

A question of ethics

By [Wendy Simmons](#)

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In this past year, our profession, and in particular, our reputation as independent auditors and chartered accountants, has been subjected to fairly intense scrutiny.



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The South African Institute for Chartered Accountants (Saica), for example, has appointed Professor Mervyn King to lead their governance review to rebuild trust in the accounting profession, and Acting CEO Fanisa Lamola is relooking at Saica's disciplinary procedures. In a recent article, Saica said: "A number of accounting irregularities have brought to light instances where members of the profession have not lived up to the profession's reputation of integrity, ethics and independence. The repercussions have been wide and detrimental. There is now a dire urgency for public trust and confidence of CA(SA) to be regained."

The association has gone so far as to publish a "name and shame" press release detailing names of members implicated in the latest VBS Mutual Bank scandal.

Transparency Report

The Independent Regulatory Board of Auditors (IRBA), on 31 July 2018, announced that they are looking at introducing a Transparency Report, which intends to provide insight into audit firm operations, governance, leadership, culture, ethics, audit quality, transformation and audit engagements.

"There is an increased need for clients of audit firms to have access to such information to support their long-term planning of the audit service and to support the tendering processes for audits ahead of rotating their audit firm. We hope that in the light of the level of scrutiny on audit firms that the profession embraces an attitude of disclosure and transparency which will contribute to restoring confidence in the audit quality and professionalism of auditors," says Imran Vanker, director: standards of the IRBA,

in addition, the IRBA Public Inspections Report 2017 states: "There is a common observed trend, where recurring deficiencies have been raised at both firm and audit levels, which is an indication that firm leadership is not sufficiently promoting a quality-oriented internal culture, or fulfilling its responsibilities to ensure quality within the firm."

Sure, this Transparency Report and other pending regulations will result in more policy documents that need to be implemented and adhered to, the IRBA doing additional inspections of firms and files, and the Saica taking more disciplinary action against members acting outside of the scope of the Code of Professional Conduct.

Higher standards

But will it sufficiently address the inherent lack of ethics, or independence, of individual people, and in this instance, of the few auditors who have caused significant damage to the many other genuinely committed professionals?

We, as auditors, must be held to higher standards. Users of the financial statements that we independently audit rely heavily on us: that we have first considered whether we can accept appointments as auditors (considering our independence as well as our skill levels); that we have undertaken our risk assessments; that we have performed sufficient, appropriate audit procedures; that we issue correct opinions.

The disclosure of key audit matters in the audit report also now discloses to the users the risks determined to be key in the audit engagement, as this provides these users with valuable information about the state of the underlying company.

We need to examine ourselves introspectively, not only to merely comply with the laws and regulations, but to genuinely believe that we are acting in the best interest of the public, and our clients, holding ourselves to a high ethical standard.

I do believe – hopefully not mistakenly – that most of us auditors have strongly entrenched ethics and honest moral values. Unfortunately, while power and money do corrupt, we are, again hopefully, strong enough as a profession to withstand the attraction and stop the bullying from the private sector to 'turn a blind eye' to unsavoury, occasionally illegal, business practices.

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