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June 2016 Newsletter

## SARS COLLECTIONS EXCEED R1 TRILLION

The need for greater protection of personal data is increasing globally.

The European Commission has just implemented the General Data Protection Regulation (GDPR) which is aimed at strengthening and unifying data protection for individuals within the European Union (EU) as well as regulating the export of personal data outside the EU. As from 25th May 2016, businesses have two years to become compliant with GDPR or risk severe penalties. If you are involved in doing business with the EU, you need to check whether this new legislation affects you, and if so, make sure that your business is compliant.

In South Africa, the Protection of Personal Information Act 4 of 2013 (PoPI), is moving forward with the following recent developments:

- On 10 May 2016, the Portfolio Committee on Justice and Correctional Services shortlisted five candidates for the office of Information Regulator.
- On 17 May 2016, former IEC chairperson, Pansy Tlakula, was recommended as chairperson of the newly-formed Information Regulator. The National Assembly still needs to approve this recommendation.

It is thought that the Information Regulator will be appointed in August 2016. Regulations and dates of actual implementation will then be published and there will be a year's grace period after implementation to comply with the Act.

The Act is a long and complex piece of legislation which is aimed at protecting the personal information used by private and public bodies. The intention of PoPI is to bring South Africa in line with international standards of protection of personal information.

The Act lays down the minimum conditions that should be followed in the lawful processing of information and will significantly change the way in which private information is dealt with by the government and by business.

## Non-compliance could result in severe penalties such as:

- Civil class action and costly damages
- Fines of up to R10 million/10 years in jail
- Reputational damage

Both the GDPR (in the EU) and PoPI (in South Africa) are centred around building relationships and trust. This is a crucial time to implement a well-considered data management strategy and to ensure that your business adheres to these new regulations.

## CYBER-CRIMINALS STRIKE AGAIN

The recent fraud in which criminals used counterfeit South African bank cards to withdraw millions of dollars from ATMs across Japan, brings into sharp focus the ongoing problem of cyber-crime.

Events like this are given extensive media coverage and create awareness of the problem. But if you thought that large enterprises are more prone to cyber-attack than your business is, think again....

Cyber-crime is generally defined as any form of criminal activity involving the use of computers and the internet.



The recently released Verizon Data Breach Investigations Report (DBIR) emphasises that nobody is safe from cyber-attack. The report also states that cyber-criminals are continuing to exploit human nature by using familiar patterns of attack, like phishing and the use of ransomware.

The DBIR is compiled annually using data submitted by organisations around the world, and provides an understanding of cyber-threats in the global context. According to the report, small businesses are much more vulnerable to cyber-attack than large enterprises.

Small businesses are frequently complacent and not fully aware of cyber-security risks, seeing themselves as unlikely targets for cyber-criminals. However, small businesses are more vulnerable to attack because their security measures may be inadequate or unsound and they frequently use home-grade equipment (e.g. home routers) in their IT networks.

Other reasons why many small businesses are easy targets for cyber-criminals include the fact that staff who manage network security are often not properly qualified, or that businesses lack the resources to implement enhanced protection.

As a regional business hub in Africa with relatively high levels of internet connectivity, South Africa is a particularly attractive target for cyber-criminals. South Africa is reported to be the third worst country in the world when it comes to cyber-crime attacks. The South African Banking Risk Information Centre (SABRIC) recently reported that cyber-crime has increased by almost 30% since 2013.

With this in mind, we all need to be pro-active in this massive cyber-crime battle. Security should be a driving force in your business, not an afterthought.

## THE IMPORTANCE OF CASH FLOW FORECASTS

An estimated 80% of businesses fail because they have not managed their cash flow properly.

Profitable businesses are often among these statistics, simply because owners focus too much on profit and not enough on cash flow. Once a business runs out of cash and is unable to obtain new finance, it is a fast, downward spiral to insolvency.

Cash flow needs to be monitored at every stage of business growth, not just at times when a business is going through a difficult period. The danger of encountering cash flow problems is often greater at times when a business is doing well because of the risk of overtrading.

A cash flow forecast (also known as projection) is a key management decision making tool which, if used properly, can act as an "early warning indicator". If you can predict and plan for cash shortages before they happen, you will be in a much stronger position to make arrangements for a short-term loan or a bank overdraft.

A good cash flow forecast will not only help you to identify the amount and origin of cash coming into your business, but it will also help you manage how much cash is being paid out and where it is going.

When preparing your cash flow forecast it is important that you use accurate assumptions and that you do not overestimate incoming cash.

A cash flow forecast means that you can:

- Ensure that you have sufficient cash to cover operating costs, pay staff and suppliers
- Anticipate shortfalls in cash and plan your operations accordingly or arrange finance
- Determine your borrowing needs and plan for capital investment
- Control money owing (receivables) and money owed (payables) and manage stock
- Plan investment strategies to get the best return on surplus cash
- Determine feasibility of new projects and businesses

Your cash flow forecast should be compared regularly with actual results so as to keep a 'finger on the pulse' of your business. By identifying when expenditure is out of line or when sales targets are not being met, you will be better informed keep your business going in the right direction.



## HAVE YOU GOT A BUSINESS GROWTH STRATEGY?

### Do you have what it takes to be a successful entrepreneur?

People who are successful in running their own businesses usually say they would not like to go back to being employees again.

Risks are high, rewards are good...but running your own business is often a lot more difficult than most people could ever have imagined.

### Here are some questions to ask yourself before taking the leap:

- **Do you believe in yourself?** You need to believe both in yourself and in the goods or services you plan to offer.
- **Will you be doing what you enjoy?** The success of your venture will be influenced directly by your personal satisfaction and your enjoyment of the business.
- **Are you effective at time management?** You need to set aside quality time for your family and for yourself - running your own business will take a lot of extra time and energy.
- **Will you be able to work long hours for extended periods of time?** Be honest with yourself and make sure that you are mentally and physically able to cope.
- **Are you able to handle stress?** Stresses from many sources will stretch you in all directions, so you will need to set up a support structure to help you cope.
- **Will you view setbacks as opportunities and challenges?** You need to be able to react positively to changing markets and other challenges without losing sight of your goals even when there are setbacks.
- **Are you prepared to take calculated risks?** By developing skills, planning and doing proper research you can minimise risk. You should also consider how much you are prepared to lose and plan how to limit the damage if it all goes wrong.
- **Are you pro-active?** You need to be creative, to think laterally and to take the initiative.
- **Do you have all the skills that you need?** You need to be able to sell your product, manage your cash flow, make sure your accounting books are done and also comply with government requirements e.g. VAT returns.



**IMPORTANT NOTE:** *The information contained in this newsletter is of a general nature, and may in certain circumstances be subject to misinterpretation. Consequently, we recommend that our advice be sought when acting upon the information contained herein. While every care has been taken in the compilation of this newsletter, no responsibility of any nature whatsoever shall be accepted for any inaccuracies, errors or omissions.*