competence areas.

The level of proficiency required by candidates writing SAICA’s ITC is specified for each specific competency.

<table>
<thead>
<tr>
<th>Levels of Proficiency</th>
</tr>
</thead>
<tbody>
<tr>
<td>The degree of expertise an individual is expected to exhibit in a competency.</td>
</tr>
</tbody>
</table>

This document defines the levels of proficiency candidates must demonstrate at the time of writing SAICA’s ITC. Three distinct and increasingly higher levels of proficiency are identified. Level A requires the lowest proficiency, whereas level X requires the highest. Each of the levels is defined below. The levels indicate the depth of detailed knowledge which is required of the prospective CA, the extent to which that knowledge is required to be applied and integrated, and the complexity of the problem to be solved in each aspect of this competency. These levels in turn make it possible to determine
the degree of rigour and independence with which a newly qualified CA would be able to complete the task described.

It is stressed that for all three levels a high degree of contextualisation is required. By requiring a high degree of contextualisation it is recognised that competence in the field of accounting is ‘grounded in the real world’ (see Part 1 – Overview ‘The Competency Framework: Some implications for the academic programme and assessment’) and that teaching, learning and assessment is most effectively executed through application in ‘real world’ scenarios. This is achieved in the academic programme through mini case studies and contextualised questions.

**Level A (Awareness)**
Requires an awareness of the key ideas and principles within the area. Demonstration of technical expertise or detailed knowledge in this area is not required. The candidate identifies and explains the significance of the competency, and the types of circumstances in which it would arise or be applied. The candidate understands what a term implies and what differentiates that type of transaction / taxpayer from others. Candidates should be able to use it to determine the effects thereof on the calculation of taxable income, dutiable amount, etc.

Consequently the candidates will be able to identify the relevant situation and are aware that specialist help may be needed to complete the task.

**Level I (Initiates the Task)**
Demonstrates an understanding of the requirements of the task and identifies and applies the required professional skills, including basic quantitative and qualitative analysis to perform the task on a preliminary basis (recognising that a review by more senior staff is still necessary). An intermediate understanding of the subject matter is required. Complex calculations are not required. Consequently candidates are able to identify the issue and perform simple calculations, including in integrated scenarios. Integration with other competencies is straightforward and is of limited complexity. Only the general principles of the simpler form of transaction will be examined with no focus on the exceptions or more complex aspects. This level includes level A proficiency.
Level X (Completes the Task)
Completes all elements of a specified task successfully and an advanced understanding of the subject matter is consequently required. Relevant pervasive skills and reflective capacity should be demonstrated at an advanced level. Technical skills expected to be demonstrated at this level include, for example, performing complex calculations and concluding on an appropriate course of action. Proficiency at level X is demonstrated when the problem is clearly identified and thoroughly analysed, or when a situation is evaluated and useful recommendations are made. This level of proficiency includes level A and I proficiencies.

In the context of taxation: Candidates are able to explain, calculate, present and disclose information relating to transactions in an integrated manner. Candidates are able to identify when and how the relevant principles should be applied and are able to identify the information that is relevant to the transaction to enable them to complete all elements of the specified task. This calls for an advanced understanding of the subject matter, the performing of complex calculations and concluding on an appropriate course of action or recommendations. This level of proficiency includes level A and I proficiencies.

At entry level candidates will be expected to calculate the tax consequences of two or more options or alternatives and from that make recommendations.

Short examples are included at the end of this section to demonstrate the interpretation of a particular competency with reference to each of the levels described above.

Content
The academic programme is principally concerned with the taxes and duties levied and administered in terms of four statutes, namely –
- the Income Tax Act,
- the Estate Duty Act,
- the Value-Added Tax Act, and
Part 3 – The specific competencies

VII Taxation

- the Tax Administration Act.

**Specific Exclusions**

In context of the included legislation it is more appropriate to identify areas that will be seen as specialist and to exclude them from the academic programme as this programme concerns itself with the development of entry level CAs(SA) and specialist areas are not considered appropriate at this point. These typically relate to taxpayers or scenarios where specialist knowledge is required. With that in mind, the topics to be excluded from the academic programme will be updated annually in the Examinable Pronouncements document that will be published each year for the following year’s ITC on the SAICA website.

All other taxes, duties and levies payable in terms of various other statutes have been excluded from the academic programme, unless specified in the examinable pronouncements.

**Link between competencies, knowledge lists and examinable pronouncements**

- **Competencies** – the competencies outline the knowledge, skills and attributes (competencies) CAs should have developed at point of entry to the CA profession. This is developed through both the academic and training programme.

- **Knowledge Lists** – provides guidance at a high level of the knowledge areas to be covered within the specific discipline’s academic programme, that is, over the full period spent in the academic programme. It is entirely up to each university to determine where (i.e. in which years) each discipline is covered when planning their programmes.

- **Examinable Pronouncements** – provides specific and more detailed information in relation to the disciplines of accounting and external reporting, audit and assurance and taxation on an annual basis and are used to inform what will be assessed in the following year’s ITC. This may in some cases contradict what is included in the knowledge lists as it has a different purpose. Some topics are deemed inappropriate to examine from time to time as they are in process of being updated by National Treasury or SARS. This list simply excludes such topics from the ITC but not the academic programme.
### 1 Competencies in Taxation

#### VII-1 Analyses the taxpayer’s tax profile and identifies general tax issues

<table>
<thead>
<tr>
<th>VII-1.1 Understands the taxpayer’s tax profile</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Level X</strong></td>
</tr>
<tr>
<td>Collects basic information for the analysis of a taxpayer’s tax profile regarding –</td>
</tr>
<tr>
<td>• the form of the taxpayer,</td>
</tr>
<tr>
<td>• the taxpayer’s residency and liability for tax</td>
</tr>
<tr>
<td>• the exposure to taxation associated with various forms of income (e.g. employment, trade, property, business, capital gain / loss, passive income)</td>
</tr>
<tr>
<td>• the organisational structure (connected persons and group companies)</td>
</tr>
<tr>
<td>Identifies the impact of double tax agreements (DTAs) relating to international transactions (resident and permanent establishments)</td>
</tr>
</tbody>
</table>

| **Level A** |
| Collects basic information for the analysis of a taxpayers profile regarding environmental sustainability matters |

#### VII-2 Prepares tax calculations and advises on tax matters in accordance with legal requirements

<table>
<thead>
<tr>
<th>VII-2.1 Calculates normal tax</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Level X</strong></td>
</tr>
<tr>
<td><em>This applies to natural and non-natural persons:</em></td>
</tr>
<tr>
<td>Identifies and determines the components of taxable income. This includes –</td>
</tr>
<tr>
<td>• classification of income from different sources</td>
</tr>
<tr>
<td>• gross income</td>
</tr>
<tr>
<td>• exempt income</td>
</tr>
<tr>
<td>• deductions and allowances</td>
</tr>
<tr>
<td>• taxable capital gains</td>
</tr>
<tr>
<td>Calculate the normal tax payable by taking into account prepaid taxes. This includes for example –</td>
</tr>
<tr>
<td>• employees tax</td>
</tr>
<tr>
<td>• provisional tax</td>
</tr>
<tr>
<td>• withholding tax (in terms of s 35A)</td>
</tr>
<tr>
<td>Determines and calculates the rebates to be deducted from tax payable</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>VII-2.2 Calculates Value Added Tax (VAT)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Level X</strong></td>
</tr>
<tr>
<td>Identifies and determines the appropriate output and input tax. This includes for example –</td>
</tr>
<tr>
<td>• supplies</td>
</tr>
<tr>
<td>• deemed supplies</td>
</tr>
<tr>
<td>• exempt supplies</td>
</tr>
<tr>
<td>• zero rated supplies</td>
</tr>
</tbody>
</table>
### Part 3 – The specific competencies

#### VII Taxation

- adjustments
- interaction with other taxes, for example transfer duty (refer to the exclusions as set out in the annual list of examinable pronouncements)

Calculates the VAT payable / refundable

### VII-2.3 Calculates wealth taxes

**Level I**

Identifies and determines estate duty payable. This includes –
- property
- deemed property
- exemptions
- deductions
- abatements

Identifies and determines the components of donations tax. This includes –
- property
- deemed property
- exemptions (non-taxable portion)

Calculates the estate duty or donations tax payable

### VII-2.4 Calculates other taxes in terms of the Income Tax Act

**Level A, I and X (also refer to annual list of examinable pronouncements)**

Identifies and determines other taxes payable in terms of the Income Tax Act. This includes for example –
- withholding taxes
- turnover tax

Calculates the other taxes payable in terms of the Income Tax Act

### VII-2.5 Identifies and discusses specific tax planning opportunities for taxpayers

**Level I**

Identifies and applies two or more options or alternatives, for example –
- cash salary versus fringe benefits
- shares, loans or dividends
- tax implications of financial and estate planning alternatives for individuals
- tax implications of retirement planning alternatives (e.g. lump sum vs annuity)

Identifies the alternative courses of action with their corresponding opportunities and risks

### VII-2.6 Identifies and discusses tax consequences associated with certain corporate transactions

**Level I**

Identifies and discusses the impact of incorporating a non-incorporated business

Discusses the tax consequences of the sale or acquisition of shares versus assets

Describes the applicability of the corporate rules
Describes the tax consequences of alternative approaches to structuring a transaction (e.g. exchange of shares between connected or unrelated parties, transaction between a partnership and its partners) with regard to the achievement of the taxpayer’s strategies

### VII-2.7 Applies anti-avoidance legislation

**Level X**

- Distinguishes between avoidance and evasion
- Identifies transactions possibly subject to anti-avoidance legislation
- Describes and explains the relevant anti-avoidance legislation provision(s) including the possible consequences

### VII-2.8 Applies and interprets tax legislation by applying relevant decisions of the courts

**Level I**

- Identifies the tax issue requiring interpretation
- Identifies and describes the relevant tax case law principle that is applicable to support the interpretation
- Applies the case law principles in advising and calculating taxes of taxpayers

### VII-3 Practices effective tax administration

#### VII-3.1 Identifies standard compliance and filing requirements

**Level I**

- Identifies the compliance and filing requirements and deadlines for the taxpayer in relation to normal taxes, VAT, wealth taxes and other taxes

#### VII-3.2 Describes standard administrative requirements

**Level A**

- Describes processes and routines required to ensure deadlines are met, including the timely analysis of assessments and reassessments
- Explains the basic filing information required
- Identifies relevant deadlines to be met and the consequences of failing to meet those deadlines, such as the timeous submission of returns

#### VII-3.3 Prepares information for compliance and responds to administrative requirements

**Level A**

- Identifies and collects the information needed to file tax returns

**Not applicable to the academic programme**

- Prepares, completes and files returns to meet statutory compliance

#### VII-3.4 Reviews and responds to assessments, reassessments and queries from SARS and prepares possible objections

**Level I**
Reviews the content of assessments and/or reassessments
Gathers information to assist in formulating an appropriate response
Prepares, on a preliminary basis, responding materials required by regulation to initiate an appeal or file a notice of objection
Prepares supporting documentation to be used in the dispute resolution process

Level A
Appeals against disallowed objections

2 Knowledge Reference List

Knowledge and understanding of content provide the foundation for the acquisition of a competency (see above). The list which follows indicates the content of this foundation for competencies in Taxation. It is recognised that depth of knowledge and understanding will be informed by the competency(ies) to which content relates. In order to assist providers with guidance as to the depth of knowledge and understanding required, the following description for each knowledge level may be useful:

Level 1 (Basic)
At this level the candidate is required to acquire a knowledge and understanding of the core / essence of the subject matter which include that the subject matter exists, the significance and relevance thereof, and its defining attributes.

Consequently the candidate is required to have a knowledge and understanding –

- of the purpose and objective of the subject matter;
- of the underlying principles / practices / legislation (law) / requirements (hereafter ‘content’);
- of how the content relates to the discipline as a whole and to other disciplines (how it ‘fits in’); and
- that is at a broad conceptual level.

At this level, knowledge and understanding of detail, including procedural or numerical aspects specific to the subject matter, are not required.
At this level the candidate should be equipped with the extent and depth of knowledge and understanding which enable him/her to recognise issues when encountered and to seek further depth of knowledge and understanding.

**Level 2 (Intermediate)**

At this level the candidate is required to acquire a detailed knowledge and understanding of the central ideas and issues that comprise the substance of the subject matter.

Consequently, the candidate is required to have a knowledge and understanding –

- of those aspects of the content that are central to the subject matter, so as to achieve a sound conceptual understanding; and
- of the detail, including procedural and numerical aspects specific to the subject matter, where appropriate.

Knowledge and understanding of complexities and unusual / exceptional aspects are, however, not required.

At this level the candidate should be equipped with a sound knowledge and understanding of the substance of the subject matter to enable him/her to deal with issues and solve problems that are central to the topic. The candidate has a sound conceptual knowledge which enables him/her to further explore and understand complexities, if necessary.

This level includes the level of knowledge and understanding required for level 1 (Basic).

**Level 3 (Advanced)**

At this level the candidate is required to acquire a thorough knowledge and rigorous understanding of the subject matter. This level of knowledge and understanding extends beyond a sound understanding of central issues, to include complexities and unusual / exceptional aspects associated with the subject matter.
Part 3 – The specific competencies

Consequently the candidate is required to have a knowledge and understanding –
- of all content that is required to develop a thorough and rigorous understanding of the subject matter;
- of complexities; and
- of sufficient depth to clearly locate content in the general field of accountancy (as described by competencies II – VII) and to identify implications and relationships.

At this level the candidate should be equipped with a level of knowledge and understanding of the substance of the subject matter that enables him/her to perform tasks and solve problems with a high degree of rigour, exercising sound judgement.

This level includes the level of knowledge and understanding required for level 1 (Basic) and level 2 (Intermediate).

The knowledge list for tax consists primarily of the different tax acts. The knowledge list also includes court cases and interpretation notes. The relevant acts are –
- the Income Tax Act,
- the Estate Duty Act, and
- the Value-Added Tax Act.

All other taxes, duties and levies payable in terms of various other statutes have been excluded from the academic programme, unless specified in the examinable pronouncements.

An annual list of examinable pronouncements will be provided. The purpose of that list is to identify those sections that are and are not examinable and the applicable level at which the section is examinable. The knowledge list provides a general description of the issues that are included in the academic programme, whereas the examinable pronouncement list identifies the specific sections that will or will not be examined in the forthcoming examination.
<table>
<thead>
<tr>
<th>Topic</th>
<th>Knowledge level&lt;sup&gt;16&lt;/sup&gt; (in general)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The taxpayer's tax profile and general tax issues</strong></td>
<td></td>
</tr>
<tr>
<td>The form, residency and organisational structure of the taxpayer</td>
<td>3</td>
</tr>
<tr>
<td><strong>Tax calculations and legal requirements</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Normal tax</strong></td>
<td></td>
</tr>
<tr>
<td>Gross income</td>
<td>3</td>
</tr>
<tr>
<td>• Source</td>
<td></td>
</tr>
<tr>
<td>Exempt income</td>
<td>3</td>
</tr>
<tr>
<td>Deductions and allowances</td>
<td>3</td>
</tr>
<tr>
<td>Taxable capital gains</td>
<td>3</td>
</tr>
<tr>
<td>Employees tax</td>
<td>3</td>
</tr>
<tr>
<td>Provisional tax</td>
<td>3</td>
</tr>
<tr>
<td>Withholding taxes (dividends)</td>
<td>3</td>
</tr>
<tr>
<td>Rebates</td>
<td></td>
</tr>
<tr>
<td>• Standard</td>
<td>3</td>
</tr>
<tr>
<td>• Unilateral tax relief</td>
<td>2</td>
</tr>
<tr>
<td>Partnerships</td>
<td>2</td>
</tr>
<tr>
<td>Insolvent estates</td>
<td>1</td>
</tr>
<tr>
<td>Trusts and deceased estates</td>
<td>3</td>
</tr>
<tr>
<td>Foreign branches and agencies</td>
<td>2</td>
</tr>
<tr>
<td><strong>Value Added Tax (VAT)</strong></td>
<td>3 (except for)</td>
</tr>
<tr>
<td>Supplies</td>
<td></td>
</tr>
<tr>
<td>Deemed supplies</td>
<td></td>
</tr>
<tr>
<td>Exempt supplies</td>
<td></td>
</tr>
<tr>
<td>Zero rated supplies</td>
<td></td>
</tr>
<tr>
<td>Input tax</td>
<td></td>
</tr>
<tr>
<td>Output tax</td>
<td></td>
</tr>
<tr>
<td>Adjustments</td>
<td>2</td>
</tr>
<tr>
<td>Interaction with other taxes for example transfer duty</td>
<td>3</td>
</tr>
<tr>
<td><strong>Wealth taxes</strong></td>
<td></td>
</tr>
<tr>
<td>Estate duty:</td>
<td>3</td>
</tr>
<tr>
<td>• Property</td>
<td></td>
</tr>
<tr>
<td>• Deemed property</td>
<td></td>
</tr>
<tr>
<td>• Exemptions</td>
<td></td>
</tr>
<tr>
<td>• Deductions</td>
<td></td>
</tr>
<tr>
<td>• Abatements</td>
<td></td>
</tr>
<tr>
<td>Donations tax</td>
<td>3</td>
</tr>
<tr>
<td>• Property</td>
<td></td>
</tr>
<tr>
<td>• Deemed property</td>
<td></td>
</tr>
<tr>
<td>• Exemptions (non-taxable portion)</td>
<td></td>
</tr>
<tr>
<td><strong>Other taxes in terms of the Income Tax Act</strong></td>
<td></td>
</tr>
<tr>
<td>Dividends tax</td>
<td>3</td>
</tr>
<tr>
<td>Other withholding taxes</td>
<td>1</td>
</tr>
</tbody>
</table>

<sup>16</sup> Refer each year to the examinable pronouncements for the specific section levels
<table>
<thead>
<tr>
<th>Topic</th>
<th>Knowledge level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover tax</td>
<td>1</td>
</tr>
<tr>
<td><strong>Specific tax planning opportunities for tax payers</strong></td>
<td></td>
</tr>
<tr>
<td>Double Tax agreements / treaties</td>
<td>3</td>
</tr>
<tr>
<td>Employment package structuring</td>
<td>2</td>
</tr>
<tr>
<td>Funding alternatives</td>
<td>2</td>
</tr>
<tr>
<td>Profit retention, investment or distribution</td>
<td>2</td>
</tr>
<tr>
<td>Retirement planning</td>
<td>2</td>
</tr>
<tr>
<td>Estate and trust planning</td>
<td>2</td>
</tr>
<tr>
<td><strong>Tax consequences associated with certain corporate transactions</strong></td>
<td></td>
</tr>
<tr>
<td>Corporate rules</td>
<td>1</td>
</tr>
<tr>
<td>Incorporation of entities</td>
<td>2</td>
</tr>
<tr>
<td>Liquidation, deregistration and winding up of companies</td>
<td>2</td>
</tr>
<tr>
<td>Business rescue</td>
<td>1</td>
</tr>
<tr>
<td>Other taxes and incentives related to sustainability such as carbon</td>
<td>1</td>
</tr>
<tr>
<td>taxes, energy savings, future expenditure and environmental waste</td>
<td></td>
</tr>
<tr>
<td><strong>Anti-avoidance legislation</strong></td>
<td></td>
</tr>
<tr>
<td>Avoidance vs evasion</td>
<td>2</td>
</tr>
<tr>
<td>General anti-avoidance rules</td>
<td>2</td>
</tr>
<tr>
<td>Specific anti-avoidance rules</td>
<td>1, 2 or 3</td>
</tr>
<tr>
<td><strong>Tax court cases</strong></td>
<td></td>
</tr>
<tr>
<td>Interpretational rules</td>
<td>1</td>
</tr>
<tr>
<td>Structure of tax acts</td>
<td>2</td>
</tr>
<tr>
<td>Interpretation Act</td>
<td>1</td>
</tr>
<tr>
<td>Hierarchy of the courts</td>
<td>2</td>
</tr>
<tr>
<td>Applying relevant decisions of the court</td>
<td>3</td>
</tr>
<tr>
<td><strong>Effective tax administration</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Standard compliance and filing requirements</strong></td>
<td></td>
</tr>
<tr>
<td>Administration</td>
<td>1</td>
</tr>
<tr>
<td>Returns</td>
<td>1</td>
</tr>
<tr>
<td><strong>Standard administrative requirements</strong></td>
<td></td>
</tr>
<tr>
<td>Administration and registration in terms of the Income Tax Act</td>
<td>1</td>
</tr>
<tr>
<td>Registration requirements for VAT</td>
<td>3</td>
</tr>
<tr>
<td><strong>Compliance and administrative requirements</strong></td>
<td></td>
</tr>
<tr>
<td>Compliance and filing requirements</td>
<td>2</td>
</tr>
<tr>
<td>Administrative penalty in respect of non-compliance and additional</td>
<td>1</td>
</tr>
<tr>
<td>tax and understatement penalty in the event of default or omission</td>
<td></td>
</tr>
<tr>
<td>Record keeping</td>
<td>1</td>
</tr>
<tr>
<td>Returns, administration and reporting requirements</td>
<td>1</td>
</tr>
<tr>
<td><strong>Assessments, reassessments and queries from SARS and possible</strong></td>
<td></td>
</tr>
<tr>
<td>objections, appeals</td>
<td>2</td>
</tr>
<tr>
<td>Objections and appeals</td>
<td>2</td>
</tr>
<tr>
<td>Alternate dispute resolution</td>
<td>1</td>
</tr>
<tr>
<td>Settlement of disputes</td>
<td>1</td>
</tr>
</tbody>
</table>
3 Examples of the expectations at different proficiency levels

**Examples – VII-1.2 Identifies and advises on compliance and filing requirements**

**Level A**
A candidate lists the penalties and other consequences of non-compliance. This may be for normal tax, donations tax, value added tax, etc.

**Level I**
A candidate will be given the values of limited interests in property and he/she then uses these (by applying the principles) to arrive at the relevant tax consequences.

**Level X**
A candidate will be given details of an asset sold and replaced by a new asset and determines the recoupments, capital allowances available to the taxpayer, the VAT consequences and capital gains that result from such a transaction.

A candidate is able to review a tax file and comment on the correctness or otherwise of somebody else’s work.

**Example: VII-2.1 Calculates income taxes payable for an individual – Application of the different levels to section 6 of the Income Tax Act (the rebates available to a taxpayer)**

**Level A**
At level A the candidate calculates when given a taxable income for a natural person, together with the tax rates for a particular year, the tax due by this taxpayer. This means that the candidate uses the correct section 6 rebate (knowledge) and deducts it from the normal tax payable.

**Level I**
At this intermediate level and based on the same facts, the candidate will be told that the taxpayer died during the year of assessment. The candidate then recognises that the taxpayer does not qualify for the full rebate and is able to apportion the rebate in the ratio of the number of days that the taxpayer was alive during the year of assessment and deduct the resulting amount from the normal tax payable.

Level X
At this highest level the candidate will be told that the spouse of the taxpayer was never registered for or liable to pay normal tax and that she inherited some cash and now derives passive investment income.

The candidate determines her tax threshold in order to advise her to what extent the investment must be in interest-bearing deposits with the balance in shares (exempt dividends).

Analysis of the answer
Taxable income is gross income less exempt income. No deductions will be allowed as she does not carry on a trade or have any medical expenses.

The normal tax threshold is determined by dividing the amount of the section 6 rebate by the rate applied to the first rand of taxable income.

The resulting amount is then increased by the amount of interest that will be exempt from normal tax and the resulting amount will be the maximum taxable income that can be earned without paying any tax.

If this amount is then divided by the interest rate at which the cash can be invested. The result is the maximum amount that the taxpayer can invest in interest-bearing deposits without paying any normal tax. The balance of the cash, if there is any, should then be invested in shares that return dividends exempt from normal tax.
Appendix 1 – Topics Requiring an Awareness Level Only

1. The Insurance Industry and IFRS

What is an insurance company?

Insurance companies vary depending on the type of products offered to the customers, such as short-term general insurance (e.g. household, car, theft and fire) or long-term insurance (e.g. health, disability, death and retirement).

Both the long-term and the short-term insurance industries in South Africa are regulated by the Financial Services Board (FSB), an independent government endorsed institution, which oversees the non-banking financial services industry in the public interest. The FSB’s role is to promote and maintain a sound financial investment environment in South Africa.

Each insurance company is required to appoint a qualified statutory actuary who must be approved by the FSB. The statutory actuary is responsible for monitoring the financial soundness of the insurer to ensure that it is able to meet policyholders’ reasonable benefit expectations.

What are the IFRS considerations?

In terms of IAS 39, Financial Instruments: Classification and Measurement, and IFRS 4, Insurance Contracts, insurance products are classified, depending on the level of insurance risk, as either investment contracts (to be measured under IAS 39) or insurance contracts (IFRS 4).
An insurance contract is defined as a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Contracts which contain significant financial risk (e.g. the risk of possible future changes in one or more specified interest rates, financial instrument prices or other variables) are deemed to be investment contracts.

Insurance defined products have no ‘sales’ or ‘cost of sales’ figures, and profit is derived from the receipt of premium payments (either single or recurring premiums depending on the product), less benefits and claims which are paid to the policyholder, as well as the change in the policyholder liability during the reporting period. The policyholder liability is calculated with respect to a number of economic and non-economic actuarial assumptions (e.g. expected investment returns for various classes of assets, expenses, mortality, morbidity and lapses) including the expected probability of making a payment to the insured (i.e. the insured event taking place), taking into account the time value of money and the amount insured. Defined investment contracts are accounted for on a similar basis as an asset management business, with ‘premiums’ being classified as fund inflows, and ‘claims or benefits’ as fund outflows. The change in the liability is accounted for under IAS 39 as a fair value adjustment and recognised in the income statement.

Historically, there has not been specific accounting guidance on insurance contracts, and insurance contracts were excluded from the scope of other relevant IFRSs. The International Accounting Standards Board (IASB) therefore decided to develop a standard for the accounting for insurance contracts using a two-phased approach. The first phase of the project resulted in IFRS 4 Phase 1. This standard permitted insurance companies to continue with their current valuation methodologies for insurance liabilities using local guidance. It introduced limited improvements to accounting for insurance companies with an emphasis on enhanced disclosures. This obviously is an interim solution and, as it allowed for a wide variety of accounting practices for insurance contracts, many of these practices differ from country to country and frequently within countries themselves. This makes the financial statements of insurance companies difficult to compare and understand. Traditionally investors
analysing insurance companies have used other non-IFRS reports in evaluating insurance companies, such as embedded value information. Embedded value is an actuarial valuation of the net worth of an insurer plus the value of in-force business (contracts on the book) less the cost of required capital.

In South Africa, insurance companies adopted Practice Guidance Notes issued by the Actuarial Society of South Africa, for guidance on the measurement of the insurance defined contracts.

The IASB is currently working on a joint project with the US FASB for the development of a global standard for accounting for insurance contracts. There are many conceptual conflicts between insurance accounting and certain other projects currently being addressed by the IASB (such as liabilities and revenue recognition). One of these is the term of the insurance contract, where insurers would typically estimate the probability of term extensions (and the resultant cash flows) in their liability valuation, whereas these extensions may not be viewed as a future liability in the case of accounting within the liabilities framework. As measurement practices have been developed locally, there are also many conceptual differences between the US, Europe and the rest of the world, making convergence is difficult task. Nevertheless, all recognise that a global standard would be the ideal.

It seems that the IASB is considering a different measurement approach for certain short-term insurance contracts.

2 The Banking Industry and IFRS

What is a bank?
A bank is a financial institution but banking activities vary substantially from one to the next depending on its size, the market that it serves as well as its risk appetite. Simply put, a bank accepts deposits from its depositors and lends to its borrowers. A bank, being a regulated entity, provides depositors with additional protection from borrowers
since the depositor’s returns are not directly linked to the payment performance of the borrowers. Further, banks eliminate the need for a depositor to search for borrowers.

A bank’s activities may extend to investment banking. Investment banks trade in debt securities; advises on, manages and funds the acquisitions of businesses by its clients; advises on, funds and invests in client funding and investment projects; and trades with and on behalf of clients in derivatives such as interest rate swaps and foreign currency derivatives.

**What are the IFRS considerations?**

For a mine trading stock represents minerals, for a bank trading stock represents financial instruments. Financial instruments include loans and advances, deposits, bonds, equity instruments, receivables, payables, derivatives, financial guarantees and loan facilities. The diversity and nature of financial instruments result in banks arguably having the most complicated financial reporting requirements in the world. Further, as witnessed in the recent financial crisis, the financial information of bank can have a significant influence on the economy and vice versa.

The diversity and nature of financial instruments naturally result in there being a number of complex financial instrument reporting standards. These include:

- IAS 32, *Financial Instruments: Presentation*;
- IAS 39, *Financial Instruments: Recognition and Measurement*; and
- IFRS 7, *Financial Instruments: Disclosures*.

**What are the financial instrument reporting requirements?**

When it comes to issuing a financial instrument, one needs to look to IAS 32 to determine whether that instrument is debt or equity or a combination of both. The fact that it is classified as a ‘share’ or a ‘debt’ does not mean that it is ‘equity’ or ‘debt’ for financial reporting purposes. The correct classification of an instrument as either debt or equity is important since it affects the location of its disclosure in the balance sheet and whether the gains and losses of that instrument are recognised in profit or loss or
in equity. The distinction can also result in materially different ratios being determined for the entity.

All non-equity instruments need to be classified into financial instrument categories. The distinction between the categories arises as a result of the differences in the financial instrument’s nature, terms and conditions, and reasons why the entity holds the financial instrument. This categorisation affects the manner in which the financial instruments are subsequently measured – being either at amortised cost (similar to accrual accounting) and fair value measurement either through profit or loss or other comprehensive income (equity).

Banks also need to determine impairment losses – the loss that arises from borrowers defaulting on their payments. This is complicated in that the bank needs to first determine which of its borrowers have defaulted, then how much it expects to recover on those loans and finally what the impairment loss amounts to. This process requires extensive historical information.

Banks may also obtain funds or invest in instruments that contain embedded derivatives. Simply put, embedded derivatives are derivatives that are attached to other financial instruments and would have been a derivative had it been issued separately. Embedded derivatives have to be identified since they must be measured at fair value, whereas the instrument to which it is attached is either measured at amortised cost or not recognised at all. The identification and valuation of such instruments are extremely complicated and often require significant judgement.

A bank’s financial results may naturally be volatile since some instruments must be measured on an amortised cost basis and others at fair value. To reduce this volatility, banks often apply hedge accounting, which is complicated by the fact that instruments have different terms and are priced differently. Accordingly, complex financial models are required to achieve hedge accounting.

The application of both IAS 32 and IAS 39 results in the need for significant disclosure of financial information. IFRS 7 fulfils this requirement by requiring the disclosure of information about the significance of financial instruments for the entity’s financial
position and performance and the nature and extent of risks arising from financial Instruments during the period and at the reporting date and how the entity managed those risks. There are numerous disclosures, all of which require significant system generated information as well as reconciliation with other regulatory requirements.

What is changing?
In response to criticism that financial instrument accounting is unduly complex and difficult to understand, the IASB is embarking on a project to revisit almost all the financial instrument reporting standards. However, financial instrument accounting is arguably not going to become less complex in view of the fact that financial instruments are, by their very nature, inherently complex.

3 Other Regulated Industries – Medical Schemes

Background
Organisations providing healthcare funding in South Africa are classified as not-for-profit medical schemes registered under the Act. The main source of business is from employers who wish to arrange healthcare benefits for their employees and their employees’ dependants and from individuals who wish to cover themselves and/or their dependants. Some medical schemes are formed with the primary purpose of supporting employees of particular organisations, or members of certain professions or of a union, and are registered as restricted-membership medical schemes. Other medical schemes admit members from any employer or from the public, and these are known as open medical schemes.

Business is introduced to medical schemes by direct selling or by brokers accredited in terms of the Act.

Regulated industry
The medical schemes sector is governed by the Medical Schemes Act, 1998 (Act 131 of 1998), and regulations thereto. It seeks to consolidate the laws relating to registered medical schemes; to provide for the establishment of the Council for Medical Schemes as a juristic person; to provide for the appointment of the Registrar of Medical
Appendix 1 – Topics Requiring an Awareness Level Only

Schemes; to make provision for the registration and control of certain activities of medical schemes; to protect the interests of members of medical schemes; to provide for measures for the co-ordination of medical schemes; and to provide for incidental matters.

Council for Medical Schemes
The Council for Medical Schemes is a statutory body established by the Medical Schemes Act to provide regulatory supervision of private health financing through medical schemes. The Act gives the Council a number of statutory objectives, including an accounting framework.

Accounting framework
The financial statements of medical schemes in South Africa are prepared in accordance with IFRS and in the manner required by the Act and regulations thereto. A medical scheme accounting guide has been prepared by the Medical Schemes Project Group of SAICA in consultation with the Council, primarily to provide guidance to SAICA members on the accounting requirements of schemes that carry on the business of a medical scheme and auditors of medical schemes.

4 Other Regulated Industries – Retirement Funds

Background
Historically the financial statements of retirement funds were prepared on the basis of South African Statements of Generally Accepted Accounting Practice, although there were a number of departures. The Registrar of Pension Funds at the FSB commissioned the disclosure requirements in terms of the financial statement template for retirement funds years ago. However, the recognition and measurement criteria were lacking, resulting in inconsistency of application in the industry.

The following options were considered before deciding on the development of an appropriate framework:
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- Reliance on IAS 26, *Accounting and Reporting by Retirement Benefit Plans*, Unfortunately IAS 26 does not fully address the needs of the retirement funds industry in South Africa.
- A project was launched globally where an IFRS for the retirement funds industry was deliberated. However, the international community, too, has accepted that IFRS are not wholly appropriate for the retirement funds industry.
- Finally, it is anticipated that if global standards are developed for retirement funds, South Africa will follow those standards.

Regulated industry
The retirement funds sector is governed by the *Pensions Fund Act*, 1956 (Act 24 of 1956), as amended, and regulations thereto which provide for the registration, incorporation, regulation and dissolution of pension funds and for matters incidental thereto.

Regulatory reporting requirements for retirement funds in South Africa
The regulatory reporting requirements for retirement funds is a framework that is applicable to all retirement funds registered under the Pension Fund Act, as amended. The framework is applicable to financial statements of retirement funds submitted annually to the FSB.

Presentation and disclosure requirements are set out in the format of the financial statements prescribed by the Registrar. The framework addresses the recognition and measurement principles to be used in preparing the financial statements and also provide some guidance relating to disclosure and presentation in the prescribed format.

An example of financial statements for retirement funds is available on the retirement funds page of the FSB website at [www/fsb.co.za](http://www.fsboza).

5  Mineral Resources and Mining Exploration Costs

Background
Mining is one of the biggest and oldest industries in South Africa and provides work to thousands of people. The oil and gas industry plays a much smaller role, in comparison to mining, in South Africa, whereas the oil and gas industry is more significant than mining from a global perspective. What makes it different from other industries is that the asset that mineral companies control and manage, generally referred to as the mineral asset, involves a wide variety of different or unique estimation uncertainties. These vary amongst others from an estimate of how many ounces of a specific mineral is in the ground to estimating the economic, legal, environmental, extraction and processing conditions that will exist when the mineral is actually mined.

**Mineral assets (resources and reserves)**

In South Africa, the guidance in respect of mineral assets is governed by the South African Mineral Resource Committee (SAMREC). It is based on an international template from the Committee for Mineral Reserves International Reporting Standards (CRIRSCO). The guidance defines aspects relating to mineral assets, for example different levels of confidence for classifying whether mineral assets exist (inferred, indicated and measured mineral resources) and whether these resources can be economically mined (proven and probable reserves). There is also a valuation code for mineral assets in South Africa (SAMVAL). Both the SAMREC and SAMVAL codes form part of section 12 of the JSE listings requirements with which listed companies in South Africa have to comply.

**Stages of a typical mining or oil and gas company**

Upstream activities refer to the search for, discovery and primary extraction of the different minerals. The different stages of upstream activities are prospecting, the acquisition of an exploration licence, the exploration and evaluation stage, development, production and closure. Downstream activities refer to the further refining and processing (for example selling gold jewellery).

**Accounting guidance**

The only stages for which specific IFRS guidance exists are for the acquisition of exploration licences and the exploration and evaluation stage that follows. This guidance is contained in IFRS 6, *Exploration for and Evaluation of Mineral Resources*, and provides limited improvements to existing accounting practices. It is thus not
prescriptive with regard to accounting practices. It also provides some impairment guidance if exploration assets are recognised and require additional disclosure. When an entity has completed the exploration phase (generally when proven and probable reserves are present), other accounting standards must be applied (for example, IAS 16, *Property, Plant and Equipment*, for the construction of the processing plant, and IAS 2, *Inventories*, when minerals are produced).

**IASB Extractive Activities Research Project**

As IFRS 6 only provides an interim solution and very little accounting guidance exists on the accounting for mineral assets, the IASB has initiated a research project on extractive activities in which SAICA plays an active role together with members from Australia, Canada and Norway. The project team has issued a working draft of a discussion paper in August 2009 which covered the following topics:

- Scope and approach – focusing on upstream extractive activities for non-regenerative natural resources (minerals, oil and natural gas);
- Definition of reserves and resources – industry codes used; CRIRSCO for mining and the Society of Petroleum Engineers for oil and gas. Extensive work was done by a convergence committee to illustrate similarities between the different industry codes as the intention is to develop one standard for both industries;
- Asset recognition – suggested as early as the acquisition of the right to explore. The unit of measure is also discussed in detail;
- Asset measurement – different options (e.g. current value, historical cost) are evaluated; and
- Disclosure – the project team focused on a disclosure-based solution as extensive research indicated that users are not necessarily interested in how the mineral asset is measured (historical cost or current value), but rather require more information to enable them to perform their own assessments.

For more information on this project, visit: [http://www.iasb.org/Current+Projects/IASB+Projects/Extractive+Activities/Summary.htm](http://www.iasb.org/Current+Projects/IASB+Projects/Extractive+Activities/Summary.htm)
6 IFRIC 12 – Service Concessions

Background
The International Financial Reporting Interpretations Committee (IFRIC) issued IFRIC 12, *Service Concession Arrangements*, in November 2006. The purpose of the IFRIC is to provide guidance on the accounting treatment of arrangements known as public-to-private service concession arrangements. These arrangements occur where a private sector entity (operator) constructs an asset for the public sector (grantor) in return for the granting of access and rights to operate the constructed asset. An example of this is a toll road concession: the government grants a private company the right to construct a road. In return, the company is entitled to collect toll fees.

The IFRIC considers the accounting treatment of the arrangement from the perspective of the private sector entity.

Accounting complexity
Public-to-private service concession arrangements usually call for the control of the constructed asset to pass to the grantor on completion thereof. The operator therefore fails on the overriding definition of an asset in the *Framework* for the ‘asset to be a resource controlled by the entity’. As the operator’s constructed asset does not meet the definition of an asset, the constructed asset is not recognised as property, plant or equipment in the balance sheet. However, the operator does derive an on-going benefit from the right to operate the service concession. Therefore, the recognition of an asset in a form other than a tangible constructed asset is appropriate.

Accounting treatment
The IFRIC addresses two main issues:

1. Recognition of costs incurred in the construction of the service concession; and
2. Revenue from the right to operate the service concession.

1. Recognition of costs incurred in construction of the service concession
IFRIC 12 calls for the accounting of the costs relating to the construction of the service concession in accordance with IAS 11, *Construction Contracts*. This Standard requires the entity to consider the stage of completion of the project for the recognition of revenue and costs in the statement of comprehensive income.

The revenue recognised under IAS 11 is recognised with reference to the fair value of the consideration given by the grantor for the construction of the service concession. The consideration may result in the recognition of either of the following:

(a) *Financial asset*: In this arrangement the operator is permitted to operate the constructed asset for a fixed period of time in return for a fixed revenue stream to be received during the period of operation. In this case the operator has a right to receive cash, which meets the definition of a financial asset.

(b) *Intangible asset*: In this arrangement the operator is permitted to operate the constructed asset for a fixed period of time but the operator’s revenues are contingent on the usage of the infrastructure assets. In this case the operator has the right to provide access to the asset, and to charge for that access, which meets the definition of an intangible asset.
2. Revenue from the right to operate the service concession

The revenue from the operation of the service concession is recognised based on the principals of IAS 18, *Revenue*. In other words, the recognition will depend on whether the operator is providing goods or services.

7 Sustainability & Integrated Reports: Reports & Assurance

Sustainability Reports

Sustainability Reporting has been in existence for more than 20 years, evolving over the years from environmental, health and safety, corporate social investment reports to what is more commonly seen today as sustainability reports. A sustainability report is issued by an organisation to disclose its economic, environmental and social impacts as a result of it operating. Issuing of sustainability reports by organisations in South Africa remains a voluntary initiative.

A key defining moment that influenced the path of sustainability reporting was the release of the Brundtland Commission’s report, i.e. *Our Common Future*, in 1987. The World Commission on Environment and Development (established in 1983 by the United Nations General Assembly) was established to bring countries together to work towards sustainable development, i.e., highlighting that development and the environment are not mutually exclusive. This report defined the concept of ‘sustainable development’ as “the development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” This definition of sustainable development is still one of the more common and referenced definitions used globally.

The concept of sustainable development gained traction especially following the Earth Summit held in Rio de Janeiro in 1992 and the World Summit on Sustainable Development (‘Rio + 10) held in Johannesburg in 2002. Sustainability reporting

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evolved beyond environmental reporting to include disclosure covering topics such as social, citizenship, economic and community.

The most commonly used sustainability reporting framework is the Global Reporting Initiative’s\(^{18}\) (GRI's) Sustainability Reporting Standards (GRI Standards), which were released in 2016. The GRI is an international organisation that has promoted sustainability reporting since 1997, and has released updated sustainability reporting frameworks through a global multi-stakeholder process, over the years. The GRI Standards comprise:

- GRI 101: Foundation- reporting principles that define content and quality of disclosure
- GRI 102: General Disclosures- information on organisation context e.g., strategy, governance, stakeholder engagement
- GRI 103: Management Approach- information on how a material topic is managed
- Topic- specific standards- assist with disclosing information on the organisation’s impacts
  - GRI 200: Economic
  - GRI 300: Environmental
  - GRI 300: Social

The concept of materiality is often complicated in this context, as usually there is no single value e.g., a percentage or a rand value that can be assigned to aid the decision- making on whether a topic can be considered material or not. However, there is an abundance of research and information available on the concept and its application through organisations such as the GRI.

It is worth noting that many organisation report on specific sustainability topics through a range of initiatives, indices, industry bodies, etc., such as:

- UN Global Compact
- Dow Jones Sustainability Index

\(^{18}\) https://www.globalreporting.org
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- FTSE 4 Good
- ICMM
- CDP
- SASB
- GRESB
- JSE FTSE Responsibility Index
- Responsible Jewellery Council
- Responsible Minerals Initiative
- Social & labour plans
- UN SDGs

Integrated Reports

His Royal Highness, the Prince of Wales, issued a challenge to the accounting profession and leading businesspeople to address environmental and social issues in corporate reporting, which, in 2010, resulted in the establishment of the International Integrated Reporting Council (IIRC). In 2010 the JSE Listings Requirements were amended to adopt the King III principles, where one of the principles focused on integrated reporting and disclosures. In December 2013, the IIRC published the International Integrated Reporting Framework (the Framework)\(^\text{19}\), which is a principles based document and not a standard on integrated reporting, integrated reports or integrated thinking. King IV, which has now replaced King III, borrows concepts from the Framework. As of second quarter of 2017, the JSE Listing Requirements required companies to adopt King IV.

“An integrated report is a concise communication about how an organisation’s strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term.”\(^\text{20}\)

A number of key concepts take cognisance of include:

\(^{19}\) www.theiirc.org
\(^{20}\) www.theiirc.org, IIRF, pg. 7
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1. Value creation: “The process that results in increases, decreases or transformations of the capitals by the organisation’s business activities and outputs.”

2. Capitals: “Stocks of value on which all organisations depend for their success as inputs to their business model, and which are increased, decreased or transformed through the organisation’s business activities and outputs. The capitals are categorised in this Framework as financial, manufactured, intellectual, human, social and relationship, and natural.” In addition, an understanding of the interrelatedness of these capitals, the trade-offs and the impact of the organisation is fundamental for making decisions.

3. Materiality: “An integrated report should disclose information about matters that substantively affect the organisation’s ability to create value over the short, medium and long term.”

Diagrammatically depicted below, is usually what would be evident in many South African organisations as to how the various reports fit together and the information flows from the various possible reports. As the integrated report is a ‘concise’ document, the reports that could be considered the sources of information will most probably contain more detailed disclosures compared to what is contained in the integrated report.

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21 www.theiirc.org, IIRF, pg.33
22 www.theiirc.org, IIRF, pg.33
23 www.theiirc.org, IIRF, pg. 5
Rationale for these reports
Every company is impacted by and impacts its stakeholders and the environment, and it is therefore impossible for an organisation to go about its daily activities in complete isolation to the world. There is growing pressure to report on environmental and social impacts and in a number of countries this disclosure is becoming legislated or mandatory. Financial statements provide only limited information that may not suffice the information requirements of all stakeholders, including shareholders and investors. Financial statements are also not easily understood by all stakeholders, nor does it always provide a holistic picture of a company’s performance or impacts, limiting the ability for stakeholders to make informed decisions. Therefore, holistic reporting by companies are required.

Assurance
The assurance of sustainability information has been undertaken using ISAE 3000 and from 2013, ISAE 3000 (Revised). The assurance provider can provide limited, reasonable or a combination of limited and reasonable assurance over specific sustainability information that is disclosed in for example integrated reports, sustainability reports, social and labour plan reports, et al. ISAE 3410, Assurance Engagements on Greenhouse Gas Statements is used by assurance providers to provide assurance over carbon emission data and usually in conjunction with ISAE 3000 (Revised).

Providing assurance over sustainability information is complicated, requiring assurance providers to have a broad understanding of the impacts of various types of risks, the consequences of decisions and the interrelatedness of the capitals in addition to applying auditing skills to information that is unfamiliar and usually not monetary in nature. As such, both the IRBA and the IAASB have undertaken projects to provide guidance for assurance providers working in this field. Information on the progress of these projects can be accessed through these organisations’ websites.
Appendix 1 – Topics Requiring an Awareness Level Only

In addition to the ISAEs, the AA 100 Assurance Standard (AA1000AS) 2008, is a “methodology used by sustainability professionals globally, to evaluate the nature and extent to which an organisation adheres to the Accountability Principles.”

Options to consider in how to include in the accredited programme

Universities could consider including the evaluation of integrated reports and/or sustainability reports against the appropriate reporting frameworks to understand specific principles such as materiality and topics such as environmental issues.

24 www.accountability.org/standards
8 XBRL – eXtensible Business Reporting Language

What is XBRL?
XBRL is a technology language for the electronic communication of business and financial data which is being implemented in an increasing number of countries around the world. It provides major benefits in the preparation, analysis and communication of business information. It also offers cost savings, greater efficiency and improved accuracy and reliability to all those involved in supplying or using financial data.

XBRL stands for eXtensible Business Reporting Language. It is one of a family of ‘XML’ languages, which is becoming a standard means of communicating information between businesses and on the Internet.

XBRL is being developed by an international non-profit consortium of over 450 major companies, organisations and government agencies. It is an open standard, free of licence fees. It is already being put to practical use in a number of countries and the implementation of XBRL is growing rapidly around the world.

How does XBRL work?
The idea behind XBRL is simple. Instead of treating financial information as a block of text – as on a standard Internet page, spreadsheet or a printed document – it provides an identifying tag for each individual item of data. For example, a company’s net profit and net current assets each have its own unique tag which is understandable to computer software systems. These tags contain information about the item, including its description (e.g. ‘accounts receivable’), its value and currency and whether the amount is a debit or a credit.

All the elements or tags are grouped together into a collection of financial and business reporting terms known as ‘taxonomy’. These taxonomies are available free of charge and can be downloaded from the websites of XBRL international, standard-setting bodies and specific country XBRL websites. XBRL is extensible, meaning that the terms available for use can be customised so that companies using XBRL can create their own elements – called ‘extensions’ – to describe a unique reporting situation.
Information on XBRL International can be found on www.xbrl.org

**What can it do?**
The introduction of XBRL tags enable automated processing of business information by computer software, cutting out laborious and costly processes of manual re-entry and comparison. Computers can recognise the information in an XBRL document, select it, analyse it, store it, exchange it with other computer systems and present it automatically in a variety of ways to users. XBRL greatly increases the speed of handling financial data, reduces the chance of error and permits automatic checking of information.

Companies can use XBRL to save costs and streamline their processes for collecting and reporting financial information. Consumers of financial data, including investor analysts, financial institutions and regulators, can receive, find, compare and analyse data much more rapidly and efficiently if it is in XBRL format.

XBRL can handle data in different languages and accounting standards. It can be adapted flexibly to meet different requirements and uses. Data can be transformed into XBRL using suitable mapping tools or it can be generated in XBRL by appropriate software.

XBRL is not an accounting standard and will not change what is reported, only how it is reported.

**XBRL in South Africa**
Currently XBRL is promoted in South Africa by XBRL South Africa, a non-profit organisation which has as its primary objectives to promote the use of XBRL in South Africa and to create South African specific taxonomies. The following taxonomies have already been developed in South Africa:
- JSE listings requirements
- Company secretary statement
- Directors’ report
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- IFRS general purpose.

Other developments in South Africa include the formation of a banking working group to review its possible implementation in the banking sector. The FSB is successfully testing a submission of pension fund statements in XBRL and this would most likely be implemented for all submissions. The JSE has also initiated a pilot project to test XBRL submissions of financial statements. The JSE would possibly be implementing a voluntary filing programme in future.

For more information on XBRL and XBRL South Africa please visit the website at www.xbrl.org/za.
Appendix 2 – Guidance on the Teaching of Ethics

Appendix 2 – Guidance On The Teaching Of Ethics

Introduction

What follows offers a flexibly structured example of a semester-long course on business and professional ethics aimed particularly at students studying for careers in accountancy, but also for business studies generally.

The material can be delivered as universities judge best: as a single semester course, as two half-semester courses, or as a series of sections integrated into existing courses such as Business Management, or in some combination of delivery strategies, provided that the content required by SAICA is retained. *(The actual delivery structure is thus to be decided by each university.)*

Used as a single semester course, it is intended for the second year of under-graduate studies but it can also be offered as two half-semester courses to be taken during the second and third year of study or possibly during the fourth year. The course has been designed in such a way that it provides not just a foundation of general and specific ethical knowledge but also a background to the study of the professional Code of Conduct of SAICA, which is taken by accountancy students in the fourth year of tertiary studies. This is done by studying selected, shorter business and professional codes.

The course emphasises applied rather than theoretical ethics, containing just as much theory as is necessary for an understanding of moral principles. To this end of emphasising the practical side of ethics, frequent use is made of real-life case material from the business and professional worlds. Lecturers can supplement this material with other cases of their own choosing, and would be able to make more use of case studies if they so wished.

A particularly novel feature of the course is that it is tailored to the realities of a culturally diverse national and global context. It does this by including a short introduction to comparative and diversity ethics, intended to enable students to have
meaningful relationships with people from cultural backgrounds that differ from their own.

Option A

Semester course (12 weeks with four lectures per week of 45 minutes each, taken in the second year of study)

Ethics, Business and Accountancy

Suggested assessment: Coursework assignments (e.g. 40%) plus a final three-hour examination (e.g. 60%)

The assignments can take the form of a number of class tests, mini assignments about as long as an examination answer and/or a learning journal in which students report on their learning experiences as they progress through the course, linking course content with ethically relevant events and issues encountered in other subjects from the news media and from personal experiences.

Numbers in brackets are the suggested number of lectures.

Section 1: Introduction to applied ethics (four weeks)

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<th>Outcomes</th>
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<tr>
<td>1  A sound introductory understanding of the ethical dimension of individual and social life in the context of cultural diversity.</td>
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<td>2  A basic grasp of selected ethical theories and their relevance to business and professional ethical issues.</td>
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<td>3  The ability to link case material with ethical knowledge and theory.</td>
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<tr>
<td>4  The ability to use ethical decision-making strategies, e.g. in relation to case studies.</td>
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</table>

1  Ethics case material from the business world and the profession (2).
2  General ethics:
   2.1  Introduction: the nature of ethics and applied ethics (2).
Appendix 2 – Guidance on the Teaching of Ethics

2.2 Selected value systems, such as African, Jewish, Christian, Islamic, Hindu, Chinese, secular humanist and feminist, and the question of moral relativism (6).

2.3 Philosophical approaches to ethics, such as Kantian, utilitarianism and virtue ethics (4).

3 Ethical decision making, based on examples of methods and application to personal situations and to case studies (2).

NB. Sub-sections 2.2 and 2.3 can be taught in reverse order.

Section 2: Business ethics (four weeks)

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1 Macro-ethics, focussing on issues such as profit, competition, the environment and wealth and poverty (4).

2 Contemporary approaches to business ethics such as stakeholder theory, corporate social responsibility, corporate governance and the King IV Report, corporate social responsibility, and international developments (4).

3 Management and organisational ethics (4).

4 Selected international and local case studies in business ethics, such as Enron, Shell, Pick ’n Pay and Masterbond (4).

Section 3: Ethics and Accountancy (four weeks)

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Appendix 2 – Guidance on the Teaching of Ethics

4 An ability to analyse case studies from the accountancy profession in relation to decision making and comparative and diversity ethics (where appropriate) and ethical theories, and to propose solutions to the ethical issues they involve.

1 Professionalism, careers and ethics (2).
2 The nature, typical structure and value of business and professional codes, with selected examples (2).
3 Introduction to accountancy ethics (6).
4 Case studies in accountancy ethics and the application of ethical decision-making skills and methods to them (6).

Option B

Two half-semester modules of about six weeks each, one in the second year and one in the third year. (The fourth year will still include a detailed study of the SAICA Code.)

Numbers in brackets are the suggested number of lectures.

1 Ethics and Business

Section 1.1: Introduction to applied ethics (three weeks)

Outcomes
1 A sound introductory understanding of the ethical dimension of individual and social life in the context of cultural diversity.
2 A basic grasp of selected ethical theories and their relevance to business and professional ethical issues.
3 The ability to link case material to ethical knowledge and theory.
4 The ability to use ethical decision-making strategies, for example in relation to case studies.

1 Ethics case material from business and the profession (2).
2 General ethics:
   2.1 Introduction to the nature of ethics and applied ethics (2).
   2.2 Selected value systems, such as African, Judeo-Christian, Islamic, Hindu, Chinese, secular humanist and feminist, and the question of moral relativism (3).
2.3 Philosophical approaches to ethics, such as Kantian, utilitarianist and virtue ethics (3).

3 Ethical decision making, based on examples of methods and application to personal situations and to case studies (2).

Section 1.2: Business ethics (three weeks)

Outcomes
1 An introductory understanding of selected, large-scale, socio-economic ethical issues relevant to the business world and professional practice.
2 An introductory understanding of selected issues and approaches in business ethics in South Africa and internationally.
3 Knowledge and basic skills relating to the nature of organisations and management in ethical perspective.
4 The ability to link the above competencies and knowledge to case studies.

1 Macro-ethics, including issues such as profit, competition, the environment, wealth and poverty (4).
2 Contemporary approaches to business ethics, such as stakeholder theory, corporate social responsibility, corporate governance, the King IV Report, corporate social responsibility and international developments (4).
3 International and local case studies, such as Enron, Shell, Pick ‘n Pay and Masterbond (4).

2 Ethics and Accountancy

Outcomes
1 Knowledge of the nature of professionalism in general and of its ethical aspects.
2 Understanding of the purpose, structures and contents of selected codes of ethics from business and the professions.
3 A basic knowledge of main ethical issues and aspects of the accountancy profession.
4 An ability to analyse case studies from the accountancy profession in relation to decision making and comparative and diversity ethics (where appropriate) and ethical theories, and to propose solutions to the ethical issues they involve.

Section 2.1: Ethics, management and professionalism (three weeks)

1 Organisational ethics (4).
Appendix 2 – Guidance on the Teaching of Ethics

2 Management ethics (4).
3 General professional ethics (4).

Section 2.2: Accountancy and ethics (three weeks)

1 Introduction to accountancy ethics (4).
2 The nature, typical structure and value of business and professional codes, with selected examples (2).
3 Case studies in accountancy ethics and the application of ethical decision-making skills and methods to them (6).

Example: Learning journal assignment

This course requires that you present on [date] a course learning journal in which you have recorded, explored, interpreted, commented on and evaluated your learning experience in connection with the contact sessions and outside them. The following are the guidelines for the assignments:

i. The first step is to understand the purpose of this exercise, namely to link what you learn in the contact sessions with first, your readings, second, your own practical experiences after the contact sessions, and third, relevant studies in society at large.

ii. For some reading recommendations see below. Your readings must at least include Rossouw and one other substantial text. Depth and quality of reading are more important than quantity.

iii. To do this, it is best to make regular and detailed notes after the contact sessions and regularly thereafter about readings and relevant experiences.

iv. Next, be especially alert to anything in your wider experience (work, society, etc.) which strikes you as being relevant to, or which links up with, what you learn in the contact sessions. Make clear notes of these, with dates and source details where appropriate.
Appendix 2 – Guidance on the Teaching of Ethics

v. See yourself as your own creative educator, by doing more than just noting the issues covered in the classes and in your wider experience. Try to probe them, interrogate them, seek insight, make imaginative connections, be alert to problems and above all to possible solutions, and keep notes of these episodes of creative thinking.

vi. Start shaping your growing body of notes into a well-written and very well presented learning journal. Feel free to find creative ways of presenting your material, so long as these will not give the reader a headache. Add full bibliographical details and other appropriate source references for material written by somebody else, or derived from such material.

7 Your final learning journal should not exceed 3 000 words or be shorter than 2 500 words.

Recommended core readings

Part 3 – The specific competencies
Appendix 3 – Guidance on the Public Sector: Approach and Content

SAICA would like to acknowledge Mariaan Roos, from the University of Stellenbosch, who developed and provided support and advice in developing this document.

Introduction

The public sector plays a pivotal role and has a major impact on the economy in South Africa, and CAs(SA) play a prominent role and make a significant contribution to the public sector. The CA could fulfil a variety of roles and responsibilities in the public sector, including but not limited to, the role as external or internal auditor, through formal employment, secondment and consulting. CAs involved in the public sector need to acquire and maintain specialised knowledge using the pervasive skill of life-long learning. CAs who are not directly involved in the public sector, however, also need to have an understanding of the sector because of the impact public sector processes have on the economy. It is also recognised that some graduates will undertake training within the public sector during which they will expand on the awareness acquired during the academic programme.

The following are also requirements in terms of the SAICA Competency framework (Part 2: I The pervasive qualities and skills):

IC-Professional Skills

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<tr>
<th>IC-7</th>
<th>Considers and applies legal concepts</th>
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<td>Understands the structure of the legal system and legal framework within which the entity and its stakeholders operates</td>
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<td>Assesses the impact of relevant regulations and legislation* on routine and long-term decisions</td>
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<td>Obtains and applies a general understanding of basic legal concepts relevant to the work being performed</td>
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Appendix 3 – Guidance on the Public Sector

Interprets relevant legislation and case law

Recognises the need for guidance on the applicability of general legal concepts when analysing transactions

*In this regard universities are encouraged to develop in prospective CAs the ability to keep up to date with events in both the national and international environment so that they can understand and react to the impact this will have on business and the economy.

IC-8 Understands how the national and international environment impacts a CA’s role

Understands and assesses, at a basic level, the impact of economic, social and political fundamentals within South Africa, the Southern African region and internationally on the environment in which the entity operates

*In this regard universities are encouraged to develop in prospective CAs the ability to keep up to date with events in both the national and international environment so that they can understand and react to the impact this will have on business and the economy.

Purpose and objectives

The purpose of the document is to provide an overview of the awareness and understanding entry-level CAs are required to have of the public sector. Universities are encouraged to use this section to guide them in the development of their SAICA accredited programmes.

The document aims to achieve the following objectives:

- Inform the prospective CA and introduce him/her to key legislation relevant in the public sector.
- Raise awareness of public sector enabling legislation and how these impact on the strategy, risk management and governance of public sector organisations.
- Introduce prospective CAs to accounting standards applied in the public sector.
- Provide a brief description of auditing and assurance in the public sector.
- Include a high level overview of what constitutes financial management within the public sector including revenue; and expenditure including capital expenditure, liability and asset management and supply chain management.
- Cover important aspects relating to management decision making and control in the public sector.
- Include a high level overview of the tax environment in which public sector institutions operate.
Appendix 3 – Guidance on the Public Sector

- Suggest outcomes and options for teaching

Overview

Awareness of legislation is essential in all competency areas and the SAICA Competency Framework requires prospective CAs to obtain and apply a general understanding and assess the impact of the legal system and legal framework within which the entity operates and relevant to the work being performed. Despite the different roles and responsibilities the prospective CAs could play in the public sector an understanding of the key public sector legislation is essential. It would therefore be critical for any CA as part of their continuing professional development to stay abreast of any changes to public sector legislation relevant to the area of work.

The Constitution of the Republic of South Africa, 1996 (Act 108 of 1996) and the supreme law of the country, provides the foundation and structure of the public sector. The Constitution describes the government of South Africa to be constituted as national, provincial and local spheres of government that are distinctive, independent and interrelated (section 40). In section 43 the Constitution describes the legislative authority of South Africa to consist of the national sphere of government, vested in Parliament; the provincial sphere of government vested in the provincial legislatures and the local sphere of government vested in municipal councils.

Section 195(1)(b) of the Constitution states that public administration must be governed by democratic values and principles, including the following:
- A high standard of professional ethics must be promoted and maintained;
- Efficient, economic and effective use of resources must be promoted;
- Public administration must be development oriented;
- Services must be provided impartially, fairly, equitably and without bias;
- People’s needs must be responded to, and the public must be encouraged to participate in policy making;
- Public administration must be accountable;
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- Transparency must be fostered by providing the public with timely, accessible and accurate information;
- Good human-resources management and career-development practices to maximise human potential must be cultivated.
- Public administration must be broadly representative of the South African people.

Prospective CAs will need to have knowledge about various important sections of the Constitution, relevant to the work being performed in the public sector. Legislation applicable to the public sector is very comprehensive. What follows offers a summary of public sector enabling legislation necessary to understand the public sector and how these impact on the various competency areas.

### Relevant legislation

This section of the guide will include references to the following acts:
- The Constitution of the Republic of South Africa,
- The Public Finance Management Act, 1999 (Act 1 of 1999)
- The Division of Revenue Act, 2014 (Act 10 of 2014)
- The Treasury Regulations
- Relevant procurement legislation.

**The Constitution of the Republic of South Africa**

The Constitution provides for, as part of the Bill of Rights, access to information held by the state that is required for the protection of any rights and the right to administrative action that is lawful, reasonable and procedurally fair. The Constitution provides for the enacting of legislation to give effect to these rights (sections 32 and 33). Of particular importance to prospective CAs is chapter 13 of the Constitution, relating to finance. Section 213 requires that all money received by government be

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paid into a National Revenue Fund that can only be used in terms of an appropriation by an Act of Parliament. The appropriation provides for the equitable division of revenue raised by the three spheres of government and each province receives an equitable share of that revenue. All money received by provincial government is paid into a provincial revenue fund and the money can be withdrawn in terms of an appropriation by a provincial act (section 226).

The Constitution also provides for national legislation to prescribe the form, timelines and content of national, provincial and municipal budgets (section 215). It further provides for the establishment of a national treasury in each sphere of government that will introduce generally recognised accounting practice, uniform expenditure classifications and treasury norms and standards (section 216).

It requires procurement of goods and services in accordance with a system that is fair, equitable, transparent, competitive and cost effective (section 217).

The South African Reserve Bank is the central bank of the Republic and the primary objective of the Bank is to protect the value of the currency in the interest of balances and sustainable economic growth (section 224).

Different pieces of legislation were enacted as a result of the Constitution, some of which are described below.

The Public Finance Management Act (PFMA)
The PFMA26 is a key instrument for reform of financial management in the public sector in South Africa and gives effect to various sections of the Constitution. The PFMA is positioned very high in the statutory order, as clearly reflected in section 3(3) that states ‘in the event of any inconsistency between this Act and any other legislation, this Act prevails’.

The objective of the PFMA, as described in section 2, is to secure transparency, accountability and sound management of the revenue, expenditure, assets and liabilities of the institutions to which it applies. The PFMA applies to departments, public entities, constitutional institutions, Parliament and the provincial legislature (section 3).

Important PFMA sections that students should be aware of are further highlighted in the different competency areas.

Treasury Regulations

National and provincial treasuries are key role players in the public finance management process (PFMA, chapters 2 & 3). The National Treasury was established in accordance with the PFMA and is responsible for financial and fiscal matters, including the budget preparation process, control over the implementation of the national budget, monitoring the implementation of provincial budgets and promoting and enforcing transparency and effective management. To perform these functions the National Treasury must prescribe norms and standards that are included in Treasury Regulations\(^\text{27}\) and instructions\(^\text{28}\).

Important Treasury Regulation requirements that students should be aware of are further highlighted in the different competency areas.

The Municipal Finance Management Act (MFMA)

The MFMA\(^\text{29}\) is one of the important pieces of legislation relevant to local government. The objective of the MFMA is described in section 2 and is to secure sound and sustainable management of the fiscal and financial affairs of municipalities and

\(^{27}\)http://www.treasury.gov.za/legislation/pfma/regulations/default.aspx and


municipal entities by establishing norms and standards and other requirements in the areas of fiscal and financial affairs, revenues, expenditures, assets and liabilities, budgetary and financial planning, borrowing, handling of financial problems in municipalities and supply chain management.

A student who understands the PFMA should be able to make the transition to understanding the MFMA with relative ease.

**The Division of Revenue Act**

The Division of Revenue Act is published every year in compliance with section 214(1) of the Constitution to provide for the equitable division of revenue raised nationally among the three spheres of government. This includes the province’s equitable share of the provincial share of the provincial revenue and other allocations to provinces, local government or municipalities from the national government’s share of revenue.

The objective of the Act, as described in section 2, is to promote predictability and certainty in respect of all allocations to provinces and municipalities, in order that provinces and municipalities may plan their budgets over a multi-year period and thereby promote better coordination between policy, planning and budgeting. The objective also includes promoting transparency and accountability in the resource allocation process by ensuring allocations are reflected in the budgets of provinces and municipalities and the expenditure of conditional allocations is reported on by the receiving provincial departments and municipalities.

Key features of this Act include the following:

**Procurement legislation**

Section 76(4)(c) of the PFMA provides that National Treasury should determine a framework for an appropriate procurement and provisioning system that is fair, equitable, transparent, competitive and cost effective. National Treasury has issued various documents to give effect to this requirement. The policy strategy to guide

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uniformity in procurement reform processes in government provided for devolved the responsibility and accountability for procurement-related functions to accounting officers/authorities with the aim of promoting uniformity in the various spheres of government with regard to the interpretation of government’s preferential procurement legislation. The former procurement and provisioning practices in government were replaced by a supply chain management function and a systematic competitive procedure for the appointment of consultants as an integral part of financial management. The Supply Chain Management Framework was published in 2003 as part of Treasury Regulations in terms of section 76(4)(c) of the PFMA. Other relevant legislation includes the Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000) and the Preferential Procurement Regulations, 2001 that pertain to this Act.

Public Audit Act (PAA)
The PAA, 32 is the key piece of legislation relevant to auditing and assurance in the public sector in South Africa. Public sector auditors have an expanded mandate in that an audit includes the audit of financial statements, compliance with laws and regulations, and the audit of performance against predetermined objectives (sections 20(2)(c) and 28(1)(c)).

The specific competencies as per the Competency Framework

| 1 Competencies in Strategy, Risk Management and Governance |

Students need an understanding of public sector enabling legislation and how this impacts on the strategy, risk management and governance of public sector organisations. The public sector is bound by legislation and regulations resulting in many aspects of strategy, risk management and governance components being included in legislative requirements.

Strategy

32 http://www.agsa.co.za/About/Legislation.aspx
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In the private sector, achievement of the entity’s overall objectives involves the development and implementation of strategies that take advantage of identified opportunities while minimising the damage that risks can do to the achievement of organisational goals. This process is informed by the competitive environment, the availability of sustainable resources and the importance of stakeholder relationships. Collectively, this is communicated through the integrated report.

This process is echoed in the public sector, although cognisance is taken of the fact that the formulation of strategies is driven by the constitutional and legislative mandates as well as policy priorities of government and is performance driven rather than competitive driven.

The mandate of public institutions needs to inform the strategic focus areas with the emphasis on service delivery. Strategic objectives are set for the strategic focus areas and performance indicators and targets are defined to enable measurement of performance. Public sector institutions are required to prepare strategic plans and annual performance plans that incorporate strategic outcomes, objectives, indicators and targets. Ultimately the budgets of public institutions need to be aligned to the strategic plans and strategic priorities of the particular institution so that the spending which takes place allows the strategic objectives and strategic priorities to be addressed. Performance of government is measured and monitored by the public and other stakeholders by way of actual against planned performance and budgets.

The Treasury Regulations in section 3.2 require that the internal audit function assist the accounting officer in achieving the objectives of the institution by evaluating and developing recommendations for the enhancement or improvement of processes through which the objectives are established, the achievement of objectives are monitored, accountability is ensured and corporate values are preserved.

A very unique legislative requirements related to strategy within the public sector is the requirements to report on pre-determined objectives and that the information being reported is subjected to an audit. Treasury Regulations require that annual reports include information about the institution’s efficiency, economy and effectiveness in
delivering programmes and achieving its objectives and outcomes against the measures and indicators set out in the strategic plan.

Risk Management
Risk management in the context of the public sector focuses on the importance of service delivery and the identification and response to risks that could affect service delivery and compliance with laws and regulations (given that the public sector is highly regulated).

Key focus areas for risk management in the public sector include procurement (supply chain management) and contract management due to high levels of tender fraud and corruption.\(^{33}\) Another key risk area is the lack of performance or risks in terms of service delivery performance. The Auditor-General issues a general report on the outcomes of the audits conducted every year after completion of the audits. The general report includes reference to different risk areas, such as the following:

- Quality of submitted financial statements
- Quality of submitted performance reports
- Supply chain management
- Financial health
- Human resource management
- Information technology.

Prospective CAs need to refer to the Auditor-General website\(^{34}\) to be informed about the identified risk areas as part of the reporting on the outcomes of the audits completed each financial year.

Section 3.2 of the Treasury Regulations describes the requirements of internal control and the need for the accounting officer to ensure that a risk assessment process is


\(^{34}\) [http://www.agsa.co.za/](http://www.agsa.co.za/)
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conducted regularly to identify emerging risks. A risk management strategy, including a fraud prevention plan, must direct the work of internal audit.35

Governance
It is requirement that students be aware of the governance structures within a public sector entity.

There are different governance structures in the public sector and various layers of governance structures exist. Functions of government can be divided into the legislative authority, the executive authority and the administrative authority.

- The **legislative authority** is a legal political institution that makes, amends and repeals laws for the community. In South Africa the legislative authority consist of the national sphere of government, vested in Parliament, the provincial sphere of government vested in the provincial legislatures, and the local sphere of government vested in municipal councils.

- The **executive authority** in South Africa is entrusted to the President and the cabinet (Constitution of Republic of South Africa, section 85). Cabinet members are elected political representatives and members of Parliament. The President appoints one minister for each portfolio and decides on the membership of the Cabinet. The President can inter alia appoint and dismiss ministers and have various other functions and authority described in section 85, including to implement legislation, develop and implement national policy, co-ordinate the functions of state departments, and prepare and initiate legislation.

- The **administration** consists of the various administrative institutions or departments that need to execute the policies and decisions of the legislature and the executive authority. Administration also consists of all accounting officers, the chief financial officers, financial officers, internal auditors and other officials.

The roles and responsibilities of the different role-players are described below.

• The **accounting officer** (sections 36-43 of the PFMA) or the **accounting authority** (sections 49-57 of the PFMA): Every department and every constitutional institution must have an accounting officer. The accounting officer is the head of the department or the chief executive officer of a constitutional institution. The appointment and roles and responsibilities of accounting officers are described in sections 36–41 of the PFMA. The following are some of the general responsibilities:

  - To ensure effective, efficient and transparent systems of financial and risk management and internal control are in place and are maintained (section 38(a)(i));
  - To ensure a system of internal audit under the control and direction of the audit committee (section 38(a)(ii));
  - To ensure an appropriate procurement and provisioning system that is fair, equitable, transparent, competitive and cost effective (section 38(a)(iii));
  - To ensure a system for properly evaluating all major capital projects prior to a final decision on the project (section 38(a)(iv));
  - To ensure the effective, economical and transparent use of resources (section 38 (b));
  - To take effective steps to collect all money due and prevent unauthorised, irregular fruitless and wasteful expenditure and losses resulting from criminal conduct and manage working capital efficiently and economically (section 38(c));
  - To take responsibility for management, safeguarding and maintenance of assets (section 38(d));
  - To report to Treasury any unauthorised, irregular or fruitless and wasteful expenditure (section 38(g));
  - To take effective and appropriate disciplinary steps against any official that contravenes the PFMA, commits an act that undermines the financial management and internal control system or make or permit unauthorised, irregular or fruitless and wasteful expenditure (section 38(h)).

The accounting officer is also responsible for budgetary control including reporting to the executive authority any variances on the budget (section 38).
The reporting responsibilities of the accounting officer include keeping full and proper records of the financial affairs and preparing and submitting financial statements to the Auditor-General within two months after the year end. Within five months after the year end the annual report for departments must be submitted to the relevant treasury and the executive authority and those of constitutional institutions to Parliament. The annual report and audited financial statements must

- fairly present the state of affairs of the department, trading entity or constitution, its business, its financial results and its performance against pre-determined objectives and its financial position as at the end of the financial year; and
- include particulars of any material losses through criminal conduct, and any unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure and criminal or disciplinary steps taken as a result thereof.

Reporting also includes monthly reporting on revenue and expenditure with an explanation of any material variances and corrective steps taken.

- The **accounting authority**, consisting of a board or controlling body, or the chief executive officer if no controlling body exists, and other officials at public entities have similar responsibilities to those described for the accounting officers and other officials.

- Each institution must have a **chief financial officer** who is directly accountable to the accounting officer and assists the accounting officer in discharging the duties related to effective financial management, including budgetary management, operation of internal controls and timely production of financial reports.

- The responsibilities of **other officials** are also legislated, contrary to the private sector, and are described in sections 44–57 of the PFMA. Some of these are as follows:
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- To ensure the system of financial management and internal control is carried out in the area of responsibility;
- To be responsible for the effective, efficient and economical and transparent use of financial and other resources within the area of responsibility;
- To take effective and appropriate steps to prevent any unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure, also with regard to the collection of revenue;
- To be responsible for management, including the safeguarding of assets and the management of the liabilities.

Ultimately, those charged with governance need to account to various oversight bodies, including the public accounts committees and the audit committees. Public sector audit committees are regulated by national legislation including the PFMA, Treasury Regulations and the MFMA. The PFMA prescribes the composition of the audit committee (with the focus on independence) and the frequency of meetings (at least twice a year). The PFMA provides that Treasury may set additional regulations for audit committees, their appointment and functioning. This is addressed in Treasury Regulation 3.1, in terms of which an audit committee must operate in terms of a written terms of reference that needs to be reviewed annually. Audit committees must review the following:

- The effectiveness of the internal control systems;
- The effectiveness of the internal audit function;
- The risk areas of the institution’s operations to be covered in the scope of external and internal audits;
- The adequacy, reliability and accuracy of the financial information provided to management;
- Any accounting and auditing concerns identified as a result of internal and external audits;
- The institution’s compliance with legal and regulatory provisions;
- The activities of the internal audit function; and
- Its evaluation of the annual financial statements.
In the annual report of the institution the audit committee must comment on the effectiveness of internal control, the quality of the year’s management and monthly/quarterly reports. If a report from any source implicates the accounting officer of fraud, corruption or gross negligence, the chairperson of the audit committee must report this promptly to the relevant executive authority.

Another important component of governance is internal controls, including an internal audit function. As indicated above, the accounting officer or the accounting authority is responsible for ensuring that there is an effective, efficient and transparent system of internal control. The internal audit function must assist the accounting officer in this regard by evaluating the controls for effectiveness and efficiency and developing recommendations for improvement. According to section 3.2 of the Treasury Regulations the requirements of internal control and internal audit include the following:

- The accounting officer must ensure a risk assessment is conducted regularly to identify emerging risks. A risk management strategy, including a fraud prevention plan, must direct the work of internal audit.
- An internal audit function must be established.
- The purpose, authority and responsibility of the internal audit function must be formally defined in an internal audit charter.
- An internal audit must be conducted in accordance with the standards of the Institute of Internal Auditors.
- The internal audit function must complete a rolling risk-based three-year strategic internal audit plan and an annual internal plan for the first year, indicating the proposed scope of each audit, and report quarterly to the audit committee on performance against the annual internal audit plan.
- The internal audit function must be independent of activities audited and report directly to the accounting officer.
- The internal audit function must co-ordinate with other internal and external providers of assurance to ensure proper coverage, but limit duplication.
- Controls subjected to evaluation should include the information systems environment, reliability and integrity of financial and operational information and
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the effectiveness of operations, safeguarding of assets and compliance with laws, regulations and control.

2 Competencies in Accounting and External Reporting

Financial reporting plays a major role in fulfilling the duty to be publicly accountable for the collection of taxation and other revenue and its use in the rendering of public services. Therefore, a key objective of financial statements is the provision of information to enhance a user’s assessment of proper stewardship. The assessment of stewardship will also indicate whether fiscal policies are sustainable over the long term.

Different users of financial statements in the public sector with diverse needs exist. The following are some of the users and their needs:

- Parliament, legislatures and other governing bodies that may use financial statements to assess the reporting entity’s stewardship of resources, compliance with legislation, and its financial position and financial performance.
- National Treasury and provincial treasuries who prepare consolidated financial statements for the government and uses the financial statements to assist Parliament and the legislatures to determine the appropriate allocation of resources in accordance with the approved budget.
- The public who receive the services and pay taxes and levies are interested in information about how the funds have been used and whether the government is funding current goods and services out of current taxes collected.
- Present and potential funders and financial supporters that are interested in information that helps them to assess how effectively the stewardship roles were fulfilled and decide on resources they may choose, or be required, to supply in future. Lenders are interested in information that enables them to determine whether their loans and the interest earned on them will be paid when due.
- Suppliers and creditors are interested in information that enables them to determine whether amounts owing to them will be paid when due.
- Rating agencies provide assessments of government and its entities’ creditworthiness for the capital market using standard categories and are
primarily concerned with a government and its entities’ ability to service debt and to repay that debt when it falls due.

- Other governments, international agencies and resource providers, are interested in the allocation and effective use of resources provided by one sphere of government to another sphere of government and information on the standing of the country in the international community.
- Economists and financial analysts review and analyse information on behalf of others with the purpose of assessing policy direction.
- Employees and their representative groups are interested in information about the stability and sustainability of their employers. They are also interested in information that enables them to assess the ability of the entity to provide remuneration, retirement benefits and employment opportunities.

Different government sectors apply different accounting standards. Students need to be aware that the accounting standards applied in the public sector are Standards of GRAP (which are largely based on the principles in IFRS but the application of the principles to the public sector assets and liabilities may differ), IFRS and the Modified Cash Standards basis of accounting determined by National Treasury.\(^ {36} \)

GRAP is based on the International Public Sector Accounting Standards (IPSAS), which are issued by the International Public Sector Accounting Standards Board. The IPSAS are themselves based on the IFRS standards, with modifications and additions for public sector specific issues. Guidance on the cash basis of accounting is given in the IPSAS Financial Reporting under the Cash Basis of Accounting. A key part of the IPSASB strategy is to converge IPSAS with IFRS. The IPSAS address public sector financial reporting issues in two different ways: By addressing public sector financial reporting issues (a) that have not been comprehensively or appropriately dealt with in existing IFRSs issued by the International Accounting Standards Board (IASB), or (b)

\[\text{The Secretariat of the Accounting Standards Board has compiled a document summarising the different frameworks adopted: http://www.asb.co.za/asb_dev/Portals/0/Documents/standard_setting_process/REPORTING_FRAMEWORKS_AT_A_GLANCE_2012_revised_24_January_2012.pdf}\]
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for which there is no related IFRS. The approach to the development of IPSAS is to use the IFRS as a starting point, and then to modify them where necessary.

In South Africa a Framework for the Preparation and Presentation of Financial Statements\(^37\) has been approved for issue by the Accounting Standards Board (ASB). The ASB is a body constituted in terms of section 216(1) of the Constitution and has as its principal function to set generally recognised accounting practice. The Framework provides a coherent frame of reference to be used in the development of generally recognised accounting practice for the public sector.

The Framework is intended to be relevant to the financial statements of any entity within the public sector, such as Parliament, the legislatures and municipal councils, with information on the bases on which such financial statements are to be prepared. This Framework sets out the objectives and concepts that underlie the preparation and presentation of financial statements. Nothing in this framework overrides any specific standard of generally recognised accounting practice.

The financial reporting objectives set forth in this Framework are that financial reporting should assist in fulfilling government's duty to be publicly accountable and should enable users to assess that accountability by –

- providing information to determine whether current year revenues were sufficient to meet the cost of providing current year services rendered;
- demonstrating whether resources were obtained and used in accordance with the entity's legally adopted budget, and demonstrating compliance with other finance-related legal or contractual requirements; and
- providing information to assist users in assessing the service efforts, costs, and accomplishments of the entity.

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Financial reporting should assist users in evaluating the operating results of the entity for the year by providing information –

- about sources and uses of financial resources;
- about how it finances its activities and meet its cash flow requirements; and
- necessary to determine whether its financial position improved or deteriorated as a result of the year's operations.

Financial reporting should assist users in assessing the level of services that can be provided by the entity and its ability to meet its obligations as they become due by –

- providing information about its financial position and condition;
- providing information about its physical and other non-financial resources having useful lives that extend beyond the current year, including information that can be used to assess the service potential of those resources; and
- disclosing legal or contractual restrictions on resources and the risk of potential loss of resources.

Different GRAP standards can be obtained from the ASB website. Information on the Modified Cash Standard can be obtained from National Treasury website.

3 Competencies in Auditing and Assurance

Government and its entities, the public at large and constitutional oversight institutions, including the public accounts committees and audit committees, look to the external audit of financial statements, compliance and performance against predetermined objectives to validate the information and to attest to the reliability of the information gathering and reporting process. The Auditor-General is the supreme audit institution of the Republic of South Africa. The Constitution in section 188 describes the functions of the Auditor-General to include the audit of and report on the accounts, financial statements and financial management of all national and provincial departments, all

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38 http://www.asb.co.za/GRAP/Standards/Approved-and-effective
municipalities and any other institution or accounting entity required by national or provincial legislation to be audited by the Auditor-General.

The PAA is the key piece of legislation relevant to auditing and assurance in the public sector in South Africa. Public sector auditors have an expanded mandate in that an audit includes the audit of financial statements, compliance with laws and regulations, and the audit of performance against predetermined objectives (sections 20(2)(c) and s28(1)(c) of the PAA). The report and audit of information on pre-determined objectives are particularly important because of their relevance to integrated reporting. The International Standards on Auditing (ISA) are relevant and applicable to the audits of both private and public sector organisations. The International Standards of Supreme Audit Institutions\textsuperscript{40} (ISSAI) provide practice notes for the application of the ISA in the public sector.

Each year the Auditor-General issues a Directive\textsuperscript{41} published in the Government Gazette setting out the scope of the audit work.

In the public sector audit report the auditor will include reference to compliance with laws, financial management and the audit of pre-determined objectives. The three areas that the office of the Auditor-General audits and reports on annually are –

- the fair presentation and the absence of material misstatements in the financial statements;
- useful and credible performance information for purposes of reporting on predetermined performance objectives; and
- compliance with key legislation governing financial matters.

Different types of audit opinions can be issued by the Auditor-General include the following:

\textsuperscript{40} www.issai.org
\textsuperscript{41} https://www.saica.co.za/Portals/0/Technical/public%20sector/AGSA_directive_2015.pdf
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- **Unqualified opinion with no findings (clean audit):** The auditee achieves a financially unqualified opinion with no findings, commonly known as a clean audit opinion, when its financial statements are unqualified, with no reported audit findings in respect of either reporting on predetermined objectives or compliance with key legislation.

- **Financially unqualified opinion with findings:** The auditee receives financially unqualified audit opinions with findings on their performance information or compliance with key legislation, or both these aspects.

- **Qualified opinion:** The auditee receives a qualified audit opinion, which means it was unable to account adequately and accurately for all the financial effects of the transactions and activities it had conducted. This means the financial statements it presented were unreliable in certain areas. Related to performance information it means the AGSA was provided with performance information that either was not useful or was unreliable, which compromised the ability to drive effective accountability.

- **Adverse opinion:** Conditions regarding unreliable financial statements are common in most areas of the financial statements. This is unlike a qualified opinion where it is limited to certain areas.

- **Disclaimed opinion:** These auditees were unable to provide the required evidence to enable the auditors to perform tests to satisfy themselves regarding the fair presentation of the financial statements. Therefore the auditors were unable to conclude or express an opinion on the credibility of the financial statements. Also, auditees with adverse and disclaimed opinions are typically not complying with key legislation.

Each year the Auditor-General issues a general report on national and provincial audit outcomes as well as a report on municipal outcomes. The root causes of the negative

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42 [http://www.agsa.co.za/](http://www.agsa.co.za/)
audit outcomes for national and provincial departments include slow response by management (accounting officer and senior management), instability or vacancies in key positions, and inadequate consequences for poor performance and transgressions. Root causes for municipalities and municipal entities include slow response by the political leadership in addressing the root causes of poor audit outcomes, lack of consequences for poor performance, and transgressions and key positions vacant or key officials lacking appropriate competencies. Prospective CAs need to refer to the Auditor-General reports issued each year to identify changes in root causes and focus areas identified by the Auditor-General.

A variety of guidance on the audit of pre-determined objectives is provided, which includes the following:

- **ISAE 3000 – Assurance Engagements Other Than Audits or Reviews of Historical Information**
- **Framework for the Managing of Programme Performance Information**, issued by National Treasury
- **Framework for Strategic Plans and Annual Performance Plans**, issued by National Treasury
- Relevant frameworks, circulars and guidance issued by the National Treasury regarding the planning, management, monitoring and reporting of performance information.

The Independent Regulatory Board of Auditors has also issued guidelines and communications on audits in the public sector, amongst these is the *Guide for Auditing in the Public Sector and the Audit of Predetermined Objectives* and it is recommended that prospective CAs read through this document as part of the introduction to the public sector and its audit requirements.45

### 4 Competencies in Financial Management

Appendix 3 – Guidance on the Public Sector

Within government there has been a major focus on improving financial management. Treasury at a national and provincial level has a critical role to play as part of the financial management process in government as part of the responsibility to manage South Africa’s national government finances. Supporting efficient and sustainable public financial management is fundamental to the promotion of economic development, good governance, social progress and a rising standard of living for all South Africans. Chapter 13 of the Constitution mandates the National Treasury to ensure transparency, accountability and sound financial controls in the management of public finances.

The National Treasury’s legislative mandate is also described in chapter 2 of the PFMA, which mandates the National Treasury to –

- promote government’s fiscal policy framework;
- coordinate macroeconomic policy and intergovernmental financial relations;
- manage the budget preparation process;
- facilitate the Division of Revenue Act, which provides for an equitable distribution of nationally raised revenue between national, provincial and local government; and
- monitor the implementation of provincial budgets.

The following provides an overview of relevant sections in the PFMA and Treasury Regulations related to financial management:

Revenue collection, cash collection and cash management
Government revenue includes taxes, sales, transfers, fines, penalties and forfeits, interest, dividends and rent on land, as well as transactions in financial assets and liabilities. The PFMA (section 40) requires the accounting officer to submit a report each month that include information on the actual revenue and expenditure for the previous month and the amounts anticipated for that month. Within 15 days after month end, a report is issued to treasury and the executive authority on the information for the month, with a projection of expected expenditure and revenue collection for the remainder of the financial year; explanations on any material variances; and a summary of steps taken to ensure projected expenditure and revenue remain within budget.
Section 7 of the Treasury Regulations describes the requirements for revenue management and specifically to manage revenue efficiently and effectively by developing and implementing appropriate processes to provide for identification, collection, recording, reconciliation and safeguarding of information about revenue.

In terms of section 7 of the PFMA, the National Treasury must prescribe a framework for cash management and section 15 of the Treasury Regulations include the frameworks for banking, cash management and investments. As part of the control of the revenue funds each treasury is responsible for the effective and efficient management of its revenue fund and ensuring sufficient money is in the revenue fund to meet the appropriated expenditure and cash flow requirements. All revenue received by a department must be paid daily into its paymaster-general (bank) account. Appropriated funds requested by departments from Treasury must be in accordance with approved cash flow requirements. At the end of the financial year, the accounting officer must surrender any unexpended voted money to the relevant treasury.

Treasury Regulations also prescribe the general principles for banking and cash management, as follows:

- Collecting revenue when due and banking it promptly;
- Making payments no earlier than necessary;
- Avoiding prepayments for goods and services;
- Pursuing debtors to ensure amounts receivable are collected and banked promptly;
- Managing cash flow;
- Taking action to avoid locking up money, for example in unnecessarily high inventory levels;
- Performing daily bank reconciliations;
- Separating duties to minimise incidences of fraud.

Expenditure management
Appendix 3 – Guidance on the Public Sector

The PFMA requires that the accounting officer should ensure effective, efficient, economical and transparent use of the resources of the institution and prevent unauthorised, irregular and fruitless and wasteful expenditure and losses resulting from criminal conduct. The accounting officer is responsible for ensuring that the expenditure is in accordance with the vote of the department and should report under-collection of revenue, shortfalls in budgeted revenue and overspending to the relevant treasury (sections 38–39).

Unauthorised expenditure includes overspending of the total amount appropriated per department or expenditure not in accordance with its main purpose. If unauthorised expenditure is incurred, Parliament or the provincial legislature must authorise the expenditure, otherwise funding allocated in future years need to be utilised for the unauthorised expenditure (section 34 of the PFMA). Irregular expenditure is expenditure, other than unauthorised expenditure, incurred in contravention of or not in accordance with a requirement of any applicable legislation. Fruitless and wasteful expenditure is expenditure that was made in vain that could have been avoided had reasonable care been exercised.

The accounting officer must exercise reasonable care to prevent and detect these types of expenditure. Where such expenditure incurs the necessary reporting should take place and the amount must be disclosed as a note to the annual financial statements of the institution.

Section 8 of the Treasury Regulations require that the accounting officer must ensure internal procedures and internal control measures are in place for payment approval and processing. The controls should provide reasonable assurance that all expenditure is necessary, appropriate, paid promptly and adequately recorded and reported. No amounts may be spend or committed without obtaining the necessary approval. The Regulations also require all payments due to creditors to be settled within 30 days from receipt of an invoice.
Appendix 3 – Guidance on the Public Sector

The PFMA further allocates responsibility to ensure a system for properly evaluating all major capital projects prior to a final decision on the project to the accounting officer (section 38).

At the centre of government’s development plan is the provision of economic infrastructure to support growth. Government planned expenditure on infrastructure is significant.

Asset management
The PFMA allocates responsibility for the management, including the safeguarding and maintenance of assets, to the accounting officer (section 38). Treasury Regulations require that the accounting officer should ensure proper control systems exist and that preventative mechanisms are in place to eliminate theft, losses, wastage and misuse. Stock levels should be optimum and at an economical level. Processes and procedures should be in place for the effective, efficient, economical and transparent use of the assets (section 10).

Treasury Regulation further require that the accounting officer take effective and appropriate steps to collect money due timeously. Regulations also cover recovery of debts, writing off of debts and interest payable on debts in section 11.

Liabilities
The PFMA allocates responsibility for the management of the liabilities to the accounting officer (section 38).

The PFMA includes specific requirements on borrowing within government and places a limitation of the ability to enter into loan agreements without prior approval (sections 66 and 71). With the exception of entering into operating leases, the accounting officer of a department and other relevant staff can be guilty of financial misconduct if financing agreements are entered into without the prior approval of Treasury.

Supply chain management
Extensive legislative requirements for supply chain management exist. The PFMA allocates responsibility for ensuring an appropriate procurement and provisioning system that is fair, equitable, transparent, competitive and cost effective to the accounting officer (section 38). Section 16 of the Treasury Regulations covers the requirements for supply chain management and states that the accounting officer must develop and implement an effective and efficient supply chain management system that must be consistent with the Preferential Procurement Policy Framework and provide for at least the following:

- Demand management
- Acquisition management
- Logistics management
- Disposal management
- Risk management
- Regular assessment of supply chain performance.

The accounting officer must establish a separate supply chain management unit that can implement the supply chain management system. The procurement of goods and services through quotations or through the bidding process must be within the threshold value determined by National Treasury. The supply chain management system must, in the case of procurement, provide for a bidding process that includes:

- the adjudication of bids through a bid adjudication committee;
- the establishment, composition and functioning of bid specification, evaluation and adjudication committees;
- the selection of bid adjudication committee members; and
- the approval of bid evaluations and/or adjudication committee recommendations.

The accounting officer must take reasonable steps to prevent abuse of the supply chain management system and investigate any allegations against an official or other role player of corruption, improper conduct or failure to comply with the supply chain management system.
5 Competencies in Management Decision Making and Control

As part of Management Decision Making and Control, budgeting and monitoring are key elements that will inform decision making and control.

Section 214(1) of the Constitution requires that a Division of Revenue Act determine the equitable division of nationally raised revenue between national government, the nine provinces and the municipalities every year. This process takes into account the powers and functions assigned to each sphere of government. The Intergovernmental Fiscal Relations Act, 1997 (Act 79 of 1997) prescribes the process for determining the equitable sharing and allocation of nationally raised revenue. Section 214 of the Constitution requires that the annual Division of Revenue Act be enacted after factors in sub-sections (2)(a)–(j) of the Constitution have been taken into account. These include national interest, debt provision, the needs of national government, flexibility in responding to emergencies, resource allocation for basic services and developmental needs, the fiscal capacity and efficiency of provincial and local government, reduction of economic disparities, and promotion of stability and predictability.

The national interest is encapsulated by governance goals that benefit the nation as a whole. The National Development Plan, endorsed by Cabinet in November 2012, sets out a long-term vision for the country’s development and includes 14 priority outcomes. The medium-term strategic framework (MTSF) is adopted by Cabinet to give effect to the priority outcomes over the next five years. In the Medium Term Budget Policy Statement, the Minister of Finance outlines how the resources available to government over the medium-term expenditure framework (MTEF) would be allocated to help achieve these goals.

Provincial and local government equitable share allocations are based on estimates of nationally raised revenue. If this revenue falls short of the estimates within a given year, the equitable shares of provinces and local government will not be adjusted downwards. Allocations are assured (voted, legislated and guaranteed) for the first year and are transferred according to a payment schedule. To contribute to longer-
term predictability and stability, estimates for a further two years are published with the annual proposal for appropriations. More information on the budget can be obtained from National Treasury’s website.46

Sections 26–35 of the PFMA describe the budget requirements. Parliament and each provincial legislature appropriate money for each financial year for the requirements of the state and provinces. The budget must contain estimates of all expected revenue to be raised during the financial year, estimates of current expenditure per vote and per main division within the vote, estimates of interest and repayment on loans, estimates of capital expenditure per vote and main divisions within the vote for the financial and future years, proposals for financing any anticipated deficit and the intentions regarding borrowing and other public liability that will increase public debt.

In February of each year, the Finance Minister tables the national budget in Parliament, at which the Minister announces government’s spending, tax and borrowing. Once Parliament approves the budget, it is adopted and becomes Parliament’s budget. The budget must include the projected revenue, expenditure per vote and per main division and borrowing for the previous financial year and include multi-year budget information.

The budget announces government spending for the next three financial years, that is, the years of the MTEF. In contrast to the function-based process, the Appropriation Bill, tabled by the Minister of Finance as part of the budget, is set out in terms of each budget vote. Generally, a vote specifies the total amount of money appropriated to a national government department. Through the Appropriation Bill the executive seeks Parliament’s approval and adoption of its national government spending plans for the first year of the MTEF period. The abridged estimates of national expenditure publication is the explanatory memorandum to the Appropriation Bill and contains detailed information regarding the allocations to each national government vote.

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Key performance indicators are included for each national government vote and entity showing what the institutions aim to achieve by spending their budget allocations in a particular manner. This information provides Parliament and the public with the necessary tools to hold government accountable against the 14 outcomes set out in the MTSF.

Each public institution is also required to compile a strategic plan (called an integrated development plan in the case of municipalities) and an annual performance plan (called a service delivery budget implementation plan in the case of municipalities) that include strategic outcomes, objectives, key performance indicators and targets. The requirements for planning and budgeting are included in sections 5 and 6 of the Treasury Regulations.

These planning documents are used as a basis for monitoring performance through in-year reporting (finance monthly and performance/non-financial quarterly) and annual reporting. This information provides Parliament and the public with the necessary tools to hold government accountable against the 14 outcomes set out in the MTSF and the objectives and targets set out in the plans.

### 6 Competencies in Taxation

The following provides an outline of the tax environment in which public sector institutions operate:

- Public sector institutions exempt from income tax
  - Departments and municipalities
- Public sector institutions subject to income tax
  - Public entities
- Public sector institutions subject to VAT
  - Municipalities

47 Specific sections in the VAT Act deal with the unique issues of municipalities.
7 Guidance on how to include Public Sector in the accredited programme

The overall objective / outcome

Candidates need to leave the academic programme (the undergraduate and postgraduate degrees) with a Level A (basic) understanding of the public sector. Every single competency could relate to the public sector although there are some additional requirements and focus in the public sector of which students be made aware. This has been included in the text. Therefore the public sector should probably be best addressed during undergraduate programme but at a fairly senior level (probably the third year). It could take in the form of an introduction of a new skill (with a switch in contexts but with basically the same information).

The outcome of your teaching should be such that students have an awareness of the high-level principles, but students would not be expected to know and apply the details, particularly as it relates to assessment at the ITC level. An example of how this could be assessed at ITC could include a few marks where candidates could be asked to explain the high level principles should the entity be a public entity instead of a corporate one.

Options to consider

Universities are urged to consider the possibility of including the following aspects of the public sector in their programmes:

**General**

- Demonstrating the principles by using practical documents, for example an annual report of a department or local government together with the general outcomes report of the Auditor-General.
- Knowledge of the South African Constitution is considered essential for prospective CAs(SA) – teaching and learning should include in-depth cover of content, and several discussions of case law and current issues.
- Other legislation – awareness of key legal issues, and basic applications. The PFMA is currently included in the SAICA legislature handbook.
Appendix 3 – Guidance on the Public Sector

- Projects or assignments at undergraduate level covering at least one public sector entity.
- At least one integrated assignment / project dealing with outcomes outlined above for at least one public sector entity.

Undergraduate level and / or postgraduate level (core and supportive courses)

- Law courses – extend to include the Constitution, PFMA and to a lesser extent, the MFMA
- Information systems courses – systems for procurement and asset management (property, plant and equipment, and inventory)
- Strategy and governance – identify risks and strategic objectives for public sector entities. Consider governance issues of public sector entities and constitution of committees
- Financial accounting – Conceptual framework for public sector entities, preparation and presentation of financial statements of at least one public sector entity, overview of GRAP and awareness of differences with IFRS
- Audit/ assurance courses – Role of AGSA, audit requirements included in the PFMA, controls and risks relating to at least one public sector entity, planning of the audit, awareness of AGSA scope, identification of audit risks and controls, internal audit procedures, audit of pre-determined objectives, etc., audit report for public sector entity
- Management accounting and financial management courses – supply chain management, budgeting systems in public sector
- Financial management – performance information, tender and bidding processes, supply chain management, procurement, budgets and forecasts