SAQI
The South African Quality Institute

e - Quality Edge
bringing quality information to South Africans since 1996

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Welcome to the November edition of our e Quality Edge

National Quality Week is now over and I hope you all celebrated this along with World Quality Day. Our theme for this year was "Quality is..." and we left it up to our members to fill in the blank spaces. Many of SAQI's members celebrated the event and had various definitions on what quality means to them. More feedback on NQW will be given in our combined December / January newsletter in the New Year.

In this month's edition we are happy to share articles from two members of the International Academy for Quality who I was privileged to meet at the IAQ World Quality Forum in Slovenia. The first is by Willy van den Brande from Belgium and he gives us a controversial view on the future of quality. This is followed up by an article on transitioning to ISO 9001:2015 by Kristin Case of the USA. We look forward to more of our international partners submitting articles.

Alastair Walker asks us what we can learn from process risk assessments. We then give feedback on the SAQI / SA Excellence Movement forum held at IBM during National Quality Week organised by Rifle Shot Holdings.

Terry Booysen continues his regular series of articles by explaining the FIC Act. We conclude this edition when Richard Hayward informs us how children can get to know themselves better.

We are pleased to report that our Quality training programme for 2018 is quickly filling up and we look forward to satisfying the learning requirements our growing number of training delegates.

Paul Harding
SAQI MD

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Quality: helping South Africans live, learn and work better

PROUDLY SOUTH AFRICAN

The Future of Quality: No More Quality Management

By Willy van den Brande

1. Introduction

This article will be published in two parts in consecutive issues of the SAQI Newsletter. It is a shortened version of the text that formed the basis for a presentation at the 60th EOQ Congress in Helsinki, Finland in June 2016.

This is clearly not the most obvious (and popular) title for a presentation at a quality management conference. In this first part I will explain the ideas and motivations that made me write it. I will also show how our approach to quality through quality functions has made a major contribution to the improvement of organizations, but is at the same time a limiting factor to go one step further: the integration of quality within the organization. In part two I will introduce some answers to the questions and problems raised here.

2. The declining impact of Quality

Over the last thirty years I have been active in the field of quality management both as a quality manager and as a consultant. I have attended many quality management conferences all over the world and I can safely say that the number of participants has gone down drastically. Part of that will be due to the massive amount of information available on the internet, so can be explained. But – and in my view more important – I also see a shift in the type of people that attend. There used to be a lot of people from industry and services interested in improving the quality of their business. Today we see people that are involved in the business of quality. It looks like quality has become a specialism to be taken care of by specialists.

To me this is a worrying evolution because it moves us away from total quality management, total meaning that everyone is involved. Accountants are specialists and everybody is very happy that they exist so they don't need to worry about these boring numbers. But if quality becomes something similar, we will have drastically failed.

2.1. The knowledge, not the function

When reading the books of the founding fathers of modern quality management like Deming, Shewhart, Ishikawa or Juran, you will find a lot of knowledge in there. A large part of that knowledge is technical in nature and we tend to refer to this as hard quality and quality tools. Another part is managerial and talks about the way quality needs to be part of the overall strategy of a company. This is for instance very clear in "Out of the Crisis" (Deming, 1982) that talks about principles for transformation of Western management.

But although these books talk about quality you will very rarely find the functions "quality manager" or "quality engineer" in them. There is a lesson to be learned: quality knowledge is not equal to creating quality functions. The main question we should ask ourselves is: is this quality knowledge so complex or so specific that it can only be introduced through the creation of specialised functions that are able to understand what it is all about? In order to evaluate that I made a simplified overview of what we generally consider to be quality knowledge and made an evaluation of the complexity of it.

2.1.1. Quality Tools and Statistics

One of the most complete sets of quality tools can be found in a Six Sigma Black Belt (SSBB) body of knowledge. When looking at this we basically see three groups of methods emerging. There are simple methods based on data (Pareto, Multi-Vari chart), there is a large set of statistical tools (hypothesis testing, regression, DoE, …) and there are a number of tools that try to capture group knowledge in a decision making process (Brainstorming, Ishikawa, FMEA, QFD, …).

Now although this is a very extensive set we have to keep in mind that a lot of this has not been "invented" by the quality profession. In fact, the most complex part of it, the statistical part, has been around for a couple of centuries. This is also knowledge that is widespread over many disciplines and areas of application. For sure anyone who did engineering studies will have had much of this as part of the engineering curriculum.

As far as the quality specific tools are concerned, we should not overrate the complexity of that knowledge. Basic quality techniques can be learned by pretty much everyone and even the more complex techniques like failure mode and effects analysis or quality function deployment are not that difficult. In essence: this is not rocket science.

2.1.2. Quality System Standards

The big problem with the ISO 9001 standard is that it

created the illusion that quality can be delegated. With the 2015 version they tried to correct that (putting more emphasis on management responsibility, dropping the demand for a management representative, but I think that will be in vain. It is not because something is written in a standard that all of a sudden all these CEO's will now start reading the standard themselves. In fact, given the way it is written, none of them would reach the end of the text. After one page they would hand it over to their quality manager and tell him to take care of it.

The whole certification system has played a very bad part in this: when quality becomes compliance, complying is seen as quality. Compliance is something that almost by definition has no impact on strategy. It is typically delegated to specialists and seen as a necessary evil. We just have to do it, so we can get on with the real business.

2.1.3. People Management

In quality we talk a lot about teamwork and motivation and culture. These are for sure very important issues when it comes to the quality level of an organization. However, this is not our speciality. A lot of research has been done regarding the behaviour of people in the workplace. It is not the quality world that has led this area of research. You will find much more about this in psychology or in organisational development. Again this part of the so-called quality knowledge is clearly not confined to quality management and the development of it had not much to do with quality at all.

2.2. The Role of Quality Organisations

All organisations start out with a positive goal, a mission they want to achieve. In the beginning all energy will go to achieving that specific objective. But for some reason - and this is an almost universal truth - with time the organisation itself becomes the objective.

This is also valid within the quality world. Today quality organisations are organisations of quality professionals and a lot of their energy goes to safeguarding quality related functions. One typical example of this is the high emphasis on personal certification schemes, which is of course also a business model and a way to make money. But it reinforces the idea that quality can be brought back to quality professionals with specific quality knowledge.

3. The Good, the Bad and the Ugly

There is no doubt that quality management has had a major impact on organizations. Product quality over the years has drastically improved and in the same way organisations have become leaner, more efficient and better streamlined. This has led to serious reductions in energy consumption, usage of material and overall environmental impact. Quality clearly has made a contribution to creating a better world. And we have hard-working quality engineers, quality managers and other

people active within the quality profession to thank for this. Quality organisations have helped by spreading the principles of quality management and by teaching the tools and techniques needed to turn the principles into real improvements.

But promoting quality through quality functions has its drawbacks. One of the most important problems created, is the idea that quality can only be tackled by quality professionals. It has made the function more important than the knowledge and limited the spread of that knowledge to designated functions. Our biggest problem is that we seem to be stuck within this line of thinking within the quality world itself and that has led to a loss of impact on the overall business.

With all the disruptive technologies coming our way (Big Data, Internet Of Things, Artificial Intelligence, …) the speed of change will be increased. To safeguard quality within this world, the quality knowledge will have to be integrated within all functions of an organization. In part two of this article I will introduce a couple of things that we can do to help achieve this. It will require changes in education and looking for new ways to disseminate quality knowledge within our organizations and society as a whole.

We will only be truly successful in quality, if we are able to make our jobs as quality professionals redundant. We should not be important; we should no longer be needed.

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Efficient Transition to ISO 9001:2015

By Kristin Case

INTRODUCTION

The deadline for ISO 9001:2015 compliance is rapidly approaching. For those organizations that want to minimize redundancy; involve key players; and avoid the inefficiencies of a full-system gap analysis audit, this article provides an efficient model for transitioning to the new standard. The key to transitioning efficiently is having senior leaders, process owners, and internal auditors working concurrently as shown in Figure 1.
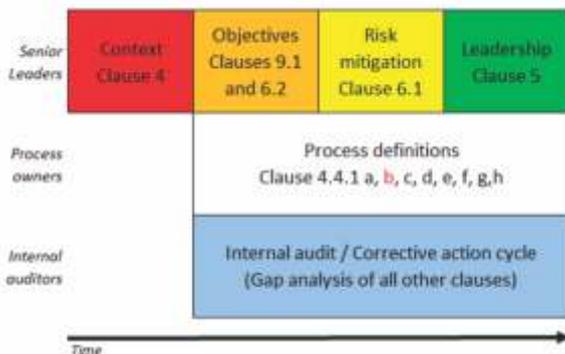

<div align="center">

Figure 1. Transition plan model

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In this model, senior leaders have four discrete steps. Once the first is complete, the process owners and internal auditors can begin their activities. Although the activities are happening simultaneously in the model, for the purpose of this article, the activities will be described sequentially, starting with senior leadership's four steps, then the activities of the process owners, and lastly the mini-gap analyses performed by internal auditors. These activities are typically facilitated by the role previous versions of ISO 9001 referred to as "management representative."

SENIOR LEADERS' FOUR DISCRETE STEPS

Senior leaders need to define the organization's context, set objectives, understand (and use!) the organization's process for risk mitigation, and be able to provide objective evidence of their commitment.

STEP 1, DEFINE THE CONTEXT (Clause 4.1, 4.2, 4.3, and 4.4.1(b))

Senior leaders need to scan their environment and define the "issues" that impact the organization. External issues may come from legal, technological, competitive, market, or economic environmental factors. Internal issues may come from the values and culture of the organization. Leadership needs to list those issues relevant to its business (potentially in the quality manual). For each issue identified by leadership, related information to track and review must be determined. The purpose of defining an organization's issues and monitoring information related to them is to avoid surprises as the environment changes. Whatever information is tracked will be shared during management review (clause 9.3.2(b)) and relevant records retained.

Senior leaders need to determine who the organization's "interested parties" are. The list may include customers, end-users, suppliers, employees, owners, and/or regulatory bodies. Each interested party has its own needs and the organization must determine what those needs are (potentially by asking). Again, the organization must track and review information applicable to interested parties and their needs.

Although the scope of the system may not have changed, this is a good time to review and edit the scope statement, as necessary. Clarify the boundaries. Are there any requirements in ISO 9001 that are not applicable to the organization? If so, explain why.

How do key processes within the quality management system work together? Document the processes in a way that shows their sequence and interaction (clause 4.4.1(b)), such as a flowchart or business process map. Keep this diagram of the organization's quality management system at a high level. Avoid details. Maintain this diagram in the quality manual.

Once this first step is complete all three groups begin working concurrently (ref Figure 1).

STEP 2, DEFINE THE OBJECTIVES (Clauses 9.1 and 6.2)

A management system is a set of interrelated processes designed to achieve some objective(s). To know whether the system is effective, leadership determines what data to track, measure, and analyze. ISO 9001 requires results related to:

- product (or service) conformity,
- customer satisfaction,
- the effectiveness of the system,
- planning and whether it has been effectively implemented,
- the effectiveness of risk-mitigation activities,
- the performance of suppliers and subcontractors, and
- any need for improvements to the system.

This is the information leaders should keep in mind when reviewing or revising organizational objectives. The activities of the QMS will be working toward achieving the objectives, so they must be the organization's true objectives. Otherwise, the organization is inadvertently allocating resources to achieve goals that are not mission-critical.

STEP 3, IMPLEMENT A PROCESS FOR RISK MITIGATION (Clause 6.2)

"Risk-based thinking" is a new term in ISO 9001. The actual term is found in clause 5.1.1(d); it states that top management shall promote risk-based thinking.

But the primary clause that addresses risk is clause 6.1. For those risks identified that need action, the organization must assign, take, and evaluate action. The core steps in a risk-mitigation process are shown in Figure 2. Actions taken to address risk must be summarized for management review (clause 9.3.2(e)).
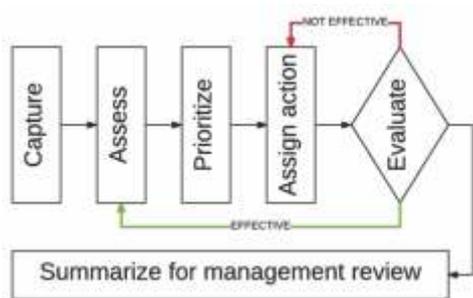
Figure 2. Risk mitigation process

STEP 4, MEETING LEADERSHIP REQUIREMENTS (Clause 5)

The last step for senior leadership is to ensure they meet the leadership requirements of ISO 9001. First, verify the quality policy: Is it appropriate for the organization's purpose and context? Does it support the organization's strategy and objectives? Does it show commitment to meeting requirements and continual improvement? Is it communicated? Senior leaders must update and communicate, as necessary.

Organizational roles, responsibilities, and authorities must also be reviewed. Again, if changes are necessary, those should be addressed by senior leadership.

Top management must demonstrate their commitment to the quality management system. Can the senior leaders answer "how" they demonstrate leadership as required by clause 5.1.1? For example,

- How do senior leaders ensure the integration of QMS requirements into the business?
- How do they promote the use of a process-based approach?
- How do they ensure the QMS achieves its intended results?

If the senior leadership team was involved in all the steps presented in this model, then it is unlikely they will struggle with demonstrating commitment. Alignment of the QMS with the business is often established when senior leaders create and communicate the organizational objectives.

PROCESS OWNERS' DEFINE PROCESSES WITH A TASK FORCE

UNDERSTAND YOUR PROCESSES (Clause 4.4.1a, c, d, e, f, g, h) – *Note that in this model clause 4.4.1(b) is addressed by leadership.*

For a typical quality management system, key processes will include purchasing, designing, manufacturing, inspecting, etc. The "process owner" is the individual who has the greatest day-to-day authority for managing the process. For each key process, the process owner (or a facilitator) assembles a task force, consisting of those who do and supervise the process, internal customers and suppliers, and one person who lacks familiarity with the process. [Why include someone unfamiliar with the process at hand? They don't share the same set of assumptions as the others and tend to ask the questions that often lead to breakthrough improvements.] The team (reference clause 4.4.1):

a) determines the expected inputs and outputs of the process;
c) determines or clarifies the criteria and methods used;
d) determines and provides the required resources;
e) assigns responsibilities and authorities within the process;
f) defines related risks and opportunities;
g) determines how the process is evaluated to ensure the process is meeting its intended results; and

h) determines how the process is improved.

These aspects of the organization's key process should be documented in a table (where each row is a process and each column represents one of the aspects listed above) or something like a turtle diagram (you may find turtles don't have enough legs to capture each element of the process). Another option is the beetle diagram shown in Figure 3.
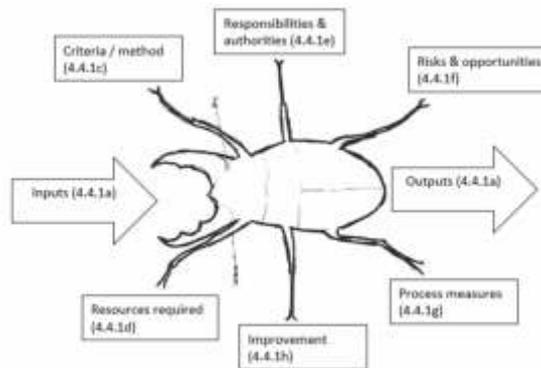

Figure 3. A beetle diagram (modified turtle diagram)

INTERNAL AUDITORS VERIFY COMPLIANCE

GAP ANALYSES OF ALL OTHER CLAUSES OF ISO 9001:2015

For the purposes of a gap analysis, internal auditors should be using checklist-style or compliance audits to find gaps between existing processes and the new requirements. Because several clauses will already be addressed by senior leaders (clause 4, 5, 6.1, 6.2, and 9.1), there is no need to perform a gap analysis against those clauses.

Any gaps identified can be addressed using the organization's corrective action process. Clauses 9.2 and 10.2 (internal audits and corrective action) should be audited first because if you are going to use the internal audit and corrective action cycle to transition, you will want to ensure they are effective and compliant processes. Other clauses can be grouped and scheduled in most any order.

SUMMARY

By having senior leaders, process owners, and internal auditors working concurrently toward transitioning to ISO 9001:2015, the organization will instill ownership in key players while avoiding an unnecessary full-system gap analysis.

ABOUT THE AUTHOR

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Process Risk Assessment - What we can learn?

By Dr Alastair Walker

In the October 2017 issue of this newsletter, we explored briefly the framework for process capability assessments.

Why should we invest effort and resources into conducting such assessments? Without question, the primary reason is to gauge process risks, i.e. the impact of ineffectual processes on organisational performance. What is more, the root causes of poor process performance need to be identified. Once the sources of process risk have been identified, they can then be treated.

In this newsletter, we will look at some fragments of an assessment where the goal was to assess process risks in the context of organisational information security arrangements, and IT service management.

The applicable standards upon which the assessment was based was ISO/IEC 27001 (Information Security Management Systems – Requirements) and ISO/IEC 20000-1 (Service Management Systems Requirements). The process models that were applied are derived from ISO/IEC 33072 (Process capability assessment model for information security management) and ISO/IEC 15504-8 (An exemplar process assessment model for IT service management).

The process risk profile

A snapshot of a process risk profile is show in Figure 1.

In the leftmost column (Reference) the processes selected for risk assessment are listed together with the process names (Process Name). In the centre of the figure, a column (Enterprise Maturity Level) is listed. This column highlights at what level of maturity at which the process makes it major contribution. (Note – this was not the complete list.)

So for the organisation to demonstrate Level 1 (i.e. the foundation level) process capability, the key process is 'Product Release'. This process would need to be assessed at least at Process Capability Level 1, and rated Fully. (See column CL.1, PA 1.1). The fact that this process was rated Nil identifies a serious organisational risk problem.

In fact, the only processes with any observable capability are 'Information environment access management' (rated Largely), and Service Continuity Management' (rated Partially).

Figure 1 The process risk profile

The figure indicates that the only process that currently makes a contribution to assessed capability is 'Information environment access management, rated at Largely.

Not surprisingly, the overall organisational maturity rating is zero. A bleak picture indeed.

A complementary view of the extent to which requirements associated with underpinning standards are satisfied is shown in Figure 2.

The conformity assessment view

The information gathered as a result of evaluating the process risk profile (Figure 1) can be mapped, via the process models in ISO/IEC 15504-8 and ISO/IEC 33072 to yield valuable insights regarding the extent to which requirements in applicable standards (in this case ISO/IEC 20000-1 and ISO/IEC 27001) have been satisfied.

Bearing in mind that the sub-clauses listed in Figure 2 are just a small subset of the larger requirements picture, the ratings are illustrative of where conformity to requirements (or the extent of it) has been identified.

As indicated in Figure 2, only the requirements in sub-clauses 4.3.2 and 4.3.3 have been fully satisfied. Apart from sub-clause 5.2.2 (rated at Largely), the remainder of the picture is bleak indeed, with large gaps in assessed conformity to requirements.

Figure 2 The conformity assessment view

The aggregate figure at the right-bottom of the figure is useful as a means of 'score keeping', especially if the assessment is progressive, i.e. incrementally updated over time. The overall result should then reveal an upward trend over time, indicating progress towards reducing process risks, enhancing process capability, and, consequently, the extent of enhancements in conformity to standard requirements.

The Information item assessment view

The lowest level of detail is contained in the Information Item

assessment profile, a sample of which is shown in Figure 3.

| Information Item Ratings Report |||
Reference	Information Item Name	Rating
27001 1ED 4.2.3.06	Audit (ISMS) log	Nil
27001 1ED 4.2.3.07	Audit (ISMS) schedule	Nil
27001 1ED 6.06	Audit corrective action record	Nil
27001 1ED 6.07	Audit corrective action verification recor	Nil
27001 1ED 6.05	Audit log	Nil
27001 1ED 6.01	Audit objectives	Nil
27001 1ED 6.03	Audit procedure	Largely
27001 1ED 6.02	Audit programme plan	Fully
27001 1ED 6.04	Auditor list	Nil
27001 1ED A14.1.3.01	Business continuity plan	Largely
27001 1ED A14.1.5.02	Business continuity plan amendment re	Fully
	Overall result:	27%

Figure 3 The information items assessment view

An 'information item' is an artefact associated with the execution of a process, i.e. something that appears at the output of a process. We are not concerned about how the artefact is 'materialised' i.e. if it is paper-based or electronic, witnessed or anecdotal evidence. The key attribute is that of identified informational content.

Figure 3 lists some typical information items regularly associated with the performance of an audit process e.g. Audit log (i.e. record of audit activities), Audit schedule (when audit actions are expected to be performed) and so on.

From a rating perspective, the picture presented in Figure 3 is rather discouraging. Apart from an Audit Programme Plan (rated Fully), and Audit Procedure (rated Largely), evidence of the actual performance of audits is lacking.

Before leaving this figure, what then is the implication of a 'Business Continuity Plan' being rated 'Largely'? When an assessment is conducted, the process assessor will examine the supplied evidence against the 'pro-forma' expectations of the type of informational content of a 'Business Continuity Plan' as indentified in industry accepted practices, and in published international standards. The rating of 'Largely' in this instance indicates that, whereas the primary concerns in a 'Business Continuity Plan' have been identified and addressed, there are some 'low risk' gaps that still need to be mitigated.

The overall rating in this category of 27% achievement indicates that for the processes selected in this assessment, large gaps still remain in the information to be indentified and managed.

Summing up

The results of initial process risk assessments are typically very discouraging, as results presented in the above figures appear to indicate.

Once the initial profile has been obtained, the business will need to decide that steps to take going forward.

As may well be imagined, closing all the gaps is a medium to long term project. The key thing is to break down the big 'improvement' project goal e.g. reach Level 3 process capability,

or 'demonstrate conformity to ISO/IEC 27001', into a series of manageable short term projects over which progress can be monitored towards the eventual goal.

If progress cannot be measured and assessed quantitatively, then the chance of sustained progress towards the larger goal will be fraught with high risk of losing focus, and eventual project failure.

ImproveIT Special Interest Group contact point

Make contact with the ImproveIT SIG by send an email to: improveit@saqi.co.za

References

[1] ISO/IEC TS 15504-8:2012 Information technology -- Process assessment -- Part 8: An exemplar process assessment model for IT service management
[2] ISO/IEC 20000-1:2011 Information technology -- Service management -- Part 1: Service management system requirements
[3] ISO/IEC 27001:2013 Information technology -- Security techniques -- Information security management systems -- Requirements
[4] ISO 31000: 2009, Risk management — Principles and guidelines
[5] ISO/IEC 31010: 2009, Risk management -- Risk assessment techniques
[6] ISO/IEC TS 33072:2016 Information technology -- Process assessment -- Process capability assessment model for information security management

SAQI NQW celebrated at IBM forum with Rifle Shot Holdings

By SAQI Staff

A NQW event was held on Tuesday the 7th November by the South African Excellence Movement in conjunction with SAQI and hosted by IBM. Attendees including SAQI members and delegates from all industry sectors were introduced to some of the country's top leaders. The theme for the day was Quality in Leadership and insights were given by various speakers on how to lead effectively in the current turbulent economic conditions facing the country.

Members of the South African Excellence Movement include Rifle-Shot Performance Holdings (RSPH), the CSIR, JCCI, SAQI, CGF, IBM and Madala & Associates who all supported the event.
The guest speakers and delegates were welcomed by Ziaad Suleman, chief operating officer, IBM.

The speakers included Angelo Kehayas, executive director, Institute of Management Consultants South Africa, who set the scene by acknowledging: "We have found ourselves in trying times, with desperation often clouding business judgement and our government's poor decision-making processes leaving us wanting more," he said.

Maurice Radebe, executive vice-chairman, Energy & Sustainability, Sasol (pictured above) followed up on this theme when he spoke about the State of the Nation in terms of quality of leadership. He reiterated that "Your most important mandate as a leader is to nurture and develop the people you are responsible for to reach their full potential. It's about the long term legacy we leave, not serving our own interests."

Terry Booysen, CEO, CGF Research Institute and regular contributor to the e Quality edge explained that ultimately, true strength of character is shown when we govern our own lives with integrity". "Running an empirically ethical business is no longer a compassion-based choice, it is law. King IV is the de facto standard and non-compliance can result in catastrophic consequences," he confirmed.

Ian Huntly, CEO, Rifle-Shot Performance Holdings, highlighted the enormous opportunities presenting themselves for economic growth: "We should be importing people who fill jobs, because if our businesses are led correctly, every single person in this country would be employed, and we would still not have enough capacity to fill the required jobs. The problem lies in proper policing of localisation," he said.

A panel discussion followed where Thabi Leoka, world-renowned independent economist, and Neo Mothala, transformational entrepreneur, were led in a discussion by Dilley Naidoo, director of Madala & Associates. Leoka argued that "typically, we look to Europe for export trade, but when their economies suffer, so does ours. Instead, we should be focusing on intraregional trade," she said.

Dilley agreed that out of every catastrophe arises an opportunity to refine and look elsewhere not previously explored. "That's what leaders do," he said.

Neo Mothala was prompted to leave the corporate world and start her own businesses, realising the difference she could make – especially concerning the education of young girls in entrepreneurial roles. "Relationships must add value or be discarded," she said. She suggested investors, who provide buy-back options with coaching and mentoring, were sorely missed in all industries.

The discussion concluded that South African businesses are simply not prepared for international competitiveness, nor do they have the necessary leadership skills.

Kearan McPherson, cloud architect, IBM showed how data, if used appropriately, can be used for cognitive innovation and to ensure governance is not breached. "We only realise how important cloud and data are when our phones are stolen – we are lost without them," he said. He shared with the audience how IBM is supporting many international and local organisations through their cloud infrastructure.

Paul Harding MD of the SA Quality Institute reinforced that his organisation's prime role is to establish and sustain a national quality infrastructure. He then explained the new requirements for leadership found in the ISO 9001:2015 requirements standard. He emphasised that responsibility for quality can no longer just be delegated to a "Management Representative" and leaders must now be **accountable** for the success of the Quality Management System. "Leaders are necessarily risk-based thinkers, and must be accountable for mistakes, which is why building a coherent team and system is vital," he said. He also emphasised the need for promoting quality in education quoting SAQI's "Quality in Schools" program and also the need for training programs to develop the basic skills needed by South Africans in order to sustain growth.

"Leadership is ultimately about using our talents to teach others to fill our shoes. With all the resources available to us, South Africa should be leading the world".

Ian Huntly of Rifle-Shot Performance Holdings (RSPH) closed the forum and thanked the delegates, sponsors and support staff for their participation in the National Quality Week event.

SAQI thanks Rifle Shot Holdings, IBM and members of the South African Excellence Movement for their continued support for SAQI's National Quality Week program.

The Financial Intelligence Centre Act is Amended: It Now Needs Implementation

By Terrance M. Booysen and peer reviewed by David Loxton (Partner: Dentons)

With South Africa already on precarious ground as a result of its alleged 'state capture'; not least also the effects of South Africa being downgraded to "junk-status" by Standard and Poors and Fitch rating agencies, it was in the nick of time that President Jacob Zuma signed the Financial Intelligence Centre Amendment Act 1 of 2017 ('the Amendment Act') into law on 28 April 2017.

The Amendment Act has been on the table since 2015. It was drafted with the aim of ensuring that South Africa's legal framework continues to meet international standards and best practices in respect of combating financial crimes. As South Africa is a member of the International Monetary Fund and the Financial Action Task Force ('FATF'), it is duty-bound to meet certain prerogatives and recommendations of the international community. The FATF has published a list of forty recommendations, which have formed benchmarks in formal peer review and evaluation processes to test the robustness of a country's measures against illicit activities and the integrity of a country's financial system.

By not keeping up to date with the latest of these recommendations in the form of its Financial Intelligence Centre Act, 2001 ('FICA'), South Africa would have been declared non-compliant with international Anti- Money Laundering ('AML') and Combating the Financing of Terror ('CFT') standards.

Why the delay?

The signature of the Amendment Act into law was delayed on the basis that President Zuma was concerned that it allowed for warrantless searches in certain circumstances.

"Effective anti-money laundering and combating the financing of terrorism regimes are essential to protect the integrity of markets and of the global financial framework, as they help mitigate the factors that facilitate financial abuse. Action to prevent and combat money laundering and terrorist financing thus responds not only to a moral imperative, but also to an economic need."

Min Zhu, Deputy Managing Director of the International Monetary Fund (2016)

But prior to the proposed amendment, FICA also provided for warrantless searches, and this was addressed in 2014. In the matter of *Estate Agency Affairs Board v Auction Alliance (Pty) Ltd & Others* 2014 (3) SA 106 (CC); the Constitutional Court stated that parts of FICA were unconstitutional, to the extent that they allowed for inspections without a warrant in certain instances.

The declaration of invalidity by the Constitutional Court was suspended for 24 months to allow Parliament to amend the section pertaining to warrantless searches. In addressing this constitutional concern, the Amendment Act now sets out the specific circumstances where a warrant is, or is not, required in order to conduct a search. A warrant is *not* required for inspectors to enter the premises of an institution to determine compliance with the Amendment Act, while a warrant *is* required for an inspector to enter a private residence. This is only possible if it is reasonably believed that the residence is being used for a business to which the provisions of the Amendment Act apply. Where an inspector enters premises without a warrant, they must do so at a reasonable time; on reasonable notice, where appropriate; and with strict regard to decency and good order, including to a person's right to dignity, freedom, security and personal privacy. As such, the authority of an inspector performing warrantless inspections has been clarified to ensure constitutionality and to prevent arbitrary exercises of power or abuse.

Scrutiny of influential persons

In addition to the controversial provision for warrantless searches, the Amendment Act has also been criticised insofar as it requires accountable institutions to implement enhanced due diligence measures for domestic Prominent Influential Persons

('PIPs') and foreign Prominent Public Officials ('PPOs'), as well as the family members and known close associates of PIPs and PPOs.

"The Financial Intelligence Centre Amendment Bill is one of the most important legislative weapons in the fight against corruption in South Africa."

David Maynier, DA Member of Parliament (2017)

PIPs are referred to as those persons who hold prominent *public* functions, as well as those who hold prominent *private* positions. If a customer is a PIP or PPO, the accountable institution will assess whether or not the customer brings higher risk than other customers. If so, then the accountable institution will need to undertake certain additional steps to ensure compliance, such as obtaining senior management approval for the relationship; taking reasonable steps to establish the source of wealth and funds; and conducting enhanced monitoring of the business relationship.

The purpose and impact of the amendments

Among other things, changes are made to FICA to provide for a risk-based approach to customer due diligence. The supervisory powers and information-sharing requirements of the Financial Intelligence Centre (FIC) are enhanced, as are its administrative and enforcement mechanisms. The amendments to FICA are intended to improve the efficacy of AML and CFT measures in South Africa, thus keeping the country compliant with the FATF standards and recommendations, and are seen as essential to improving the transparency and integrity of the country's financial system.

The way forward

The effective date of the Amendment Act is still to be announced by the Minister of Finance, Malusi Gigaba, and they must be published in the Government Gazette. Any further delay in its implementation could expose South Africa to increased money laundering and terror financing risks, as well as attract further scrutiny from the FATF. Moreover, by not acting in an expeditious manner to show the country's seriousness to arrest criminals who undermine the country's financial systems through unlawful behaviour, the current negative foreign investor sentiment may yet be further exacerbated.

Any failure by the Finance Ministry to provide for adequate funding or resourcing of the FIC -- post the effective date -- could further negatively impact the effectiveness of South Africa's regulatory environment to address AML and CFT risks. But having said this, whilst the funding required to resource the FIC itself may have its own challenges, it may be even more challenging for the FIC to actually identify those persons considered to be Prominent Influential Persons, not least also identifying their family members and close associates, both locally and internationally. One can only imagine what kind of databases will be required to fulfil this function; and the extent to which the FIC personnel will need to infiltrate social networks and other data mediums in order to understand the various

connections between these 'connected' persons.

Now that the Amendment Act has been signed by President Zuma, all eyes will be on the Finance Minister to see just how he intends implementing this legislation, and whether or not it will function in the manner for which it was originally intended. Notwithstanding these challenges, it is of utmost importance that the Finance Minister urgently takes decisive action and stipulates clear timeframes and budgets for the implementation of the Amendment Act.

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As an Exempt Micro Enterprise (EME), CGF is a Level 4 B-BBEE, Proudly South African complaint company that specialises in Governance, Risk and Compliance ('GRC') consulting and reporting services.

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- strategic management consulting, business re-structuring, executive placements, executive coaching, board assessments and evaluation, out-sourced company secretarial functions, facilitation of Corporate Governance Awareness workshops, IT governance through to Enterprise Risk Management (ERM) consulting.

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Quality in Schools

Many of our readers are parents themselves or interact often with children. We have asked our education editor, a retired headmaster, to share thoughts on how to get Quality principles and practices instilled in young people.

By Richard Hayward

Getting children to know themselves

Our **VIA survey** has been taken in every country in the world!

Socrates (469 – 399 BCE), the Greek philosopher, famously advised, "Know thyself." He added that the unexamined life wasn't worth living.

More than 2000 years later, attention is still given to Socrates' timeless advice. A few months ago I was walking along the corridors of St Stithians College in Johannesburg. Posters put on noticeboards and taped to walls reminded passers-by to, "Know thyself".

How do we get to know ourselves? In the 21st century corporate and professional world, there are organisations that get staff to do questionnaires that measure their character strengths. The questionnaire results help people to not only be aware of their strong values but also of character traits that could need more focus.

A free, anonymous assessment tool that focusses on one's main character strengths is the VIA (Values in Action) survey. This online survey has already been done worldwide by more than four million people. It's been created by internationally renowned psychologists and is psychometrically valid.

The survey assesses 24 character traits which focus on six core values:

- Courage
- Humanity
- Justice
- Temperance
- Transcendence
- Wisdom

Two versions of the questionnaire are available: one for adults and one for young people (aged 10 to 17). It only takes about ten to fifteen minutes to do either survey. The language usage is clear and simple. After doing the survey, one can download a scientifically-validated report. The values are ranked in order as reflected by the person's answers to the questions.

If English isn't your home language, don't worry. The survey can be done in one of more than thirty languages. If you or a child would like to do either of the questionnaires, please go to:

www.viacharacter.org

Twelve-year-old Mary-Anne is in Grade 6 and she did the young person's questionnaire. She did it without any parental help. Mary-Anne found the survey questions easy to understand and do. She found it enjoyable and liked the written report which rank-listed her strengths but made no judgmental comments. Mary-Anne sensed that after doing the survey, she better understood herself.

Mary-Anne's family maintained that the report would further affirm her already-known personal strengths. Other character strengths that Mary-Anne had but of which she was unaware, were highlighted in the report. That new awareness of herself delighted Mary-Anne.

A suggestion is that once the survey report has been downloaded, someone discuss it with the child. Each of the 24 character strengths or values that have been assessed have a brief explanation. Such discussion can share ideas on how to maintain present strengths and allow all values to flourish further.

Of course, there many ways for children to know themselves better. Life's experiences in the home, in the classroom, on the sports field and elsewhere help towards that inner understanding. Yet the VIA survey is a different way to gain that knowledge.

Furthermore, the survey makes children conscious of what values mean and their importance in their lives. The survey findings gently nudge them to be more aware of a wider range of values that are important.

Children - no matter how busy their young lives might be - should find doing the fifteen-minute VIA survey a worthwhile activity. The survey will affirm their character strengths. It will also help them to understand themselves better to ensure a life really worth living.

A tiny tale about a value

The Sunday School teacher was talking about good and bad behaviour. She asked the class to imagine that a woman walked up quietly and stood behind a man. The woman very gently removed the wallet from his back pocket. Opening the wallet, she removed all the money. Then ever so quietly she put the empty wallet back again.

"What kind of woman is that?" the teacher asked the children.
Hands shot into the air from the eager children. Everyone wanted to give an answer.
"So, Jack," said the teacher looking at a youngster waving his hands wildly, "tell the class what type of a woman does that?"
"Miss, it must be the man's wife!"

SAQI Training Programme for 2018

All courses offered by the South African Quality Institute are presented in association with other course providers and are available to all organisations and individuals. SAQI can assist with the training of a company's workforce and all training packages can be run in-house at cheaper rates. A special discount applies to SAQI members. For more information or to register contact Vanessa du Toit at (012) 349 5006 or **vanessa@saqi.co.za**

1. SAQI reserves the right to change details of the programme without prior notice. **click here** for all course synopsis.
2. The courses listed below form part of a specific Certificate and all modules should be successfully completed to qualify for the Certificate.
3. Training is presented on the CSIR campus in the east of Pretoria.
4. All courses completed previously will receive credit when proof of successful completion is received.
5. All prices **include VAT.**

Code	Course	Days	Cost	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
L2	Certificate in Quality Control for Manufacturing	10	22,590-00										
B41	Introduction to Quality Control	2	5120-00	26-27				25-26				29-30	
B90	Introduction to Statistical Techniques	3	6175-00	28-2				27-29				31-2	
B91	Introduction to Statistical Process Control (SPC)	3	6175-00			9-11			23-25				19-20
B79	A3 Problem Solving	2	5120-00			12-13			26-27				21-23
L2	Certificate in Quality Control for Services	10	22,590-00										
B30	Introduction to Quality Control	2	5120-00	19-20						27-28			
B31	Introduction to Statistical Techniques	3	6175-00	21-23						29-31			
B32	Quality Evaluation and Assessment	2	5120-00										
B33	Coaching and Mentoring	1	1055-00		15-16						20-21		
B34	A3 Problem Solving	2	5120-00		15-16						20-21		
L3	SAQI Certificate in Quality Assurance*	13	28,765-00										
B48	ISO Requirements 9001:2015	3	6175-00		26-28						5-7		
B24	Knowledge Management	2	5120-00			16-17						8-9	
B16	Internal Quality Auditing	3	6175-00			18-20						10-12	
B92	Advanced QualityTechniques	3	6175-00				14-16					22-24	
B77	Advanced Product Quality Planning (APQP)	2	5120-00				17-18					25-26	
L4	SAQI Certificate in Quality Management*	3	31,335-00										
B38	Development of a QMS	3	6175-00				28-30						
B01	Cost of Quality	2	5120-00						9-10				
B58	New SA Excellence Model	2	5120-00						11-12				
B74/B76	Lean for Manufacturing/Service Industries	4	9800-00					19-22					
B93	Policy Deployment (Hoshin Kanri)	2	5120-00						30-31				

Construction specific

Code	Course	Days	Cost	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
L1	SAQI Certificate in Quality Awareness for Construction	4	10,200-00										
B101	Quality Awareness in Construction	1	2550-00	5			7		20				
B102	Introduction to Data Dossiers	1	2550-00	6			8		21				
B103	Introduction to Inspection Documentation	1	2550-00	7			9		22				
B104	Subcontractor Awareness	1	2550-00	8			10		23				
L2	SAQI Certificate in Quality Assurance for Construction	10	22,590-00										
B105	Introduction to Quality Control	3	6175-00	12-14			21-23		16-18		10-12		
B106	Introduction to Statistical Techniques	2	5120-00	15-16			24-25		19-20		13-14		
B107	Root Cause Analysis	3	6175-00			5-7		11-13		13-15		1-3	
B108	Technical Quality Documentation	2	5120-00			8-9		14-15		16-17		4-5	
L3	SAQI Certificate in Advanced Quality Assurance for Construction	10	22,570-00										
B109	ISO 9001: 2015 Requirements	3	6175-00									15-17	
B110	ISO 14001: Requirements	1	2550-00									18	
B111	OHSAS 18001 Requirements	1	2550-00									19	
B112	Integrated SHEQ Internal Audit	3	6175-00										5-7
B113	Cost of Quality	2	5120-00										8-9

For a list of other courses provided, please visit www.saqi.co.za
Inhouse courses provided to 10 or more delegates

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