

CAs behaving badly: The Saica professional conduct code explained

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The accounting profession is under pressure at the moment to improve public perceptions on whether they, and more specifically chartered accountants, are still behaving ethically.



"Since the widespread reports of various chartered accountants' unethical behaviour, it has become apparent to me that people want clear-cut, black-and-white rules instructing accountants on what is allowed and not allowed in professional relationships. They gasp at the concept of 'professional judgement' as an allowance for members to justify unacceptable behaviour. Make no mistake, the South African Institute for Chartered Accountants (Saica) Code of Professional Conduct does hold its membership to a very high standard of ethical conduct, and it is correct for it to do so," says Michael Dorfan, chairman of the body's ethics committee.

The code is principles-based and it insists on the application of professional judgement when assessing risks to objectivity in appearance and mind and to avoid situations where the intent of a client in providing benefits to the professional gives rise to perceptions of or actual conflicts of interest. It requires that decisions should only be taken after applying the conceptual framework, which means that each member should assess the ethical risks before taking any actions and ensure appropriate safeguards are in place, so that a reasonable and informed third party will be unable to accuse a member of breaching an ethical fundamental principle as explained by the code.

The fundamental principles in the code are as follows:

- Integrity – to be straightforward and honest in all professional and business relationships
- Objectivity – to not allow bias, conflict of interest or undue influence of others to override professional or business judgements
- Professional competence and due care – to maintain professional knowledge and skill at the level required to ensure that a client receives competent professional services based on current developments in practice, legislation and techniques
- Confidentiality – to respect the confidentiality of information acquired as a result of professional and business relationships
- Professional behaviour – to comply with relevant laws and regulations and avoid any conduct that discredits the

accountancy profession.

The code further requires that the greater the public interest in the outcome of the accountant's or auditor's service, the more important the transparency around threats to independence, and an increased application of thought into judgements made will be demanded from the professional.

Therefore, not only is the code based on the abovementioned principles, but those adhering to it also need to consider the reasonable and informed third party test when deciding on what to do.

A professional accountant acting in an audit capacity for example will always need to ensure that the client does not shower the accountant with expensive, lavish gifts or treatment beyond what would be the expected norm. The client may not pay for any of the accountant's or his/her close relatives' accommodation or other large expenses as this will create perceptions.

One should ask questions for example: could any behaviour or actions displayed infringe on perceived independence between the professional accountant and the client that might cause dismay if exposed publicly?

It is important to be open with those charged with governance, i.e. those representing the public interest, like the audit committee about any potential conflicts that may exist and that may impact outsider perceptions.

At all times the relationship between an auditor or assurance provider and the client must remain professional and never cross an important line where a reasonable and informed third party would be in a position to accuse the accountant of being compromised by having benefited unduly from the client.

Do chartered accountants still have values?

Looking at the number of Saica members that were disciplined in the last few years, versus the total membership base, it is a small number, yet it is still a black mark on a white sheet. Those responsible for bringing our profession into disrepute need to be dealt with appropriately.

With close on 46,000 members, the ongoing scandals involving Saica members has brought into focus the need to communicate how the institute deals with those members who have breached the code. "As some changes have already been made in this regard, as we need to be open about how we deal with unethical behaviour and be seen to be adopting a zero tolerance approach to those who breach the code," he says.

In 2017, 229 complaints received against members and trainees were investigated. 109 were then cleared of any wrongdoing, nine members were suspended for 6-12 months, 77 were fined, and two were excluded from Saica membership. With regards to the remaining cases, members were either cautioned, reprimanded, or disqualified from applying for membership or associateship.

Based on the above statistics with 120 members and trainees being disciplined in 2017, and with 265 members currently in the disciplinary process pipeline, it is unfair to paint all chartered accountants with the same brush.

Some internal questions worth deliberating are possibly: What does the public expect in relation to what Saica expects of its members? Is training in ethics up to scratch? Are we disciplining members that have breached the code and ensuring they are appropriately dealt with in an efficient and transparent manner that the public trust in the profession is not being damaged? Are people aware there is a place where whistleblowers can make a complaint against an unethical Saica member? Is the public informed about the robustness of our disciplinary processes?

In response to these questions, it is important to communicate that Saica does regular training of members around ethical standards and the application of ethics. Newsletters and other resource tools are regularly issued to guide members on new standards and requirements. Members also have access to video recordings, webinars and information on the Saica

member website. The members making up the institute should play a role in exposing any bad behaviour of fellow CAs to ensure the institutional reputation is sustained and the public interest is always served in doing so.

Saica also has its own disciplinary mailbox, discipline@saica.co.za which are monitored by the legal team.

The communications team also monitors the media for any exposure which might allude to the misconduct of members – these alleged incidents are shared with the legal team.

Complaints process

Saica's formal complaints submission process allows the public or other CAs(SA) to submit confidential affidavits that address complaints against members accused of breaching the code.

All complaints are referred to the legal team who will engage with complainants to clarify uncertainties or ambiguities. Members of the disciplinary panel remain anonymous to outsiders to protect the integrity of the disciplinary process.

Every complaint goes through a gather-and-collate-evidence phase and thereafter to the professional conduct committee (PCC), an independent committee separate from Saica for examination and analysis, and where found appropriate, a sanction is applied. If the complaint is complex and difficult to deal with, it flows up through to a disciplinary committee for examination.

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