



PRESS RELEASE

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FOR IMMEDIATE RELEASE

AUDITS ARE NOT THE ANSWER TO THE NPO SECTOR

Pretoria, 26 May 2015 – Overbearing and unnecessary audit requirements imposed on the NPO sector are preventing NPOs from delivering much needed aid to rural South Africa.

According to SAIBA member and Business Accountant in Practice (SA) Mahlodi Phahlamohla the problem is especially acute in Limpopo. “Government is doing a good job of making available grants to help NGO’s/NPO’s deliver community services to the province” however “much of these funds are then spent on transport and administrative costs to obtain an audit”.

What makes it worse says Phahlamohla is that “there are alternatives to this waste of money but the provincial government are not open to alternative suggestions.”

Phahlamohla provides the following example: “The NGOs/NPOs receiving grants from the Department of Health in Limpopo (Sekhukhune District), are only allowed to take their books for audit to Registered Auditors. However in our area we do not have Registered Auditors, so the NGOs/NPOs are forced to take their books to Polokwane or Pretoria for auditing services, which is about 200 to 300 kilometres a single trip.”

The District Office in Lebowakgomo is aware of this issue and explained to Phahlamohla that the Health Department only wants Registered Auditors to issue opinions on the financial statements of NGO’s/NPO’s. The problem is however “that the sector cannot afford the costs of paying of the auditors. This is made worse by the fact that an average grant is between R100 000 and R450 000 and the audit fees takes up most of this”.

SAIBA, as the representative body for accounting and finance professionals therefore calls on the Department of Health and the especially the HOD of Health in Polokwane to urgently address this issue. “There are many alternatives to the audit”, says Nicolaas van Wyk CEO of SAIBA. “South Africa’s Companies Act, 2008 provides for independent review and accounting officer reports to be issued by Business Accountants in Practice (SA). These reports are regarded by some as “audit-lite” and are both robust and affordable and can be performed by professionals other than auditors. There is really no reason for the Department of Health to still stick with audits when the whole world, including our companies act, has moved on to independent reviews.

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Controls and oversight are important but it is equally important to ensure that grant money reaches the sector. Independent review and accounting officer reports are used internationally by the NGO/NPO sector and provide similar comfort than audits but at much lower fees. In addition adopting the review model will dramatically increase the number of professionals able to assist NGO/NPOs. There are only about 2500 practicing auditors in South `Africa compared to 10 000 independent reviewers and SAIBA members.

SAIBA will be making a formal submission to the Department of Health to urgently address this issue so that a more affordable solution is found that will be acceptable to both the sector and the Department.

Ends

About SAIBA

The Southern African Institute of Business Accountants (SAIBA) is a controlling body for accounting and finance professionals. Its members enjoy statutory recognition in more than 13 statutes and regulations. Our reciprocal agreements with SAIT, CIMA, IAFEI and others ensures that we follow best international practice in setting standards and a code of conduct for our members. With more than 30 000 members and associates, its focus is on assisting members to identify opportunities for growth within a complex business and legal environment. Four key ideas describe SAIBA: Affordable, Attainable, Accessible, and Open for business. SAIBA believes in an open access model to the accounting profession. This principle is reflected in our logo. The logo includes four circles. The circles indicate our commitment to diversity, openness, being community driven, and being inclusive. Our membership is open to all persons with an accounting and financial background and that are interested in self-improvement. However, members are actively supported and encouraged to obtain a relevant SAIBA designation.

More than 50% of the SAIBA voting members are Black, Indian or Coloured making SAIBA the most organically transformed professional body in South Africa.

Awarding designations enable SAIBA to:

- Establish a strong accountancy profession which is an asset to the business community and to society
- Ensure the competency and quality of SAIBA members
- Enforce a code of conduct and adherence to international standards

SAIBA is a Self-Regulatory Organization and members of SAIBA are recognized as:

- Accountants
- Accounting Officers
- Independent reviewers

SAIBA also offers a home for persons working in or with the accounting function, this includes:

- Financial controllers
- Financial accountants
- Financial managers
- Chief Financial Officers

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