

In this edition of the newsletter:

- **Message from the CEO – Keynote address to ICAB – Will accountants survive the digital revolution?**
- **Meet the ASB Board - Mr. Sandiso Gcwabe**
- **Meet the ASB Board - Ms. Willemina de Jager**
- **Meet the ASB Board - Mr. Shabeer Khan**
- **Meet the ASB Board - Mr. Andrew van der Burgh**



Message from the CEO – key note address to ICAB - Will accountants survive digital revolutions?

Will accountants survive the digital revolution?

Knowing that part of your conference will address the role of artificial intelligence in accounting and business, I asked ChatGPT to answer “Whether accountants and business professionals will survive the digital revolution?”

You will be glad to know that ChatGPT thought we would indeed survive the digital revolution. It also gave ideas of how we might avoid “extinction”.

What was clear from my engagement with ChatGPT, was that to survive, we will need to adapt. We can no longer be bean counters, spread sheet jockeys, little grey “people” or whatever picture you have when you think of finance professionals.

Avoiding extinction

To avoid extinction, we need to change and we need to demonstrate how we add value to organisations and to the broader economy. One of the areas where I see us doing this, is to no longer be the ones generating data – this will be done by machines. We need to be the ones analysing and interpreting data, and turning it into information.

If I use the analogy of the bean counters, our role has traditionally been to count beans. If we are to survive, we will need to tell the story of how we counted the beans, describe the qualities and characteristics of the beans, the risks associated with the bean purchasing or harvesting activities, and whether we will be able to access more beans in future.

In short, we need to be storytellers.

We need to be better storytellers

Being a storyteller could mean that as a finance professional you’re contributing to, or generating information for, a single report, or being responsible for an organisation’s whole “financial report”. Finance professionals are involved in so many aspects of an organisation, that we are ideally placed to put all the pieces of the story together.

Good financial reporting is all about our ability to tell a good story. This is even more important as we start to link the financial statements to areas that measure an organisation’s status as a ‘good,

responsible citizen' that creates value for its stakeholders and the broader economy through its use of financial and other resources (including the environment).

In my view, there are a few aspects that make a good story and these are:

- having an integrated mindset and applying integrated thinking;
- using materiality as our measure of relevance;
- the sound application of accrual based accounting standards; and
- reporting on sustainability.

Integrated thinking

Having an integrated mindset and applying Integrated thinking means knowing the story that needs to be told from start to finish. The story is about how an organisation creates value, preserves value, and prevents the erosion of value through the use of various capitals, including:

- Financial capital.
- Created/manufactured capital.
- Intellectual capital.
- Human capital.
- Social capital.
- Natural capital.

The idea of value exists in both the public and private sectors albeit in different forms. Integrated thinking and reporting in the private or public sector requires an understanding of an organisation's purpose, strategy, culture, risks and opportunities, and its ultimate performance – which in today's environment focuses on both financial and non-financial measures.

When I think about integrated thinking and its value, I like to use a public sector example as it best demonstrates how we can turn data gathered in various process into information and a good story. The purpose of public sector organisations stems from an overall framework or strategy for government – for example – the UN sustainable development goals and economic goals. These are translated into strategies for levels of government and in turn for individual organisations. The story starts with organisational strategy, which is supported by a budget and a performance plan; the story ends with the financial statements and a performance report.

If the story is about an organisation involved in building social housing, an entity's annual performance plan should indicate how many houses should be built; the budget should indicate how much the houses should cost; the financial statements should indicate the actual cost of the houses built (e.g. through functional classification of expenses or the segment report); and the performance report should indicate how many houses were built. If we add on sustainability, we would explain how the building of those houses contributed to various sustainable development goals – e.g. how many families have safe homes, reduced illness and absences from school, and potential effects on the environment as a result of the housing development.

No doubt that all the information generated in the various processes will be done through an automated process; but there is also no doubt, that it is a human that will be telling the story of how this organisation and its houses contributed to the economy.

Let's move onto materiality.

Materiality

Materiality is the quality that differentiates good and bad stories – by good and bad I don't mean stories that are positively or negatively biased. What I mean by "good" is a high-quality, relevant story. Good stories are relevant to readers of financial statements and other reports as it gives them the information they need to make the decisions that are critical to them.

- In the private sector, the decisions are about the return on or of capital in the financial statements, and assessing value creation, preservation and avoiding the erosion of capitals.
- In the public sector, this includes holding officials accountable for the resources entrusted to them, and to make social and economic policy decisions.

Whether in the public or the private sector, materiality means telling an organisation's story and differentiates it's story from others.

The IASB published research earlier this year from national standard-setters about (1) how preparers and auditors apply materiality, and (2) whether they use the IASB's literature in preparing or auditing the financial statements. The results indicated that finance professionals often do not understand materiality, do not apply it, and some rely on the external auditors to tell them what their materiality should be. Some of the auditors in turn were not aware of the materiality guidance available to preparers, and therefore only considered materiality in their audits (which is about assessing the risk of misstatement) rather than assessing the quality of the financial statements.

One of the reasons cited for not applying materiality was the desire to achieve compliance with the Standards (which means applying a "tick box approach") rather than wanting a high quality set of financial statements. This compliance culture is driven by the fear of not wanting to be seen as deficient with the auditors, or simply that it is easier to follow a culture of compliance.

A way in which technology (in my mind) is adversely affecting financial reporting is the automatic generation of financial statements. These financial statements are generally produced without any "intelligence" – the software simply takes the mandatory and other requirements of the reporting framework and generates a report. No doubt the proliferation of this software will continue and extend to ESG reporting too.

Our role as professionals is to apply our judgement – apply materiality – and produce high quality information that is relevant to the readers of the financial statements and other reports. It is our job to tell a good story, not one of compliance and conformance.

Applying accrual accounting and applying it as intended

The next part of our story telling journey is to ensure that all the characters – the heroes and the villains – are part of the story. The heroes are assets and revenue, and the villains are liabilities and expenses. It is vital that the financial statements include all the elements – assets, liabilities, revenue and expenses.

While accrual accounting is a given for many organisations, for others, particularly government organisations, it is not. Before we move to sustainability and other reporting, we have to fulfil our commitment to provide a complete, unbiased position of an organisation's financial performance and financial position.

Sound application of the accounting and reporting Standards is about knowing the rules of good, credible story telling. In this context, it's about knowing how to apply the principles in the Standards correctly and applying judgement. Accounting is a social science. This means that our judgement as finance professionals, when applied to a set of facts and circumstances, could result in different answers. What is important is knowing that the correct principles were applied in a particular context, and explaining the thought process. Sound application also means telling the story responsibly and as the Standards intended.

While machines may understand the broad rules that are set for reporting, it our judgement to a particular set of facts and circumstances, that sets us apart.

Lastly, the topic that dominates every accounting conversation at the moment – sustainability reporting.

Reporting on sustainability

My discussion earlier on integrated thinking highlights the need for reporting on financial and non-financial value, and how something like sustainability reporting fits into the overall assessment of value in organisations.

It is clear that sustainability reporting presents an opportunity for finance professionals to take the lead in a new market – whether consulting, preparing or assuring sustainability information.

However, my caution is that simply providing more reporting, without telling a true story, will simply add more complexity, create an increasing compliance culture, and really ensure that no one reads the information we produce.

In closing

Lastly, I was reading an article yesterday about how AI is being used at the University of Pretoria here in South Africa as an educational tool in the Chartered Accounting stream. One of the questions was about the potential threat of AI replacing teachers and academics. Happy to report that the article indicated that educators would indeed not be replaced.

While I am not an academic, I believe that we all have a role to play in developing and shaping the new generation of finance professionals. We need to teach them to think differently about their work, and their roles in society. For me, it is through storytelling that we avoid becoming obsolete – extinct – and ensure our survival.

To quote an African philosopher Ben Okri “The greatest religions convert the world through stories”. There is an inherent storyteller in each of us...

Meet the ASB Board - Mr. Sandiso Gcwabe



Mr Sandiso Gcwabe was appointed as a Board member in March 2024.

He is a Chartered Accountant [CA(SA)] and is currently the Chief Financial Officer at Wesgro. Prior to this role he was the Chief Financial Officer at the Western Cape Liquor Authority and a Financial Manager at the Saldanha Bay Municipality.

Mr. Gcwabe is the Non-executive Director of the Desmond and Leah Tutu Legacy Foundation and a trustee of the Khayelitsha Youth & Community Centre (KYCC) Trust. He also served as the Deputy Chairperson of the SAICA Southern Region Public Sector Committee.

He has a track record of excellence in leadership in the public sector and is the 2021 and 2022 Association for Advancement of Black Accountants of Southern Africa (ABASA) Public Sector CFO of the Year award winner.

He is passionate about the public sector and appreciates its importance for the realisation of the South Africa as envisaged in the Constitution. *“The career choices I have made were informed by a passion for acquiring skills and utilising them to serve organisations whose objectives are primarily focused on improving lives and livelihoods of others”*, he says.

Mr. Gcwabe is one of five new Board members at the ASB. Access more information about the ASB Board [here](#).



Although Ms. Willemina de Jager retired from an illustrious career in July 2018, she continues to apply her wealth of knowledge and experience in different roles professionally. She currently serves on the ASB Board as well as the management structures of Body Corporates of Sectional Titles and Retirement Villages. She also assists with the personal finances of her friends and family.

Her qualifications include:

- BCom Hons (Accounting Science)
- Certificate in the Theory of Accounting
- Training on an Executive Development Program
- MCom Management Accounting (Script only)

Her expertise and work experience include:

- *Director of Operations at the Independent Regulatory Board for Auditors (IRBA) from 2009 to 2018:* She was responsible for the execution of the development of a workflow system for the full process of auditors' interaction with IRBA. Part of her responsibilities included Human Resources, Facility Management, Risk Management and Supply Chain Management. IRBA achieved a clean audit report for these nine consecutive years.
- *Head of Risk and Supply Chain Management, including Facilities at the Financial Services Board (FSB) from 2004 to 2009:* Her responsibilities included Risk Management, Quality Management (Compliance with SABS ISO9001:2008), the development and implementation of a Supply Chain function, Performance Reporting and Compliance. Ms de Jager also served on several committees while at the FSB, including the FSB Pension Fund, FSB representative on the Committee for Auditing Standards, the Human Resources Policy Standard Committee and the Audit and Risk Management Committee.
- *Project Manager: Conglomerate Supervision at the FSB from 1999 to 2004:* She was responsible for the research and implementation of Conglomerate Supervision among insurance companies, banks and financial institutions.
- *Other previous experiences include the role of General Manager at Nissan South Africa, Senior Lecturer at the School of Accountancy at the University of Pretoria and Senior Auditor at Deloitte Haskins and Sells in the London and Pretoria offices.*

An interesting fact about Ms. de Jager is she enjoys traveling and has travelled to 115 countries (and counting).

Ms. de Jager was re-appointed for a second term as Board member at the ASB in March 2024. Access more information about the ASB Board [here](#).

Meet the new ASB Board member – Mr. Shabeer Khan



Mr. Shabeer Khan was appointed as a Board Member of the ASB in 2023 after his appointment as the Accountant-General of South Africa in the National Treasury. He is the representative of the Office of the Accountant-General on the Board.

Mr Khan is a Chartered Accountant and a member of the South African Institute of Chartered Accountants (SAICA). He holds a Bachelor of Commerce degree in Accounting from the University of the Witwatersrand and a Bachelor of Accounting Honours degree from the University of South Africa.

Mr. Khan has more than 20 years' experience in the public service. He started his articles in 2002 with Fazel & Associates and thereafter moved to the Auditor-General of South Africa in 2004 where he rose through the ranks to become a Senior Manager.

Mr. Khan joined the Department of Trade Industry and Competition as the Chief Financial Officer in 2013.

He was appointed Acting Director-General of the Department in 2022, a position he held until he joined the National Treasury.

Mr. Khan is currently a member of the Financial Reporting Standards Council (FRSC); he is the Minister of Finance's representative on the Independent Regulatory Board for Auditors (IRBA); as well as a member of the National Treasury Executive Committee. He previously served on various boards as an Independent Non-executive Director, as well as on numerous audit committees.

Mr. Khan received numerous awards and accolades throughout his career, including SAICA's Chairman Award – Future Fit Category 2020, Young CFO of the Year, Public Sector CFO of the Year, and the Compliance and Governance Awards for 2020 (CFO SA).

Access more information about the ASB Board [here](#).

Meet the new ASB Board member – Mr. Andrew van der Burgh



Mr. van der Burgh was first appointed as a member of the Accounting Standards Board in 2021 and was elected as the Chair in 2024

He was appointed a member of the International Public Sector Accounting Standards Board in January 2023.

Mr. van der Burgh is an academic at the University of Pretoria where he is responsible for the Chartered Accountancy programme and lecturing financial reporting. He is involved in accounting policy research with a specific focus on disclosures.

Prior to joining the university, Mr. van der Burgh was a Senior Manager in the Deloitte Africa Accounting Technical Desk.

Mr. van der Burgh contributes to the development of accounting standards internationally and locally as a member of committees of the South African Institute of Chartered Accountants (SAICA).

He graduated from the University of Pretoria with an MCom Accounting Sciences degree in 2013 and received his CA(SA) designation from SAICA in 2012.

Access more information about the ASB Board [here](#).



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