



For attention

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**RE: SUBMISSION ON THE CLOSE CORPORATION AMENDMENT BILL
(B6 – 2005) ON 25TH May 2005**

We would first like to congratulate the Department of Trade and industry and specifically the Standing Advisory Committee for proposing these amendments.

Close Corporations are an important but often neglected business form.

There are currently more than 800 000 registered close corporations as opposed to just 300 000 private and 6000 public companies in South Africa.

Although not all of these are actively trading, the combination of private companies and close corporations make an important contribution to Gross Domestic product (GDP) and employment. It is estimated that the SME contribution to GDP is more than 41% whilst more than 50% of employment is provided by this sector.



The close corporation act requires the appointment of an Accounting Officer to issue a limited assurance report. Currently an estimated 20 000 Accounting Officers operate as such in South Africa. Accounting Officers are governed by the self-regulatory rules of various professional bodies, of which the CPA (SA) is the second largest.

The companies act requires the appointment of an Auditor for all types of companies, irrespective of whether they are closely-held or widely-held, to issue a reasonable assurance report. This is the highest form of assurance that can be expressed. Currently an estimated 4 500 persons are registered with the Public Accountants and Auditors Board. Only these persons are allowed to issue the audit report for companies.

The proposed amendments to the close corporation act will allow Accounting Officers to operate their public practices as close corporations.

Before this amendment was proposed persons acting in partnerships as Accounting Officers were forced to sign Accounting Officer reports as natural persons and in their individual capacity. This created confusion in the minds of their clients as well as with regard the legal aspects of who should be ultimately responsible to the client: the individual that signed the report or the practice under which that person operated.

The provision that will allow a corporation to appoint another corporation as its Accounting Officer will alleviate this problem, and will be a real benefit to all Accounting Officers as well as their clients.

We do however propose that the following be taken into consideration:

- 1. That the last four words of the proposed Section 60(4)(c), namely: “of its accounting functions” be amended to read “of its duties in terms of section 62”**



The above proposal will have the effect of:

- Limiting the liability to the duties of an Accounting Officer as determined by Section 62. The liability should not be extended to include all other services provided by the Accounting Officer and,
 - Clarify which close corporation is the focus of the regulation. The reference should be to the close corporation acting as Accounting Officer.
- 2. Section 60(4) should also provide for the appointment of an incorporated private company (section 53(b) of the companies act), as an Accounting Officer.**

The above proposal will have the effect of:

- Allowing an incorporated company to also act as an Accounting Officer, even though all the members are only recognised as Accounting Officers and not also as auditors. The current Section 60(4) (a) only allows an incorporated company to act as Accounting Officer if all the members are registered auditors. The benefit of an incorporated company as accounting officer should also be extended to those persons that are only recognised as Accounting Officers. This benefit should not be the exclusive domain of those persons that are registered auditors.

We thank you for this opportunity.

Regards

The CPA (SA) Technical Committee

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ADDENDUM

The CPA (SA)

1. The CPA (SA) is the second largest accounting institute in South Africa, boasting a membership of more than 5000, (excluding students and other associates) 78,5% of whom are in public practice.
2. Close to 20% of the members of the CPA (SA) are black (African, Coloured or Indian)
3. The CPA (SA) is a full voting member of the International Federation of Accountants (IFAC) as well as the East, Central and Southern African Federation of Accountants (ECSAFA).
4. The CPA (SA) was the first Institute in South Africa to implement mandatory Continuous Development Programme (CPD) attendance and Professional Indemnity insurance protecting members of the public.
5. CPA (SA) qualifications are recognised at level 7 by the National Qualifications Framework (NQF) in terms of the South African Qualifications Authority (SAQA).
6. The Financial Services Board approved the Institute as a Recognised Representative Body for the purposes of the Financial Advisory and Intermediary Services Act.
7. The CPA (SA) employs more than 20 staff members to operate as its secretariat. The highest decision making body of the Institute is its Council. Various committees support the work of the secretariat.
8. Membership to the CPA (SA) is dependent on: obtaining a relevant degree; obtaining the necessary experience and competence to be recognised as



professional accountant; and by successfully completing the Professional Evaluation as administered by the Institute.

As a member of IFAC the Institute has to comply with the education and training requirements for professional accountants as determined by IFAC.

9. CPA (SA) members act as professional accountants in business, public practice, government and academia.
10. CPA (SA) Practicing Members can perform certain statutory attest functions (where legislation permits) and issue statutory reports. These are issued for example, in terms of the: Micro lending industry regulations, Sectional Titles Act, Non Profit Organisations Act, Schools Act, Debt Collectors Act, Co-operatives Act, National Lottery Board Regulations, SABC Television Licensing Regulations, Immigration Regulations, Department of Trade and Industry's Industrial Development Programme, as well as the Close Corporations Act. A Trust Deed may allow a CPA member to perform the audit function. A CPA (SA) member may also accept the appointment as an honorary auditor for a club, institute, or association.
11. CPA (SA) members are recognised, upon application, as Compliance Officers in terms of the Financial Advisory and Intermediary Services Act.
12. CPA (SA) members are recognised as Commissioners of Oaths.

