

Detailed transcript for section 2.3 Who's who in accountancy

Welcome back to learning unit 2.

In this focus area you will be introduced to seven accountancy professions.

You may be working towards becoming a member of one (or more) of these professions.

You will also be seeing screenshots from the websites of the various accountancy professions.

You can find pdf downloads these under Additional Resources on myUnisa.

The first accountancy profession that we meet represent a competence based accounting qualification.

This qualification is targeted at all levels of staff in an entity, from administrative staff, to professional accounting and finance positions.

A member of this profession is called an "accounting technician".

Accounting technicians are members of the Association of Accounting Technicians of South Africa.

This association offers five levels of membership.

These levels are based on the level of competence that members have reached when they join the Association and membership can be obtained from a very early stage of an individual's. The Accounting Technician qualification and the competence levels used are recognised internationally.

The Association of Accounting Technicians of South Africa recommends that prospective members should be confident with numbers and fluent in English.

It is therefore clear that accounting technicians may have an agency role as they contribute to the financial reporting of entities.

As professionals, they have a duty to ensure that financial reporting is accurate in order to protect the public interest of those who make decisions based on the financial reports.

The second accountancy profession that we meet is the South African Institute of Professional Accountants known as SAIPA.

A full member of SAIPA is known as a Professional Accountant (South Africa).

To gain SAIPA membership, one should at least have a bachelor's degree with financial accounting at third year level and introductory courses in taxation, auditing, commercial law and management accounting.

SAIPA further requires that prospective members should obtain supervised training in practice and have successfully completed a written professional examination.

Like accounting technicians, professional accountants have an agency role as they contribute to the financial reporting of entities.

Professional accountants should ensure that financial reports that they prepare are accurate as they need to protect the interests of the public who may be basing their business decisions on those financial reports.

The third accountancy profession that we meet is the South African Institute of Chartered Accountants well known as "SAICA".

A full member of SAICA is referred to as a "Chartered Accountant (South Africa)".

SAICA's vision is to develop responsible leaders.

It is interesting to note that a CA is the accountancy profession that is presented most in the top management structures of the top listed companies in South Africa.

Recent research have found that 80% of the top 200 listed companies in South Africa has CAs in charge of their financial matters, while 30% of the top 40 listed companies in South Africa are managed by a chief executive officer or CEO who is a CA.

Those aspiring to full members of SAICA have to obtain a bachelor's degree in financial accounting and then pass a postgraduate qualification commonly known as the CTA.

The CTA qualification includes financial accounting, management accounting, taxation and auditing as major subjects.

Assessments are based on case studies that present real-life situations that a chartered accountant would encounter in business.

SAICA further requires all aspirant chartered accountants to complete at least three years training at a registered training office and to pass two professional assessments.

SAICA has agreements with professional bodies in many countries in the world that allow South African chartered accountants to work as professionals in those countries.

Around a fifth of all South African chartered accountants are working abroad.

Chartered accountants can work in commerce and industry or in private practice.

Some chartered accountants, like me, prefer to work in academia to share my experience and knowledge with the next generation of chartered accountants.

Chartered accountants contribute to mitigating agency problems since their competent and ethical leadership in business assists in protecting the public interest of those who rely on their work.

The fourth accountancy profession that we meet is the Chartered Institute of Management Accountants known as “CIMA”.

The highest level of membership of CIMA is known as a Chartered Global Management Accountant (CGMA).

The Chartered Global Management Accountant qualification is an international professional qualification of CIMA.

A CGMA can add to a business’s success by blending financial expertise with business insight.

CIMA offers different levels of membership, depending on the academic level, practical experience and professional assessment level that a prospective member has achieved.

CGMA’s mostly work in commerce and industry.

However, they can also work in private practice or in academia.

Since chartered global management accountants contribute to competent and ethical decision making and financial processes of businesses, they assist in mitigating agency problems by protecting the interests of the public who may be basing their business decisions on an entity’s reported performance.

The fifth accountancy profession that we meet is the South African Institute of Tax Professionals known as SAIT.

A full member of SAIT is known as a Tax Professional.

Tax professionals can work as tax consultants in their own firms or in accounting or law firms.

Some tax professionals choose to work in commerce and industry, while other prefers to work for the South African Revenue Service, commonly known as SARS.

SARS administers the collection of all taxes payable in South Africa.

Some tax professionals also work in academia.

Every business transaction and every individual is exposed to tax.

No one can escape the “tax net” – it catches all of us!

Tax law are becoming more and more complex.

Increased international business activities also increases exposure to international tax requirements.

It is therefore not a surprise that SAIT was founded some five years ago to oversee tax professionals in South Africa.

SAIT requires all prospective tax professionals to obtain academic qualifications, workplace experience and to successfully pass a professional assessment.

Tax professionals uphold the implementation of the country's tax system and therefore contribute to agency costs.

They protect the public interest through their application of competence and ethical thinking in all matters that relate to taxes.

The sixth accountancy profession that we meet is The Institute of Internal Auditors South Africa, known as IIA SA.

The IIA SA is part of the international network of internal auditors lead by The Institute of Internal Auditors Incorporated known as The IIA.

The professional qualification that the IIA offers is the Certified Internal Auditor or CIA qualification.

However, you can become a member of the IIA SA without being a certified internal auditor.

Internal auditors can work in commerce and industry or as specialists in professional firms.

Internal auditors do not only focus on the financial aspects of a business, but also evaluate the operational side.

Internal auditors consider a business's governance, internal control, including internal financial controls and risk management processes.

Internal auditors can also provide advice to management of a business.

Most of those individuals who currently work as internal auditors in South Africa are not yet certified internal auditors.

South Africa only has about 1500 CIAs.

However, internationally, the demands on the internal auditing profession are increasing and the profession is working hard to improve its standing in business and in society.

Like the other accountancy professions, the IIA requires academic study and practical experience as important for prospective CIAs.

The CIA professional examination is an international assessment of the professionalism and competence of a prospective CIA.

Since management decides on the size and role of a business's internal audit function, internal auditing is regarded as a "bonding cost" rather than an "agency cost".

Internal auditing is seen as a bonding cost because management uses internal auditing to send a certain message to the owners of a business.

What is this message? They are sending a message that they are serious about the competent and ethical management of the business in the best interests of the owners.

In this way, management wants to induce the owners to “bond” with them by means of trusting them.

The last profession that we meet is the Independent Regulatory Board for Auditors known as the IRBA.

Members of the IRBA are Registered Auditors and use the designation “RA”.

The mission of the IRBA is to protect the financial interests of the South African public and international investors in South Africa.

The IRBA has a legal obligation in terms of the Auditing Profession Act to regulate external auditors in South Africa.

The IRBA implements its mission by effectively regulating audits conducted by registered auditors, in line with international standards and processes.

In order to regulate audits, the IRBA has an inspections directorate.

The inspections directorate performs reviews on audit work completed by registered auditors and on the management of audit firms.

Such reviews are conducted in cycles of five years.

In order to currently qualify as a registered auditor, an individual has to follow the same route as a CA. However, a RA does not have to register with SAICA as a CA before registering with the IRBA.

Also, the person should have elected to do training at an external auditing firm accredited by SAICA as part of the process of becoming a CA.

Once a person is eligible, the person should register on the IRBA’s Audit Development Programme and meet specific experience requirements in an external auditing environment.

Only then can the individual submit a portfolio of evidence to the IRBA in support of an application to be admitted as a registered auditor.

Registered auditors play an important role in addressing agency problems.

All over the world and in South African laws require that certain entities’ annual financial statements should be audited by an external auditor.

Registered auditors use their competence and ethical behaviour to protect the interests of the public and of owners.

The product of a registered auditor’s work is an auditor’s report.

An auditor's report provides reasonable assurance about the fairness of a set of annual financial statements.

Let's quickly recap.

We have now been introduced to the "Who's who in accountancy", which is made up of seven accountancy professions.

We highlighted the unique role of each accountancy profession and we are now familiar with the professional designation used by each profession's members.

We have also learnt some interesting facts about each profession.

We obtained an understanding how each of the profession's members contribute to mitigating agency risks and how they protect the public interest.

At this point, you may start to feel attracted to one of these professions.

But you may also feel confused.

Do not despair!

In the next focus area, we move to reality!

We will introduce you to "Professional Development Bank Limited"

There you will obtain an understanding of how each accountancy professional fit into the structure of the Bank.

You will further obtain an understanding how each professional's unique expertise contribute to the success of the business.

And. We will also discover the criteria that the Bank used when they selected accountancy professionals for appointment in the different roles.

Ultimately, you will get a much clearer picture of your future role in the context of business.

But for now, please go the classroom reflection in section 2.3.1 to find out what you should do for your assignment 3.