



GOVERNANCE REVIEW TASK TEAM

PHASE ONE RECOMMENDATIONS AND CONSULTATION

WELCOME

- Purpose of the roadshow
- Background and purpose of the Governance Review
 - Challenges facing the profession
 - Rebuilding trust in the profession
 - Addressing structural limitations in our governance and disciplinary framework
- Phased approach to the constitutional review
- Introduction of the GRTT

WHY WAS THE GRTT ESTABLISHED?

- Following the considerable amount of criticism of the accounting profession in South Africa, and the pace of change impacting the profession, the SAICA Board thought it appropriate, to review the governance structure of SAICA, amongst a number of other initiatives.
- The purpose of this presentation is to provide Members an opportunity to engage with GRTT and to provide input on the proposed model.

WHO ARE THE MEMBERS?

Chairman: Roy Andersen: Studied at the University of the Witwatersrand, qualifying as a Chartered Accountant (SA) in 1972 and as a Certified Public Accountant in 1975 in Texas. He served as Chairman of Ernst & Young and thereafter President of the Johannesburg Stock Exchange and CEO of Liberty. He has served over a period of 30 years on the boards of ten companies listed on the JSE and London Stock Exchange. He is a member of the King Committee and serves as a Major General in the SANDF.



Ignatius Sehoole: served as an articled Clerk at Deloitte and Touche. Mr. Sehoole served as an Executive President of the South African Institute of Chartered Accountants from 2000 to 2009 and currently serves as a director on a number of large corporations. He has been CEO of numerous organizations and has recently been appointed as the CEO of KPMG.



Gil Gorgulho: is the managing partner at Crowe HZK and also serves on the Management Committee of the firm. He is also a Director of Horwath Technical Services SA (Pty) Ltd. He has a range of experience in Financial Reporting, Processes & Controls; Governance, Risk & Audit Committee and IT Strategy, Software & Systems as well as extensive experience in technical audit, accounting and consulting activities for a wide variety of industries. In July 2010 he was nominated as Vice-President of SAICA for the Southern Region and he served as President from May 2012 until June 2014. He also served as Vice Chairman of the National SAICA Board (2013-2015) and as Chairman (2015 – 2017). He is currently a member of the SAICA's Advisory Council.



Suresh Kana: was Chairman of the SAICA Board from 2013 to 2015. Mr. Kana joined the King Committee in 2000 and has been involved in the development of the King II, King III and King IV Reports. The leadership of SA's corporate governance committee moved from Prof Mervyn King to Prof Suresh Kana in October 2018. His board positions on JSE-listed companies included chairman of the Imperial Group and he is currently Chairman of Murray & Roberts. He also chairs the Audit Committee of the UN World Food Programme based in Rome. He is Deputy Chairman of JSE Ltd and a non executive director of Quilter PLC. He is a trustee of the IFRS Foundation.



WHO ARE THE MEMBERS? Cont...

Gloria Serobe: holds a B.Com from University of Transkei, South Africa and an MBA from Rutgers State University of New Jersey. She has served on numerous boards including the Johannesburg Securities Exchange and the Financial Sector Charter Council and on a number of presidential committees. She has won numerous leadership awards for including amongst others “Contribution to Transformation, Job Creation, the Economy and as a BEE Role Model”; “Pioneer of Empowerment” award; “Top Woman in Business and Government” “Corporate Businesswoman of the Year” award, “Woman of Substance” award. She served as a Member of the Presidential Economic Advisory Committee and is an honorary member of the Actuarial Society of South Africa.



Tumeka Matshoba-Ramuedzisi. Is the Managing Director: Audit & Assurance at Ramuedzisi Chartered Accountants and Registered Auditors. She has served on the Board of Morokotso Trust (Implats Limited employee share ownership scheme) and currently serves on the Boards of the National Lotteries Participants Trust, Ditikeni Investment Company Limited and Reunert Limited. In addition, she currently serves on the Audit and Risk Committees of the Council of the Tshwane University of Technology and the Financial and Fiscal Commission.



Graham Terry: has held many prestigious positions at SAICA including deputy chief executive of SAICA in 1995. He held the position for four years before being appointed Vice President and Executive Director of Strategy in 2000. He has also been a guest speaker at numerous conferences, has numerous articles published on accounting, auditing and sustainability, and chaired many boards. In 2009 a working group known as the Integrated Reporting Committee of South Africa was put together and Mr Terry was appointed chairman of the working group. He served as a technical advisor to S. A. representatives on several international committees and was involved in the establishment of FASSET on which board he served for 5 years, the last as chairman. He is currently an integrated reporting advisor. He lectures at universities and does presentations at conferences in South Africa and internationally. In 2017 he was appointed as a practical professor at the University of Johannesburg where he is co-ordinating courses and research on integrated reporting and thinking.



Process To Date

- Convening of the Governance Review Task Team
- Consideration of governance models of other accounting institutes (England, Wales and Ireland; New Zealand; Canada; and Australia)
- Consideration of models of other membership based institutes (e.g. SA Law Association)
- Review of various governance models and the pro's and con's related to those models
- Consideration of the unique elements of a South African Institute
- Drafting of a proposed new model
- Consultation with Legal Advisor
- Consultation with Members (Questionnaire and road show)

GUIDING PRINCIPLES

- In its deliberations towards developing a governance structure for SAICA and in designing the questionnaire, the GRTT has used a set of guiding principles. These guiding principles are intended to provide a framework against which the balance of the structure can be tested. All of the guiding principles are important and need to be embedded in the final structure. The GRTT has also leaned heavily on the principles of King IV™ in its work.
- The guiding principles used are:
 - member representation;
 - professional leadership and direction;
 - continuity;
 - effective execution;
 - accountability and control;
 - inclusivity; and
 - public interest and trust.

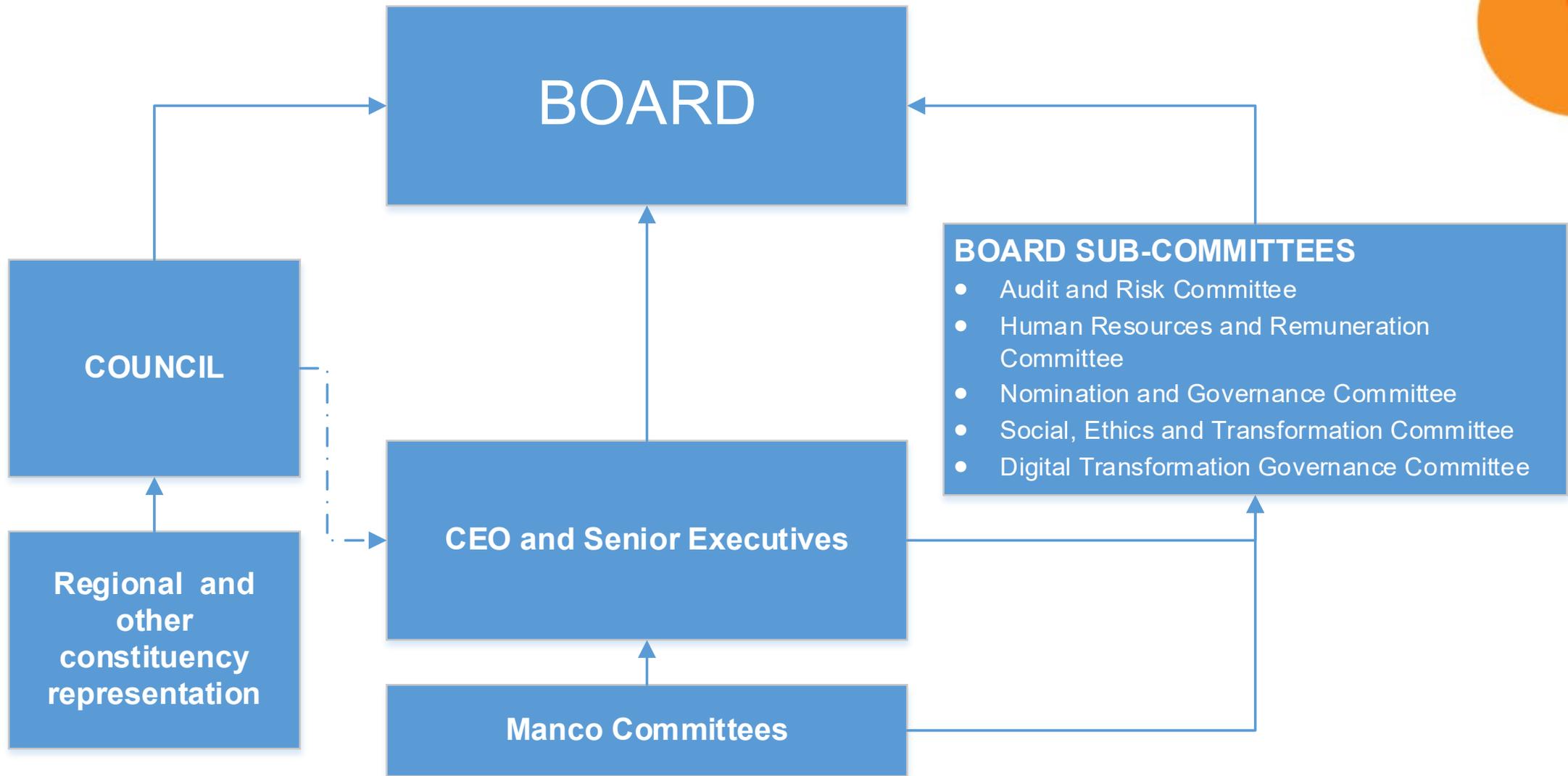
Proposed Model

Member Representation

The GRTT felt it was important to retain the principle of 'member representation' which is embedded in the existing model as SAICA is a membership body.

- A **Member elected professional Board (8-12 members)** that reflects the diversity of South Africa and comprises a balance of executive and non-executive Members, with a majority of non-executive Members and up to 3 and no less than 2 of the non-executive Board Members would be non-Chartered Accountants. The Board should operate as envisaged in the King IV™ Code of Corporate Governance; and
- A **Council elected by regional and constituency bodies** to represent the full spectrum of SAICA Members (Regional, firms, Members in business, Associates, interest groups etc.) taking cognisance of race and gender, which shall serve as an advisory forum to the Board.

Proposed Model Cont...



Proposed Model Cont...

Professional Leadership and Direction

- **Current Structure**

- Too large (in excess of 20) to operate with the intensity and agility required of a modern Board.
- Board Members are appointed by regional and constituency bodies and therefore the mix of skills will not necessarily be optimal for the tasks at hand and results in a high turnover of Board members.
- SAICA Board Members have operated on a voluntary basis.

- **Proposed Structure**

- Smaller Professional Board (8-12 Members), that is agile and can develop a visionary and competitive strategy and ensure that it is effectively implemented.
- It also needs to ensure that operations flow smoothly without getting involved in the day to day running of the Institute.
- Board Members should be appointed by the Members and be remunerated for their services.
- The GRTT believes that given the changing needs and the increasing time commitments involved, it is unlikely that SAICA would be able to attract suitable candidates to sit on its Board without reasonable remuneration.

Proposed Model Cont...

Continuity

- The GRTT believes that Members of the governance structures should serve a 3 year term with an option of re-appointment for a further 3 year term. In addition, to ensure continuity, one third of the Board should retire each year to allow changes to take place on a staggered basis.

Effective Execution

- SAICA needs a highly competent executive, headed by a CEO that implements strategy effectively and runs operations efficiently. The executive needs to assist the Board in developing strategy, however its main function is to implement strategy and run efficient operations.
- SAICA is a complex organisation as it is required to function in a wide variety of areas. These areas include, amongst others:
 - standard setting in a number of disciplines,
 - education and training
 - provision of services and support to its Members and Associates working in many industries.
 - programmes to develop black accountants to redress the historic imbalance in member demographics
 - stakeholder engagement and advocacy.
 - monitoring of member compliance and running disciplinary processes.
- To fulfil these expectations, the executive needs people with a wide variety of skills and knowledge, however, this all needs to be accomplished within severe financial constraints. Currently, the executive includes many talented people and it is critical that their knowledge and skills are recognised and retained as a base to build for the future.

Proposed Model Cont...

Accountability and Control

- The governance structures need to be accountable to the membership.
- The organisation also needs to be accountable to the public because its Members are granted the use of public trust designations.
- Accountability needs to run throughout the structures. The structures need to ensure that objectives and targets are set and that there are performance reviews at all levels.
- Reporting needs to be timely and transparent.
- The other side of accountability is control. Each element of the structure needs to closely monitor the issues over which it has responsibility.

Proposed Model Cont...

Inclusivity

- The various governance and executive structures need to reflect a suitable race and gender balance, but not by discarding skills and experience requirements.
- It will be necessary to put in place agreed race and gender criteria to achieve adequate representation on the governance and executive structures.
- The GRTT believes that the proposed Board structure should allow for the appointment of up to three non-executive non-chartered accountants to ensure the Board is better balanced and better prepared to assess issues from a public interest perspective.

Public Interest and Trust

- Members and Associates of SAICA are granted designations which enjoy public trust. These designations provide Members and Associates with a certain degree of competitive protection and therefore they have a strong duty and responsibility to act in the public interest at all times. SAICA is the body designated to oversee that its Members and Associates meet these ethical requirements.
- Currently the disciplinary processes of SAICA are operated by independent structures that are not subject to Board oversight. Whilst the GRTT believes that the governance structures should not be able to influence the outcome of disciplinary investigations, the disciplinary processes should be accountable to the governance structures.

Role of Board

- Ensure that strategic objectives are set and achieved in line with the Purpose and Objects of the Institute.
- Establish a policy framework and funding model within which the organisation must operate and strengthen the performance of Chartered Accountants (SA).
- Act as the custodian of corporate governance in the Institute.
- Ensure the Board Committees discharge their functions appropriately in relation to meeting strategic plans and budgets.
- Monitor the activities of Trusts, NPOs and social responsibility projects as established by the Institute as determined in the SAICA Delegation of Authority.
- Appoint and evaluate the performance of the Chief Executive Officer.
- Ensure that the Institute maintains a robust process for identifying, prioritising, managing, monitoring and reporting critical risks through the Audit & Risk Committee.
- Ensure that the Institute and its Members adhere to the highest standards of ethics and corporate behaviour, and that the designation CA(SA) is protected and that the profession is trusted.

Role of Board Cont...

- Oversee the disciplinary process with regards to Members, Associates and trainees of the Institute by:
 - Ensuring that the Institute has adequate resources for investigation and disciplinary processes.
 - Ensuring that the impact of the approved disciplinary process, including the by-laws, meets and continues to meet, the expectations of the profession;
 - Appointing an independent disciplinary committee;
 - Satisfying itself that the approved disciplinary process is followed by the disciplinary committee; and
 - Accounting to members on the outcomes of disciplinary proceedings.
- Promote and monitor transformation in the profession.
- Review and approve appropriate by-laws.
- Engage with stakeholders and members.

The Board will meet quarterly or more often if required.

Role of Council

- Council will be made up of representatives from regional structures together with representatives from other constituencies and will:
 - Elect a President who will chair the Council;
 - Serve as a consultative forum and consider, apply their minds and advise the SAICA Board on matters relating to the strategy of SAICA and the CA (SA) profession and associated designations, and where appropriate, management;
 - Represent SAICA members' interests facilitated through input from the Regional Councils and other relevant sources to the Board and management;
 - Provide input to the Board for the appointment of members to the Board;
 - Consider and award honorary life membership to Members; and
 - Recommend changes to the Professional Code of Ethics for approval by the Board.

The Council will meet twice a year.

Where to From Here?

- Analyze results of questionnaire and road shows
- If members indicate that they are in favour of the proposed model:
 - Draft revised Constitution and By-laws
 - Draft Board and Council charters
 - Put to Members for a vote
 - Establish an interim structure to enable hand-over from existing Board to new Board and Board Sub Committees



DISCUSSION