

Ethics Barometer

SAICA TRAINEE REPORT

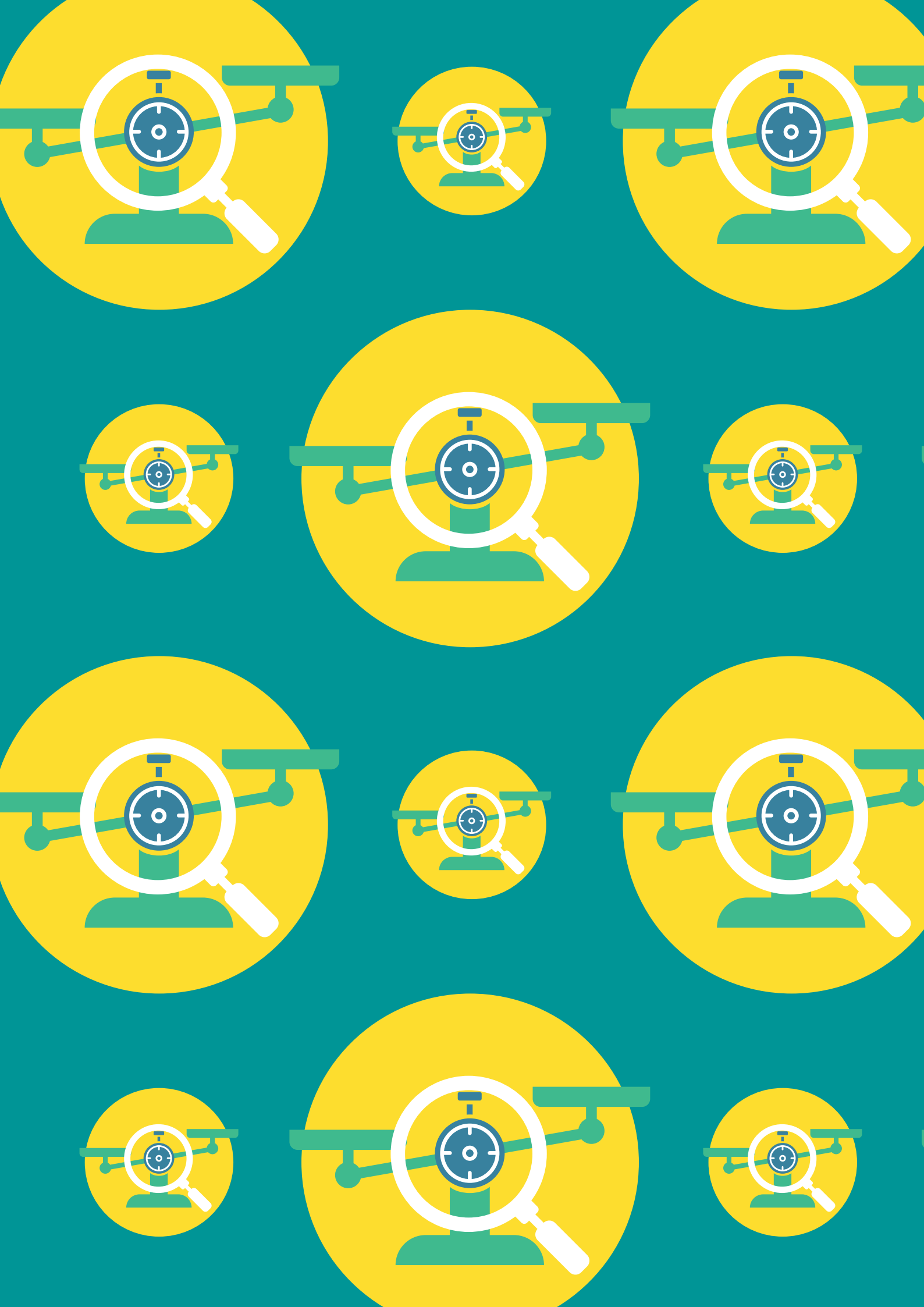


Centre for Business Ethics

**Gordon Institute
of Business Science**

University of Pretoria

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Background

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 central role in nation building. In a society still plagued by apartheid’s legacy 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. SAICA's members "have a duty to act in the best interest of the public and this is only possible by having high moral fibre ingrained in all Chartered Accountants" (SAICA, 2016).

SAICA has laid out five fundamental principles that chartered accountants are expected to uphold, namely:

- **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, and 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 and, therefore, not disclose any such information to third parties without proper and specific authority, unless there is a legal or professional right or duty to disclose, nor use the information for the personal advantage of the chartered accountant or third parties.
- **Professional behaviour** – to comply with relevant laws and regulations and avoid any action that discredits the accountancy profession.

The primary purpose of chartered accountants is to serve as the guardians of corporate governance. The fulfilment of this purpose depends on adherence to these five principles.

The need for ethical attitudes and behaviours forms a core part of SAICA's commitment to "nation building", in line with the National Development Plan. The building of the nation is closely associated with responsible leadership, defined by SAICA (2008) as decisions "that, next to the interests of shareholders, also take into account all other stakeholders, such as staff, clients, suppliers, the environment, the community and future generations".



The Gordon Institute For Business Science's (GIBS's) Centre For Business Ethics (CFBE)

The purpose of the Gordon Institute for Business Science's (GIBS's) 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.

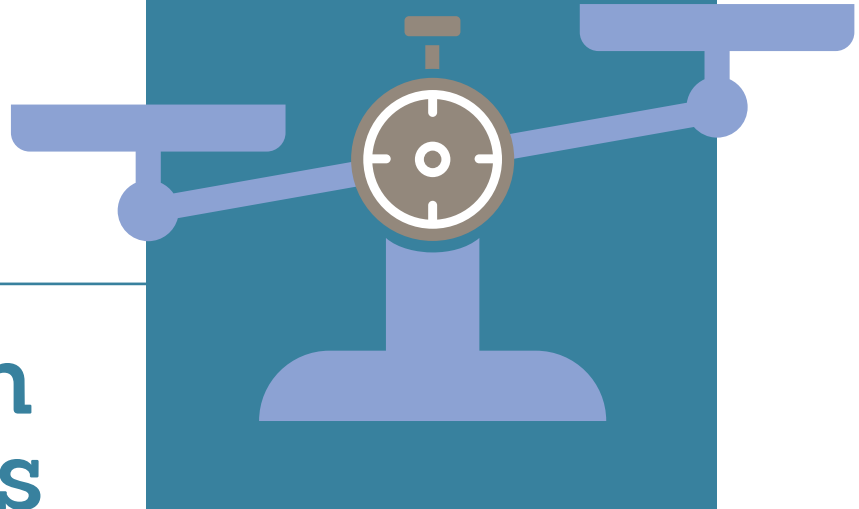
The CfBE operates at the intersection of scholarship and organisational practice, aiming to develop rigorous thought leadership that has impact and influence. The GIBS Ethics Barometer is the CfBE's flagship project.



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 – are being surveyed. 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's 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.

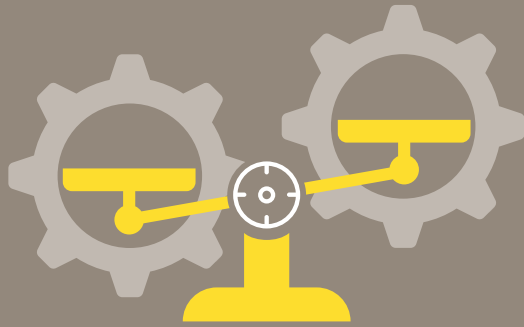
The Ethics Barometer sets out to empower leaders to more effectively measure and thereby manage ethical performance. It does so on the basis that ethical behaviour builds trust and is

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

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.

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.

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.

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.

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

FAIRNESS PRINCIPLE

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

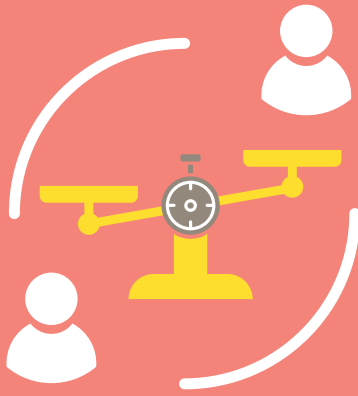
CITIZENSHIP PRINCIPLE

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.

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.

In 2011, Paine, Deshpande and Margolis conducted a further study to test 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.



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

BY THE NUMBERS



12 000

trainees on the SAICA database



3 146

verbatim comments from open-ended questions formed the qualitative data



2 083

opened the link



1 672

complete responses were collected and formed the quantitative data

Table 1: Sample size

PROFILE OF THE TRAINEE SURVEY RESPONDENTS

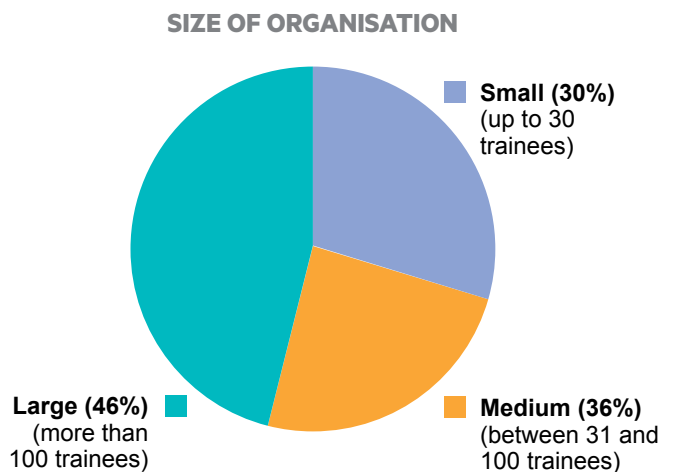
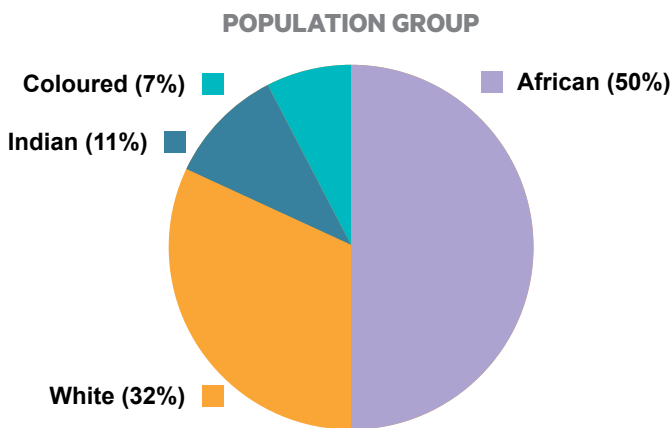
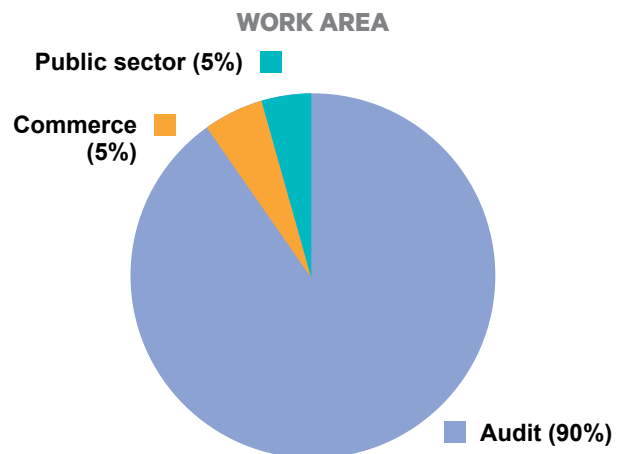
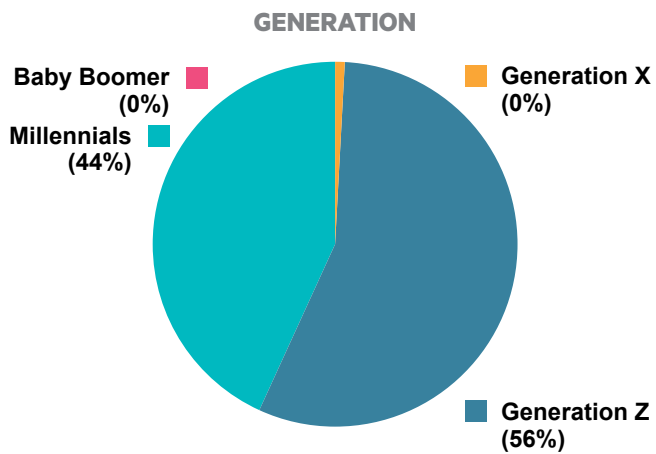
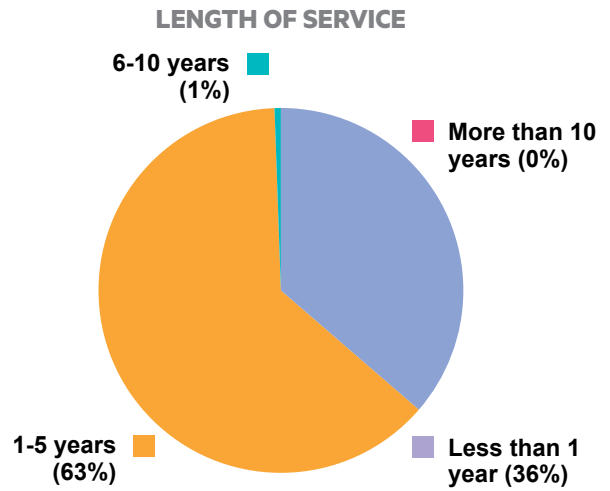
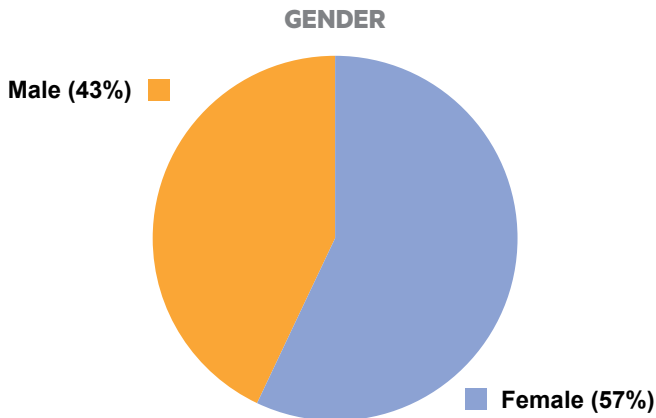
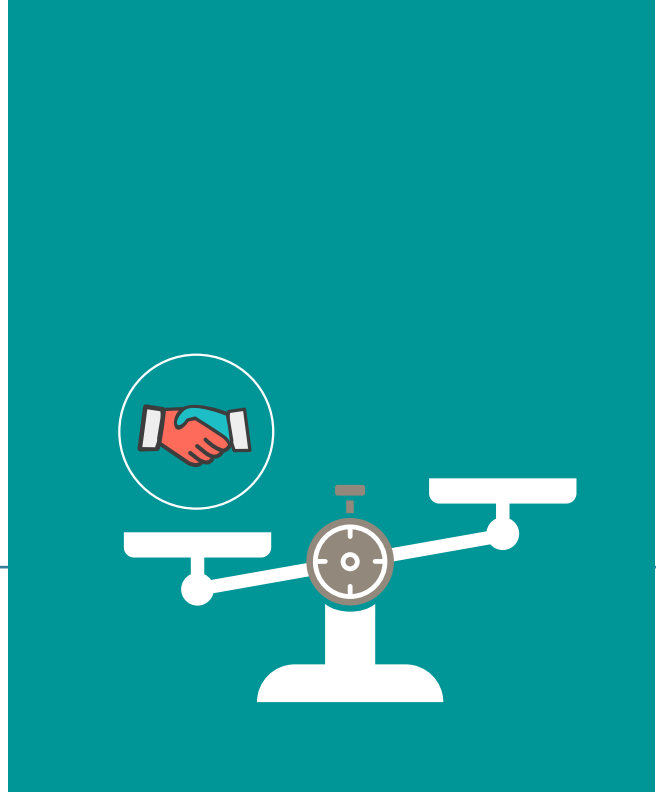


Figure 1: Personal demographics of the sample

Figure 2: Professional demographics of the sample

Insight #1: Living the SAICA code



The SAICA code is familiar to the majority (93%) of trainees and has been used as a guideline for decision-making in actual situations by most (88%). The influence of the SAICA code is also evident in the accuracy with which trainees are able to recall the five key principles: integrity (93% of respondents mentioned); objectivity (82%); professional competence and due care (85%); confidentiality (81%); and professional behaviour (91%). This indicates that the communication of the code is effective.

Furthermore, trainees 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 (73%); professional confidence and due care (77%); confidentiality (82%); and professional behaviour (73%). The results for the principle of “objectivity” at 69% 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”, “due care”, “integrity”, and “honesty”. Most importantly, respondents were asked whether they had ever been asked to do anything at work that was in contravention of the SAICA Code of Professional Conduct. The results of this question are depicted in Figure 3.

HAVE YOU EVER BEEN ASKED TO DO ANYTHING AT WORK WHICH GOES AGAINST THE SAICA PROFESSIONAL CODE OF CONDUCT OR THE 5 FUNDAMENTAL PRINCIPLES OUTLINED THEREIN?

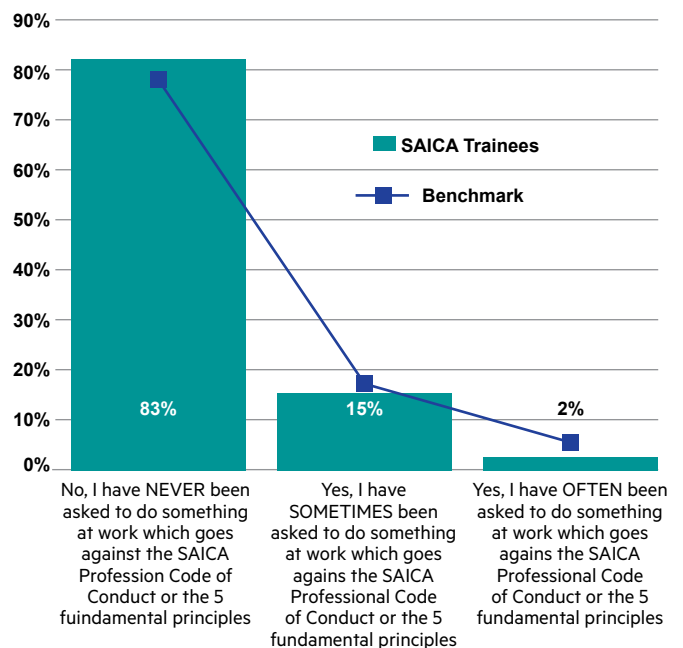


Figure 3: Asked to go against SAICA Code of Professional Conduct

Qualitative comments (288) provide more insight into the 17% 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 undocumented overwork (30 comments) that trainees are expected to carry out, or to refer to incomplete work being signed off (19 comments) or being told to ignore pertinent information:

Working overtime and not charging the overtime is a massive issue at my firm. Managers ask you to work overtime, plan too little teams due to budget constraints, and then you have issues getting your overtime approved. Some managers promise a day off, but then it never happens. The core issue of this is due to the budgets being extremely tight and therefore causing these issues.

...I worked on audits where the prior year audit file was 30% complete and 70% incomplete and the financial statements was signed off by the client and the audit fee was charged and paid. High-risk and presumed fraud-risk areas were not audited. Audit reports were not qualified when it should have been qualified. It was a total mess and this had a very bad effect on my mental health to deal with this. In the end, I couldn't take it any more and left. After this experience, I understand why our profession has all these scandals.

A client had fiddled with the age analysis, and the manager had requested that I do not raise a management point, because it would create more work.

Given a list of values from the Rokeach (1979) human values study, SAICA trainees 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 are depicted in Table 2.

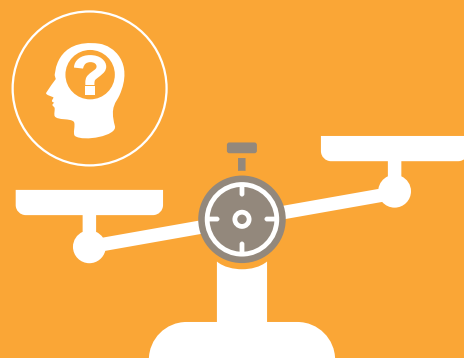
Rank	Value
1	Honest (i.e., sincere, truthful)
2	Responsible (i.e., dependable, reliable)
3	Capable (i.e., competent, effective)
4	Self-controlled (i.e., restrained, self-disciplined)
5	Ambitious (i.e., hard-working, aspiring)

Table 2: Values of SAICA trainees

What bodes particularly well for the future of the accounting profession's ethical practice is that trainees' personal values are in alignment with the SAICA code, especially with respect to being "honest" (integrity), "responsible" (professional behaviour), and "capable" (professional competence).

The SAICA Code of Professional Conduct, which specifies five key principles by which the accounting profession is required to conduct itself, has meaning and impact for the trainees in this study. The code is familiar to trainees, is aligned with their personal values, and is commonly used as a guideline for decision-making. Trainees are confident that the profession lives up to the code, and most report that they have never been asked to do something at work that contravenes the code.

Insight #2: Accounting misconduct not tolerable



The trainees indicated how often they had witnessed each of a list of 16 kinds of accounting misconduct, as specified by the SAICA Code of Professional Conduct over the past 24 months and whether they had reported the misconduct witnessed. The most frequently observed misconducts observed were “phantom ticking”, “compromising professional and business judgement”, and “late reporting”, as outlined in Figure 4.

% OF EMPLOYEES WHO HAVE OBSERVED THIS TYPE OF MISCONDUCT

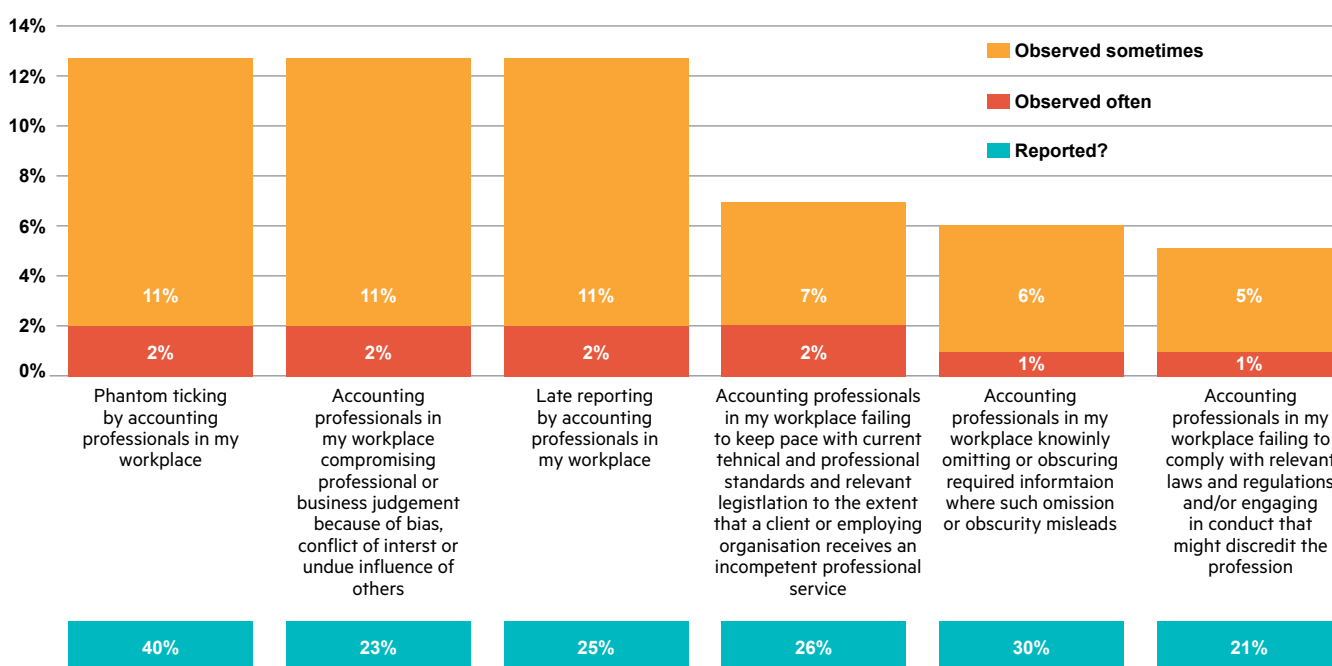


Figure 4: Most frequently observed types of accounting misconduct

Although the survey data suggests that trainees observe accounting misconduct relatively rarely, it is concerning that they are unlikely to report it when they do. While “phantom ticking” is reported less than half the time it is observed, omitting or obscuring of information is reported a third of the time and other misconduct is reported less than a quarter of the time it is observed. The reasons why trainees do not report misconduct suggest that they feel uncomfortable speaking out about misconduct for fear of being victimised or ignored. In turn, this reflects a theme identified in the broader Ethics Barometer – a pervasive lack of trust among South African employees.

Rank	Reasons for not reporting accounting misconduct	Responses
1	"I fear I'll be victimised"	156 (32%)
2	"No-one will take action; nothing will happen"	116 (24%)
3	"Someone else already reported it"	77 (16%)
4	"I don't know where to go to report it"	66 (13%)
5	"I don't want to get the person in trouble"	38 (8%)
6	"Someone else will report it"	26 (5%)
7	"It affects someone else so they should report it, not me"	11 (2%)

Table 3: Reasons for not reporting accounting misconduct

However, trainees are vocal in their disapproval of accounting misconduct, being more likely to comment on this than any other topic in the survey. Of a total of 3 146 qualitative comments, 1 295 were concerning accounting misconduct. Of these, most related to "bias and conflict of interest" (244) generally believed to arise from overly close client relationships, which result in a misstating of information, billing conflicts, or the abuse of trainees to protect client relationships. A further 213 comments related to phantom ticking, 190 to late reporting, and 123 to keeping pace with change.

[I] have experienced adjustments made to financials that are purely for the benefit of the client and not a clear representation of the material facts.

It is noted the client is a long-term friend of the partner and the client does not pay audit fees due to an arrangement between the client and the partner. It is alleged that the client borrowed the partner a substantial amount of money previously and in return receives audit, taxation and secretarial services.

Long-standing relationships with the client which cause for the audit report to be clean when it should be qualified.

Comments relating to phantom ticking include:

Sat in a boardroom with a director as he "reviewed" planning of a large company in less than 15 minutes. It takes about 20 minutes just to read through the work.

Seniors providing a tick mark for a complex sample and the preparer just copying that down instead of understanding it, then using the tick mark to clear other similar samples which may not apply.

Comments relating to late reporting include:

Financial statements are backdated because of clients giving information late.

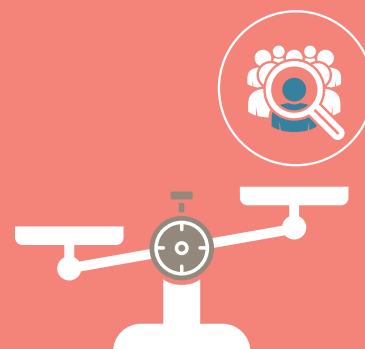
Certain clients have not provided information to complete an audit after several years and no disclaimer of opinion has been issued – instead the partner/manager waits for the information to ensure that an unmodified opinion will be issued.

Comments relating to keeping pace with change include:

There are many partners who have not updated their understanding of the accounting standards for years and still issue unmodified audit opinions without understanding.

Trainees are not often exposed to accounting misconduct, and are unlikely to report it when they are, for fear of being victimised or ignored. But they strongly disapprove of behaviours that they consider to be in contravention of good accounting practice. This suggests that from the trainees' perspective, there is a strong awareness of ethical issues and the potential to develop this ethical potential further by establishing the right conditions for them to "speak out".

Insight #3: Public image of the profession is in deficit



For the most part, trainees are in agreement with the idea that people are confident in the “technical” capabilities of the accounting profession. However, the extent to which trainees agree with other “popular” statements about the profession’s actions and practices, which contribute to its perceived image, is generally outside the ideal range. This indicates that a significant proportion of trainees harbour doubt about the profession’s willingness and ability to deal effectively with recent accounting scandals and repair its image deficit.

Behaviour Agree or strongly agree	Score Out of 100
When an auditor signs off on financial statements, we can be confident that the numbers have been presented fairly, honestly, and in accordance with relevant professional standards.	75
SAICA does a good job of disciplining members who have brought the profession into disrepute.	65
Auditors do a good job of identifying non-compliance in the private sector.	60
Auditors do a good job of identifying non-compliance in the public sector.	59
The accounting profession has dealt appropriately with its role in recent accounting scandals (e.g., Steinhoff, Tongaat, etc.).	53
The accounting profession has dealt appropriately with its role in state capture.	52

Table 4: Agreement with statements about “topical issues”

A total of 60 comments were directly related to the public image of the profession. While some comments reveal a tendency to explain or defend these controversies, it is clear from others that trainees have an acute reaction to so-called “accounting scandals”, whether they are in the public or the private sector:

The accounting profession has yet to properly deal with the accounting scandals, however, this is understandable as any decision they make now will be used as an example for similar future case and could be contradictory if done so with haste.

Regarding whether auditors should take responsibility for not detecting fraud, I believe this should be judged on a case-by-case basis depending on the nature of the fraud. How it was hidden, whether it was quantitatively material. Police do not always catch criminals, so auditors should not be expected to find fraud 100% of the time either.

Clients can sometimes take the chance to knowingly provide false and/or incomplete information relating to an audit. If professional scepticism isn't maintained, the auditor can sign off financials with these plain misstatements.

So many firms have been involved in scandals it calls to question if the right people are in this profession, and if the professional is as powerful and trustworthy as we hope to believe.

I think the accounting profession as [a] whole in many instances that have been occurring is failing when it comes to upholding and being ethical in many cases. I believe all the scandals in the media started from failing to be ethical in the first instance.

Trainees fear that the image of the accounting profession has been damaged to the extent that this influences its overall effectiveness:

We have lost our power as auditors. Once upon a time, the client would tremble when the auditor walked in. We were probably the scariest bunch of people after the FBI. Now the client can just throw RXXX amount of money your way and a finding disappears and here is your unqualified opinion. Since we can be bought, no one trembles in their boots any more, they have lost all respect for auditors.

All in general, the profession doesn't live up to its own fundamental principles and teachings. Everything is about making money and keeping clients happy.

At this point, I believe the only place you will find ethics in the firm is in its code of conduct, which honestly isn't applied in practice

There is also a sense that SAICA has a role to play in correcting this image deficit:

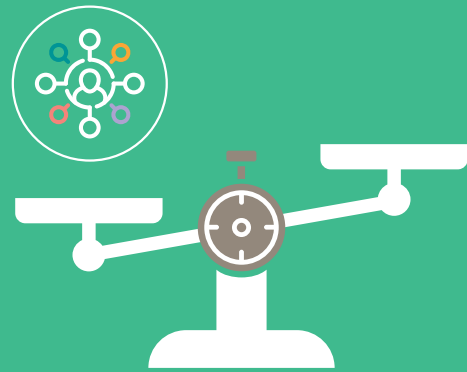
SAICA needs to be more stern in its disciplinary approach. I know there is only so much the organisation can do, but putting stricter measures in place will help discourage CAs [chartered accountants] from indulging in unethical practices. Being stripped of the designation is not enough.

Perhaps unsurprisingly, the results show that trainees are passionate about their profession and are sensitive to the way in which it is portrayed in the media and perceived by the general public. High-profile media coverage of “topical issues” has an impact on trainees’ image of the accounting profession as a whole – and of course the potential to influence the attractiveness of the profession to young graduates in the long term.

BEWARE THE “VOCAL MINORITY”

Some of the findings (especially the qualitative comments) appear to be voiced by a relatively small number of respondents. The “vocal minority” is an important group of people. They are more likely to comment and are more inclined to make negative comments than positive ones. They sometimes identify and express emerging ethical challenges in organisations, and their comments can serve as an early-warning signal for leaders. They also tend to feel more strongly (which can be why they offer their comments) and so have the capacity to influence others more powerfully. In a sense, the vocal minority carries added weight and significance, and their views should be taken seriously, even when they do not represent the views of the majority of employees.

Insight #4: Ethically fit for external stakeholders



Trainees agree that employer organisations are generally “ethically fit”. In particular, trainees believe their employers treat their external stakeholders in an ethical way. These stakeholders include the employer organisation’s customers, suppliers, and shareholders, as well as their engagement with broader society. However, the treatment of internal stakeholders and the functioning of the internal culture and practices are less well regarded. This “internal-external gap” is typically seen in all the Ethics Barometer data collected from employees of South African corporations. In all cases, the scores achieved in the survey of accounting trainees are higher than the Ethical Barometer benchmark scores.

WHAT DO WE MEAN BY BENCHMARK AND TARGET RANGE?

The Benchmark refers to the combined average scores achieved on the Ethics Barometer dimensions by all individuals who have completed the Barometer to date. The ‘target range’ refers to the optimum score that an organisation achieves through having participants agree or agree strongly on average with the statement about a particular dimension. By comparing the results of this survey with these ‘standards’ we gain a better understanding of how to interpret the results.

HOW ETHICALLY FIT ARE EMPLOYERS OF SAICA TRAINEES?

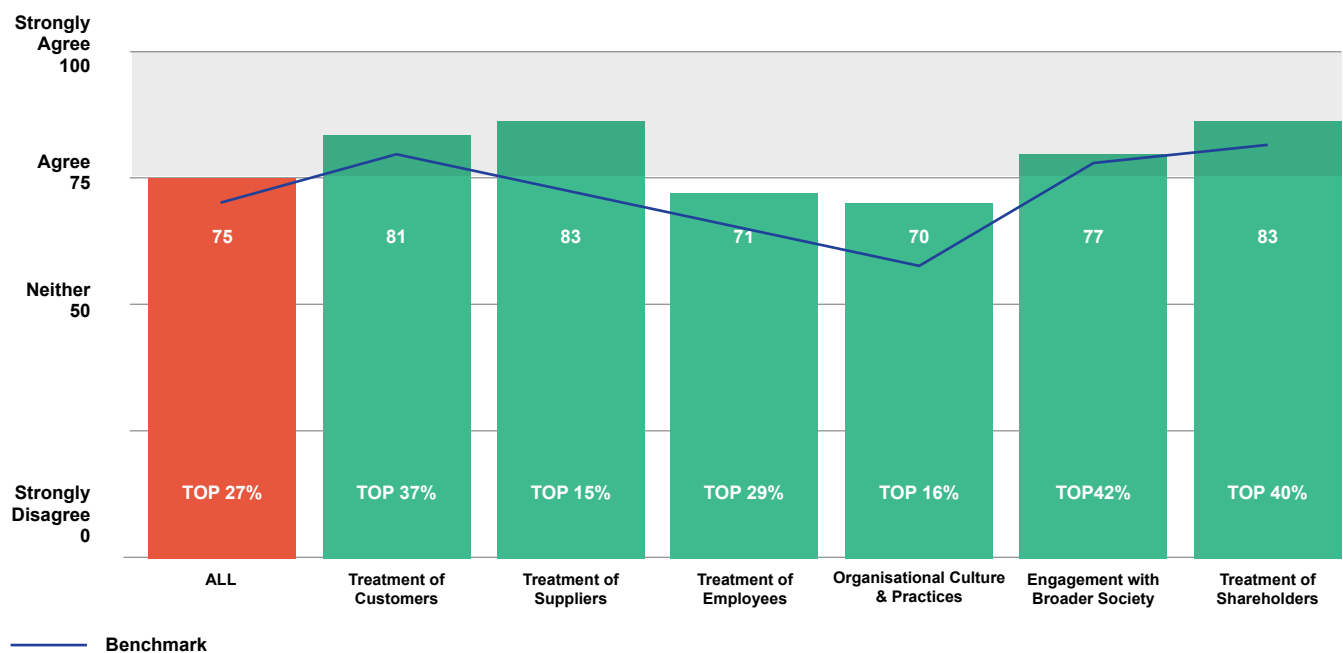


Figure 5: Ethical fitness of Employers of SAICA Trainees

Behaviour	Category	Score (out of 100)	Benchmark
Products or services have clear terms and conditions	Treatment of customers	85	81 (top 26%)
Takes the concerns or complaints of customers seriously and does its best to address them	Treatment of customers	84	84 (top 48%)
Pays its taxes responsibly	Engagement with broader society	84	83 (top 44%)
Supports the aims of regulatory authorities	Engagement with broader society	84	83 (top 44%)
Selects suppliers in a fair and responsible way	Treatment of suppliers	84	75 (top 20%)
Pays suppliers on time	Treatment of suppliers	83	75 (top 24%)
Always seeks to comply with the law and regulations	Engagement with broader society	83	81 (top 40%)
Provides investors with relevant, accurate, and timely information	Treatment of shareholders	83	78 (top 39%)
Respects share owners' requests, suggestions, complaints, and formal resolutions	Treatment of shareholders	83	79 (top 40%)
Would report any attempted corruption it encounters to the relevant authorities	Engagement with broader society	83	-

Table 5: Ethical behaviour of employer organisations

A more detailed analysis of the particular employer behaviours that score most highly in the eyes of trainees supports the overall data. All of the items listed in Table 5 scored between 82 and 85 out of 100 and, at a minimum, were found to be in the top 40% against benchmark. Overall, respondents held the view that their employers exist as exemplary ethical citizens in terms of external ethical behaviours and actions.

The qualitative data on this topic is relatively small in volume, with the exception of 58 comments relating to the “treatment of customers”. These comments were generally related to the negative consequences of overly close relationships on the objectivity of the accounting practice:

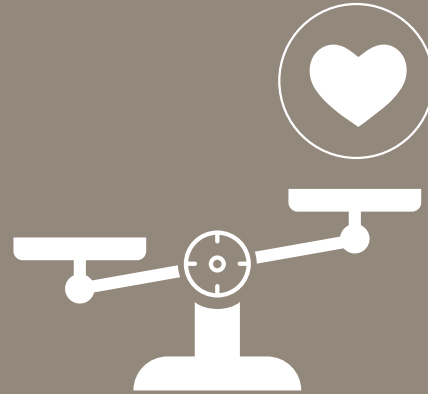
The firm tries to keep the clients satisfied as the most important thing. I think we fail our clients in the quality of the audit work we provide as we don't have enough budget to perform the work we promised to the quality we promised. I wouldn't recommend the firm to anybody I know as an audit firm, as I have seen the work done on the audit files.

I think the accounting profession in general treat clients better than they should. Whilst we do have a responsibility to our clients, I feel like engagement partners need to be more strict with clients, without concerns for losing the engagement.

Difficult to say how the rest of the profession treats their clients. I believe that clients are treated too well due to partners being afraid of losing business of the entity. This impacts, directly, on our objectivity.

The positive perceptions of the ethical fitness of employer organisations may signal a higher level of ethical performance than is the norm in corporate South Africa. It may also be the case that, given the roles they play, trainees are less involved in interactions with external stakeholders and are therefore less aware than employees who are directly involved in these interactions. Nevertheless, trainees object to the erosion of neutrality that they believe is a hallmark of good accounting practice.

Insight #5: Ethically less benevolent to trainees



In contrast to the positive perceptions that trainees have of employer organisations' treatment of external stakeholders are the negative perceptions that trainees have of the way employees are treated as internal stakeholders, as well as of the culture and practices in employer organisations. The lowest-ranking behaviours measured by the Ethics Barometer all fit into these two categories.

The lowest-scoring items were associated with the perception that trainees were not entirely free to speak out against wrongdoing, and the idea that there may be double standards for different groups of employees. Trainees complain that fair pay is not always on offer, that their concerns are not taken seriously, and that respectful treatment is not always evident in the workplace. The two items showing the lowest relative scores against benchmark were "respects the role of trade unions" and "keeps its promises to employees".

Once again, these quantitative findings were further enriched by 94 qualitative comments about the way in which employer organisations treated trainees. In particular, trainees complained about the long hours they are expected to work:

We work very long hours for which my other friends in the auditing sector really admit are crazy hours. To make matters worse, our overtime that we are working on isn't being paid. The lack of a trade union for audit trainees allows them to be exploited and underpaid...

As audit trainees I do feel like we are overworked and underpaid. Audit firms know that we need them in order to qualify so they work us to the bone. At times I don't think that it is humane or healthy to work the hours that we do. This causes mental health issues for MANY of us trainees

which is often not dealt with appropriately and considerately by upper management. At times, overtime isn't approved as managers want to ensure that audits are profitable, often at the expense of their team members.

Particular examples within the qualitative findings relate to speaking up, double standards, and managers being truthful:

When I have spoken up, I have been shot down. When my colleague spoke up about something, our training officer started being rude to us. When I have been taken to HR, I have been verbally abused by a partner...

The same rules do not apply to managers and partners and trainees. The disciplinary actions taken for not replying to emails or being disrespectful that apply to trainees, do not apply to above management. Many other examples are also applicable.

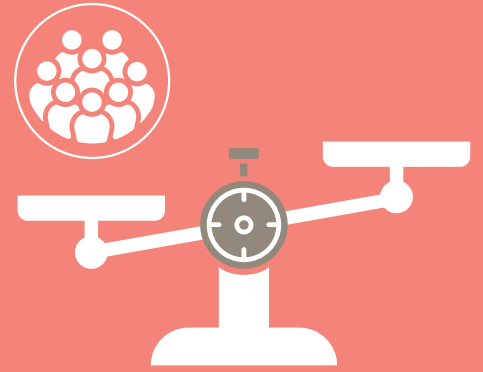
There is no communication from top down regarding most audit and firm matters. The managers rarely ever communicate what is going and we have been lied to about deadline – given "fake" earlier deadlines than the actual deadline.

Trainees do not believe they are treated well by their employers. They are overworked and underpaid; they are not valued and are often bullied; their employers do not keep their promises; and they are not encouraged to speak up. Perhaps most frustratingly, trainees feel trapped by their commitment to employers to complete their training.

	Behaviour	Category	Score	Benchmark
1	People feel free to speak out against wrongdoing without fear of retaliation	Organisational culture and practices	61	53 (top 20%)
2	There are no double standards for different groups of employees	Organisational culture and practices	62	55 (top 24%)
3	Pays people fairly	Treatment of employees	64	57 (top 29%)
4	Takes the concerns of employees seriously and does its best to address them	Treatment of employees	65	63 (top 42%)
5	Everyone is treated with respect	Treatment of employees	67	63 (top 38%)
6	Respects the role of trade unions	Treatment of employees	67	67 (bottom 47%)
7	The way people are promoted is fair	Treatment of employees	67	55 (top 14%)
8	Keeps its promises to its employees	Treatment of employees	67	67 (top 48%)
9	People own up and take responsibility when they make a mistake	Organisational culture and practices	68	60 (top 20%)
10	Values the opinions of employees	Organisational culture and practices	68	63 (top 31%)

Table 6: Lowest-scoring behavioural perceptions of employer organisations

Insight #6: Consensus on the responsibility to broader society?



As a whole, ratings across “engagement with broader society” are high, suggesting that trainees approve of their employers’ engagement with broader society. There are some areas where trainees scored their employers slightly more negatively than the benchmark. For instance, the employer is: “concerned with impact and not just profit” (six points below norm); “interested in the development of South Africa” (four points below norm); “actively involved in environmental protection” (four points below norm); and “contributes to needy causes” (three points below norm). However, trainees seem convinced that their employers have embraced transformation as an ethical imperative and do not regard it as merely a “tick-box” exercise.

From a list, trainees were asked to select which actions their employers were engaged in to correct historical wrongs. The question was posed in such a way that respondents could choose all, some or none of the options. See Figure 7.

ARE EMPLOYERS OF SAICA TRAINEES CORRECTING HISTORICAL WRONGS BECAUSE THEY ARE GENUINELY COMMITTED TO TRANSFORMATION, AND UNDERSTAND THE NEED FOR IT?

% of people in agreement

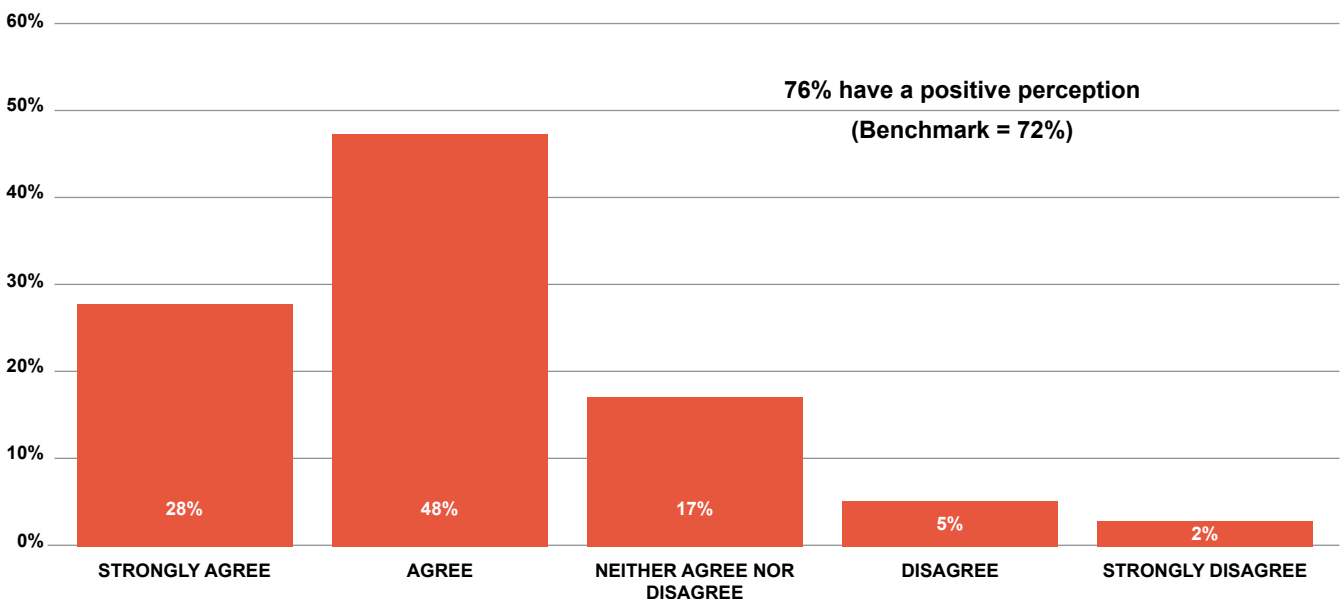


Figure 6: Commitment to correction of historical wrongs

HOW ARE EMPLOYERS OF SAICA TRAINEES CORRECTING HISTORICAL WRONGS?

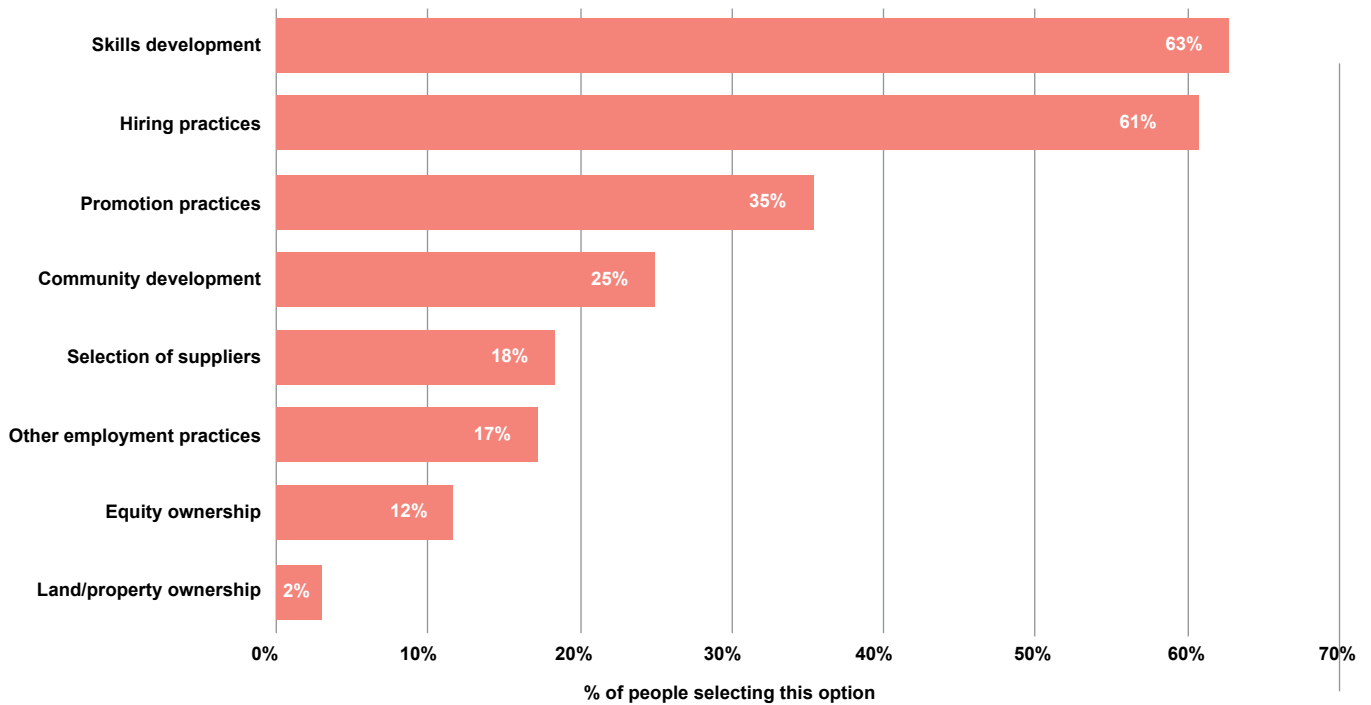


Figure 7: How employers are seen to be correcting historical wrongs

Skills development (63%) and hiring practices (61%) were mentioned most frequently, but in the case of skills development at 11 points lower than the benchmark Ethics Barometer. This was followed distantly by promotion practices (35%), community development (25%), selection of suppliers (18%), other employment practices (17%), equity ownership (12%), and land/property ownership (2%).

Qualitative comments on the issue reveal that trainees may be somewhat sceptical of the motives of employer organisations, but simultaneously sceptical of the need for the profession to act:

The accounting profession is not doing enough to address those that come from previously disadvantaged communities. Partners and key management are only concerned with the bottom line, which has been revealed time and time again through the scandals that the profession has been involved in. We have trainees heading households and being breadwinners, but the capitalism way of doing things in the profession has never been that of addressing such issues.

BEE is mainly negative because it allows for many slip-ins of incompetent candidates.

Correct historical wrongs? Really? And what about correcting current wrongs? Or is the discrimination some groups currently face not relevant to SAICA?

I don't believe that the historical wrongs have any influence on the way that accounting professions should be operating. It is a thing of the past! Why must South Africans keep on digging out the old cows? If this nation stands together to build a better future, South Africa should have been far more ahead than they are currently. Everything must always end up in a race.... If people chased God like they chase race disagreements, believe me, we should've stand in awe of what this land could have achieved already.

In the eyes of trainees, their employers perform better at compliance than they do at corporate citizenship and social responsibility. While they do see a sincere commitment to correcting historical wrongs, this seems not to manifest in actual programmes of action. Although hiring practices are at benchmark level, skills development and promotion practices are not. According to trainees, more could be done in driving the right kinds of promotions, offering more community-based engagements, upholding better supply chain practices, and increasing equity ownership in employer organisations, but some trainees question whether such action is in any event appropriate.

Insight #7: Unethical behaviour is seen but not heard



In contrast to the observed accounting misconduct findings, trainees are much less likely to observe more general unethical behaviour in organisations than is true of the benchmark data. Nevertheless, one in 5.5 trainees have observed bullying and intimidation in their workplace and one in 11 trainees have observed discrimination on the basis of race (see Figure 8).

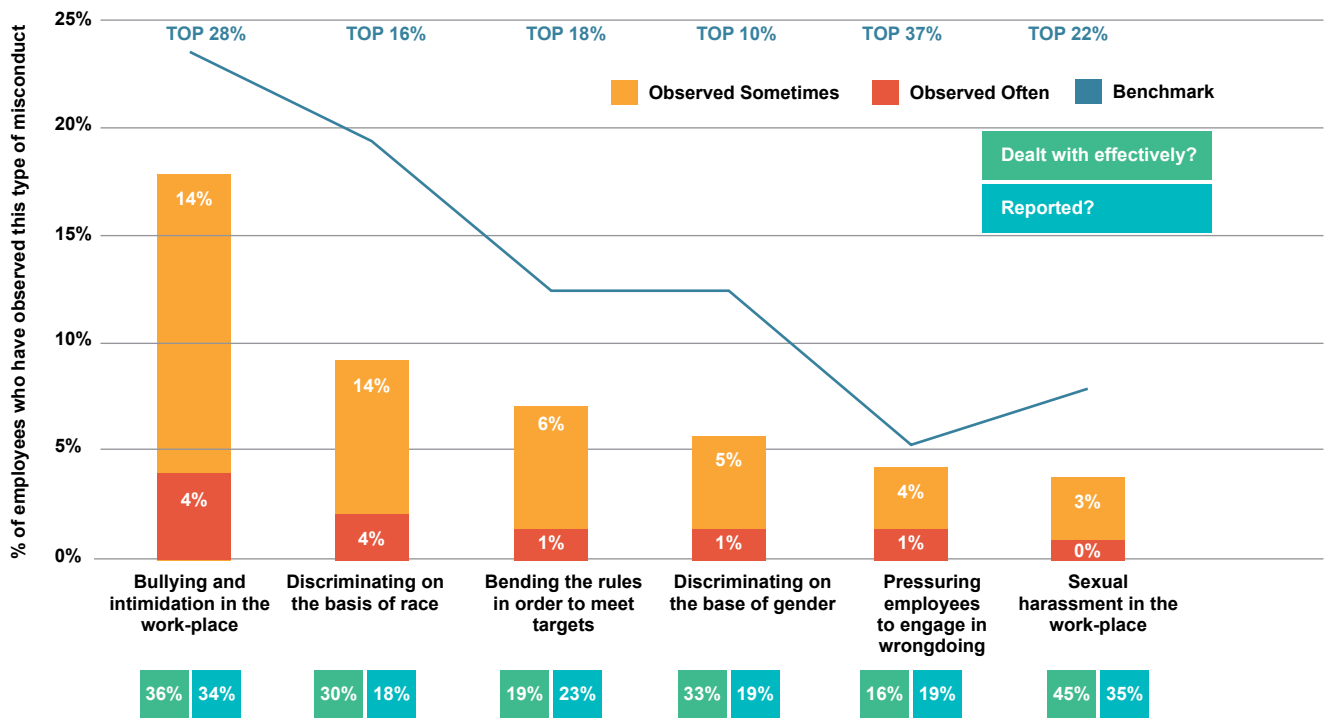


Figure 8: Ethical misconduct observed by SAICA trainees

Over 500 comments from trainees related to unethical behaviour in the workplace. The trainees reported some harrowing experiences of bullying and intimidation (205 comments); racial discrimination (98 comments); gender discrimination (54 comments); and bending the rules to meet targets (42 comments). Some of these comments are outlined below:

Audit directors publicly humiliating trainees, making vile remarks toward trainees, threatening trainees, giving trainees bad performance ratings just because they have the power to do so.

Being asked to sleep with a manager for the disbursement to be approved.

Examples of racial and gender discrimination observed by SAICA trainees in their employer organisations included the following shocking examples:

Separation of the preparation of the same food, lodgings and treatment.

Black colleague was told by a white partner that he looks like a monkey.

Manager could not pronounce team members' names who are Africans, she asked the team members [to] pick any English name that will be easy for her; she made suggestions of Beauty etc. as names.

In my first year of articles, I recall a manager calling one of our black female trainees "stupid" because she misunderstood an English concept.

Women are nothing...

Males have better opportunities and get more exposure.

In this study, "bending rules to meet targets" was typified in the exemplars, such as:

Overtime rules are always bent – most employees work much more but don't charge because of intimidation from management, the fear of being scrutinised for every single mistake – to use as an excuse not to approve your overtime.

Work not being appropriately completed when the managers have communicated to the client the audit is complete.

Overall, one in four trainees has observed some kind of ethical misconduct in employer organisations. Of this figure, only a quarter of trainees are likely to report the misconduct, which is 3% lower than the already low benchmark recorded in the Ethics Barometer. The main reason for trainees not reporting the witnessed ethical misconduct was fear that they would be victimised for speaking out (36%). This was closely followed by the perception that reporting the misconduct would be an ineffective move, as no material action would be taken on the part of the company (30%). Approximately half as many respondents stated that the misconduct had already been reported (14%), followed by those stating that they would not even know where to go to report the irregularities witnessed (8%).

Trainees are more likely to observe accounting-specific unethical behaviour than more general misconduct, reflecting a tendency detected in the larger Ethics Barometer for employees to be most concerned with the ethical issues that most closely affect them personally. Nevertheless, trainees report similar kinds of misconduct as the rest of the population. However, trainees are less likely to report the misconduct for fear of bullying and intimidation, which highlights that unethical behaviour is "seen but not heard".

Conclusion

THE SAICA TRAINEES ETHICS BAROMETER UNCOVERED A NUMBER OF POSITIVE RESULTS. THESE RESULTS ARE SUMMARISED AS FOLLOWS:

- The awareness of the Code of Professional Conduct and its influence on the decision-making and behaviour of accounting trainees is significant. This awareness is accompanied by vocal disapproval of all kinds of accounting misconduct. This provides a meaningful platform for the future development of ethical behaviour in trainee accountants.
- The extent to which trainees are “asked to do something against the code” is relatively low, and, although it could be lower, signifies the relatively rare incidence of accounting misconduct in the trainee population.
- Overall ethical fitness of trainee employer organisations is above benchmark and just within ideal range. Scores for all categories are above the benchmark, with most categories relating to external stakeholders within the ideal range.
- High levels of perceived performance in areas of regulatory compliance (pays taxes, legal compliance, support regulators, would report corruption). There are equally good levels of perceived performance in treatment of customers (addressing complaints, clear terms and conditions) and in perceived performance in treatment of suppliers (select fairly, pay on time) as well as shareholders (relevant info, respect requests)
- Employing organisations are perceived by employees to be genuinely committed to correcting historical wrongs. However, employers are perceived to perform better at compliance than they do at corporate citizenship and responsibility. The commitment to correcting historical wrongs seems not to manifest in actual programmes of action. Although hiring practices are at benchmark level, skills development and promotion practices are not.



THE FOLLOWING POTENTIAL “RED FLAGS” IN THE SAICA TRAINEES ETHICS BAROMETER RESULTS ARE OF CONCERN:

- Trainees complain consistently that they are expected to work unreasonably long hours without recognition or compensation. While we acknowledge that this is a long-standing tradition linked with trainee experiences in multiple professions, it is associated with the kind of bullying and intimidation that is evidently occurring in trainee workplaces.
- Trainees are unwilling and/or unable to report incidences of misconduct, either relating to accounting practice or their working conditions more broadly. This suggests a need for the development of “cultures of dissent” so that trainees experience the institutional and psychological safety they need to be able to speak out.
- Trainees are doubtful of the profession’s willingness and ability to deal effectively with recent accounting scandals and repair its image deficit. High-profile media coverage of “topical issues” impacts trainees’ image of the accounting profession as a whole and, of course, the potential to influence the attractiveness of the profession negatively.
- Employer relationships with customers rate positively in the eyes of trainees, although in some instances, survey respondents note that this represents an erosion of the objectivity that is a hallmark of good accounting practice.
- Trainees rate employer organisations below the target range for treatment of employees and organisational culture and practices. Areas with lower scores that should be addressed include:
 - employee interactions (people do not feel free to speak up, treat people with respect, keep promises, address concerns, value opinions);
 - cultural practices (double standards for different groups of employees, unfair pay, unfair promotions);
 - avoiding responsibility for mistakes; and
 - respecting the role of trade unions.
- Overall, trainees operate in an atmosphere that they feel is characterised by a lack of fairness and trust – to the extent that they are abused and feel unable to take constructive action to do anything about it. There is a suggestion that this is regarded as a “normal” rite of passage for trainees, who are particularly vulnerable to bullying and overwork, and believe themselves to be “trapped” by their need to complete their training and graduate.
- For the profession to enhance its ethical fitness, areas of observed misconduct relating to the profession and the workplace conditions of its trainees need to be eradicated, including:
 - workplace bullying;
 - racial and gender discrimination;
 - bending the rules to meet targets;
 - pressuring wrongdoing; and
 - sexual harassment.

In this respect, the need to address issues causing reluctance to report misconduct is of great urgency, so that incidences of accounting misconduct and unethical behaviour are appropriately reported and actioned.

Methodology

The study adopted a cross-sectional survey research design. The population for the study documented in this report was defined as the 12 000 registered trainees in the accounting profession participating in the research. SAICA emailed the trainees directly and each was provided with a link to the survey. Data was collected during July and August 2020. The survey was accessed by 2 083 individuals, resulting in 1 672 useable responses.

SURVEY INSTRUMENT

The survey instrument was organised into two main sections, namely accounting-specific practices and overall ethical fitness of employing organisations. The responses to these questions provided the quantitative data analysed for this report. In addition, for each of the six main constructs, participants were given the opportunity to provide open-ended comments, resulting in 3 146 meaningful verbatim comments, which make up the qualitative data analysed for this report. The self-completion survey instruments were distributed electronically.

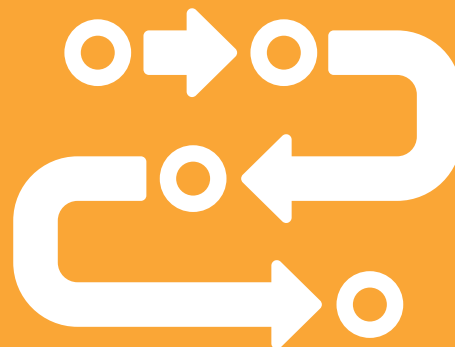
QUANTITATIVE AND QUALITATIVE DATA ANALYSIS

The completed questionnaires were captured, cleaned, and checked before being coded and analysed. A full set of descriptive statistics was prepared by the research team. 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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Gordon Institute of Business Science

University of Pretoria

26 Melville Road, Illovo, Johannesburg
P O Box 787602, Sandton, South Africa, 2146
011 771 4000 | Acumen@gibs.co.za