FINAL REPORT
November, 2012

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SWAZILAND
REPORT ON THE OBSERVANCE OF STANDARDS AND CODES
ACCOUNTING AND AUDITING

November 2012

ACKNOWLEDGMENT

The World Bank undertook the Report on the Observance of Standards and Codes – Accounting and Auditing (ROSC A&A) review at the request of the Government of Kingdom of Swaziland. The report summarizes the findings and policy recommendations that will contribute in developing a comprehensive reform plan that will strengthen the accountancy and auditing practices in the country with overall aim of contributing to enhance competitiveness and public sector governance.

The review was conducted by a World Bank team comprising Patrick Kabuya (Task Team Leader, Senior Financial Management Specialist, AFTFM); M. Zubaidur Rahman, (Program Manager, OPCFM, and ROSC Team Adviser); and Sonny Mabheju (International Consultant). A special thanks is extended to the peer reviewer team: Phindile Ngwenya (Research Analyst, PREM, CMU); Bernard Agulhas (Chief Executive Officer, Independent Regulatory Board for Auditors); Gert van Der Linde (Lead Financial Management Specialist, AFTFM); Szymon Radziszewicz and Thomas Zimmerman (Senior Technical Managers, Member Body Development, IFAC); and Olivier Basdevant (IMF). The ROSC team acknowledges the guidance provided by Ruth Kagia and Asad Alam (former and current Country Directors, respectively, for Swaziland); Renaud Seligmann (Sector Manager AFTMW); Patricia Mc Kenzie (Sector Manager AFTME), Fily Sissoko (Lead Financial Management Specialist), Claus Pram Astrup (Senior Country Officer); and Mcdonald Benjamin (Country Program Coordinator).

The team also acknowledges the contributions made by the stakeholders who were met during the review (Appendix 1) with special mention of HE Barnabas S. Dlamini, Prime Minister; and Hon. Majozi V. Sithole, Minister of Finance. Support to the team by the Steering Committee and staff at Swaziland Institute of Accountants Secretariat under leadership of Mr. Barnabas Mhlongo is also acknowledged with gratitude.

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ABBREVIATIONS AND ACRONYMS

A&A	Accounting & Auditing
AAT	Association of Accounting Technicians
ACCA	Association of Certified Chartered Accountants
BCom	Bachelor of Commerce (degree)
CPD	Continuing professional development
E	*Emalangeni* (Currency of Swaziland)
GDP	Gross Domestic Product
IAASB	International Auditing and Assurance Standards Board
IAESB	International Accounting Education Standards Board
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standard
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standard
ISA	International Standards on Auditing
KPMG	Klynveld Peat Marwick Goerdeler
PwC	Pricewaterhouse Coopers
ROSC	Report on the Observance of Standards and Codes
SACU	South African Customs Union
SAICA	South African Institute of Chartered Accountants
SIA	Swaziland Institute of Accountants
SME	Small and medium-size enterprise
SMO	Statement of Membership Obligations

EXECUTIVE SUMMARY

1. The main purpose of the Report on the Observance of Standards and Codes, Accounting and Auditing (ROSC A&A) review exercise, conducted at the request of the Government of the Kingdom of Swaziland, is to propose policy recommendations that will strengthen institutional framework that underpins accounting and auditing practices in the country. Implementation of the policy recommendations will enhance the quality of financial reporting for corporations — a key pillar that contributes to enhancing the business environment and advancement of governance and financial accountability in both the private and public sector entities.

2. **Swaziland has made progress in putting in place appropriate financial reporting infrastructure.** There is a regulatory framework that stipulates financial reporting requirements for different types of companies. The country has adopted relevant accounting, auditing, and professional ethics standards that are aimed at producing quality financial reports. There are a number of regulators (the Central Bank of Swaziland, Swaziland Stock Exchange, Insurance and Retirement Fund Regulator, Public Enterprise and Auditor General) that make efforts to monitor compliance with these standards. In addition, the Swaziland Institute of Accountants (SIA), the country's professional accountancy organization, has a legislative mandate to contribute to education and training of accountants and to register qualified accountants as its members. In turn, the SIA regulates and supports these members to attain and retain professional competencies.

3. **In the course of the A&A review, the ROSC team identified areas that require institutional improvement.** These include the following:

- ***The number of qualified accountants and especially audit practitioners available in the country is relatively low in comparison with the current demand estimated to be 600 professional accountants and 4,100 technicians.*** There are 185 technicians and 84 chartered accountants of which only 19 are auditors serving in 11 audit firms. The low numbers are attributed to the following reasons: (a) Too few suitably equipped accountancy training institutions that limits access to study for accountancy qualification and inadequate quality of training provided in these institutions. (b) The quality of the Bachelor of Commerce (BCom) qualification at the University of Swaziland is in need of resurgence; graduates from the program require 4 additional years to qualify as South Africa chartered accountants (one of the qualifications offered in Swaziland) when compared with those graduates qualifying in a similar degree in other accredited South African universities. (c) Only 3 candidates have passed conversion exams since 2007 and hence admitted as auditors. And (d) there are limited opportunities for practical training for prospective chartered accountants since only 11 audit firms are allowed to offer practical training in Swaziland.

- ***Swaziland Institute of Accountants has limited financial and human resources*****.** With only an executive director and two administrative assistants and limited financial resources mainly from membership subscriptions, the SIA lacks the ability to offer value (services and products) to members and the public.

- ***The Companies Act allows some private limited companies (outside the regulated sectors) to choose not to have an auditor and/or produce financial statements for the annual***

general meeting. This is so even if the companies have the profile of a public interest entity, a term not legally defined yet. In addition, the Act does not specify the institution responsible for setting accounting and auditing standards.

- ***A low level of compliance with standards is attributed to the limited number of accountants in the country and minimal level of implementation support offered to the preparers and auditors.*** The result is an increased reliance on auditors who are then involved in both preparation and subsequent audit of the financial statements — a situation that threatens auditor independence.

- ***There are weak monitoring and enforcement mechanisms for compliance with accounting and auditing standards.*** The regulators do not have IFRS experts, which impacts on their ability to monitor compliance with the standards. As a result, no company, accountant, or auditor has ever been sanctioned because of noncompliance with the standards.

- ***There is effectively a dual market, whereby the two large audit firms, KPMG and PwC, offer better hiring packages to staff, are perceived to provide better services to clients and command higher fees***. By contrast, the nine other firms in Swaziland are trapped in a low equilibrium characterized by low trust in financial statements, lower fees and lower levels of compensation for staff. These nine firms require concerted support to move up in terms of quality, trust, fees and staff compensation.

4. **The ROSC team has proposed principle-based policy recommendations to address the identified weaknesses with overall aim of improving the quality of financial reporting in the country.** The key proposed policy recommendations include:

(a) ***Establish a college of accountants to train more professional and technical accountants required to serve the economy*.** The SIA in partnership with the Government, private sector, professional accountancy organizations (like ACCA, SAICA, and AAT that offer qualification in Swaziland), and development partners should champion establishment of the college, possibly within an existing institution and modeled as a private–public partnership. The proposed college, with adequately qualified lecturers and training materials and equipments, would contribute in increasing access opportunities to prospective accountants and also offer high-quality training.The ultimate objective would be to increase the number of qualified accountants required to serve both the public and private sector: demand estimated at 600 professional accountants and 4,100 technicians. The country should consider the benefits and process of establishing and running such a college by learning from the experiences of Botswana, Lesotho, and Zambia – countries that operate well-established and successful colleges of accountants.

(b) ***Strengthen the BCom degree qualification in the University of Swaziland***. The University should enter into a twinning arrangement with another regional university for revising and accrediting the BCom degree curriculum and also offer capacity building to lecturers, which might include secondment and training opportunities in other countries.

(c) ***Extend practical training offices beyond audit firms and develop practical training policies***. Other institutions and companies, in addition to audit firms, should be allowed to offer practical training in order to increase overall opportunities in the country. The opportunity should be extended to include the Swaziland Revenue Authority, the Office of the Auditor-General, ministries and departments, public enterprises and private sector companies (e.g., banks and non-banking financial institutions). Currently, 60-70 candidates graduate with a BCom degree from the University of Swaziland, and the practical training opportunities in the 11 audit firms is considered to be inadequate. The SIA should develop policies to govern the accreditation process of training offices and their officers, and also requirements for administering the training contracts.

(d) ***Strengthen SIA***. The SIA Council should develop and implement a 5-year strategy focused on fulfilling its legal mandate and IFAC Statement of Membership Obligations (SMOs). The governance structures — council and committees — should be reviewed and strengthened. An appropriate secretariat staffing structure, including technical and monitoring units, should be designed and capacitated especially to implement the proposed strategy. Initially, the focus should be on strengthening committees which should undertake the Institute roles before recruiting and developing appropriate staff. The SIA should offer services and products to the members and public, especially to support them in compliance with the standards. Specific focus should be on support to the small and medium-size practice firms. Funding models to achieve financial sustainability should be designed.

(e) ***Revise the Companies Act***. Revision to the Companies Act should establish a standards-setter that sets accounting and auditing standards and determines the applicable accounting standards by different categories of companies in the country. The Companies Act should specify the institution that monitors compliance with the standards. Also, the Act should require all public interest companies - a terms that should be defined in the Act - to be audited.

(f) ***Strengthen monitoring and enforcement.*** The SIA should establish a monitoring and enforcement unit. The Institute should partner with a recognized professional body to develop skills of experts and tools and methodology necessary to conduct reviews of audit quality and financial statement. The developed expertise would initially support all regulators through a memorandum of understanding and assist in developing more expertise.

5. **The Government should develop a country action plan to implement the policy recommendations.** The Steering Committee and the World Bank should support the Government in preparing the plan. The activities in the plan should be prioritized on the basis of capacity and resource availability.

I. INTRODUCTION

1.1 The Report on Observance of Standards and Codes, Accounting and Auditing (ROSC A&A), requested by the Government of the Kingdom of Swaziland, contributes to development of a comprehensive plan that will strengthen the institutional framework that underpins accounting and auditing practices in the country. ROSC A&A program is a part of the joint World Bank-IMF initiative on assisting member countries to strengthen their financial system by improving capacity to comply with important internationally recognized standards and codes. The initiative covers twelve areas that relate to (a) policy transparency; (b) financial sector regulation and supervision, - Financial Sector Assessment Program (FSAP); and (c) market integrity. ROSC A&A relate to market integrity and specifically reviews and makes recommendations for strengthening the framework for education and training for accountants, the capacity and services of a professional accountancy organization, regulatory framework governing accounting and auditing practices, the applicable accounting auditing and ethics standards and the extent of their implementation, and the regulatory institutions and mechanism for monitoring and enforcing compliance with the standards.

A. Objective of the Review

1.2 **The 2012 ROSC A&A review is aimed at contributing to the achievement of two development objectives in Swaziland: (a) making its business environment more conducive to private investment and (b) advancing governance and financial accountability in both the private and public sector entities.** The objectives form part of the Swaziland Economic Recovery Strategy, which was issued in 2011, aiming to accelerate inclusive and sustainable economic growth. The strengthened institutional framework will specifically contribute to improving quality of corporate and public enterprise financial reporting, in accordance with international accounting and auditing standards — a key contributor to improving country competitiveness, investor confidence, and ultimately economic growth. In addition, it will support the development of professional accountants who will serve and advance good governance in both private and public sector.

1.3 **The objectives of the ROSC A&A review align with the World Bank's Interim Strategy Note for improving governances and increasing competitiveness**.[1] The Interim Strategy Note for Swaziland identifies three key areas for providing support to the Government: (a) fighting HIV/AIDS; (b) improving governance; and (c) increasing competitiveness. With focus on the latter two areas, strong institutions with attendant effect on high-quality accounting and auditing practices can significantly improve governance in both public and private sectors of the economy and enhance competitiveness in the market place.

B. Country Context

1.4 **The Kingdom of Swaziland is a small land locked lower middle-income country bordering South Africa and Mozambique**. Small size, constrained human capacity, and vulnerability to external economies, especially South Africa, define everyday realities in

[1] Interim Strategy Note (2008-2010) for Swaziland: http://go.worldbank.org/5XUKCEC850

Swaziland. It has a population of about 1 million people[2] and a land area of 17,000 square kilometers organized in 4 regions. One-third of the population resides in two larger metropolitan areas (Manzini and Mbabane, the capital) and is sustained by manufacturing and services. The remaining two-thirds of the population live in rural areas and derive a significant part of their income from farming activities. The proportion of the population of Swaziland defined as poor dropped from 69.0 percent in 2000 to 63.0 percent in 2009.[3] Poverty in Swaziland has remained a disproportionately rural phenomenon: 89 percent of poor individuals are living in rural areas.

1.5 **Swaziland's prospects for growth are expected to remain subdued in 2012 mainly due to the effects of the government cash-flow problems, which will negatively affect sectors that are closely linked to the government sector.** After averaging 2.9 percent during 2004-2008, economic growth in Swaziland dropped significantly from 2009 to 2011, mainly due to the impact of the global economic downturn on export-oriented sectors[4] and a fall in revenue in the South African Customs Union (SACU).[5] The IMF estimates real GDP growth was 0.3 percent in 2011 compared with 2.0 percent in 2010.[6] The Government is motivated to further improve the investment climate and ease of doing business in Swaziland.[7] Assuring robust and high-quality accounting, auditing, and financial reporting practices in the country will facilitate private sector development.

C. Methodology and Structure of the Review

1.6 The ROSC A&A focuses on the institutional framework regulating the accounting and auditing practices, and the comparability of national accounting and auditing practices with international standards and best practice, using International Financial Reporting Standards (IFRS)[8] and International Standards on Auditing (ISA)[9] as benchmarks. It evaluates the effectiveness of enforcement mechanisms for ensuring compliance with applicable standards and codes. An overview of the ROSC A&A Program, including rationale and detailed methodology, is available at http://www.worldbank.org/ifa/rosc_aa.html.

1.7 **The Swaziland ROSC A&A review, conducted January 2012 to June 2012, involved a multi-layered assessment.** The information and data used for the review was gathered from reviewing accountancy profession-related documents and conducting diagnostic questionnaires, and interviews with many stakeholders from Government, regulatory bodies, accounting and

[2] Its indigenous population is homogenous (made up of one tribe).
[3] The computed poverty line in constant terms of January 2010 is E461(Estimate US$ 61.5) per month per equivalent adult. The food poverty line or extreme poverty line is set at E215 (Estimate US$ 28.7) per month per equivalent adult (for a 2,100 kilocalorie daily diet). Used an exchange rate of E 7.5 = 1 US$ - Average rate
[4] Volumes of exports and export earnings declined because of reduced global demand and declining commodity prices in world markets. The main natural resources of the country are, coal, quarry stone, timber, and talc.
[5] SACU consists of Botswana, Lesotho, Namibia, South Africa, and Swaziland. Its primary goal is to promoto economic development through regional coordination of trade: http://www.sacu.int/index.php.
[6] The Government estimates that economic growth in 2011 slowed to 1.3%.
[7] The World Bank/IMF "Doing Business 2011" assessment rated Swaziland at 118 out of 183 countries on ease of doing business.
[8] IFRS refer to all standards and related interpretations issued by the International Accounting Standards Board (IASB), and the International Accounting Standards (IAS) and related interpretations issued by its predecessor, the International Accounting Standards Committee
[9] ISA are issued by the International Auditing and Assurance Standards Board (IAASB) within the International Federation of Accountants (IFAC).

auditing firms, banks, insurance companies, state-owned enterprises, small and medium-size enterprises, and academia. Appendix 1 provides a list of individuals visited for the review. The ROSC A&A review focused on the financial reporting in different economic sectors, which include the following:

(a) Financial institutions: 4 banks,[10] 1 building society, and 4 non-bank institutions (excluding insurance companies and pension funds).

(b) 6 listed companies, which have low trade volumes (total trade value in 2011 was US$138,500 (or E1,038,995).

(c) 10 insurance companies and 66 pension funds.

(d) Public enterprises: There are 55 public enterprises,[11] which constitute a significant sector of the economy as evidenced by E5 billion (estimate US$ 667m) worth of assets[12] under the management of public enterprises spanning across all sectors of the economy. Board of Directors is responsible of overall governance of PEs.

(e) Small and medium-size enterprises (SMEs), which are major drivers of economic growth and employment creation. As at January 31, 2012, there were 31,004 private companies (only 2,246 are active), 1,357 public companies, and 510 non-profit organizations registered with Registrar of Companies.[13]

II. INSTITUTIONAL FRAMEWORK

2.1 This section evaluates the institutional framework that underpins the accountancy profession in Swaziland. A strong institutional framework sets the stage for a robust financial reporting regime, necessary to support the growth agenda set by the Government of Swaziland.

A. Accountancy Education and training

2.2 A sound education and training system (from pre-qualification to post-qualification) producing well-trained accountants and auditors is one of the major factors that support reliable accounting, auditing and financial reporting practices.

2.3 **There are two types of professional accountants — the only accepted membership categories by Swaziland Institute of Accounts (SIA**). They acquire their qualification through a combination of professional examinations and practical experience.

- ***Registered accountants (Swaziland).*** The Accountants' Act permits Swaziland residents to be registered accountants if they have passed the examination prescribed by the SIA Council and have acquired Council-approved practical experience. Currently such requirements are satisfied by (a) passing the AAT technician stage 4, plus 3-years proven work experience; or

[10] Three of the banks are subsidiaries of South African banks with the Government of Swaziland holding minority interest in 2 of them. The 4th bank is state owned.

[11] Category A: 40 public enterprises, which are 100% Government owned and 15 public enterprises in which Government has minority interest. Data from Ministry of Finance, Public Enterprises Unit.

[12] Figure from 2011 Budget Speech by the Minister of Finance.

[13] Figures from Registrar of Companies.

(b) earning a Bachelor of Commerce (BCom in accounting) degree from the University of Swaziland, plus 3-years proven work experience, or (c) earning a Bachelors of Accounting (BAcc) or BCom degree with 3 years of accounting courses from Council - approved universities, plus 3-years work experience. Currently, there are 185 registered accountants in Swaziland.

- ***Chartered accountants (Swaziland)***. Attaining chartered accountant level is achieved by (a) passing the final (professional) ACCA examinations, plus 5 years as articled clerk under an approved accounting training contract (this requirement is reduced to 3 years if the applicant holds a degree in accounting), or (b) holding membership in good standing of another IFAC-affiliated institute of chartered or certified accountants. The South African Institute of Chartered Accountants (SAICA) qualification model is commonly followed in Swaziland. Currently, there are 84 chartered accountants in Swaziland. Out of this total, 19 are practicing auditors in 11 audit firms,[14] which include 2 of the big-4 global network firms.

There is no confirmed data on number of candidates currently studying for the registered or chartered accountant qualification; students register either directly with SIA or the foreign professional body offering the qualification.

2.4 **The Accountants Act requires chartered accountants to pass the conversion exams in order to be eligible for an audit practicing certificate.** The conversion exam requirement is applicable for all chartered accountants who qualify under foreign accountancy qualifications and are Swaziland residents. Only Swaziland residents are eligible to take this examination. Currently, based on the SIA statistics, there are 84 qualified chartered accountants, of which only 19 have successfully passed the conversion exams.[15] The conversion examination covers Swaziland taxation, company law, insolvency, and administration of estates. The examination is set and marked by the University of Swaziland and moderated by SIA members in public practice. There is limited support mechanism for candidates taking the conversion exams: no instruction or study packs are provided to candidates to assist in preparing for the exams. There is a public perception that the conversion process lacks transparency and that there is a cap on the number of chartered accountants who can be auditors in the country. This perception negatively impacts on the number of candidates interested to sit for the exam. Some stakeholders have questioned the content of the conversion exam and suggested that the focus should only be on tax and company law.

2.5 **In addition to the needed improvement in the quality of accountancy education, there are only a limited number of credible institutions offering accountancy qualification training.** The main institutions offering accountancy training include Institute of Development Management, Swaziland College of Accountants, Oxford University, and Workers College. The quality of accountancy training offered by these institutions is considered to be inadequate. They have limited number of suitably qualified lecturers,[16] and training is only offered on few required subjects. The fees are considered to be exorbitant. There is currently no existing requirement for

[14] At the time of writing this report, 1 firm had 4 partners, 4 had 2 partners each, and the rest were sole practitioners.
[15] From 2007 to 2012 only 3 candidates passed the examination and on the average 3 candidates write the examination per year.
[16] Confirmed by lecturers at Institute of Development Management (IDM) and the University of Swaziland

these institutions to be accredited for offering the accountancy training. The SIA has no influence on the accountancy curriculums at these training institutions.

2.6 **A BCom graduate from the University of Swaziland requires 4 additional years to qualify under the SAICA qualification model than would a graduate from a South Africa university.** This indicates that the accountancy curriculum at the University of Swaziland — where 60-70 students graduate with a BCom degree per year — requires improvement. Similarly, there is minimal influence by the stakeholders on the University of Swaziland academic and research programs.

2.7 **Overall, the quality of education negatively impacts on the number of qualifying students (low-pass rates) and limits the number of students who can study to be accountants (access limitations).** The country is hence not able to meet the current demand for an estimated 600 professional accountants and 4,100 technicians required to serve both public and private sector in the country (Table 1). A 2011 World Bank report highlights similar challenges that impact on technical, vocational, and higher education institutions in Swaziland: namely, lack of policy framework to provide strategic direction; no legal national frameworks, which have led to weak regulation and quality control of public and private training providers (e.g., no accreditation is required for training providers); no standards and/or qualification frameworks; and limited access.[17] The Swaziland Education Sector Strategic Plan 2010-2012 has incorporate reforms to address these challenges.

Table 1. Estimate of Demand for Accountants

Type of company	*No. of companies*	*Estimate professionals*	*Estimate technicians*	*Total estimate*	*Assumptions – average number per company*
Banks	4	16	80	96	4 professionals and 20 technicians
Insurance companies	9	36	180	216	4 professionals and 20 technicians
Retirement funds	70	70	140	210	1 professional and 2 technicians
Public enterprises	37	148	370	518	4 professionals and 10 technicians
Public companies	13	52	130	182	
Private companies	2,246		2,246	2,246	Average of 1 technicians
Non-profit company	141	141	282	423	1 professional and 2 technicians
Audit firms	11	44	200	244	4 Seniors and ±20 Technicians
Ministries and departments	31	100	401	501	As per the establishment register
Auditor-General		10	74	84	As per the establishment register
		617	4,103	4,720	
Average demand		**600**	**4,100**	**4,700**	

Note: Estimates computed by SIA management and World Bank review team (July 2012) based on stipulated set of assumptions set out above. The report includes a recommendation to undertake conduct a definitive study to determine the actual level of demand for auditors in Swaziland (paragraph 6.19).

[17] The Education System in Swaziland: Training & Skills Development for Shared Growth and Competitiveness (World Bank, 2010).

2.8 **The SIA allows only audit firms to offer practical training contracts (opportunities) for candidates aspiring to be chartered accountants, and it has no stipulated training contract administration policies and monitoring mechanisms.** As noted earlier, to be a chartered accountant, a prospective professional accountant has to serve as an articled clerk to acquire practical experience. There are 11 audit firms — with only 5 having more than one partner — that are allowed to offer practical training opportunities. Therefore, most of the 60-70 BCom students who graduate every year from the University of Swaziland do not secure practical training contracts due to the limited number of available opportunities. Adding to this limitation, SIA has not developed policies for accrediting registered training offices and officers, nor has it established compliance requirements for trainees and trainers during the training contract period. The SIA does not have the monitoring capacity or the mandate to check the adequacy of practical training offered by employers/trainers of professional accountancy students. The problems of practical training are directly attributed to the lack of monitoring capacity by both SIA and foreign professional accountancy bodies (ACCA and SAICA) that offer training in Swaziland. Lack of monitored practical training compromises the quality of the professional accountants.

2.9 **The professional education curriculum and examinations are set and administered by the (foreign) professional accountancy organizations offering the qualification, mainly ACCA, AAT, and SAICA.** The SIA provides basic administrative duties for these professional accountancy organizations such as taking on the tasks of registering students and members and administering the exams (for a fee). The SIA does not influence the subject content and professional examination structure for the qualifications offered in Swaziland by these professional accountancy organizations. Stakeholders expressed concerns that the professional qualification curriculum does not include public sector-related topics and that the newly qualified graduates do not have relevant experience as a result of ineffective monitoring of training contracts.

2.10 **While SIA members are required to comply with continuing professional development (CPD) requirements to retain their professional competencies, SIA offers minimal CPD opportunities and does not monitor compliance.** The SIA requires a minimum of 120 hours of continuing professional development over a 3-year period. The - International Education Standard (IES) 7 issued by the International Accounting Education Standards Board (IAESB) requires individual professional accountants to develop and maintain professional competence necessary to provide high-quality services to clients, employers, and other stakeholders.[18] The consequence of CPD is to strengthen public trust in the profession. The regular training of the profession is the mean by which professional accountants can meet their obligations of ongoing competence. Some firms, namely PwC, KPMG, Synergy, and Kobla Quashie & Associates, offer internal CPD training to its members. The foreign professional accountancy organizations, ACCA, AAT, and SAICA, are not represented physically in the country and thus offer their CPD programs mainly through electronic learning modules. The SIA only offered five CPD sessions during the period 2009–2011(Table 2). The members in other

[18] International Education Standard 7, *Continuing Professional Development, a Program of Lifelong Learning and Continuing Development of Professional Competence*

audit firms and those out of public practice have limited CPD opportunities, which negatively impact their ability to stay up to date with professional development necessary to remain professionally competent and meet their CPD minimum requirements. The SIA has no monitoring mechanism and therefore no member has been disciplined for not complying with the CPD requirement. Ultimately, the weaknesses have negative impact on the quality of services offered by SIA members.

Table 2: SIA-provided CPD Events, 2009-2011

Date	*CPD subject*	*Number of delegates*
11/11/2009	Auditing update	39
09/04/2012	Accounting update	106
14/10/2012	Accounting update	100
10/05/2011	Auditing update	26
27/09/2011	Accounting update	82

Source: SIA statistics.

B. Professional Accountancy Organisation

2.11 A strong national accountancy profession, internationally recognized and independently regulated, plays an important role in the functioning of a modern economy with regards to sound financial reporting practices.

2.12 **The SIA, formed under the Accountants Act 1985 as a self-regulatory body, is the only professional accountancy organization in Swaziland.** It is the official voice for the profession in the country. The SIA, a member of IFAC and Pan African Federation of Accountants, is charged with the responsibility of setting professional standards. Its profession-promoting scope includes setting standards for educating and training of students, for conducting examinations, for setting qualification requirements, for encouraging the study of accountancy, for representing the interests and views of the profession, and for promoting legislation deemed to be of advantage to the profession. While SIA has a mandate to register practicing auditors, there is no similar mandate for registering practicing accountants. The SIA has 269 members,[19] with 19 practicing auditors serving in 11 audit firms.[20] The low number of auditors is considered to be a systemic risk and hinders implementation of partner rotation as required by the International Ethics Standards Board for Accountants (IESBA) Code of Ethics adopted by the SIA.

2.13 **The SIA faces challenges that impact on its ability to serve its members and the public**. The SIA is considered to have limited or non-existent value to its members, which has negative impact on the accountancy profession in the country. In fact, the ROSC team met a number of qualified ACCA members who are not auditors and do not see benefits of SIA membership. A number of qualified accountants have note registered with SIA as it is not mandatory. The SIA has limited human and financial resources, which hinders its member

[19] March 2012: Made up of 65 non-practicing chartered accountants, 19 practicing chartered accountants (in 11 audit firms) and 185 registered accountants. Source: SIA membership register

[20] At the time of writing this report, 1 firm had 4 partners, 4 had 2 partners each and the rest were sole practitioners.

services and negatively impacts on its ability to fulfill its mandate, meet IFAC SMOs, and contribute to country economic issues relating to financial reporting. The SIA Secretariat staff includes the Executive Director, supported by two administrative assistants but no technical resources. There are few committees, but they are not active. It is evident that membership involvement in SIA activities is limited, and the revenue base is scant.[21] Overall, these factors lower the visibility of the accountancy profession. The ROSC review team was informed that the Government does not consider "accountancy" as priority profession in the public sector. Therefore government accountants are not entitled to the retainer allowance offered to other professionals such as engineers and doctors.

C. Statutory Reporting Framework

2.14 A robust financial reporting system requires clear, consistent, proportionate, comprehensive, and up-to-date laws and supporting regulations.

2.15 **The accounting, auditing, and financial reporting requirements (set out in Table 3) are governed by various legislations and regulations that include:**

- Companies Act 2009,
- Financial Institutions Act, 2005
- Insurance Act 2005,
- Retirement Funds Act 2005
- Financial Services Regulatory Authority Act, 2010,
- Public Enterprises (Control and Monitoring) Act 1989, and
- Securities Act 2010

2.16 **Most legislation and regulations governing financial reporting in Swaziland require financial statements to be audited.** The legislation and regulations governing financial institutions, insurance companies, and retirement funds require auditors of such entities to be approved by respective regulators. The Companies Act exempts a private company, which does not exceed five shareholders and share capital of E50,000[22] (estimate US$ 6,700), from appointing an auditor. This means private companies that may be public interest entities in terms of size and various qualitative measures may elect not to appoint an auditor. This exemption creates a financial reporting weakness since it limits accountability to the entity's stakeholders. The financial statements of private companies are not readily available to the public.

2.17 The **Companies Act, like most financial reporting laws in Swaziland, requires company directors to prepare annual financial statements and present them at the annual general meeting.** The annual financial statements consist of (a) components of financial statements as set out in IASB-issued IFRS; (b) a director's report (except for a company that is a

[21] Income for year 2011 was E1,480,233 (Estimate US$ 197,000) of which E413,998 (US$ 55,000) was foreign exchange gain. The SIA collects membership fees and exam fees on behalf of ACCA and AAT. It negotiates exchange rates with the local banks resulting to the foreign exchange gains.

[22] The Act does not specify if this relates to authorized or issued share capital.

wholly owned subsidiary of another company incorporated in Swaziland),[23] and (c) an auditor's report. The Act requires financial statements to comply with IFRS and "Swaziland Financial Reporting Standards" (although these standards do not exist) and be in accordance with the provisions of Schedule 3 of the Companies Act. Thus, companies are required to identify any gaps between the IFRS and Companies Act disclosure requirements and report on both in the auditor's report — an onerous requirement. The requirement for all companies, except the exempt private companies, to apply IFRS is difficult and costly for small and medium-size companies. Some legislation and regulations refer to nonexistent accounting standards (e.g., generally recognized accounting practice).

2.18 **The Companies Act allows any private company to elect to dispense from presenting annual financial statements and reports before a general meeting in the current and subsequent years.** This is a significant weakness in the financial reporting statutory framework as some of the private companies may be a public interest enterprise, which should be required to present financial statements before the annual general meeting for the benefit of stakeholders.

2.19 **The Companies Act does not stipulate what institution should be responsible for reviewing compliance with stipulated accounting standards**. This is a practice in many countries aimed at ensuring issuance of quality financial statements.

2.20 **The Financial Institutions Act, Retirement Funds Act, and Central Bank Act do not require entities falling under these Acts to prepare and issue a half-yearly reviewed financial statement.** The requirement of half-yearly reviewed financial statements is a widely accepted practice aimed at enhancing accountability. External auditors should review the interim financial statements of such entities before they are issued.

2.21 **Company audit committees play a critical oversight (governance) role of financial and operating policies and procedures.** Other than the Financial Institutions Act, there is no stipulation to establish such a committee in other legislation.

D. Setting Accounting and Auditing Standards

2.22 Rigorous standards and codes in accounting, auditing, and ethics (accepted internationally) constitute one of the factors that underpin a system of reliable financial reporting practice for users of financial statements.

2.23 **The SIA has approved the adoption of IASB-issued IFRS and IFRS for SMEs, ISA, and the IESBA-issued Code of Ethics for Professional Accountants, without modification.** Although the law in Swaziland does not state the body responsible for standards-setting and monitoring compliance with standards, SIA has assumed these roles in terms of its IFAC

[23] The report contains useful decision making information, including the state of affairs, the business, and the profit or loss of the company and any subsidiaries. It also deals with applicable matters prescribed in Schedule 3 of the Companies Act. This is a positive legal requirement, consistent with the IASB recommendation for a management commentary to accompany financial statements.

membership obligations. The SIA approved compliance with IFRS for SMEs with effect from 2010. However, it is not specified which companies must apply IFRS for SMEs.

2.24 **Development of effective and efficient implementation processes of standards is a major challenge facing SIA**. Implementation of international standards requires significant financial and technical resources and adequate institutional capacity. Implementation is a process and includes building stakeholder awareness of the adopted standards, providing relevant education and training, developing and disseminating implementation guidance, and any other activities that promote proper understanding and application of the standards. As noted above, SIA does not have adequate resources to support implementation of the standards.

Table 3: Summary of Current Major Financial Reporting, Publication, and Filing Requirements for Entities in Swaziland

		Law/ regulation	*Regulator(s)*	*Financial reporting framework*	*Audit requirements*	*Publication/Filing*
Public companies		Companies Act	Registrar of companies	IFRS	ISA (through SIA adoption)	▪ Financial statements should be sent to Registrar and members at least 21days before annual general meeting. ▪ Listed companies are required to produce interim results within 3 months of period. They should be prepared in compliance with IFRS and reviewed by the auditors.
Private companies		Companies Act	Registrar of companies	IFRS (where the company has not chosen allowed exemption)	ISA (through SIA adoption where the company has not chosen exemption)	Same as above but have option not to lay financial statements before annual general meeting
Public enterprises	**Category A**	▪ Companies Act ▪ Public Enterprises Act	Registrar of companies.	IFRS	ISA (through SIA adoption)	▪ Publish quarterly unaudited financial & operating statements ▪ Audited annual financial statements within 4 months of year end and filed with (i) Standing Committee, (ii) Minister of Finance, (iii) Responsible Minister, (iv) Public Enterprise Unit
	Category B	▪ Companies Act ▪ Relevant Sector Act	▪ Registrar of companies ▪ Relevant sector regulator	IFRS	ISA (through SIA adoption)	Publishing and filing requirements are determined by applicable sector regulatory requirements
Banking institutions		▪ Companies Act ▪ Financial Institutions Act	▪ Registrar of companies. ▪ Central Bank	IFRS	ISA (through SIA adoption)	Produce audited financial statements within 3 months of year end and publish in Gazette and one local newspaper
Non-banking financial institutions		▪ Companies Act ▪ Financial Services Regulatory Authority Act	▪ Registrar of companies ▪ Financial Services Regulatory Authority	IFRS	ISA (through SIA adoption)	Issue audited financial statements within 3 months of year end
Insurance companies		▪ Companies Act. ▪ Insurance Act. ▪ Financial Services Regulatory Authority Act	▪ Registrar of companies ▪ Registrar of insurance and retirement funds	IFRS	ISA (through SIA adoption)	Issue audited financial statements within 3 months of year end
Retirement funds		▪ Retirement Funds Act. ▪ Financial Services Regulatory Authority Act	▪ Registrar of insurance and retirement funds	IFRS	ISA (through SIA adoption)	Audited financial statements to be submitted to Registrar within 6 months of year end

E. Ensuring Compliance with Accounting and Auditing Standards

2.25 Robust regulation, monitoring, and enforcement help ensure compliance with accounting and auditing standards and codes, contributing to high-quality and user-friendly financial reporting. To be effective, regulators should be truly empowered and supported with adequate enforcement mandate, sufficient resources, and power to sanction.

2.26 **Most regulators do not have in-house IFRS expertise and rely on external auditors for checking compliance with IFRS.** The regulators — Central Bank of Swaziland, Swaziland Stock Exchange, Insurance and Retirement Funds regulator, Public Enterprise and Auditor General — are required to monitor and enforce compliance in the preparation of financial statements and application of IFRS by the respective companies. However, these regulators do not have expertise to review IFRS compliance. They normally rely on the reviews done by external auditors. The personnel in the recently established Swaziland Revenue Authority have limited understanding of interpreting financial statements, which negatively impacts on their ability to establish the accuracy of declared taxes. On the other hand, SIA does not have responsibility for monitoring IFRS compliance even for public interest entities. Therefore, due to weak monitoring, sanctions — stipulated in different legislation and regulations — have never been imposed on companies that do not comply with IFRS application. Lack of monitoring by regulators increases systemic risks of noncompliance, resulting in poor-quality financial reporting.

2.27 **The SIA has entered into a 5-year contract (2009-2015) with ACCA to conduct audit quality reviews.** The SIA has no internal capacity to fulfill audit quality reviews. The SIA, as a member of IFAC, is required to perform audit quality reviews under SMO 1, *Quality Control*, to ensure compliance by auditors of stipulated audit and quality control standards. As such ISQC1 and ISA 220 were adopted. Based on ACCA-conducted quality reviews done to date, it is evident that audit firms in Swaziland are facing challenges in compliance with the auditing standards, with the consequence of negative impact on audit quality. Due to limited capacity at the SIA Secretariat, only limited support has been offered to the audit firms to address the identified quality review weaknesses.

2.28 **In summary, the level of compliance with the accounting and auditing standards in the country is low.** Overall, this limitation negatively impacts on the quality of financial reporting. The number of people with applicable IFRS knowledge is low; this is reflected in the lack of capacity in regulatory institutions and limited expertise at the entities preparing financial statements and the firms auditing the statements.

III. ACCOUNTING STANDARDS AS DESIGNED AND PRACTICED

3.1 The low level of compliance with accounting standards is supported by the results of the ROSC team review of a select sample of financial statements. The team reviewed sets of financial statements across all sectors. The off-site reviews have an inherent limitation since reviewers are only able to focus on form issues such as presentation and disclosure. Detailed assessment of substance issues such as recognition and measurement requires reviewing auditor's working papers and the financial records of the audited company. The following are the key issues identified during the review:

- Several financial statements did not disclose most of the information required by IAS 19, *Employee Benefits.*
- There were cases with no description of what makes up turnover and how it is recognized.
- Some components of "cash and cash equivalents" were described by the name of the institution with which they are placed and not by the nature of the amounts.
- In one set of financial statements, very material balances were disclosed in the Statement of Financial Position but were not accompanied by notes to give more information about their nature, recognition, and measurement policies.
- In a set of financial statements, buildings had been revalued by a significant amount, but the information required by IAS 16 *Property, Plant and Equipment*, in such circumstances was not disclosed.
- One set of financial statements had a disclaimer in the audit report that the financial statements were prepared to meet the shareholder's requirements only and may therefore not be suitable for other users. Financial statements that are prepared under IFRS are supposed to be general purpose financial statements suitable for a wide range of users.
- Another set of financial statements had inconsistent disclosure patterns making it difficult to fully appreciate the full extent of the financial statements. Very material figures did not have the required detailed explanatory accounting policy notes on recognition, measurement, and disclosure, in addition to notes supporting them. On the other hand, the same set had a lot of clutter on immaterial figures supported by detailed accounting policies and notes.
- One set of financial statements had detailed documentation of accounting policies relating to asset with indefinite useful lives, and yet the Statement of Financial Position had not presented such assets in the current and prior years.
- The directors did not sign one of the sets of public enterprise financial statements.
- The minimum disclosures required for finance leases were not made in one set of financial statements.

IV. AUDITING STANDARDS AS DESIGNED AND PRACTICED

4.1 **The audit firms face many challenges in implementing the standards.** The evidence of such a position is reflected in the results of ACCA-conducted audit practice reviews on behalf of SIA, the ROSC team review of audited financial statements[24], and observations and comments made by practicing auditors during the ROSC mission. Some of the findings are summarized as follows:

[24] The team reviewed 25 financial statements covering banks, insurance, listed companies, Public Enterprises and SMEs

(a) ***ACCA practice reviews assessment***. The results of practice review were generally satisfactory although a number of noncompliant areas were identified. Representatives interviewed during the review confirmed that they faced challenges in implementing the standards particularly the quality control standard.

(b) ***ROSC team reviews***. The team reviewed selected financial statements for compliance with auditing standards and highlighted the following issues:

- A number of audit reports did not specify whether the financial statements were in compliance with the Companies Act;
- One audit report did not indicate what accounting standards were used to prepare the financial statements; and
- The law in Swaziland includes the director's report as part of financial statements. In one reviewed set, the report was treated as information accompanying the financial statements.

(c) ***Observations and comments made by some practicing auditors.*** Independence is compromised in some audits because of over-reliance on external auditors to give advice on IFRS-related issues, thus increasing threat of self-review. This is particularly apparent in audits of public enterprises and large institutions that do not have in-house IFRS expertise.

4.2 **The regulators expressed concern on the low number of audit firms in the country**. They indicated that the low number sometimes negatively impacts on ability of the regulated entities' to meet filing deadlines. In addition, it hinders ability to rotate the few existing audit partners – as required by the SIA Code of Ethics.

V. PERCEPTIONS ON THE QUALITY OF FINANCIAL REPORTING

5.1 **The usefulness of audited financial statements is perceived to be generally low.** Based on the interviews conducted by the ROSC review team, it was evident that only regulators and financial institutions are interested in audited financial statements. Therefore, the demand for quality financial information is considered low due to limited use of audited financial statements.

5.2 **The users of financial statements generally perceive audits by the 2 large audit firms operating in the country — KPMG and PwC — to be of higher quality.** These firms conduct audits in most of the larger entities, which include listed companies, public enterprises, banks, insurance companies, and other financial institutions. The two firms have created what is considered a dual market. By virtue of their size, they can offer better hiring packages to staff and hence attract more qualified staff. Also, as noted above, they are able to offer staff with CPD opportunities. The balance is skewed as users of financial statements generally perceive the audits carried out by the other nine firms to be of low quality, leading to low trust in financial statements audited by these firms. This is compounded by the fact that these other firms conduct audits of small, high-risk clients that the larger firms do not want because of perceived risk.

5.3 **The hiring packages with low salaries offered to audit staff in Swaziland are considered direct contributors to students and qualified accountants migrating to other countries for better opportunities.** South Africa offers attractive higher-paying packages to candidates aspiring to be accountants, as illustrated in Table 4:

Table 4: Salary Packages (average)

	Swaziland		***South Africa (Rand)***
	KPMG and PwC	***Other firms***	***Small and medium-size firms***
Year 2 of practical training	E84,000 (US$ 11,200)	E60,000(US$ 8,000)	R82,079 (US$ 10,900)
Year 3 of practical training	E84,000(US$ 11,200)	E60,000(US$ 8,000)	R92,112 (US$ 12,300)

Source: Swaziland data provided by SIA management (Swaziland). South Africa data extracted from SAICA 2011/12 salary survey. The package is based on a candidate with no previous commercial experience who obtained a Bachelor of Technology degree or diploma or equivalent.

5.4 **The independence of the auditors is perceived to be compromised as auditors are involved in both preparation and subsequent auditing of financial statements.** Most of the entities, especially the small and medium-size enterprises, rely on auditors to prepare their financial statements before conducting the audit. This is mainly due to lack of internal capacity at the entities capable of interpreting and applying stipulated standards to prepare financial statements.

5.5 **There is a public perception that the conversion process lacks transparency and that there is a cap on the number of chartered accountants who can be auditors in the country.** This perception negatively impacts on the number of candidates interested to sit for the exam. Some stakeholders have questioned the content of the conversion exam with a view that the focus should only be on tax and company law.

5.6 **Some of the audit firms charge low fees for what is perceived as a better position to win audit service contracts, which ultimately impacts on the audit quality.** The resultant audit is at risk of low quality if there is inadequate budget to undertake all required audit procedures. The cycle continues with increased risk of audit failure and ultimately credibility damage to the accountancy profession.

VI. CONCLUSION AND POLICY RECOMMENDATIONS

6.1 The following principles-based policy recommendations have resulted from the ROSC review and discussions held with stakeholders. They are based on international good practice and take into account the country context. Implementation of the recommendations will contribute to further strengthening of corporate financial reporting practices in Swaziland. This will support the country to meet its revised economic objectives and plans by further improving its investment climate. To implement the ROSC recommendations, the Government and country stakeholders should develop a country action plan that incorporates specific activities to be undertaken. Commitment from the Government, Steering Committee, and other stakeholders is critical. The development partners should be engaged to support implementation of the action plan with financial and technical assistance.

Accountancy Education and Training

6.2 **Establish a "college of accountants" that will contribute to increasing the number of accountants (professional and technicians) required to serve the public and private sectors**. To increase access and offer quality-training opportunities to prospective accountants, the college of accountants could be established in an existing facility using a public-private partnership arrangement. The SIA should play a critical role in championing the initiative. Entities with interest in the accountancy profession should be invited to support the initiative in Swaziland. The college should be adequately capacitated with qualified lecturers and up-to-date training tools, equipment, and materials. Priority should be given to professional and technician accounting qualifications being offered in Swaziland, including support to students preparing for conversion exams. Options to raise funds to subsidize student-training fees should be considered. The Swaziland professional organization should consider knowledge exchange programs with Botswana, Lesotho, and Zambia where well-established colleges have successfully contributed to developing accountants. The establishment of the college would contribute in development of skilled labor in effective quantities and qualities required to create higher value-added productivity, which is fundamental for sustainable growth. The establishment of the college should be linked to country education strategy.

6.3 **Revise the BCom (accounting degree) offered by the University of Swaziland and possibly align the qualification to the same degrees offered by other universities in the region.** The University of Swaziland should consider twinning arrangement with another regional university to revamp its curriculum and design an exchange program or other shared activity to increase and empower the lecturers. Ideally, the curriculum revisions, also taking into consideration the input from national stakeholders, including SIA, should achieve regional accreditation. This broad-based accreditation would especially benefit graduates from the University of Swaziland by offering equal standing with graduates from other regional universities with similar degree qualification. The revised curriculum should incorporate public sector topics and specifically require a graduate to undertake practical training. The SIA should partner with the University of Swaziland with constructive contributions to the revisions of the professional qualification.

6.4 **The SIA should collaborate with the professional accountancy organizations that currently offer qualifications in Swaziland to develop, implement, and monitor practical training regulations.** The realm of training offices that offer practical training opportunities should extend beyond audit firms to include entities in commerce and industry and public sector such as banks and non-banking financial institutions, public enterprises, the Auditor General's office, Swaziland Revenue Authority, ministries, and departments. The training regulations should specify practical training requirements for a prospective accountant and the criteria for appointing a training officer, and extend to specify the contract requirements that should be complied with by the trainees and monitored by the training officers during the training period. The SIA should play a key role in implementing the regulations, in particular accrediting training offices and training officers, and monitoring compliance. The regulations should be in line with SIA by-laws, IES standards issues by the IAESB , an independent standard setting body supported by IFAC, and foreign professional qualifications practical training requirements.

6.5 **The SIA should initiate a strategic reform to increase and support candidates sitting for conversion exams in order to increase the number of practicing auditors in the country.** The strategic plan should include designing a communication plan to encourage more chartered accountants to sit for the conversion exams. The plan should support candidates by providing them with study materials and guides; partner with the proposed college of accountants or existing training providers to offer study support to the candidates; and change policy to allow non-resident Swazis to sit for conversion exams. If the curriculum for the conversion exam requires revision, then the appropriate changes should be implemented. When the pass rate on the conversion exams improves, SIA should then consider offering the examination twice per year to help increase the numbers of auditors in the country. The SIA should also explore how the ACCA curriculum and exams might include Swaziland company law and income tax law. Whatever optional considerations are taken to improve the pass rate, the quality of the conversion exams curriculum should not be compromised.

6.6 **All training providers of accountancy-related courses should be accredited, ideally by the SIA.** Regulations — presumably endorsed by the Government — should be developed setting out criteria by which each training provider must comply with to ensure provision of quality accountancy training. The regulations should specify the institution that would accredit and monitor training providers and the sanctions that should be imposed for noncompliance. Ideally, the regulations should mandate SIA to implement and monitor compliance with the regulation, including accrediting the training providers.

Professional Accountancy Organization

6.7 **SIA should develop a strategic plan that stipulate short-to-long term objectives and activities aimed at ensuring that it achieves its legislative mandate and meets the requirements of the IFAC-issued Statements of Membership Obligation.** SIA should develop its SMO Action Plan in parallel of its strategy. The SIA should collaborate with other stakeholders in the country and region such as the Pan African Federation of Accountants to fulfill its IFAC membership obligations. Such collaboration should form part of the activities in the SIA strategic plan. The activities should focus on creating value for SIA members and increasing membership and services to the members and public. The development of the strategic plan should reference the challenges developed as part of the IFAC Member Body Compliance Program. The SIA should seek input from the IFAC Member Body Development Department. The strategic plan must address all SIA mandates with specific emphasis on membership value — services and products — and broadening the revenue base in order to achieve financial sustainability. At a minimum, the service and product offering should include conducting seminars and developing technical guidelines on the implementation of IFRS, IFRS for SMEs, IPSAS, ISA, International Education Standards, and the IESBACode of Ethics for Professional Accountants. Such products will create and broaden CPD opportunities for members and increase access to up-to-date professional material. A communication pillar should form part of the strategy plan. In addition, the SIA should renegotiate existing financial-related agreements with AAT, ACCA, and other professional bodies to which it offers services with the aim of increasing its fees and at the same time request the organizations to increase support toward strengthening the accountancy profession in Swaziland. Based on the proposed SMO strategic plan, the ROSC team summarized in Table 5 the policy recommendations to address each membership obligation.

6.8 **Strengthen the SIA secretariat**. Design a suitable secretariat structure with adequate departments and staffing necessary to meet SIA obligations. At a minimum, the structure should include departments and positions of managers/directors responsible for technical services; standards-setting; education and training; and monitoring and enforcement of continuing professional development, financial statements review, and audit quality review. The recruitment of managers will be dependent on availability of funds. The SIA should develop the tools and methodology to conduct audit quality and financial statement reviews, discipline procedures, and other professional mandates. The SIA should consider partnering with another IFAC-member body to develop necessary capacity.

6.9 **Design a governance structure for SIA.** Establish appropriate and well-represented committee structures that include education, investigation and disciplinary, and technical (accounting standards-setting, auditing standards-setting, taxation, audit practice review and financial statements monitoring). The active committees should be well constituted with suitably qualified and representative members. Ideally, a member of the legal profession should chair the investigation and disciplinary committee — responsible for investigations and sanctions — to enhance the independence of the process and coordinate with the requirements of SMO 6, Investigation and Discipline. Terms of reference should be developed for each committee. The SIA should also assess whether the current Council structure is suitable. In developing the governance structure, SIA should refer to the current version of "Good Practice Guide on Establishing and Developing a Professional Accountancy Body" issued by the IFAC Professional Accountancy Organization Development Committee. Training opportunities, orientations, and updates should be readily available to the Council and committee members to support them in fulfilling their roles.

Statutory reporting framework

6.11 6.10 Revise the Companies Act to provide for standards-setting and compliance. The Companies Act should be revised to provide for the entity/institution that is responsible for (a) setting accounting and auditing standards and prescribing the applicable financial reporting standards (reporting frameworks) for different categories of entities, and (b) reviewing compliance with standards. The standards-setting role should ideally be designated to SIA. Table 6 summarizes a workable scenario for prescribing the applicable framework. Generally, all public interest entities as defined should apply IFRS. The other categories of companies, depending on size, should be required to apply either IFRS for SMEs or other financial reporting guidelines. The definition of public interest entity, which should take into account the specific circumstances of Swaziland, should be broad and adaptable to avoid frequent changes. It should include both qualitative and quantitative parameters. The requirements must meet those of all regulators in Swaziland, including the recently established Swaziland Revenue Authority. The Act should also specify the institution that will review whether the entities are complying with the required stipulated financial reporting framework. These developments will result in a unique financial reporting framework that is commensurate with an entity's size, public responsibilities, and other circumstances. This will lead to high levels of compliance and improved quality of financial reporting useful to a wide range of users of financial statements, including investors, lenders, and revenue authorities. **Amend Companies Act and related regulations of references to Swaziland Financial Reporting Standards.** The Companies Act and related regulations should be amended to delete references to "Swaziland Financial Reporting Standards," which do not exist,[25] and require private companies that meet definition of a public interest enterprise to issue audited financial statement prepared in line with financial reporting framework legislated by the standards-setter as proposed in the revised Companies Act. All private companies that fall within the definition of public interest entities should also be required to appoint auditors. Under current laws, these entities may choose not to appoint an auditor if they have less than 5 shareholders and share capital not exceeding E50,000 (US $ 6,700).

Table 6. Proposed Reporting Frameworks

Private sector entity	***Accounting and Auditing framework***	***Public sector entity***	***Accounting and Auditing framework***
Public interest entities (include private limited companies that meet the definition of a public interest entity)	IFRS ISA	**Large Category A public enterprises**	IFRS ISA
Small and medium-size private limited companies and other small and medium-size enterprises	IFRS for SMEs Audit optional. (Where audited, IFAC Guide to Use of ISA in the Audit of SMEs)	**Small and medium-size Category A public enterprises**	IFRS for SMEs IFAC Guide to Use of ISA in the Audit of SMEs
Micro-entities	Micro-entity financial reporting framework *(to be developed)* *		

* Applicable to small owner-managed enterprises that have few or no employees. The framework should be a simplified accruals-based accounting system closely linked to cash transactions and tax accounting.

6.12 Revise legislation and regulations relating to financial institutions, insurance companies, and retirement funds to require issuance of reviewed interim financial statements and to ensure there are no contradictions among the various legal stipulations. To enhance accountability, financial institutions, insurance companies and retirement funds should be required to issue interim financial statements that are reviewed by external auditors.

6.13 Amend legislation and regulations that affect an entity that meets the definition of a public interest entity to require such entities to have an effective audit committee. The legislation, at a minimum, should specify the role and membership of the committee.

6.14 Amend the Accountants Act that regulates the SIA to require all accountancy service providers to be registered with the SIA. Every person providing or intending to provide accounting services to the public in Swaziland must be a registered accountant with the SIA and be subject to its regulations.

[25] As confirmed by SIA.

Table 5. SIA Policy Recommendations for Compliance with IFAC SMOs

SMO Current status	Current level of responsibility* (Applicability framework)			Policy recommendations
	Direct	Shared	None	
SMO 1, *Quality Assurance* SIA contracted its quality assurance responsibility to ACCA	Although reviews are sub-contracted to ACCA, SIA retains direct responsibility in ensuring its members comply with SMO 1.			SIA should support its member firms to comply with new and revised ISQC 1 and ISA 220 . The ROSC team recommends: ▪ SIA should request ACCA to facilitate a workshop to enlighten all members on quality review requirements with reference to IFAC SMO 1: applying ISQC 1 for large practices and the IFAC "*Guide to Quality Control for SMPs*" and systemic common findings of past reviews. ▪ SIA should develop an ISQC 1-based manual that can be shared with audit firms. ▪ SIA should develop an audit file template for use by the firms. ▪ SIA should develop other tools that would support the firms to address systemic findings identified in past reviews. ▪ ACCA should support SIA in developing various tools during the audit quality review contract period.
SMO 2, *International Education Standards* SIA is currently not responsible for running any courses or examinations, but it retains its responsibility for ensuring education and training meet IFAC Education Standards.		Shared with university and professional accountancy bodies		SIA retains the overall obligation of ensuing that the quality and standard of education at all levels is in line with IFAC international accountancy education standards. ▪ SIA should use best endeavors to improve the quality of accountancy education curriculum at the university. It must also be given powers to accredit accountancy-related training providers. ▪ SIA should establish an effective education committee supported by the technical department once established. ▪ SIA should establish CPD monitoring mechanisms to ensure compliance with the IES requirements.
SMO 3, *International Standards, Related Practice Statements, and Other Papers from IAASB* SIA does not have adequate adoption and implementation processes for standards.				The SIA should be strengthened at secretariat and committee level to enable it to effectively adopt, support, and monitor implementation of ISA on an ongoing basis. SIA should use the IFAC Small and Medium Practices Committee's "*Guide to Using International Standards on Auditing in the Audit of Small and Medium-Size Entities"* as implementation guidance and include courses on ISAs in the CPD program.

SMO Current status	*Current level of responsibility** *(Applicability framework)*			*Policy recommendations*
	Direct	***Shared***	***None***	
SMO 4, *Code of Ethics for Professional Accountants* SIA does not have adequate adoption and implementation processes for the Code.				The SIA should be strengthened at secretariat and committee level to enable it to effectively adopt and support implementation of the IESBA Code of Ethics for Professional Accountants.
SMO 5, *International Public Sector Accounting Standards* SIA does not have adequate adoption and implementation processes for the IPSAS.				Although SIA is currently not involved in carrying out any activities to implement IPSAS, it should use its best endeavors to encourage and support the Ministry of Finance in adopting and implementing public sector accounting standards in order to contribute to improving the quality of government financial reports.
SMO 6, *Investigation & Discipline* Records dating back to 2007 show that no member has been sanctioned or disciplined.				The SIA should set up committee structures to enable it to investigate and discipline its members in line with IFAC SMO requirements and the Accountants Act 1985 and the Accountants Act (Amendment) Bill 2010. In addition, SIA should raise its members and the public awareness of the investigation and discipline mechanisms so that cases they wish to raise can be forwarded to the disciplinary committee.
SMO 7, *International Financial Reporting Standards* SIA does not have adequate adoption and implementation processes for the standards.				SIA should be strengthened at secretariat and committee level to enable it to effectively adopt and support implementation of IFRS and IFRS for SMEs; particularly by issuing tools and guidance and offering training opportunities on an ongoing basis as needed to assist the members in understanding the standards and properly implement them in the course of their activities.

* It is possible for an IFAC member body to comply with requirements of an SMO even if other appointed authorities carry out some or all of the functions specified in the SMO. The member body uses best endeavors to encourage those entrusted with such functions to implement them in accordance with the provisions of the SMO and to assist them with implementation when appropriate.

Setting accounting and auditing standards

6.15 Establish SIA as the standards-setter. In concert with the recommendation to revise the Companies Act to prescribe SIA ideally as the country standard-setter (accounting, auditing and ethics standards), SIA in this role must set up an appropriate standard-setting infrastructure and issue a circular that specifies the financial reporting frameworks that are to be adopted by different categories of entities. The SIA should establish a standards-setters committee supported by a technical manager in line with the recommendation to revise the design of SIA governance structure. This will enable SIA to carry out all the activities involved in the adoption and implementation of accounting and auditing standards and lead to improvements in financial reporting practices in the country. In addition, SIA should issue a circular on financial reporting frameworks that are to be applied by different entities and especially provide clarity on the entities that should apply IFRS for SMEs.

Ensuring Compliance with Accounting and Auditing Standards

6.16 Establish a monitoring and enforcement unit within SIA. The SIA, supported by different partners, should establish a monitoring and enforcement unit to conduct audit quality and financial statement reviews of public interest entities. With adequate capacity, the unit should offer IFRS review services to all regulators in the country through memoranda of understanding. Building technical capacity of each regulator for this purpose would be ideal but may not be feasible and efficient given the shortage of qualified accountants in the country and the size of the economy. Therefore, the ROSC team recommends that the SIA initially establishes a monitoring and enforcement unit with at least 2 technical personnel. Over the following two to three years, SIA should enter into an arrangement with ACCA (currently conducting audit quality reviews) to empower the recruited technical personnel on how to conduct audit quality reviews and financial statement reviews. The initiative would involve supporting the team to develop methodologies and offering them peer-learning opportunities. Once the team is well capacitated, SIA should enter into memoranda of understanding with all regulators to review compliance with IFRS on their behalf and share the findings. Where feasible, the regulators and SIA should collaborate in conducting investigations and imposing sanctions on noncompliant entities (including responsible accountants). The SIA should sanction audit firms who fail audit quality reviews. Overtime, the expertise at SIA should contribute in developing more IFRS and ISA experts who can be employed to serve the regulators. In addition, the SIA internal staff should continue to conduct quality reviews once the contract with ACCA terminates in 2015.

6.17 Utilize ACCA audit review findings to improve audit quality and enforcement mechanism. The ACCA audit review findings should be used to improve audit quality and enforcement mechanisms. The SIA should partner with ACCA to host workshops with audit practitioners to share benefits, methodology, and common findings from present and past quality reviews. In addition, SIA and ACCA should develop tools/products such as an audit quality manual and conduct training that is available to the audit firms. The SIA should disseminate IFAC publications on audit quality and audit performance.[26]

6.18 Build capacity for interpreting financial reporting standards. The SIA, regulators, and Swaziland Revenue Authority should collaborate to offer capacity-building initiatives on financial reporting standards and interpretation of financial statements. The SIA should engage in capacity-building initiatives with different stakeholders to develop more financial statement experts. Such activities should include CPD opportunities with focus on the different technical standards and providing guidance that would support members to implement the standards successfully. The initiatives will support the regulators and the Swaziland Revenue Authority to develop appropriate technical resources that will effectively perform the compliance and monitoring roles.

6.19 Conduct a definitive study to determine the actual level of demand for accountants and auditors in Swaziland. The SIA should facilitate a study to determine the gap between the demand for required accountants and technicians and the availability of qualified accountants and auditors. The research study would assist in determining the current shortfall of qualified professional and technicians required to serve both the private and public sectors. The information will assist in designing appropriate strategy of developing more accountants for the country.

[26] ISQC 1, *Quality Control for Firms that Perform Audits and reviews of Financial Statements and Other Assurance and Related Services Engagements*; "Guide to Quality Control for Small and Medium-Size Practices"; "Guide to Use of ISA in the Audit of SMEs"; ISA 220, *Quality Control for an Audit of Financial Statements*.

Appendix 1. Stakeholders visited for ROSC Review

Name	***Position***	***Organisation***
HE Barnabas S Dlamini	Prime Minister	
Hon Majozi V Sithole	Minister of Finance	Ministry of Finance
Ms Fansile Mabila	Accountant General & Steering Committee coordinator	Treasury and Steering Committee
Ms Themba Nxumalo	Auditor-General	Office of the Auditor General
Ms Fansile Mabila	Accountant-General	Ministry of Finance - Treasury
Mr. Wellington Motsa	Manager Bank Supervision-Offsite Monitoring	Central Bank of Swaziland (Banking Supervisor)
Mr. Paul Lewis	Partner	PwC
Mrs. Esther Magagula		Stock Exchange
Mrs. Gugu Makhanya		Office of Registrar of Insurance and Pension Funds
Mr. Msebe Malinga		Office of the Registrar of Companies
Mr. Mfanufikile Dhlamini	Finance Directo	Standard Bank
Mr. Phesheya Nkambule	(Chief Finance Officer)	Nedbank
Mr. Robert Young	Partner	KPMG
Mrs. Elizabeth Arden	Finance Manager	Swazi Bank
Mr. Daniel Bediako	Partner	Kobla Quashie & Associates. (Chartered Accountants)
Mrs. Thabsile Ntshalintshali	Partner	Allison & Ntshalintshali (Chartered Accountants)
Mr. Joseph Botti	Partner	Joseph Botti & Associates (Chartered Accountants)
Ms Kerry Smith	Partner	Synergy (Chartered Accountants)
Mrs. Nompumumelelo Dhlamini	Finance Director	Swaziland Revenue Authority
Mr. Dan Zikalala	Managing Director	B3 Group (SME)
Mrs. D. Littler	Proprietor	All Stationary (SME)
Mr. Mduduzi Dlamini	Finance Manager	SRIC (Public Entity)
Mrs. Collie Dlamini	Management Accountant	Swaziland Electricity Commission (Public Entity)
Mrs. Lungile Dlamini	Finance Director	Swaziland Water Services Corporation (Public Entity)
Mr. Lawrence Mutyaba	Head of Accountancy Department	Institute of Development Management
Mr. Seedwell Sithole	Head – Accountancy department	University of Swaziland
Mrs. Sisana Lutya	Chief Finance Officer	Conciliation, Mediation & Arbitration Commission (Public Entity)