



THE SOUTH AFRICAN INSTITUTE OF CHARTERED ACCOUNTANTS

ETHICS COMMITTEE TERMS OF REFERENCE

INTRODUCTION

This document records the purpose, functions, responsibilities and procedures of the Ethics Committee of the South African Institute of Chartered Accountants (SAICA).

CONTEXT

The mission of SAICA is to promote and lead the chartered accountancy profession so as to create sustainable value for its members and other stakeholders by:

- delivering highly competent professionals relevant to the markets they serve,
- fostering ethics, integrity, sound governance and good citizenship at an individual and corporate level ,
- providing support and learning to enable members to remain relevant and create value for their employers and clients,
- enhancing the quality of business information and reporting for the benefit of all stakeholders,
- assisting government to raise the quality of public services,
- working with sister organisations on the broader African continent to raise standards and provide support for business and governments, and
- working with international professional bodies and organisations to establish and maintain standards for the chartered accountancy profession and global economy.

A pervasive characteristic of SAICA's stated mission is, therefore, the acceptance of the responsibility to act in the public interest. In so doing, SAICA requires that its members comply with the following fundamental ethical principles:

- Integrity: to be straightforward and honest in all professional and business relationships,
- Objectivity: not to allow bias, conflict of interest or undue influence of others to override professional or business judgments,
- Competence and due care: to maintain professional knowledge and skill at the level required to ensure that a client or employer 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; and
- Professional behaviour: to comply with relevant laws and regulations and avoid any action that discredits the accountancy profession.

PURPOSE OF THE ETHICS COMMITTEE

The purpose of the Ethics Committee (the Committee) is to support SAICA in achieving its mission. Accordingly, the Committee provides leadership and guidance on ethics-related matters to SAICA and its members, so that they are able to comply with their responsibilities to act in the public interest, with integrity, objectivity, professional competence, due care, confidentiality, and in compliance with all relevant laws and regulations.

FUNCTIONS AND RESPONSIBILITIES

The Ethics Committee has the following specific functions and responsibilities:

1. *Maintenance of the Code of Professional Conduct for Chartered Accountants (the Code).* This includes, but is not limited to: monitoring, considering and responding to proposed modifications to the Code published by the International Ethics Standards Board for Accountants (IESBA); ensuring that the Code contains appropriate additional guidance relevant to a South African context; and making recommendations to SAICA's Board in respect of amendments to the Code.
2. *Monitoring, considering and addressing emerging ethical issues that are relevant to the public interest responsibility of SAICA and its members.* (1) *Monitoring and consideration:* Existing, emerging and potential ethical issues, both general and specific, may proactively be identified by Committee members. Alternatively, they may be referred to the Committee by any member or committee of SAICA, or SAICA's Board (which may also approve the referral of ethical matters originating from regulatory or legislative authorities, members of the public, or any other source). In addition, the Committee monitors and considers ethical issues arising from the disciplinary processes and proceedings of SAICA, as well as (to the extent that information is available and SAICA members are involved) other professional and regulatory bodies. (2) *Addressing:* Ethical issues are addressed, where necessary, by means of the Committee making recommendations to SAICA's Board (or other committees of SAICA) in respect of appropriate courses of action.
3. *Provision of leadership on behalf of SAICA in ethics-related communication, education and guidance.* This includes, but is not limited to: monitoring, considering and responding as appropriate to relevant ethics-related national and international publications and proposals; maintenance of appropriate links with relevant organisations, (such as the

Independent Regulatory Board for Auditors and the Ethics Institute of South Africa); and considering, developing and proposing appropriate means of educating members, trainee accountants and accounting students, communicating with them, and maintaining their awareness, on ethical issues.

PROCEDURES

Membership

- *Composition of the Committee*

The Nominations Committee (NOMCO) of SAICA selects and appoints the members of the Committee, taking into account technical knowledge, relevant experience and qualifications, practice/industry area, and equity targets of SAICA's Board. The Committee has a minimum of eight and a maximum of ten members.

In making appointments to the Committee, the SAICA Board will aim for fair representation from the various constituencies, namely members who are in:

- Public practice :
 - ± two representatives from large audit firms,
 - ± one representative from medium audit firm.
 - ± one representative from a small audit firm,
- Academia: ± one representative
- Experts: ± two experts on ethical issues, and
- Commerce and industry: ± three representatives.

Members serve on a voluntary basis and no remuneration is paid apart from expense claims related to Committee activity.

The term of office for members is three years. Members may be reappointed for a maximum of two additional terms.

- *Chairman and deputy chairman*

The members of the Committee select from amongst their number a Chairman and a Deputy Chairman. It is the responsibility of the Chairman (and in the absence of the Chairman, the Deputy Chairman) to facilitate the Committee's functions and responsibilities during meetings, and to assist the Secretariat as appropriate with Committee business between meetings.

The term of office of the Chairman and Deputy Chairman is three years. Both may be reappointed for additional terms, subject to the overall term limits of their Committee membership.

- *Alternate members*

On an *ad hoc* basis, members are permitted to nominate alternates to attend the meetings on their behalf. A suitable alternate is someone who has relevant technical knowledge, experience and qualifications, and is preferably in the same practice/industry area as the

principal member. Alternates have the same voting rights at meetings as members. Normally, no more than two alternate nominations are to be made in any calendar year.

- *Resignation*

Resignation from the Committee is by means of a written communication to the Secretariat, in which brief reasons for the resignation are given. Although no notice period is specified, members are encouraged to consider their responsibilities to the Committee in making the decision to resign.

Meetings

- *Secretariat and invitational attendance at Committee meetings*

The Project Director – Governance and Non-IFRS Reporting and the Project Manager – Governance and Sustainability attend all meetings in an *ex officio* capacity. In addition, any other member of the Secretariat is entitled to attend meetings in the same capacity. The Committee has the authority to issue invitations to attend its meetings to representatives from relevant organisations (including but not limited to the Independent Regulatory Board for Auditors and the Ethics Institute of South Africa), outside experts, and other observers.

- *Meetings*

The Committee ordinarily meets four times a year. The number of meetings may be changed at the recommendation of the Secretariat, or by agreement of the Committee. Members or their alternates are expected to attend and contribute to all meetings, in person or by means of teleconferencing facilities. The Secretariat monitors and, after discussion with the Committee, responds as deemed appropriate to situations of generally poor attendance or contribution on the part of any member.

- *Quorum*

The quorum shall be 50% plus 1 of members. Alternates nominated for a specific meeting are included for the purposes of establishing whether a quorum is present at that meeting.

- *Conducting Committee business between meetings*

While recognising that Committee members are normally in full-time employment and serve on a voluntary basis, it is necessary and appropriate that some Committee business continues and is conducted between meetings. Workloads will be kept realistic and no unreasonable demands will be made of members. Committee members are expected to comment on exposure drafts within the prescribed timelines, in a professional high standard format, the responses reflecting understanding, due care and effort.

Where members are required to vote using electronic means between meetings, the quorum consists of all members. Under these circumstances, approval of a resolution is achieved only upon the agreement of all members. Alternates are not permitted to vote between meetings.

- *Subcommittees*
From time-to-time, it may be necessary to establish a sub-committee/specialist task team to address specific issues.
At least 1 member from the Committee should serve on the sub-committee based on area of expertise and the objectives of the sub-committee.
A representative from the Committee may be appointed as the Chairperson of the sub-committee.
Appointments to the sub-committee will be based on the same criteria as for members of committees, as well as the objective for which the sub-committee/special task team has been established.

General requirements

- *Confidentiality*
All aspects of the work of the Committee are confidential.
- *Evaluation*
The Committee annually reviews its own performance. In addition, it responds to any invitation from the Secretariat to evaluate the performance of its staff members.

Each member serving on the Committee will be reviewed and evaluated annually. Rotation off the Committee is at the discretion of the Chairperson and SAICA Secretariat. Should a member fail to attend meetings on a regular basis, fail to contribute meaningfully to the work of the Committee and fail to provide quality commentary as and when required, the Chairperson, in consultation with the SAICA Secretariat, may, in their discretion, remove the member(s) from the Committee.

- *Delegation of authority*
As it sees fit and appropriate, the Committee has the authority to obtain outside legal or other independent professional advice. The Committee has no authority to delegate its powers and duties.
- *Conflicts of interest*
Potential conflicts of interest arise where any person in attendance at a Committee meeting has an interest (direct or indirect, financial, personal or other) that may conflict, or appear to conflict, with that person's responsibility to act without bias, with intellectual honesty and independence of mind, in the best interests of SAICA and its members.
When relevant, potential conflicts of interest must be disclosed by persons in attendance, including members, alternates, and those present in *ex officio* or invitational capacities. A person who discloses a potential conflict of interest is recused for the discussion of the affected agenda item or items, unless the Committee is of the opinion that his or her participation is necessary. However, voting by this person in respect of the affected item or items is not permitted

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