ALL THAT GLITTERS ISN'T GOLD AND THE BURDEN OF OWNERSHIP

(5 Minute Read)

Business owners know there is no such things as a free lunch and that no good fortune will last forever, no matter how terrific your business. To top it all, when things go wrong, *you* remain responsible. One can delegate tasks but not responsibility – all accountability ends with the owner.

But, as humans and businesses tend to be, no one concerns themselves too much with the fine print or the negative stuff when things go well, and we are making money. We skim over reports, we're not too hard on expenses, we allow debtors more leeway, we accept lukewarm explanations from our employees, and we don't bother to read our insurance policies, because life is good – until it's not. Then we worry and frantically run around in search of answers and someone to blame for our oversight.

Just recently digital currency investment fraud made the headlines yet again. Articles containing heartbreaking testimonies of people losing their lifesavings and hard-earned funds. How is it that we get so complacent with the things most important to us? That we think someone else will just miraculously protect us against risks and warn us in case of danger and potential harm. The truth is we are on our own as business owners and it remains our responsibility to ensure we make good decisions and take the necessary precautions to protect ourselves.

Here are three critical areas in your business where you should be better at managing your liabilities and risks:

CREDIBILE PROFESSIONALS

When you make use of professionals, ensure that you know who you are dealing with. You can verify if a business is legit by performing a basic (or detailed) background check of the company directors, registered name and number on the Companies and Intellectual Property Commission's (CIPC) website.

In certain instances, it would be fair to go as far as verifying the service provider's tax and tax registration status by requesting a tax clearance certificate.

This certificate issued by the South African Revenue Service (SARS) will confirm a number of important and legal details such as VAT numbers, registered business name, trading name (if assigned) and many other important details.

Call me old school but nothing beats the tried and tested method of asking (and checking) for references. This is a vital step if you intend to replace your attorney, accountant, auditor or any professional for that matter. Most professionals are also obligated to renew their membership to formal bodies, and you can confirm these memberships. For example, Certified Financial Accountants and Auditors must be members of the South African Institute for Professional Accountants (SAIPA) and the South African institute for Chartered Accountants (SAICA) respectively.

Many professional financial service providers such as insurance brokers, Certified Financial Planners and Hedge Fund Managers, also have to be registered with the Financial Services Conduct Authority (FSCA) and must possess active membership and FSP numbers. Make the time to verify these details, especially if you intend to invest money or cover operational and business risks through any of these providers. No credible provider will have an issue if you request to verify their details.

TAX LIABILITIES

The South African tax landscape is a complex and intricate affair, and we possess one of the most comprehensive tax structures in the world. While tax legislation makes provision for optimized tax structuring, it remains a delicate balancing act. Tax structuring is never just a stand-alone initiative but rather part of an all-encompassing financial management and accounting strategy. For this reason, you need to make sure you deal with registered tax practitioners and suitably qualified professionals. Your old varsity buddy might be a great partner to complete a *four-ball* but not ideal to advise you on important tax affairs of your import business!

A reality of our existence is that try as we might, we remain human and we get overworked and miss meetings or make common mistakes. Although mistakes are not intentional (I would hope not!), they only remain mistakes if we don’t learn from them. We can greatly reduce mistakes and errors by maintaining regular and effective communication and by keeping good records. Don’t just assume your accountant will know what you are up to. Run serious business decisions, large expenses, and procurement projects by your accountant (auditor or bookkeeper) as it can potentially save you a lot of money in taxes and prevent incorrect accounting allocations.

One way you can make sure your accounting team has done their job well is to request an annual tax clearance certificate. This certificate will verify and confirm that all your tax liabilities and payments are up to date, if not SARS will not issue this certificate. Overdue or incomplete tax payments are sometimes reflected on the system due to SARS allocation delays. If you are concerned it's always better to follow up with your accountant as soon as you notice any such inconsistencies.

You can also verify all payments made to SARS by requesting an updated Statement of Account from your tax practitioner or directly from SARS if you manage your own SARS *e*-filing profile. This is especially important where SARS payments are paid over on your behalf by a third party, such as Dividend Tax, Pay As You Earn (PAYE), VAT, Provisional Tax and so forth. Follow up on any payments which do not reflect on your statement of account.

BUSINESS AND RISK MANAGEMENT

Try to constantly have a watchful eye on your overall business risks and make sure you always run a *tight* proverbial ship. Put effective controls in place and hold people accountable for the work they do. Make sure your employees and teams have clear job descriptions and defined responsibilities, linked to proper performance measures and regular assessments. If your employees do their work well reward them handsomely but make sure there are also consequences for poor quality work or sub-standard workflow.

Make sure you adhere to the principle of segregation of duties.

This audit requirement determines that no one persons is assigned excessive authority or powers. For *example*, make sure the person ordering your business stock, is not the same person who will receive the stock and settle the invoice in question. This is a common mistake made in small businesses (or start-ups) when resources are scarce. It is best to avoid exposing yourself to unnecessary financial risk and to appoint sufficient staff from the start.

Perform regular assessments of all the risk areas in your business.

Are all your buildings, vehicles, computers, office furniture, stock and equipment adequately protected and covered in case of an insurance claim? How about your employees and the work they are involved in? Have you made sure you have sufficient cover and protection in case of a third-party claim or in case you or any of your employees are found guilty of negligent behavior? For *example*, if one of your delivery vehicle's breaks fail and the vehicle plows through an expensive private boutique reception area (assuming no one is seriously injured), who will cover these costs? If you took out your insurance policy right now, could you point to the precise section and paragraph where it states that you are sufficiently (or at least partially) covered against a claim? If not, you might need to read your policy from front to back or make an urgent appointment to see your insurance broker.

Make sure you have a firm working knowledge and understanding of your finances and that you can account for every penny. If you are paying an accountant, auditor, or bookkeeper to perform certain monthly financial duties on your behalf, make sure you understand every aspect of your financials and if you don't know, take the initiative to ask. Get into the habit of making decisions based on the correct facts and precise figures of your business and know the implications of the decisions you make.

There has also been a resurgence of the so-called *Open Book Management* (OBM) where you apply greater transparency of your business's financial position with employees. The main idea is that greater openness leads to greater teamwork, better decision making, improved cooperation between departments and better strategic alignment.

If you think this might be a good approach for your business, make sure you apply the following three important principles:

- Explain *why*; employees need to know that they are not responsible for the financial management of the business, accountability stays with the leadership team or owner.

- Explain *what*; not everyone will necessarily understand the numbers, break down the details in an understandable and clear manner.

- Lastly, learn to *listen* to your employees, they might have some really good ideas and suggestions on how to improve the business's financial position. Reward good ideas!

CONCLUSION

It is easy to fall into a false sense of security (especially when all is going well) that we don't have to worry about our businesses, but in many cases, we really need to be checking our assumptions. We might be cruising and producing a six or even seven-digit income, but we remain responsible for what goes on in our business, *especially* when things go wrong!

We enjoy the fruits of our labour, and let's be honest, there are few things as satisfactory as when our business endeavors succeed, but we can never separate ourselves, as business owners, from the responsibility and accountability that comes with owning our business. Keep this in mind next time your approve anything without checking first…

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For more information call Myrtle Oosthuizen at 082 561 7024 or send an email to myrtleo@mbasa.org