

Ethics Barometer Report:

**Measuring Performance -
Building Trust - Driving Success**

SAICA MEMBERS REPORT

**Gordon
Institute
of Business
Science**

Centre for
Business Ethics

 **SAICA** | DIFFERENCE
MAKERS™

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Background to the Report

The South African accounting profession has been rocked by a series of recent high-profile corrupt accounting scandals, especially those involving what has come to be known as “state capture”. These scandals have undermined the standing of the profession and the trust it has commanded in the business community and broader society. Increasingly, the accounting profession is expected to champion inclusion and sustainability, and to play a significant role in nation building. In a society still plagued by apartheid’s legacy

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of inequality and exclusion, this too is crucial in the establishment of trust. To restore public trust and secure the conditions for its long-term success, business has to, firstly, avoid doing harm – especially through reducing misconduct. Secondly, business has to serve a social purpose beyond profits, address racial and gender justice, and help correct historical wrongs. Both responses are urgent and vital, and the accounting profession has an especially important contribution to make to them.

SOUTH AFRICAN INSTITUTE OF CHARTERED ACCOUNTANTS (SAICA)

The South African Institute of Chartered Accountants (SAICA), the foremost accountancy body in South Africa, emphasises that ethics are critical to the practice of chartered accountancy. Ethical attitudes and behaviours are the foundation of the profession's public duties and responsibilities.

The SAICA Code of Professional Conduct (including Independence Standards) ("the Code") sets out fundamental principles of ethics for professional accountants, reflecting the profession's recognition of its public interest responsibility. These principles establish the standard of behaviour expected of members and associates. The SAICA Code has 5 Fundamental Principles of ethics that members and associates are expected to uphold, namely:

- **Integrity** – to be straightforward and honest in all professional and business relationships.
- **Objectivity** – to exercise professional or business judgement without being compromised by:
 - i. bias;
 - ii. conflict of interest; or
 - iii. undue influence of, or undue reliance on, individuals, organisations, technology or other factors.
- **Professional competence and due care** – to:
 - i. attain and maintain professional knowledge and skill at the level required to ensure that a client or employing organisation receives competent professional service, based on current technical and professional standards and relevant legislation; and
 - ii. act diligently and in accordance with applicable technical and professional standards.
- **Confidentiality** – to respect the confidentiality of information acquired as a result of professional and business relationships.
- **Professional behaviour** – to:
 - i. comply with relevant laws and regulations;
 - ii. behave in a manner consistent with the profession's responsibility to act in the public interest in all professional activities and business relationships; and
 - iii. avoid any conduct that the professional accountant knows or should know might discredit the profession. The principal purpose and object of the Institute is to promote the common interests of members and associates and the public interest by enhancing the relevance, values, competence and influence of members and associates in South Africa and abroad, and to contribute to economic and social development in South Africa as contained SAICA's Constitution.

To achieve this purpose, one of the Institute's fundamental, enduring and long-term ancillary objects for itself and its members and associates is "to act in the public interest and to safeguard the values of the Profession" which is done through the fundamental principles as set out in the SAICA Code of Professional Conduct.

THE GORDON INSTITUTE OF BUSINESS SCIENCE (GIBS) CENTRE FOR BUSINESS ETHICS (CFBE)

The purpose of the Gordon Institute of Business Science (GIBS) Centre for Business Ethics (CfBE) is to explore and influence how South African business can respond more ethically to the country's challenges, facilitating open conversations that build trust and helping to secure a more successful, sustainable future for the business community and the country. The CfBE connects academia, business, and society – locally and internationally – to co-create ethical solutions, while inspiring and enabling leaders to think, feel, and act in the interests of our shared future.

At the heart of the CfBE's approach is the belief that business can and should be a force for good. This is accompanied by the view that ethics must not be seen merely as an "add-on" to organisational activities, but rather belong at their very heart. There is a need to help move ethics from the periphery to the centre of organisational decision-making.

The CfBE operates at the intersection of scholarship and organisational practice, aiming to develop rigorous thought leadership that has impact and influence. The GIBS Ethics Barometer is the CfBE's flagship project.

GIBS/SAICA PARTNERSHIP

In response to the ethical challenges described above, GIBS and SAICA have partnered to apply the Ethics Barometer to the South African accounting profession. All three groups in the "SAICA pipeline" – students, trainees, and professional members – were surveyed. The information contained in this report refers to professional members. The data from these studies will be used to inform and invigorate SAICA's efforts to improve the ethical reality of the profession and its standing in the business community and broader society.

INTRODUCTION TO THE ETHICS BAROMETER

The GIBS Ethics Barometer is positioned at the intersection of academia and action. It is a commitment to independent, rigorous research with a clear focus on achieving impact and making a practical contribution. Building on GIBS' reputation as the "business school of business", the Ethics Barometer aims to deliver benefits on both a micro and a macro level to individual companies and the broader business community.

Underlying this initiative is the recognition of a problematic paradox. Many individuals and corporations may well appreciate, on a conceptual level, the importance of ethics. However, in the absence of a clear metric, conversations about ethics run the risk of becoming vague, amorphous, and fuzzy. It is this "soft underbelly" that the Ethics Barometer addresses.

Through a combination of quantitative and qualitative data-driven insights, the Ethics Barometer opens the door to a more meaningful assessment of the ethical performance of South African corporations. Since the conversations that the instrument enables are rooted in empirical evidence, they have more credibility and hence the potential for greater influence and impact.

The Ethics Barometer sets out to empower leaders to more effectively measure and thereby manage ethical performance. It does so on the basis that ethical behaviour builds trust and is ultimately critical for the success of organisations and society.

The Ethics Barometer was officially launched in November 2019 with Chief Justice Mogoeng Mogoeng in Johannesburg, and Prof. Thuli Madonsela, the former public prosecutor, in Cape Town. Business Leadership South Africa (BLSA), the association representing big business in South Africa, has been a strategic partner in the development of this initiative. The Ethics Barometer supports BLSA's (2021) three core objectives:

- advancing a modern, inclusive and growing economy;
- upholding the constitution and protecting the integrity of the state institutions; and
- demonstrating that business is a national asset and is central in addressing poverty, unemployment, economic injustice, and transformation.

To date, almost 25 leading companies have taken part in the Ethics Barometer, and over 18 000 employees have been surveyed. These companies are from the banking, insurance, mining, property, professional services, and retail and leisure sectors. The Ethics Barometer's vision is that measuring ethical performance will eventually become part of the "new normal" in South African business and society.

INSTRUMENT DEVELOPMENT

The Ethics Barometer has been built on a rigorous and comprehensive assessment tool developed by three Harvard Business School (HBS) academics: Professors Lynn Paine, Rohit Deshpande and Joshua Margolis. The tool tests whether organisations adhere to global norms and standards around business conduct (Paine, Deshpande, Margolis and Bettcher, 2005).

In 2005, as a first step, the HBS academics systematically analysed 23 codes of corporate conduct. These codes were drawn from 14 of the world's largest corporations as well from leading international institutions such as the United Nations, the OECD and the Global Reporting Initiative. Their analysis identified 62 widely endorsed standards of business conduct, and this was used to establish the Global Business Standards (GBS) Codex. These standards were in turn analysed and it was found that they were underpinned by 30 concepts and eight principles.

8 PRINCIPLES OF THE HBS CODEX

1 FIDUCIARY PRINCIPLE

Act as a fiduciary for the company and its investors. Carry out the company's business in a diligent and loyal manner, with the degree of candour expected of a trustee.

2 PROPERTY PRINCIPLE

Respect for property and the rights of those who own it, refrain from theft and misappropriation, avoid waste, and safeguard the property entrusted to you.

3 RELIABILITY PRINCIPLE

Honour commitments. Be faithful to your word and follow through on promises, agreements and other voluntary undertakings, whether or not embodied in legally enforceable contracts.

4 TRANSPARENCY PRINCIPLE

Conduct business in a truthful and open manner. Refrain from deceptive acts and practices, keep accurate records, and make timely disclosures of material information while respecting obligations of confidentiality and privacy.

5 DIGNITY PRINCIPLE

Respect the dignity of all people. Protect the health, safety, privacy and human rights of others; refrain from coercion; adopt practices that enhance human development in the workplace, the marketplace and the community.

6 FAIRNESS PRINCIPLE

Engage in free and fair competition, deal with all parties fairly and equitably, and practice non-discrimination in employment and contracting.

7 CITIZENSHIP PRINCIPLE

Act as responsible citizens of the community. Respect the law, protect public goods, cooperate with public authorities, avoid improper involvement in politics and government, and contribute to community betterment.

8 RESPONSIVENESS PRINCIPLE

Engage with parties who may have legitimate claims and concerns relating to the company's activities and be responsive to public needs while recognising the government's role and jurisdiction in protecting the public interest.

LOCALISING AND CUSTOMISING THE TOOL

The GBS Codex forms the foundation of the GIBS Ethics Barometer. The Barometer draws on the widely endorsed norms and standards which make up the GBS Codex. However, using focus groups made up of subject matter experts, the GIBS Ethics and Governance Think Tank contextualised and localised the HBS tool, ensuring that it also addresses specific South African issues and challenges – especially with regard to transformation and correction of historical wrongs. The aim was to develop an instrument that is locally relevant while remaining aligned with the global framework. The GIBS Ethics Barometer measured 68 behaviours and six constructs, cutting across key stakeholder relationships.

For these SAICA studies, the tool was further customised to take into account the particular needs of the profession and the three distinct groups to be surveyed: students, trainees and members.. The process involved scanning the peer reviewed literature and media for issues relating to accounting ethics, as well as deep consultation with SAICA itself. This process resulted in a survey questionnaire which measured an additional three constructs: SAICA Code of Professional Conduct, including awareness, influence on behaviour (8 items) and alignment with personal values (18 items); topical issues (14 items) relating to the accounting profession and avoidance of accounting misconduct (16 items).

BY THE NUMBERS

HOW MANY MEMBERS COMPLETED THE SURVEY?

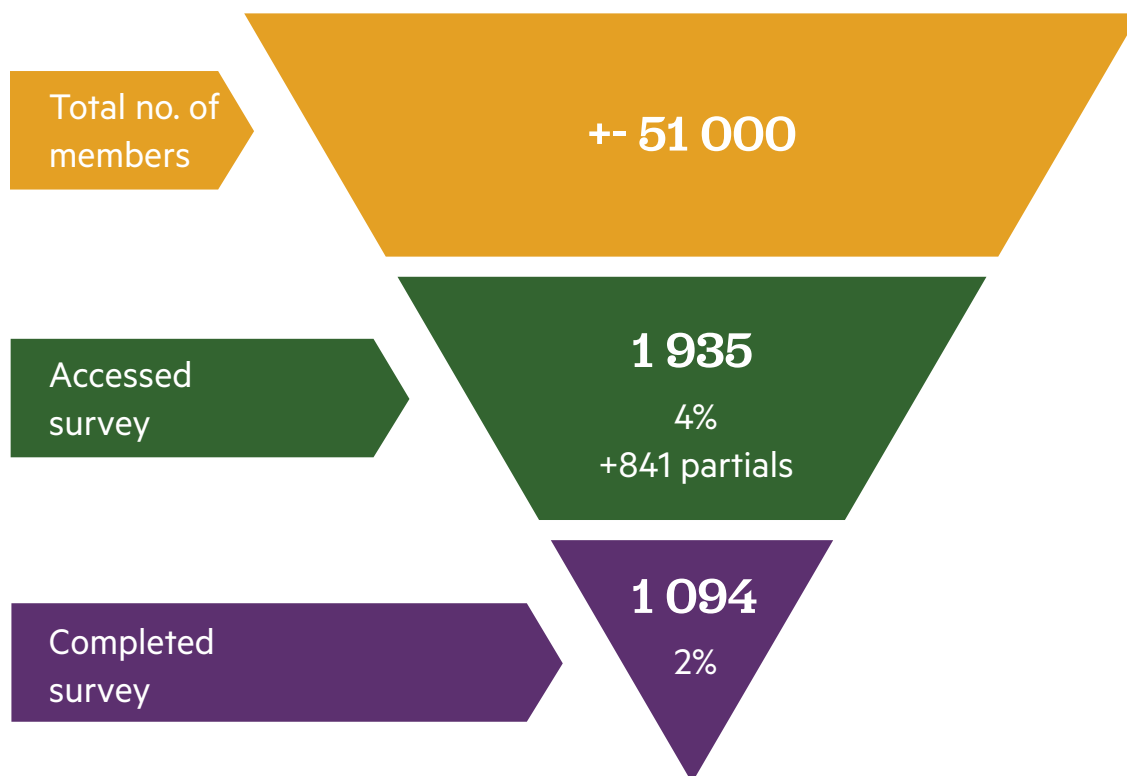


Figure 1: Sample Size

Total 4 392 comments, excluding open-ended responses to '5 Principles' and 'words to describe'

Category	Responses
SAICA Code of Conduct	1 311 responses
Fundamental principles	1 270 responses
Behaviour of accountants in practice	426 comments
Asked to do something against code	525 comments
Topical issues covered by code	376 comments
Observance of accounting misconduct and reporting	1 027 comments
Observance of general ethical misconduct	276 comments
Ethical leadership by SAICA Members	186 comments
Treatment of customers	136 comments
Treatment of suppliers	97 comments
Treatment of employees	176 comments
Organisational culture and practices	137 comments
Engagement with broader society	170 comments
Treatment of shareholders	49 comments
Other ethical issues	287 comments

Table 1: Overview of Qualitative Data

PROFILE OF THE SURVEY RESPONDENTS

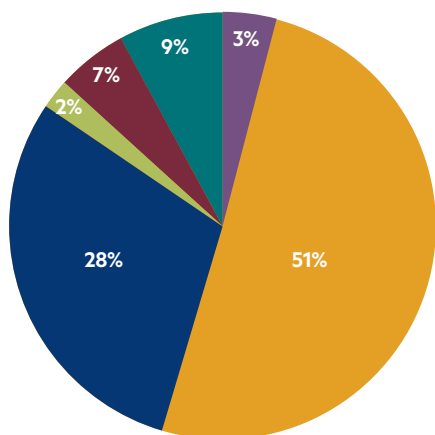


Figure 2: Sector (n=1935)

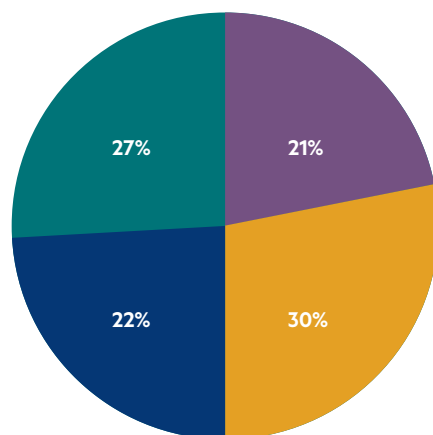
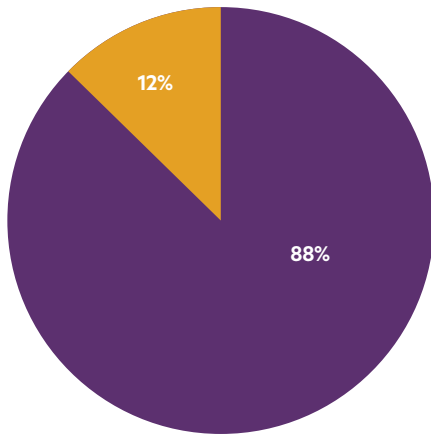
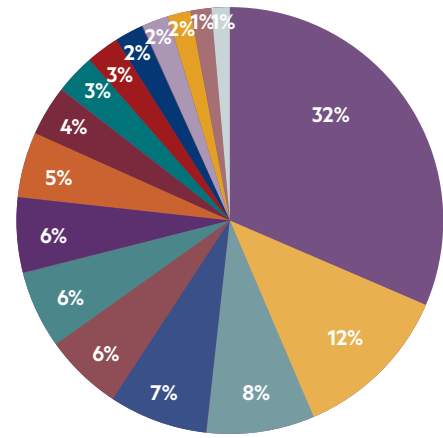


Figure 3: Years as SAICA Member (n=1921)



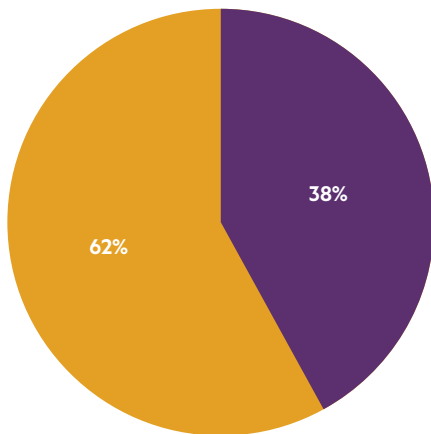
South Africa Internationally

Figure 4: Location (n=1919)



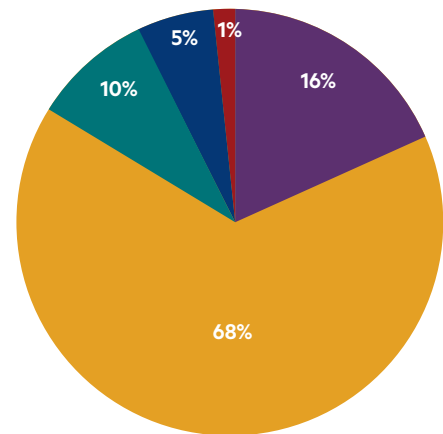
Financial and insurance activities
 Manufacturing
 Wholesale and retail trade; repair of motor vehicles and motorcycles
 Information and communication
 Mining and quarrying
 Agriculture, forestry and fishing
 Professional, scientific and technical activities
 Transportation and storage
 Human health and social work activities
 Real estate activities
 Education
 Construction
 Electricity, gas, steam and air conditioning supply
 Accommodation and food service activities
 Arts, entertainment
 Administrative and support service activities

Figure 5: Industry of Employer



Male Female

Figure 6: Gender (n=1891)



Indian Coloured Other African White

Figure 7: Population Group (n=1789)

INSIGHT #1: LIVING THE SAICA PROFESSIONAL CODE OF CONDUCT

The SAICA Professional Code of Conduct is familiar to SAICA Members with over half (57%) having read through the SAICA Code (at least partially) in the last 12 months. The majority of SAICA Members (71%) state that the SAICA Code has guided their behaviour in actual situations. The clear majority of SAICA Members, 87%, believe that the SAICA Code is a useful tool in dealing with ethical dilemmas. SAICA Members believe to some extent that the accounting profession lives up to the 5 Fundamental Principles (with confidentiality scoring the highest and objectivity scoring the lowest). However, there was generally low recall of the 5 Fundamental Principles (with the exception of integrity at 78%). Finally, SAICA Members generally believe that the accounting profession behaves ethically in practice, though there are a sizeable minority who feel otherwise.

“The current economic situation and failure of state departments in SA makes business survival and profitability extremely difficult. This places pressure on accountants to behave outside the SAICA fundamental principles”.

SAICA Members are generally of the opinion that accounting professionals for the most part “live up to” the SAICA Code of Professional Conduct, with respect to integrity (71%); objectivity (65%); professional competence and due care (74%); confidentiality (79%); and professional behaviour (70%). The results for the principles of “integrity”, “objectivity” and “professional behaviour” at 71%, 65% and 70% respectively, are outside of what the Ethics Barometer calls “the ideal range”.

Moreover, when respondents were asked to list five words that they would use to describe how the accounting profession behaves in practice, around 80% of the sample replied using positive words, such as “professional”, “integrity”, and “ethical”. Unfortunately, a relatively sizeable percentage of SAICA Members have been asked to do something at work which goes against the SAICA Code of Professional Conduct. The results of this question are depicted in Figure 8.

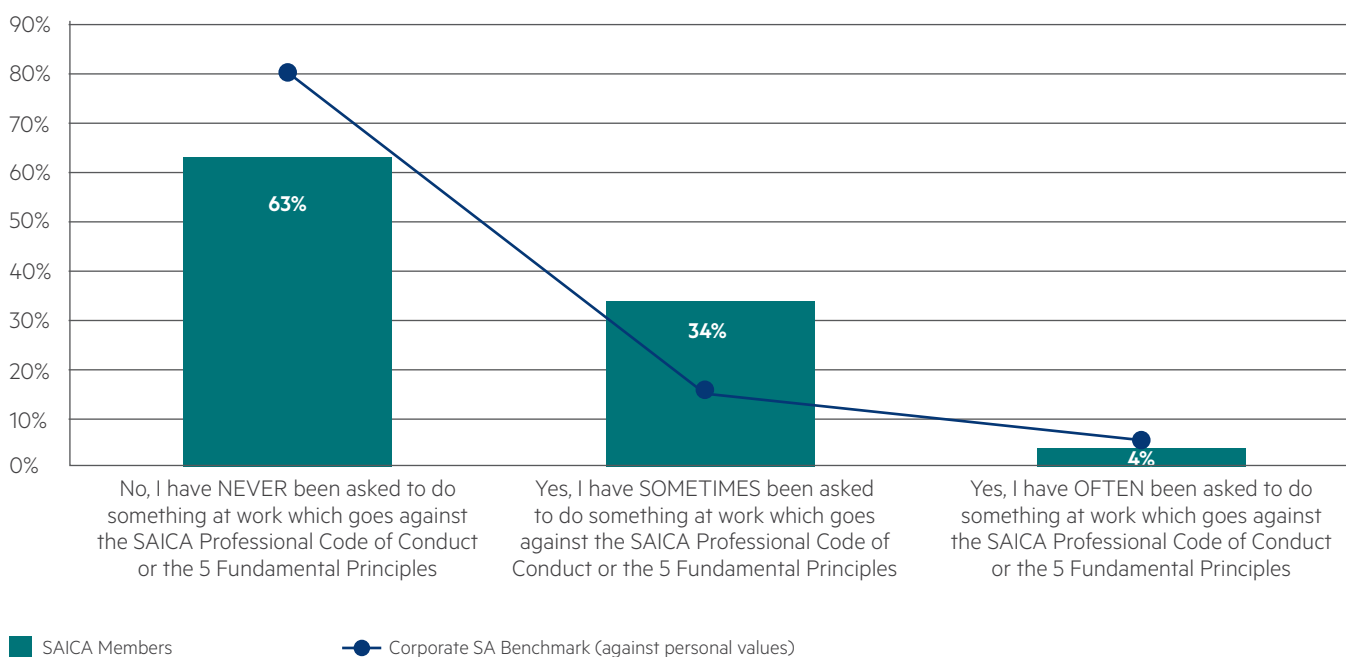


Figure 8: Asked to go against the SAICA Code of Professional Conduct

Qualitative comments (426) provide more insight into the 97% of the sample who indicated they had sometimes or frequently been asked to do something against the code. Respondents were most likely to comment on corruption, incomplete work being signed off or being told to ignore pertinent information:

“Asked to abide by corrupt tendering processes. Asked to not rock the boat with comments or probes. Asked to pay fee increases caused by corruption and ineptitude. Asked to refrain from pointing out incompetence. Asked to close my eyes to growing injustice. Asked to withdraw report items and destroy letters. Asked to go along with super-inflationary decisions without considering the effect on growing poverty. Asked to comply with transgressions of basic rights. Compulsed to receive media-information that is clearly biased,

incomplete, agenda-driven because opposing voices or sources are no longer available or to be frowned upon as group. Report results to give best possibility of management bonuses. Drafting financials that we audit. Auditing rude and unhelpful clients whose accounting records are not properly maintained because they form part of a larger group who pays large fees. Signing off on work before it is completed or without completing it”.

Given a list of values from the Rokeach (1979) human values study, SAICA Members were asked to identify and rank the top five to understand the extent to which their personal values were consistent with the values of the profession. These values, reflecting the top ten are depicted in Table 2 below.

Value	Overall Rank
Honest (i.e. sincere, truthful)	1
Responsible (i.e. dependable, reliable)	2
Capable (i.e. competent, effective)	3
Courageous (i.e. standing up for your beliefs)	4
Logical (i.e. consistent, rational)	5
Self-controlled (i.e. restrained, self-disciplined)	6
Intellectual (i.e. intelligent, reflective)	7
Independent (i.e. self-reliant, self-sufficient)	8
Ambitious (i.e. hard-working, aspiring)	9
Broad-minded (i.e. open-minded)	10

Table 2: Alignment between Personal and Professional Values

What bodes particularly well for the future of the accounting profession’s ethical practice is that SAICA Members’ personal values are in alignment with the SAICA Code of Professional Conduct, especially with respect to being “honest” (integrity), “responsible” (professional behaviour), and “capable” (professional competence).

While the SAICA Code of Professional Conduct, which specifies five key principles by which the accounting profession is required to conduct itself, has a certain amount of meaning and impact for the SAICA Members in this study, and appears to align strongly with their personal values, there is a prevailing view that the code in and of itself may not be as useful a living document as hoped. There is a need for guidance and legal support from SAICA and an appeal not to judge the accounting profession as a whole by a few “rotten apples”. Although many report being asked to do something at work that contravenes the code, there is an overriding belief in the profession being honest, responsible and competent.

INSIGHT #2: THE PUBLIC IMAGE OF THE PROFESSION

SAICA Members generally believe that the public can have confidence in the numbers signed off by auditors (63%); have not witnessed accountants being threatened or intimidated (56%); and have not witnessed accountants failing to report non-compliance (57%). Nevertheless, SAICA Members are divided in their opinions of whether or not SAICA does a decent job of disciplining its wayward members. Furthermore, SAICA Members generally do not believe that auditors should take responsibility for missed fraud (58%), while also believing that there is a conflict in offering both auditing and consulting services (60%).

"I think the profession has been dealt a blow in its image by a few rotten apples. Any firm or individual that is complicit in state capture should be reprimanded strongly. Unfortunately, SA businesses are under immense pressure to survive, and this causes people sometimes to cross boundaries."

With regard to state capture or recent accounting scandals, SAICA Members generally believe that the accounting profession has not dealt appropriately with its role in these (63%). SAICA Members also generally believe that auditors are too reliant on the honesty of

executive management (62%); clients can be obstructive and reluctant to provide information (61%); and accountants can be observed to hold inappropriate personal relationships with clients (58%).

"There is absolutely no protection for either Chartered Accountants or Registered Auditors who either issue a NOCLAR or a Reportable Irregularity. Clients and other Professionals can harass, intimidate and threaten CA's and RA's with impunity. Clients and other Professionals have deeper pockets than CA's (individually) or RA's, and can litigate, harass and otherwise threaten CA's and RA's who are obliged to report irregularities. There are numerous cases where CA's/RA's entire careers and livelihoods are destroyed by Clients/Other Professionals who can literally litigate a CA into bankruptcy. Protection Orders are impossible to obtain in the current climate (magistrates offices have "run out of ink") and in any case are just ignored."

The figure below shows the overall perceptions of the accounting profession by SAICA Members. While none of the scores are in the ideal range, confidence in numbers and personal relationships are still rated relatively strongly.

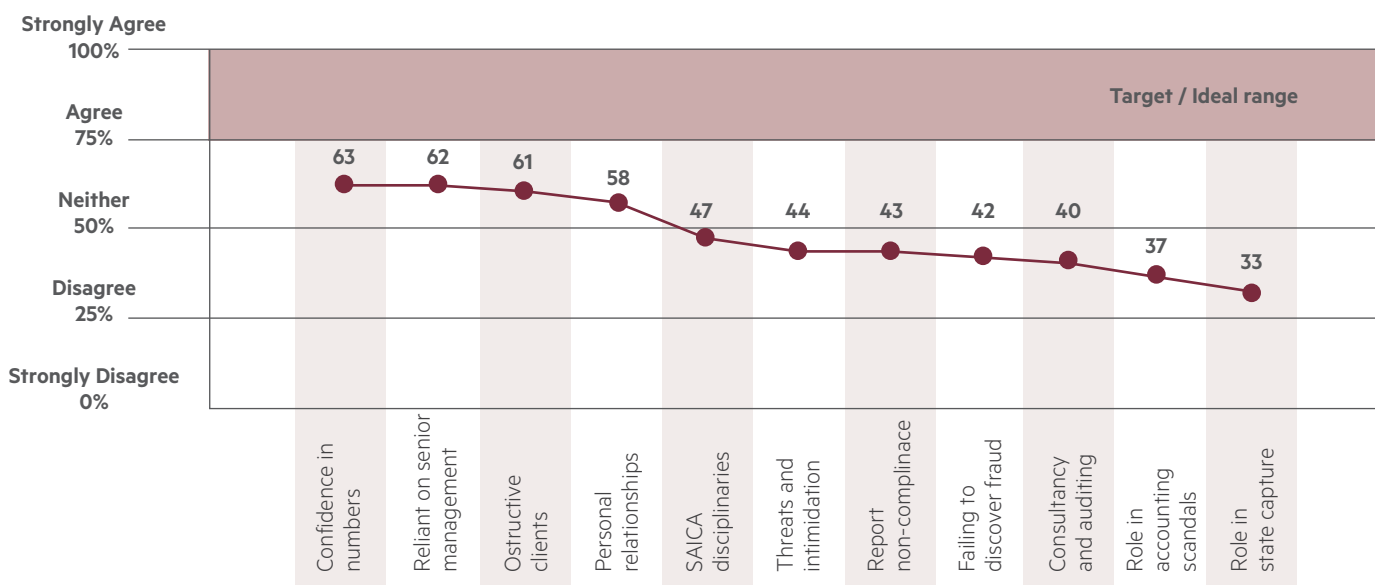


Figure 9: Topical Issues Influencing Public Perception

INSIGHT #3: AVOIDANCE OF ACCOUNTING MISCONDUCT

In 2011, Paine, Deshpande and Margolis conducted a further study to assess whether employees thought that their companies should – and actually did – adhere to the GBS Codex's standards. They surveyed 6 200 employees working for four multinational corporations in 23 countries as well as 820 executives studying at HBS.

Relatively low incidences of accounting misconduct have been observed by between 3 and 14% of respondents. However, comparatively high incidences of accounting misconduct have been observed particularly in failing to keep pace with professional standards and legislation (26%); late reporting (25%); and compromised judgement due to bias and conflict of interest (20%). With respect to the three incidences of

accounting misconduct, approximately one-third reported it, with more reporting it not anonymously versus anonymously and between 36 and 71% believing the report had been effectively dealt with. This is depicted in detail in Figures 10 and 11 that follow.

Relatively high incidences of misconduct have been observed with six behaviours observed sometimes too often between 20% and 34% of the time. This is much worse than the Corporate SA benchmark.

Areas of most frequently observed misconduct, depicted in Table 3, below, include workplace bullying (34%), racial (24%) and gender (20%) discrimination, bending rules to meet targets (22%) and stealing (21%) and misusing company property (20%).

	Behaviour	% Of employees who have observed this		Benchmark
		Sometimes + often	Often	
1	Bullying and intimidation in the workplace	34%	10%	22% (BOTTOM 10%)
2	People at my organisation discriminating on the basis of race	24%	10%	18% (BOTTOM 24%)
3	People at my organisation bending the rules in order to meet targets	22%	6%	12% (BOTTOM 3%)
4	People at my organisation stealing company property (such as assets or cash)	21%	4%	11% (BOTTOM 3%)
5	Misuse of company property (including information, funds, equipment)	20%	5%	9% (BOTTOM 1%)
6	People at my organisation discriminating on the basis of gender	20%	8%	11% (BOTTOM 2%)
7	Sexual harassment in the workplace	15%	4%	8% (BOTTOM 6%)
8	People at my organisation accepting gifts or entertainment in return for favours	14%	4%	5% (BOTTOM 1%)
9	People at my organisation pressuring employees to engage in wrongdoing	13%	5%	5% (BOTTOM 1%)
10	People at my organisation offering bribes in return for favours or special treatment	8%	4%	3% (BOTTOM 2%)
11	Gaining the support of politicians or political parties by making donations to them	7%	3%	2% (BOTTOM 1%)
12	Violence in the workplace	7%	3%	3% (BOTTOM 5%)
13	Stealing content or ideas from competitors that is confidential or not in the public domain	7%	3%	4% (BOTTOM 2%)

	Behaviour	% Of employees who have observed this		Benchmark
		Sometimes + often	Often	
14	Taking unfair advantage of customers who have no choice but to use our products or services	7%	3%	4% (BOTTOM 23%)
15	People at my organisation winning business from other companies in an unfair way	6%	3%	2% (BOTTOM 2%)
16	People at my organisation winning government contracts in an unfair way	6%	3%	1% (BOTTOM 4%)
17	People at my organisation making secret deals with competitors to gain an unfair advantage	6%	3%	2% (BOTTOM 1%)
18	People at my organisation misusing confidential customer information	6%	3%	3% (BOTTOM 2%)

Table 3: Complete List of Misconduct

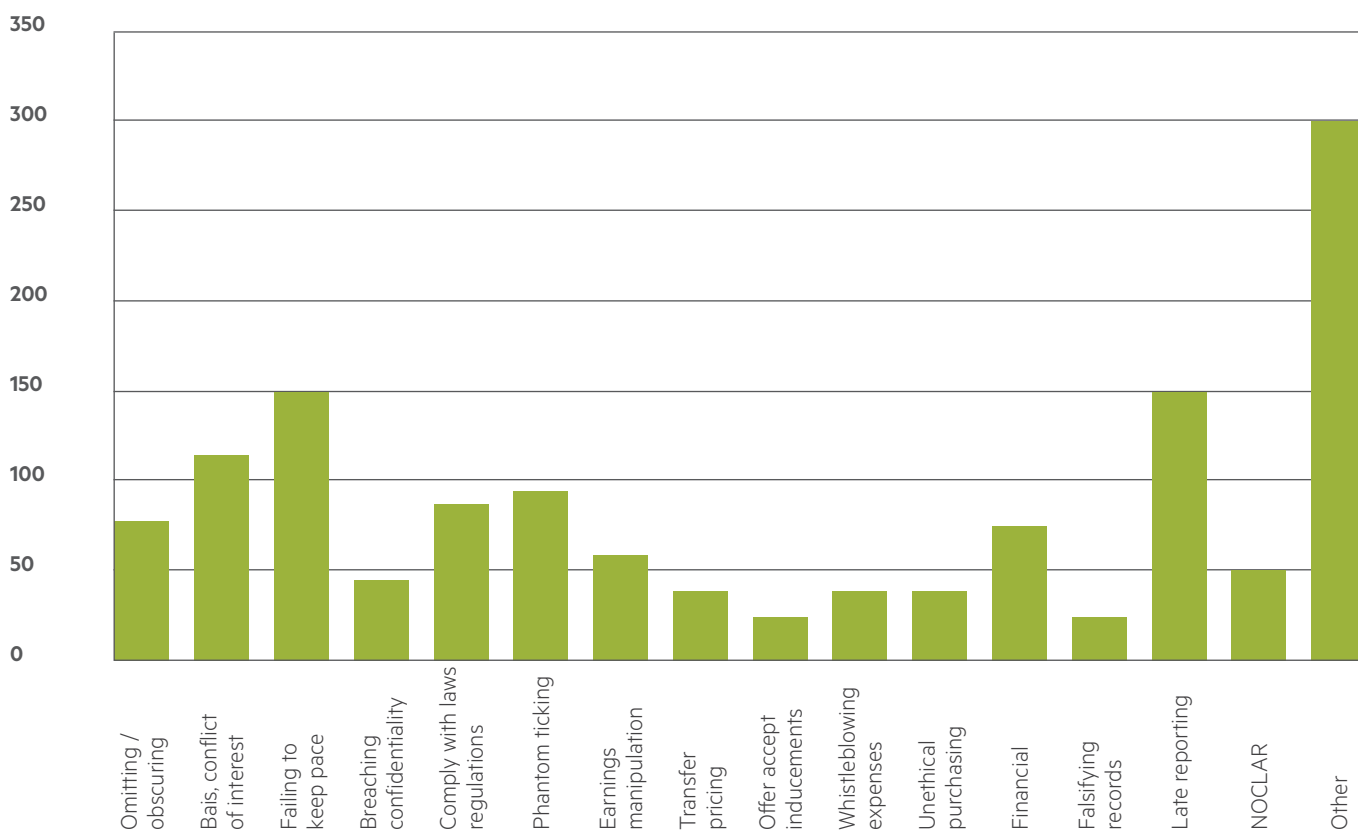


Figure 10: Accounting Misconduct (1 328 comments)

INSIGHT #4: AVOIDANCE OF REPORTING MISCONDUCT

As depicted in Table 4, the primary issues causing a reluctance to report misconduct are fear of victimisation (24%) and the perception that nothing will be done about reporting misconduct (32%).

“There simply does not exist adequate mechanisms to protect professional accountants who execute their duties with honesty, integrity, objectivity and professional competence against retaliations from their seniors and management if their seniors and/or management prefer to turn a blind eye on it. The detected cancer is allowed to spread and there are no attempts to stop it early in its tracks before it becomes material issues. I am uncertain of whether SAICA itself is objective and unbiased and would process my concerns fairly and make me feel safe.”

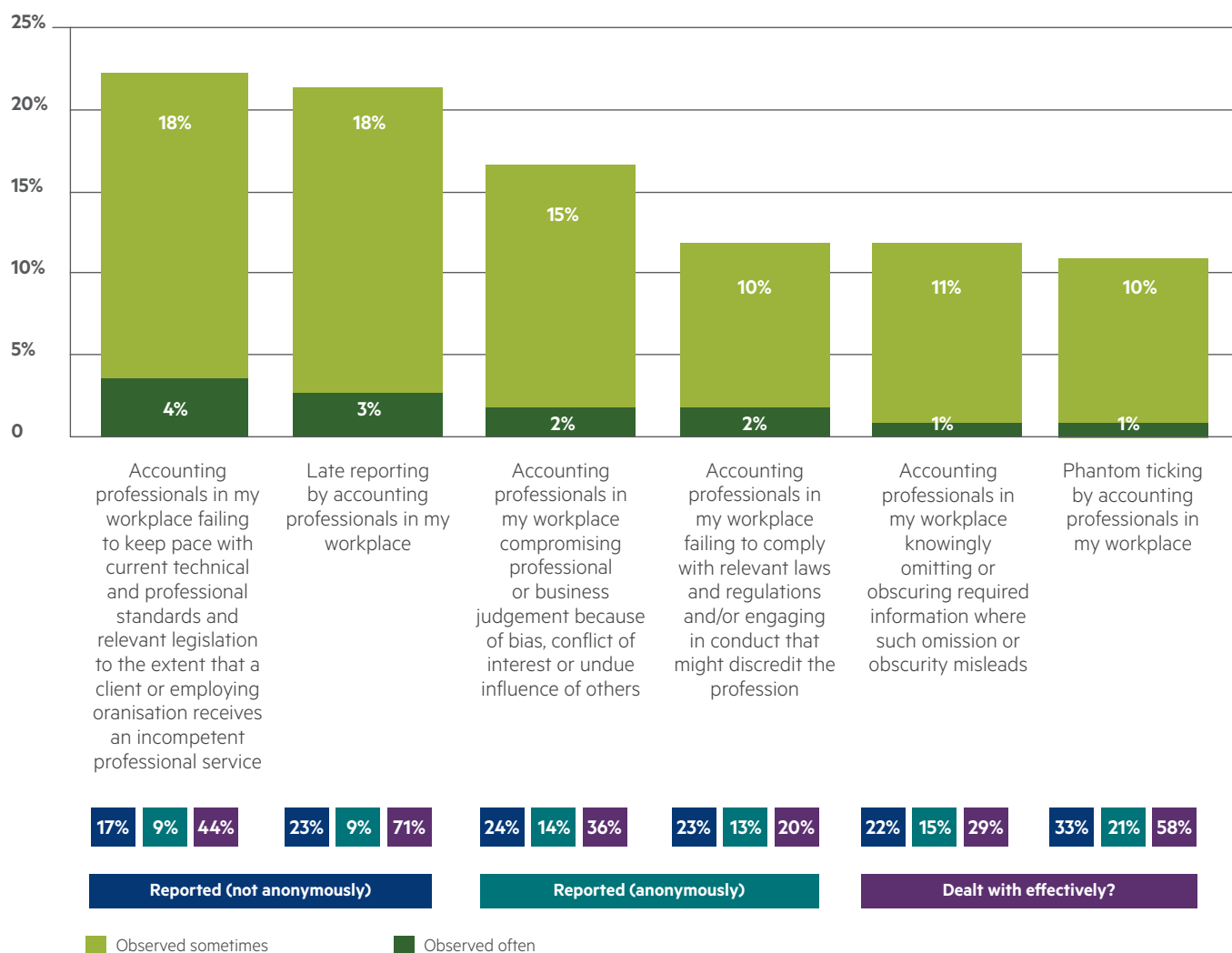


Figure 11: Most Observed Types of Accounting Misconduct During Past 24 Months

With regards to lack of reporting, the quotes below provide substance to the fear of victimisation and the view that no action would be taken to address the misconduct.

"I reported items internally and when it was clear that management did not really want to change as they previously led us to believe, I left the company. I do, however, feel that SAICA should have reporting channels for these items. Clarity needs to be given and communication from SAICA's side on what will happen ... Reporting a problem is one thing, I think more people will do it if the channels are communicated and the steps that will be taken afterward are also explained. Will all the firms just be shut down or will there be a chance for them to correct their behaviours under strict and long monitoring – I think these are the questions people would like answered, reporting must be a common thing..."

"It is difficult to report these issues as I do not know who to report it to or what action would even been taken. Would one land up in a massive legal case and have to incur legal costs to prove one's allegations."

However, failing to keep pace with professional standards was not always viewed as being due to an individual's tardiness:

"Workload at times are of such nature that no individual can humanly be effective working such hours over certain period of the year. It may not necessarily be lack of keeping pace with standards but combination of this and untenable hours at times."

"This is not the accountant's problem but due to overload. It is extremely difficult to stay up to date and hence can fail to keep pace. This is difficult to do, which is understandable considering the pressure we work under."

"A lack of attention to detail and failure to maintain continuous professional development standards, result in accountants not being updated with changes in important standards/legislation."

Late reporting was frequently viewed as being due to external factors, typically unrealistic timeframes:

"Financial statements not finalised within 6 months as required by the companies act – in fact, it is almost impossible. PLEASE CHANGE THE COMPANIES ACT!!!!"

"Unrealistic deadlines are often set, or audits are started too late, leaving little time for proper work. So, you either keep to the deadline or do proper work."

"Sometimes the workload is too much, and some reports are submitted late, or clients take their time to give the information needed and then reports are late."

Compromised judgement due to bias and conflicts of interest was seen as a direct result of the inherent conflict in linking personal earning and career advancement to issuing an independent opinion:

"When the auditor is the only person in the board room that wants to do the right thing, it becomes very difficult for that person."

"They suppressed true and accurate reporting because they realised that it might reflect negatively on them and disadvantage their careers."

"I do not believe you can be truly independent to issue an opinion to the company responsible for paying your audit fee and any overruns."

"The key motivating factor for providing incorrect information is bonuses."

Table 4 below provides a more detailed look at the reasons given for not reporting observed misconduct.

	Reasons For Not Reporting Misconduct	Responses
1	No action will be taken; nothing will happen	120 (32%)
2	I fear I'll be victimised	92 (24%)
3	Someone else already reported it	65 (17%)
4	I don't know where to go to report it	48 (13%)
5	It affects someone else so they should report it, not me	21 (6%)
6	I don't want to get the person in trouble	20 (5%)
7	Someone else will report it	12 (3%)

Table 4: Reasons for Not Reporting Misconduct

INSIGHT #5: ETHICAL LEADERSHIP

As depicted in Table 4 and Figure 12, below, SAICA Members strongly believe in ethical leadership, with the majority of scores well within the target range. In particular, SAICA Members maintain that:

- they have a duty to promote an ethical culture (88%), ethical conduct (91%), and ethical policies (89%)
- they have a duty to protect the public interest (86%)
- they have a duty to encourage whistleblowing (83%)
- their leadership style influences the ethical behaviour of their direct reports (85%)

In addition, SAICA Members generally believe that they are regarded as leaders regardless of their job title (69%).

However, a clear desire was expressed for SAICA as a body to demonstrate ethical leadership by engaging with the Big 4 firms and top 50 companies in an ethical and transparent manner.

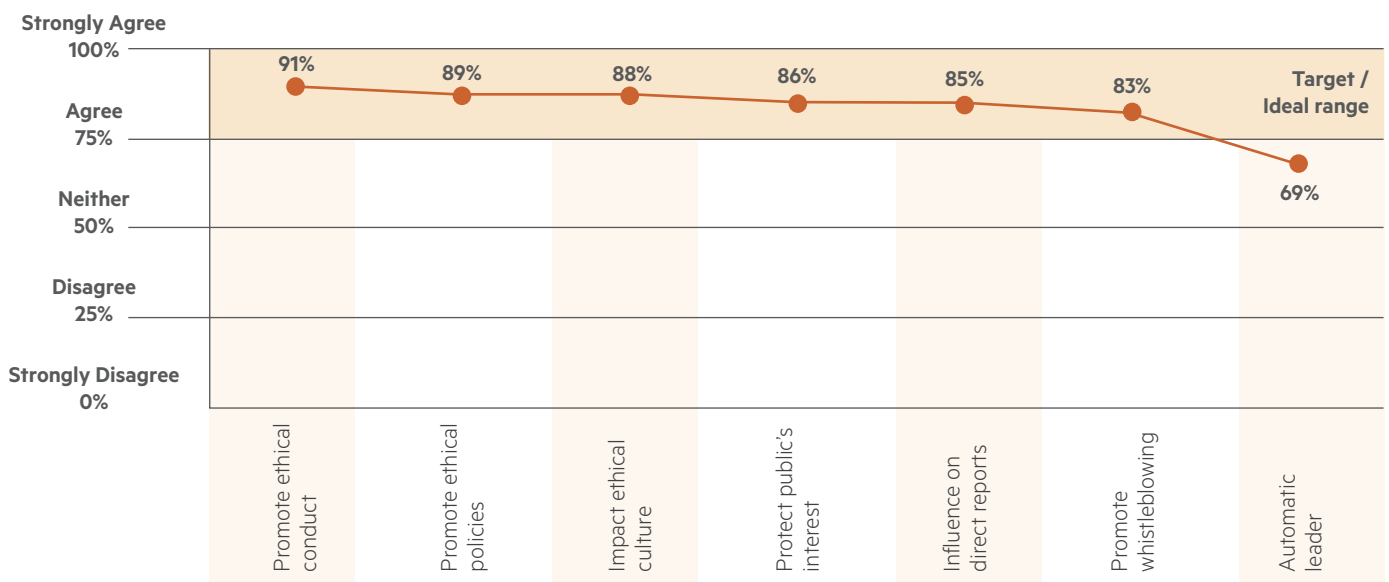


Figure 12: Ethical Leadership

	Label	Behaviour	Score
1	Promote ethical conduct	I have a duty to actively promote ethical conduct to others	91
2	Promote ethical policies	I have a duty to ensure the organisation's policies and procedures promote ethical behaviour	89
3	Impact ethical culture	I have a duty to impact my organisation culture to make it more ethical	88
4	Protect public's interest	I have a duty to protect the public's interest in all that I endeavour	86
5	Influence on direct reports	My direct reports' ethical behaviour is influenced by my leadership style	85
6	Promote whistleblowing	I have a duty to promote and encourage whistleblowing to others	83
7	Automatic leader	I am automatically regarded as a leader regardless of my job role/title	69

Table 5: Ethical Leadership as a SAICA Member



INSIGHT #6: ETHICAL EMPLOYERS

Overall, employers of SAICA Members are perceived to be ethical by the SAICA Members who work for them (76%). Generally, ethical fitness is above the Corporate SA benchmark and within the target range. Although scores for treatment of employees and organisational culture and practices are below the target range, these are still above the Corporate SA benchmark. This can be viewed in Figure 13 below.

Unfortunately, however, a sizeable percentage of SAICA Members (52%) have observed some form of ethical misconduct, and this is higher than the Corporate SA benchmark (41%).

Nevertheless, there are high levels of perceived performance (84-87%) in areas of regulatory compliance (legal compliance, pays taxes);

treatment of shareholders (87%); treatment of clients (addressing complaints, fair treatment, clear T&Cs) at 85-86%; and treatment of suppliers at 83-84% (negotiates fairly, treats fairly, keeps promises).

There is, however, a need to address the areas with lower scores, such as cultural practices (double standards for different groups of employees, unfair promotion, accountability for mistakes, wasting company money) at 64-69%; trust issues (people don't feel free to speak up, managers telling the truth to employees, and vice versa); and engaging with broader society (protect environment, create employment, correct historical wrongs for the right reasons) at 69%. Although, these scores are not bad, and are in most cases higher than the industry benchmark.

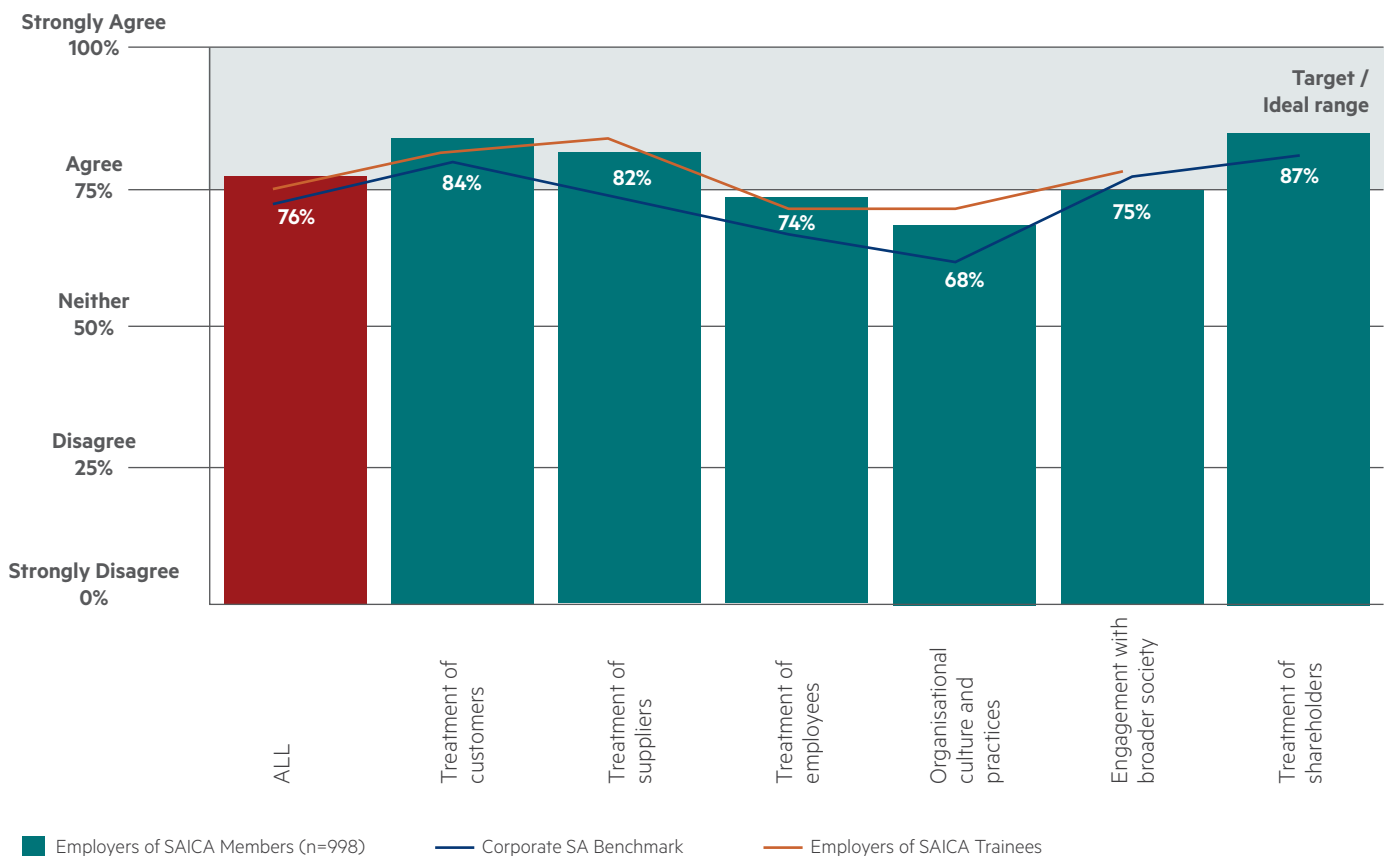


Figure 13: Ethical Fitness Perceptions

The industry sector with the least favourable perceptions is the public sector at 60%, and well below the target range. The sector with the most favourable perceptions is the accounting or auditing practice (79%), closely followed by the non-profit sector (76%) and the business or private sector (75%). These three sectors are within or just outside the ideal range.

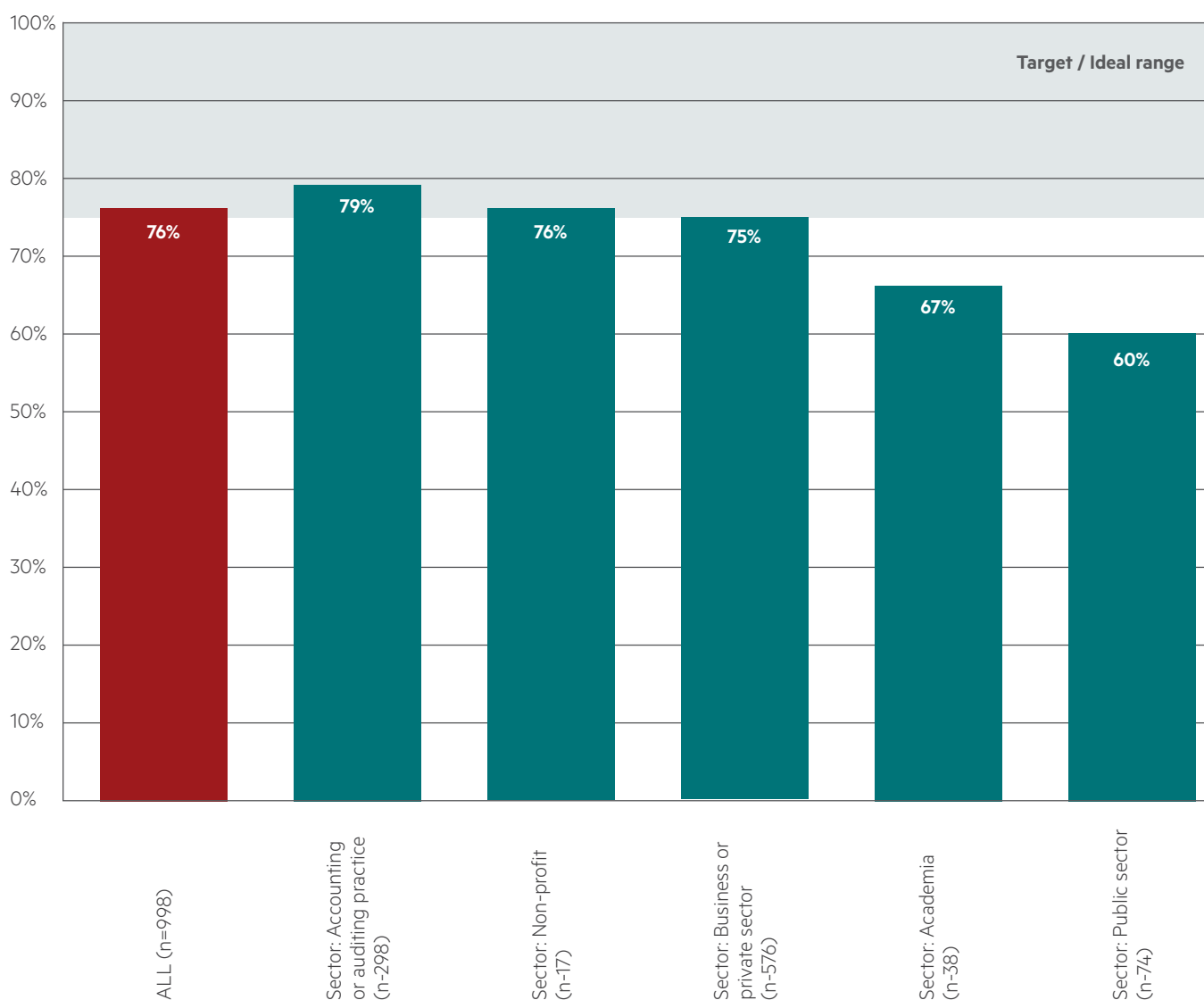


Figure 14: Ethical Fitness by Sector

INSIGHT #7: CORRECTING HISTORICAL WRONGS AND THE GENDER GAP

SAICA Members perceive the industry to be genuinely committed to correcting historical wrongs at 67%, though to a lesser extent than the Corporate SA benchmark at 73%. This is viewed as being done primarily through skills development and hiring practices. These perceptions can be viewed in Figure 15, below, and divided by race group can be seen in Figure 16, below.

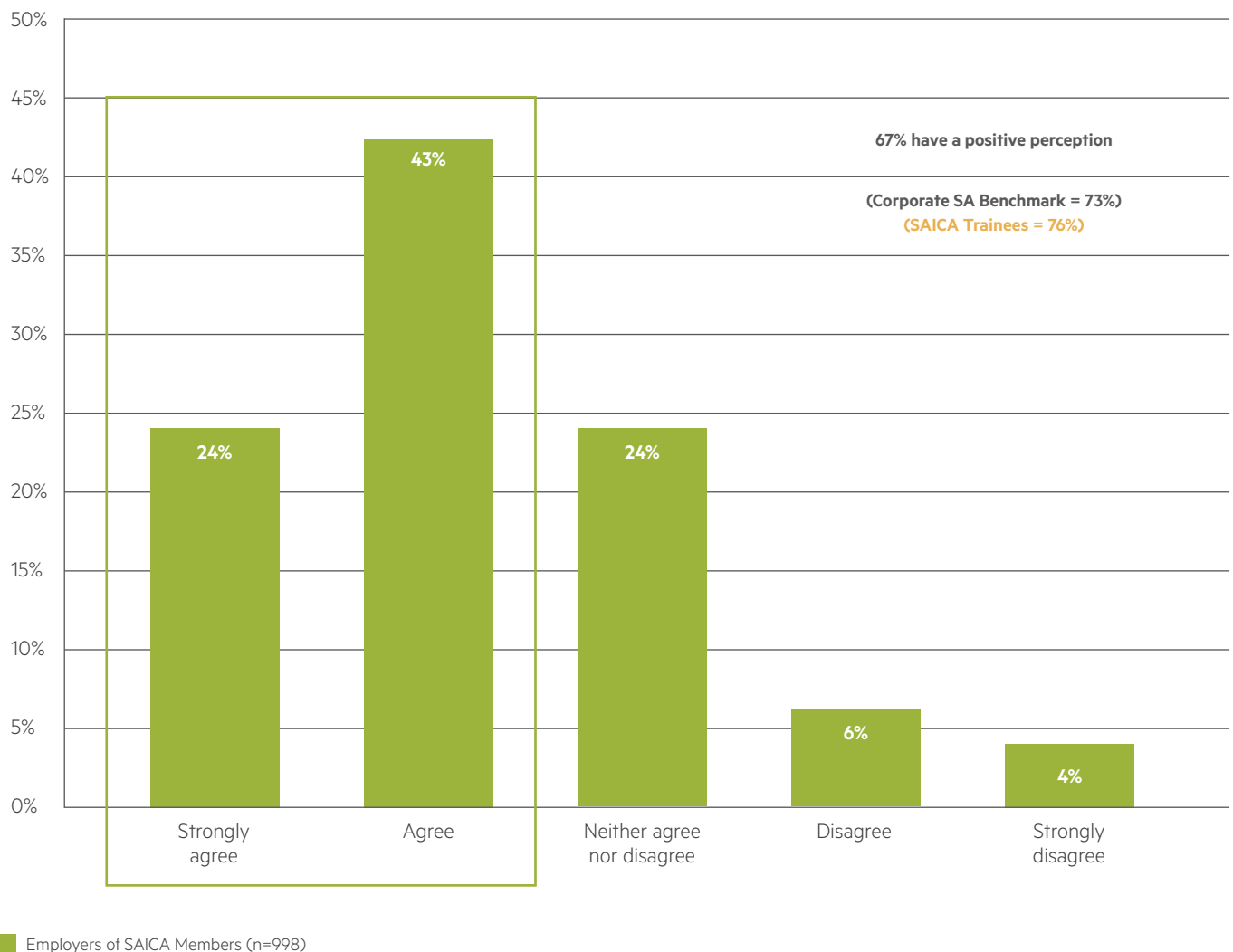


Figure 15: Correcting Historical Wrongs I

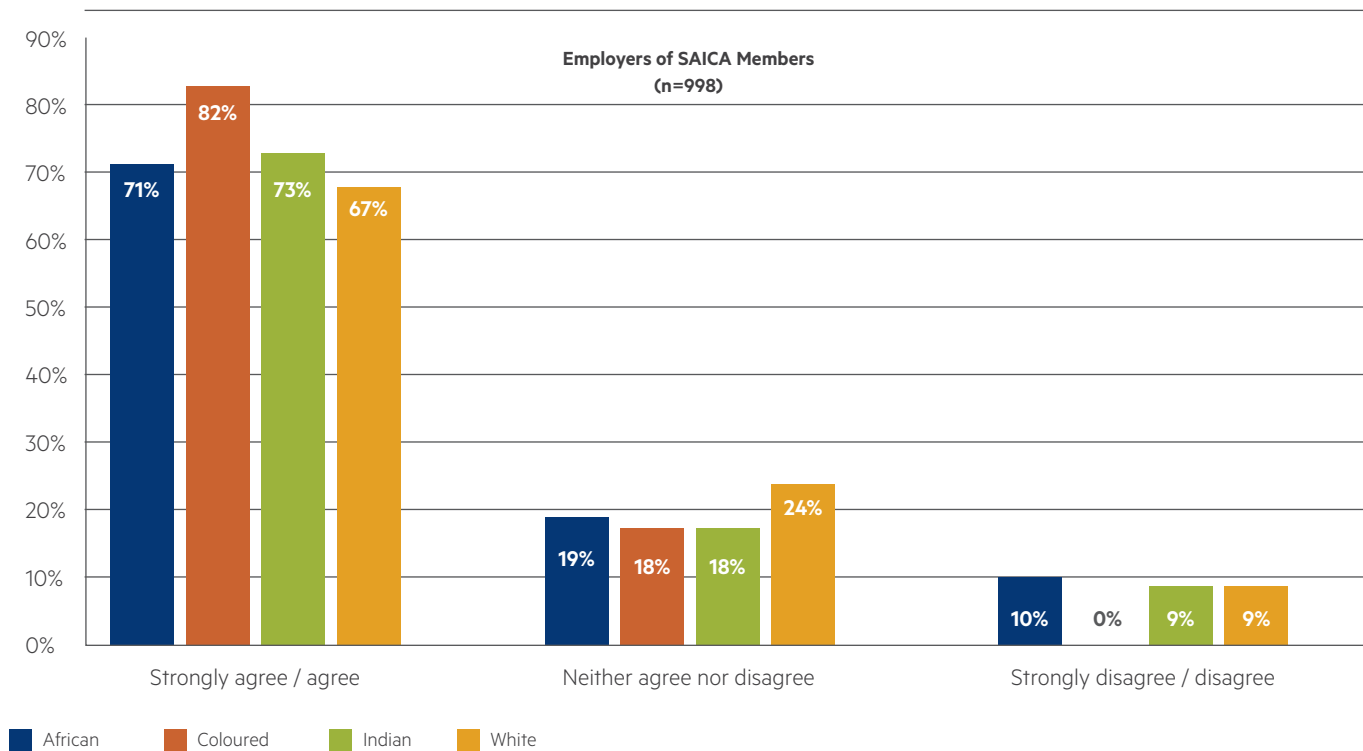


Figure 16: Correcting Historical Wrongs II

There is also evidence of a small gender gap, particularly with regards pay, promotion, diversity and inclusion, with the gender gap widening with advancement from trainee to member status, as depicted in Figure 17.

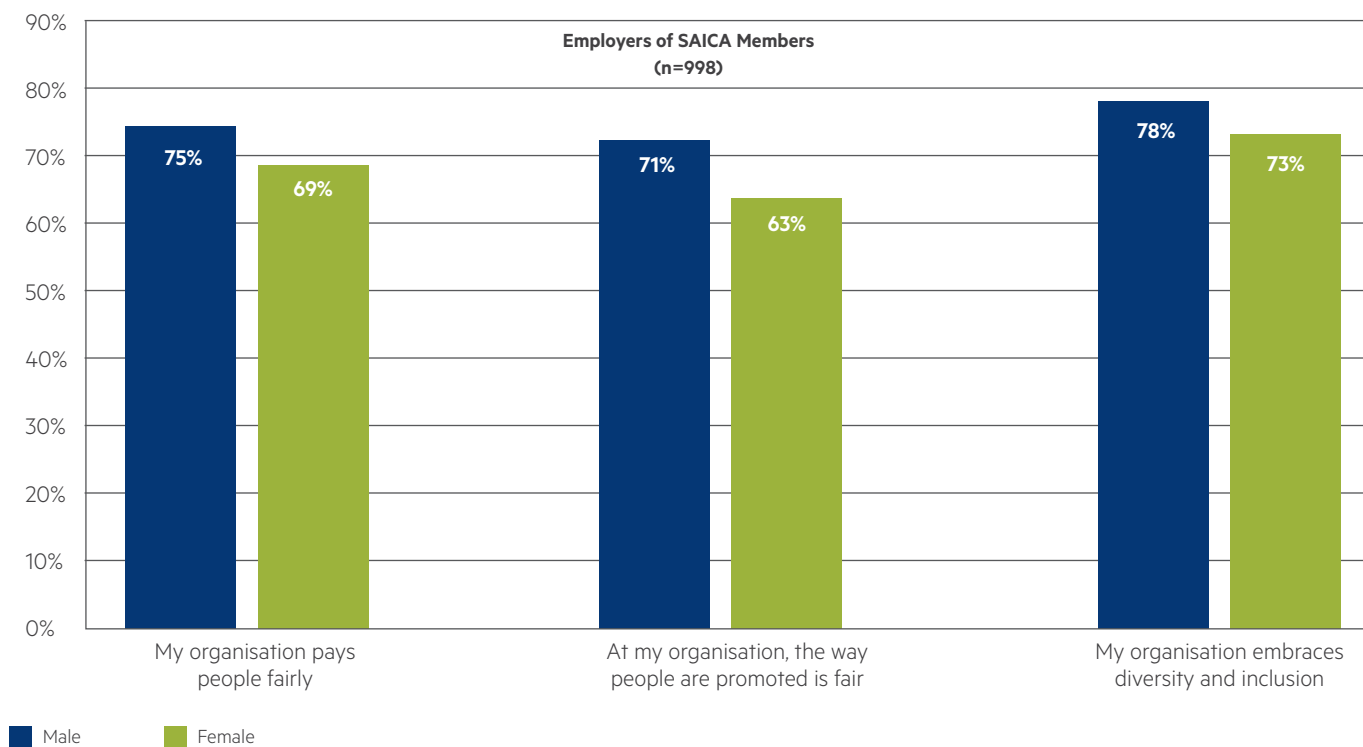


Figure 17: The Gender Gap

INSIGHT #8:

ENGAGEMENT WITH BROADER SOCIETY

There are a multitude of positive perceptions with regard to the industry's engagement with broader society, as seen in Table 6 below.

	Label	Behaviour	Score	Benchmark
1	Responsible Taxpayer	My organisation pays its taxes responsibly	87	83 (TOP 25%)
2	Comply with Law	My organisation always seeks to comply with the law and regulations	84	82 (TOP 38%)
3	Support Regulation	My organisation supports the aims of regulatory authorities	82	83 (BOTTOM 47%)
4	Respects Diversity	My organisation is sensitive and respectful to diverse cultural groups in society	78	77 (TOP 48%)
5	Considers Community	My organisation considers the needs and views of community stakeholders	75	76 (BOTTOM 42%)
6	Impact vs Profit	My organisation does not only care about making money, but also about making a positive impact	73	76 (BOTTOM 36%)
7	Avoid Negative Future Impact	My organisation avoids activities which would negatively impact future generations	72	75 (BOTTOM 30%)
8	Develop Society	My organisation is active in the development of South African society	70	79 (BOTTOM 14%)
9	Contribution to Needy Causes	My organisation makes impactful contributions to needy causes	70	78 (BOTTOM 16%)
10	Correcting Historical Wrongs	My organisation is correcting historical wrongs in these ways because it is genuinely committed to transformation, and understands the need for it	69	73 (BOTTOM 28%)
11	Creates Employment	My organisation does its best to create employment	69	75 (BOTTOM 25%)
12	Protects Environment	My organisation is actively involved in protecting our natural environment	69	74 (BOTTOM 25%)
13	Responsible Taxpayer	My organisation pays its taxes responsibly	87	83 (TOP 25%)

Table 6: Engagement with Broader Society: Positive Perceptions

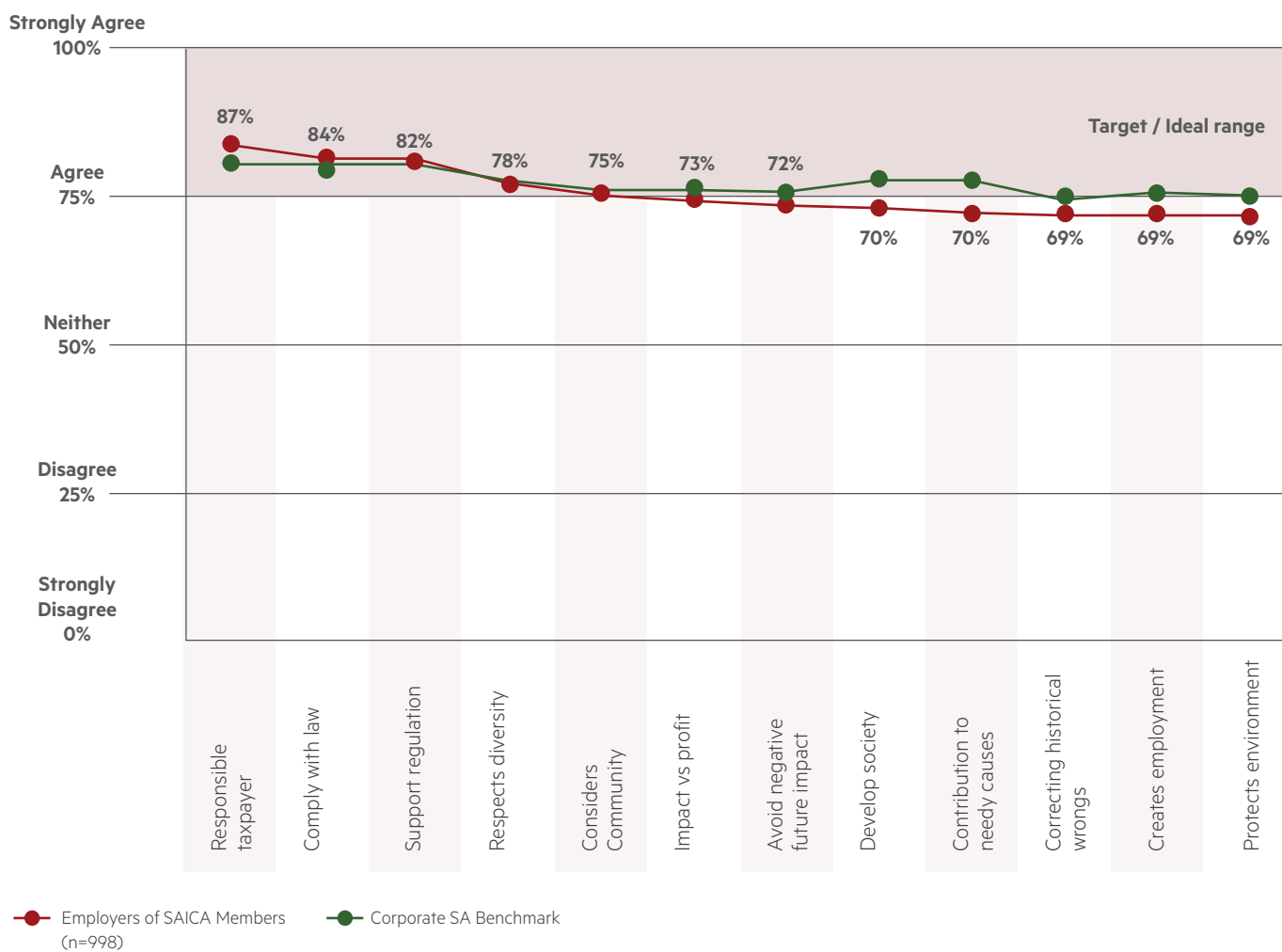


Figure 18: Engagement with Broader Society

INSIGHT #9: ETHICAL TREATMENT OF CLIENTS, SUPPLIERS, EMPLOYEES AND SHAREHOLDERS

SAICA Members have strong perceptions of how ethically clients are treated by the organisation, well above the Corporate SA benchmark, as depicted in Table 7 below.

	Label	Behaviour	Score	Benchmark
1	Customer Complaints	My organisation takes the concerns or complaints of clients seriously and does its best to address them	86	84 (TOP 37%)
2	Fair Customer Treatment	My organisation treats clients fairly	86	81 (TOP 26%)
3	Clear Terms	My organisation's products or services have clear terms and conditions	85	81 (TOP 28%)
4	Customer Promises	My organisation keeps its promises to its clients	83	81 (TOP 42%)
5	Fair Prices	The prices of my organisation's products and services fairly reflects their quality	81	75 (TOP 26%)

Table 7: Treatment of Clients

In addition, SAICA Members have equally strong perceptions of how ethically suppliers are treated by the organisation. This is also well above the Corporate SA benchmark, as seen in Figure 19 below.

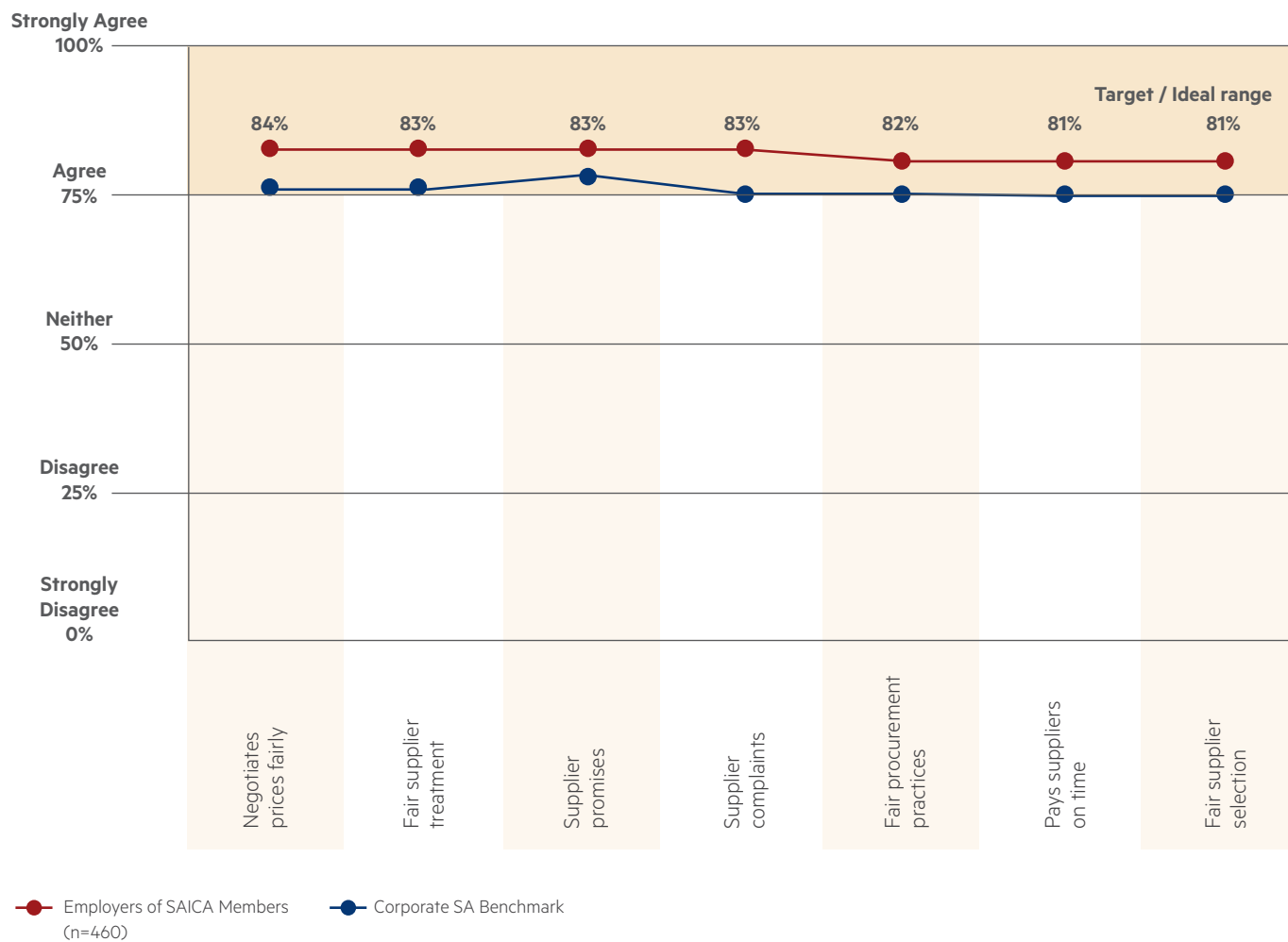


Figure 19: Treatment of Suppliers

Some perceptions related to the treatment of employees are positive (such as valuing employee well-being and avoiding job cuts), while others are less so (such as fair promotions). Nevertheless, all are above the Corporate SA benchmark, with the majority falling within the ideal range.

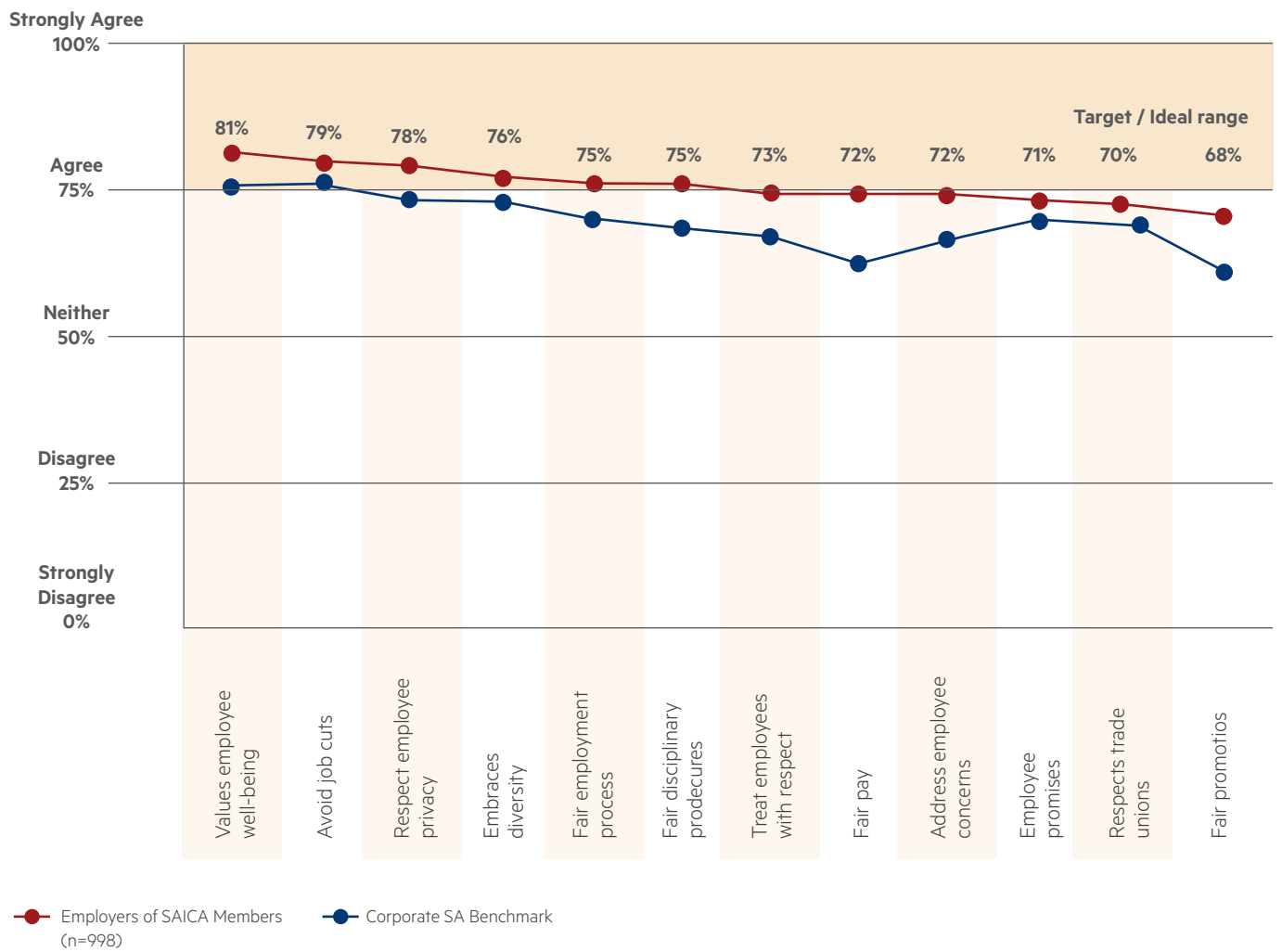


Figure 20: Treatment of Employees

Finally, SAICA Members have extraordinarily strong perceptions of how ethically shareholders are treated by the organisation, and this is also well above the Corporate SA benchmark.

INSIGHT #10: ORGANISATIONAL CULTURE AND PRACTICES

Although all perceptions regarding organisational culture and practices are above the Corporate SA benchmark, there were generally slightly less-positive perceptions in this area. This can be seen in Figure 21 below.

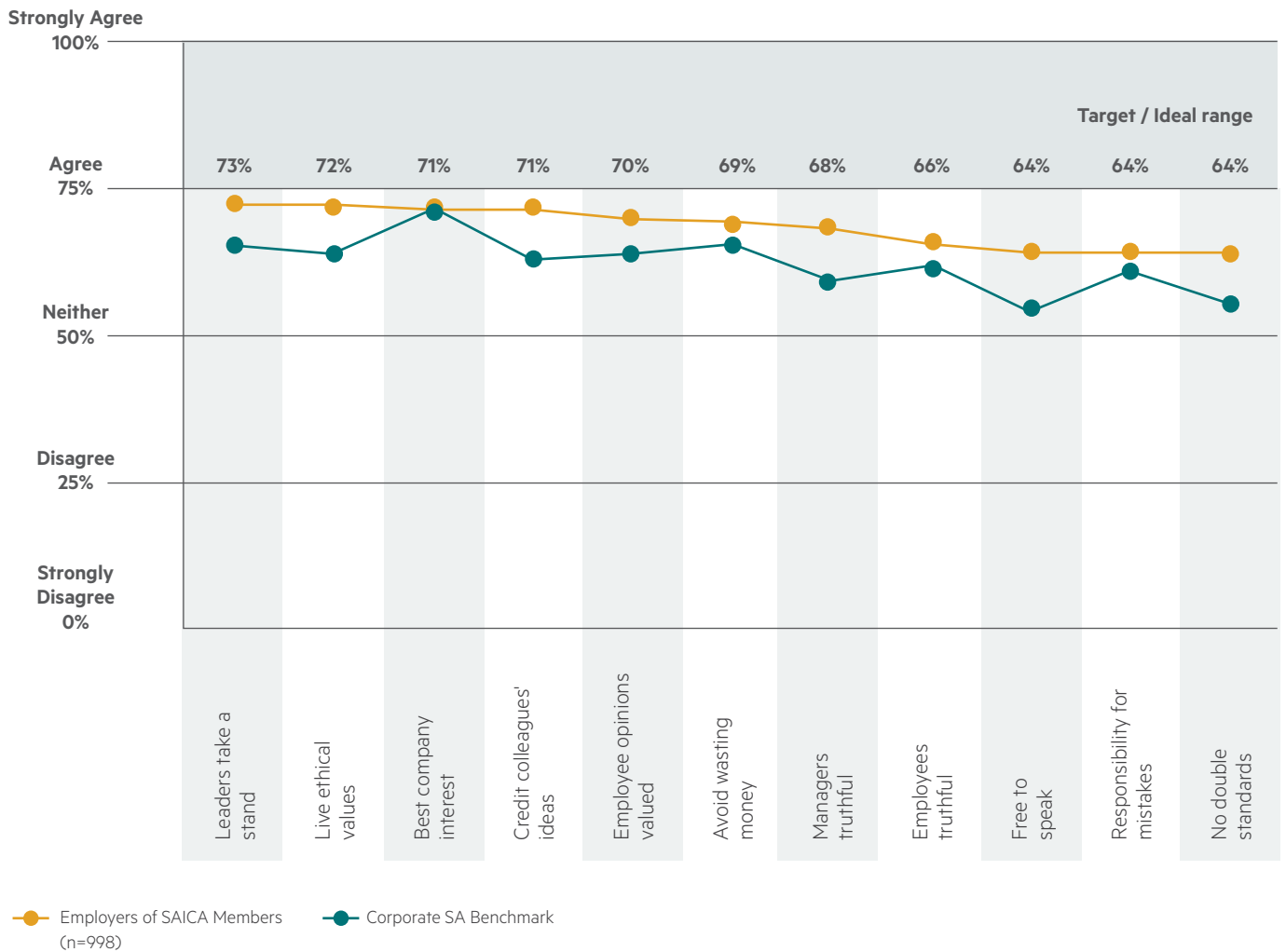


Figure 21: Organisational Culture and Practices

CONCLUSION

The SAICA Members Ethics Barometer uncovered a number of positive results. These results are summarised as follows:

- Over half of SAICA Members have read through the SAICA Code (at least partially) in the last 12 months.
- The majority of SAICA Members state that the SAICA Code has guided their behaviour in an actual situation.
- The majority of SAICA Members believe that the SAICA Code is a useful tool in dealing with ethical dilemmas.
- SAICA Members believe to some extent that the accounting profession lives up to the 5 Fundamental Principles (with Confidentiality scoring the highest).
- SAICA Members generally believe that the accounting profession behaves ethically in practice, although there is a sizeable minority who feel otherwise.
- Professional values that are most important to SAICA Members include: Honest, Responsible, Capable, Courageous and Logical, similar for both SAICA Members and their US counterparts.
- SAICA Members generally believe that they can have confidence in the numbers signed off by auditors.
- SAICA Members generally have not witnessed accountants being threatened or intimidated.
- SAICA Members generally have not witnessed accountants failing to report non-compliance.
- SAICA Members strongly believe that they have a duty to promote an ethical culture, ethical conduct, and ethical policies.
- SAICA Members strongly believe that they have a duty to protect the public interest.
- SAICA Members strongly believe that they have a duty to encourage whistleblowing.
- SAICA Members strongly believe that their leadership style influences the ethical behaviour of their direct reports.
- Overall, employers of SAICA Members are perceived to be ethical by the SAICA Members who work for them.
- Overall ethical fitness is both above the Corporate SA benchmark and within the target range.
- There are elevated levels of perceived performance in areas of regulatory compliance (legal compliance, pays taxes).
- There are high levels of perceived performance in treatment of shareholders; treatment of clients (addressing complaints, fair treatment, clear T&Cs); and treatment of suppliers (negotiates fairly, treats fairly, keeps promises) and this is well above the Corporate SA benchmark.
- The industry is perceived by SAICA Members to be genuinely committed to correcting historical wrongs (though to a lesser extent than the Corporate SA benchmark).
- This is believed to be done primarily through skills development and hiring practices.
- Some perceptions related to the treatment of employees are positive (such as valuing employee well-being and avoiding job cuts).
- There are positive perceptions about organisations' engagement with broader society when it comes to regulatory compliance.
- There are strong perceptions of how ethically clients are treated by organisations (well above the Corporate SA benchmark).
- Some perceptions related to the treatment of employees are positive (such as valuing employee well-being, avoiding job cuts) while others are less so (such as fair promotions). All are above the Corporate SA benchmark.

The following potential “red flags” in the SAICA Members Ethics Barometer results are of concern, and likely need to be further addressed with SAICA Members:

- There is generally low recall of the 5 Fundamental Principles (with the exception of Integrity).
- Compared to their US counterparts, SAICA Members value Logic and Intellect at the expense of Loving and Forgiveness.
- A relatively significant percentage of SAICA Members have been asked to do something at work which goes against the SAICA Code of Conduct.
- SAICA Members are divided in their opinions of whether or not SAICA does a decent job of disciplining its wayward members.
- SAICA Members generally do not believe that auditors should take responsibility for missed fraud.
- SAICA Members generally believe that there is a conflict in offering both auditing and consulting services.
- SAICA Members generally believe that the accounting profession has not dealt appropriately with its role in state capture or recent accounting scandals.
- SAICA Members generally believe that auditors are too reliant on the honesty of executive management.
- SAICA Members generally believe that clients can be obstructive and reluctant to provide information.
- SAICA Members generally believe that accountants can be observed to hold inappropriate personal relationships with clients.
- There are relatively high incidences of accounting misconduct observed, much higher than the Corporate SA benchmark, with the areas of most frequently observed misconduct being failing to keep pace with professional standards and legislation, late reporting and compromised judgement due to bias and conflict of interest.
- Additionally, workplace bullying, racial and gender discrimination, bending rules to meet targets, and stealing and misusing company property were also frequently observed.
- The fundamental issues causing reluctance to report misconduct are the perception that nothing will be done about it and a fear of victimisation.
- Scores for Treatment of Employees and Organisational Culture & Practices are below the Ideal/Target Range (but above the Corporate SA benchmark).
- There are less-positive perceptions about organisations’ engagement with broader society when it comes to having a positive impact.
- Some perceptions related to the treatment of employees are negative (such as fair promotions), although all are above the Corporate SA benchmark.
- There are generally less-positive perceptions about organisational culture and practices (though all are above the Corporate SA benchmark).
- There is evidence of a small gender gap, with regard to pay, promotion, diversity and inclusion, with the gap widening with advancement from trainees to member status.

It is recommended, therefore, that SAICA addresses the areas with lower scores, and in particular:

- Cultural practices, especially double standards for diverse groups of employees, unfair promotion, accountability for mistakes, and wasting company money.
- Trust issues where people do not feel free to speak up, managers do not tell employees the truth, and vice versa, and, misconduct is not reported; and
- Engaging with broader society, particularly in the areas of protecting the environment, creating employment, and correcting historical wrongs for the right reasons.

METHODOLOGY

The study adopted a cross-sectional survey research design. The population for the study documented in this report was defined as the 51 000 registered SAICA Members. SAICA emailed the trainees directly and each was provided with a link to the survey. Data was collected during July and August 2020. 1935 individuals accessed the survey, resulting in 1094 useable responses.

SURVEY INSTRUMENT

The instrument was structured in two parts. The first part was completed by all members on the list, and related to accounting-specific ethical issues. The second part of the questionnaire focused on general questions posed to all members relating to accounting ethics. As part of the first questionnaire, participants are asked to self-identify as belonging to a particular sector: accounting practice; business; non-profit; academic and government. On the basis of this answer, respondents were then directed to complete part 2 of the survey which poses ethics questions relevant to the sector to which they belong. The survey instrument measured member attitudes rating each item on the basis of a 5-point Likert scale. In addition, there were demographic questions and four opportunities to provide open-ended comments. The self-completion survey instruments were distributed electronically.

QUANTITATIVE AND QUALITATIVE DATA ANALYSIS

The completed questionnaires were captured, cleaned and checked before being coded and analysed. The research team prepared a full set of descriptive statistics. This data and analysis form the basis of this formal report and the conclusions drawn.

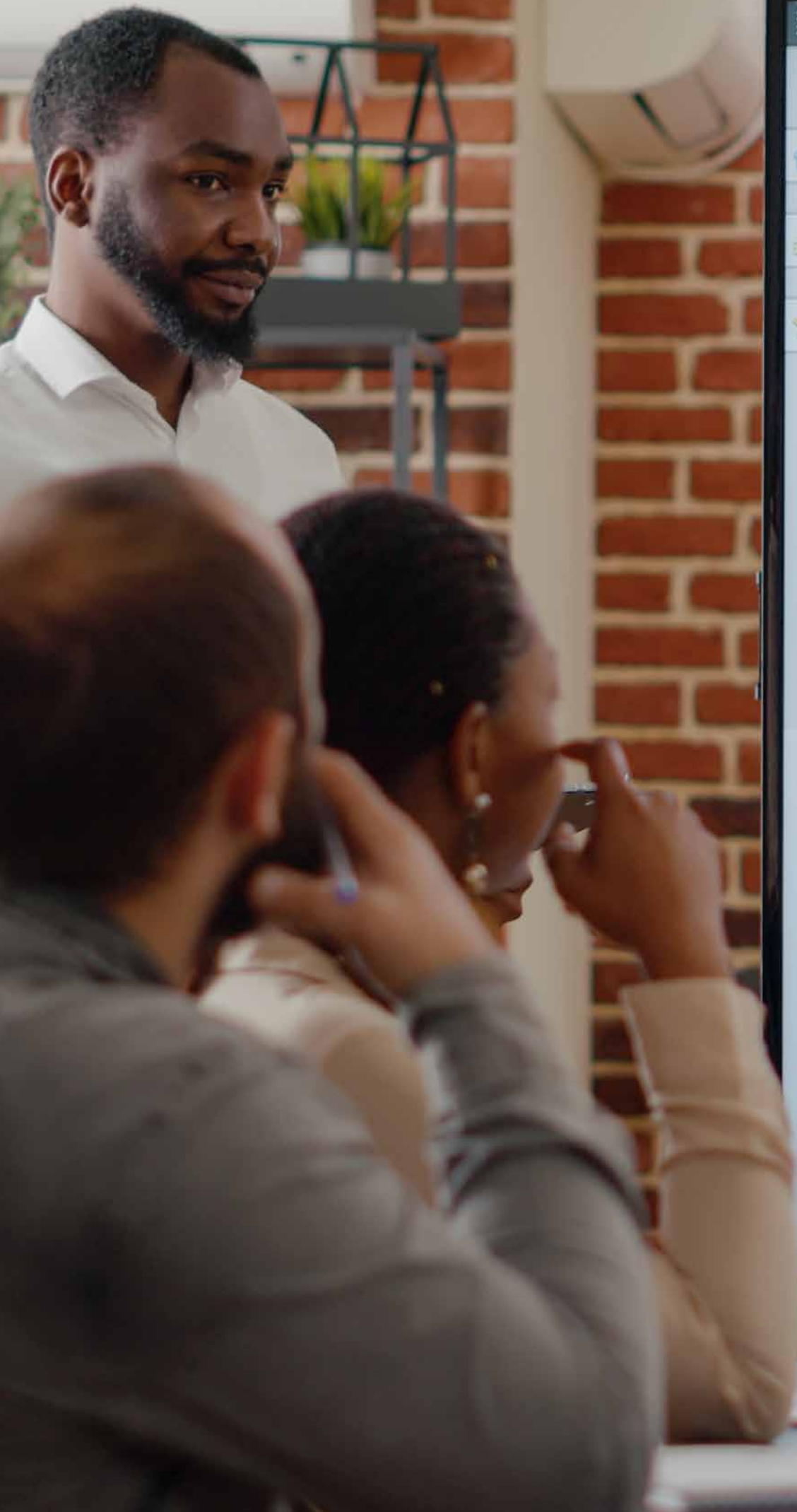
To protect the identity of the respondents, the qualitative data was analysed separately from the quantitative data. The qualitative data was analysed using Atlas.ti, a qualitative data analysis software program. Researchers conducted a preliminary coding and sorting of the data to ensure that it aligned with the key constructs, which formed the foundation of the Ethics Barometer study. At this point, an initial set of “exemplary” verbatim quotations was identified. These quotations were selected to highlight and illustrate key findings from the quantitative study.

ETHICAL CONSIDERATIONS

The respondents were protected from harm throughout the research process by adhering to the principles of good ethical conduct, as defined by University of Pretoria’s guidelines and approved by the GIBS Ethics Committee. All respondents in this study were anonymous – no names were requested in the survey questionnaire. Any references made in the qualitative data that could identify individuals or organisations were deleted or anonymised. As part of the questionnaire, the study purpose and how the information was to be used were explained to the participants. The principle of voluntary participation based on informed consent was applied in the case of each questionnaire completed. No incentives were offered for participation in the survey.

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