BIZCOMMUNITY

The scarcity of fund accountants within South Africa's retirement funds industry

By Kedibone Sono , issued by SAICA

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With retirement reforms finally taking shape in South Africa, the demand for skilled professionals within the retirement fund industry is continuously on the rise. However, through engagements with industry stakeholders, a concern was raised that South Africa is currently facing a significant scarcity of fund accountants within the sector. This article delves into the reasons behind this scarcity, its potential impacts on the industry and the broader economy, and what steps can be taken to address this pressing issue.

Retirement funds and asset management play a vital role in South Africa's financial sector. With an aging population and a growing middle class eager to secure their financial futures, the industry is expanding rapidly. As a result, the need for highly trained professionals, such as fund accountants, has never been greater. Fund accountants have a unique set of skills, combining expertise in accounting, finance, and investment analysis to ensure efficient management and tracking of investment portfolios. Fund accountants assist in corporations' efforts with transparency and accountability by reporting and tracking how funds are doing and by ensuring funds are compliant.

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The scarcity of fund accountants

The industry is struggling with recruiting and retaining accountants which is affecting their reporting, including the quality of reports being received by the regulators. Funds have various reports that are due to the regulator monthly and or quarterly and the Financial Sector Conduct Authority (FSCA) indicated that they have been inundated with extension requests and the reason for these was partly due to the overloaded fund accountants.

Firstly, there is a limited pool of suitably qualified individuals. Becoming a fund accountant requires in-depth knowledge and understanding of various accounting standards, investment principles, and regulatory frameworks, making it a specialised field within finance. The shortage of programmes and educational opportunities that specifically focus on fund accounting exacerbates the scarcity.

The allure of alternative career paths within the financial sector also draws talent away from fund accounting. Fields such as investment banking, private equity, and corporate finance often offer higher salaries and are perceived prestige, which decreases the number of professionals willing to pursue careers as fund accountants.

There is also a lack of awareness regarding the role and its importance which hinders the development of this profession. For most fund accountants the role is not their first choice, it rather is an accidental career path that they stumbled upon and thus a need for awareness for the role is necessary. Many young professionals and students are simply unaware of the opportunities and growth potential that exist within the retirement funds and asset management industry, thereby reducing the number of individuals entering the field.

The segregation of duties within the role further complicates the scarcity being experienced, some fund accountants are only exposed to certain duties, e.g. contribution or benefits whereby the fuller picture of the role is foreign, resulting in further skill set needs for a rounded accountant.

There are more limitations than the ones mentioned, and the systems employed by each institution are another potential hindrance. Funds procure a variety of systems that they deem would cater to their specific needs, rendering it difficult for one fund accountant to easily move within the industry and thus affecting potential growth where they feel they have reached a ceiling in their current employment.

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The scarcity of fund accountants could have dire consequences for the industry and the broader economy. Without a sufficient number of skilled professionals, funds face challenges in accurately valuing and tracking investment portfolios. This, in turn, can lead to inaccuracies in financial reporting, potential regulatory violations, and an increased exposure to risk. Factoring the latest developments within the industry where reforms are finally being implemented, there is a further need to upskill which could further exacerbate the skills scarcity.

Moreover, as fund accountants report on funds' financial performance which informs strategic decisions that focus on growth, the lack of fund accountants to oversee investment portfolios may hinder the ability of retirement funds to generate competitive returns on investments. This can affect the retirement savings of countless individuals who rely on these funds to secure their financial futures. Additionally, the diminished capacity for analysis and reporting caused by the scarcity of fund accountants may deter potential investors, leading to reduced capital inflow into the sector.

Potential solutions

To combat the scarcity of fund accountants, concerted efforts must be made by industry stakeholders, educational institutions, and the government. Educational institutions should consider developing specialised programmes that specifically focus on fund accounting, ensuring that they meet the evolving needs of the industry. Collaborations between universities, relevant industry bodies and retirement funds could facilitate the design of programmes that better equip graduates for careers as fund accountants.

A greater awareness campaign should be launched to promote the opportunities and significant role played by fund accountants within retirement funds and asset management. This can be achieved through career fairs, industry seminars, and internships that expose students and young professionals to the field. Lastly, government support and incentives for retirement funds and asset management companies can encourage the hiring and development of fund accountants. Tax incentives, subsidies for training programmes, and active engagement with industry bodies can all contribute to nurturing a larger pool of fund accounting talent.

The scarcity of fund accountants within the retirement funds and asset management fields in South Africa is an issue that requires immediate attention. With the regulatory changes such as the COFI Bill, two pot system, and the Regulation 28 amendments underway to attract even more participants within the industry, these have raised a need to prioritise education, generate awareness, and implement supportive policies. South Africa can begin to bridge this gap, ensuring the industry can sustain its growth and continue providing robust financial services to individuals seeking a secure retirement.

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