High-Level Meeting on Accounting for Development

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STATEMENT OF

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SAICA's role in influencing South African developments pertinent to the accounting profession and the current state of accounting and auditing standards in South Africa

Accounting provides a strong and well structured foundation that allows for orderly development of a country and its economy. Simultaneously, accounting allows for consistent measurement of growth and performance. Compliance with international standards provides the necessary comfort to investors, domestic and foreign, to invest capital that in turn promotes development.

As the leading accountancy profession body in South Africa, SAICA collaborates with diverse stakeholders to promote sound governance supported by compliance with international standards. A prime example of this is SAICA's contribution to developing and applying the new Companies Act, 2008, which became effective on 1 May 2011. This Act entrenches IFRS for publicly accountable companies, while allowing greater flexibility for smaller, closely-held companies. Adoption of IFRS by companies dates back to 2004 and international auditing standards (ISAs) are also applied. Public sector accounting standards are IPSAS adapted for South African circumstances and have *inter alia* contributed to vastly improved accounting for infrastructure and other assets.

The early adoption of international accounting and auditing standards has enabled SAICA to provide useful input to the ongoing development and refinement of these standards by the IASB and IFAC.

Currently the status of international standards in South Africa can be summarised as follows:

International standards	SA adoption	Indicator
IFRS	Listed and state-owned companies	
IFRS for SMEs	Public and "large" private companies	
ISAs	All companies except smaller private companies, which are exempt or subject to a review in terms of ISRE2400	
IPSAS	Modified (GRAP) for all state entities and local government except National and Provincial Government that apply a modified cash basis	

In addition, South Africa's listed companies are required to apply the King III Code of Corporate Governance or explain any deviations. The same code is optional, but encouraged, for all other entities.

Further detail regarding the financial reporting and audit/review requirements can be tabulated as follows:

Type	Who	FRS
Public company	RA	Listed – IFRS Unlisted –IFRS / IFRS for SMEs*
State owned co	RA	IFRS / GRAP
Profit / NPO > R5m fiduciary assets	RA	IFRS / GRAP
Any other co/CC PIS ≥ 350	RA	IFRS / IFRS for SMEs*
Any other co/**CC** 100 ≤ PIS < 350 AFS internally compiled	RA	IFRS/ IFRS for SMEs* / SA GAAP
Fiduciary capacity is in course of primary business *Subject to meeting scope of standard		

S29 (b) of the Companies Act, 2008, states that financial reporting standards for public companies must be in accordance with the International Financial Reporting Standards of the International Accounting Standards Board or its successor body.

Type	Who	FRS
Any other co* 100 ≤ PIS < 350 AFS independently compiled	RA / CA(SA)	IFRS / IFRS for SMEs / SA GAAP
PIS < 100	RA / Accounting officer**	**Independently compiled** IFRS / IFRS for SMEs/ SA GAAP **Internally compiled –** No FRS
*If all beneficial holders of interests are not members, EXCLUDES trusts holding shares **Professional bodies subject to monitoring by CIPC		

An independent review of a company's annual financial statements must not be carried out by an independent accounting professional who was involved in the preparation of the said annual financial statements.

It remains SAICA's fervent hope that a third tier of financial reporting standards that has already been developed can be approved. The question remains as to whether these will be enforced or optional.

South Africa has been actively engaged in the development, testing and pilot project of the Capacity Building Questionnaire. Our belief, as stated earlier, is that consistent application of high quality international standards provides critical support to a country's orderly development and attractiveness as an investment destination. It remains imperative, however, that size appropriate standards are applied both in respect of financial reporting and assurance.