

WORLD TRADE ORGANIZATION

RESTRICTED

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COMMUNICATION FROM SOUTH AFRICA

Response to the questionnaire on the accountancy sector

The following communication is circulated at the request of South Africa.

I. GENERAL

1. What are the professional titles of accountants in your country?

- (a) Chartered Accountants (SA) - CA(SA) - Members of The South African Institute of Chartered Accountants (SAICA)
- (b) Registered Accountants and Auditors - Registered with the Public Accountants' and Auditors' Board (PAAB)
- (c) Commercial and Financial Accountants - Members of the Institute of Commercial and Financial Accountants of Southern Africa (CFA)
- (d) Chartered Management Accountants - Members of the Chartered Institute of Management Accountants - (CIMA)
- (e) Certified Accountants - Members of the Chartered Association of Certified Accountants - (ACCA)
- (f) Municipal Treasurers - Members of the Institute of Municipal Treasurers and Accountants - (IMTA)

Are these professional titles protected? Please specify how?

- (a) Yes, these are protected by the CA Designation (Private) Act, Act 67 of 1993 (Attachment 1).
- (b) By the Public Accountants' and Auditors' Act, Act 80 of 1991, Section 10a (Attachment 2).
- (c) No protection at present, only the Close Corporations Act protects members.
- (d) No protection locally, international protection.
- (e) No protection locally, only international protection.

- (f) Registered as a company, however this Act protects only the profession and not the title.

2. *How is the accountancy sector regulated in your country: by law, professional self-regulation, a combination of both?*

A combination of both.

3. *Are there any provisions to protect company names, whether national or foreign, in your country?*

Yes, in the Companies Act, Act 61 of 1973.

4. *What are the professional bodies in your country? Are they recognised by law as a regulatory or disciplinary body for the accountancy profession in your country, or are these functions fulfilled by other institutions (please specify)?*

The professional bodies are the following:

- The South African Institute of Chartered Accountants
- The Chartered Institute of Management Accountants
- The Chartered Association of Certified Accountants
- The Institute of Commercial and Financial Accountants
- The Institute of Municipal Treasurers and Accountants

The above bodies all exercise professional self regulation.

The Public Accountants' and Auditors' Board, established in terms of the Public Accountants' and Auditors' Act, regulates the attest function. It carries out the investigation and disciplinary functions in respect of persons practising the attest function. (Attachment 1)

There is also an Institute of Chartered Secretaries and Administrators. Its members also perform accounting functions.

5. *How many members do these professional bodies have? What is the estimated proportion of those.*

For SAICA:

-	principals in public practice	3 965
-	employed in public practice	2 358
-	in industry or commerce	7 423
-	in the public sector	368
-	in education	305
-	unoccupied (retired, etc.)	1 024
-	other	574

Total number of members: 16 017

For PAAB: 4 300

For CIMA: 928

For ACCA: 200 - of which are 60 are practising members
For CFA: 5 000 - of which 3500 are practising members
For IMTA: 890

6. *What is the scope of activities regularly practised by accountants in your country?*

All of the activities mentioned are within the scope of those regularly practised by accountants in South Africa.

7. *Which of these activities are regulated in your country?*

All private sector audits are regulated by the Public Accountants' and Auditors' Board. Public sector audits are regulated by the office of the Auditor General. The Accounting Officer functions are regulated in terms of the Close Corporations Act. Other activities are self regulated in terms of SAICA's By-laws and Code of Professional Conduct (Attachment 3). Certain activities are also governed by the appropriate Act, eg; Insolvency Act, Companies Act, Banks Act.

8. *Which of these activities are reserved by law to accountants, shared by accountants with other professions (please specify), or even forbidden to accountants in your country, e.g. by full prohibition or by not allowing cumulation of certain activities which are considered incompatible or mutually exclusive.*

All those activities related to private sector audits are reserved by law to persons registered with the Public Accountants' and Auditors' Board. All other activities are not controlled. Public sector audits are carried out by the Auditor General's Office or by private sector firms under the authority of the Auditor General.

II. QUALIFICATION REQUIREMENTS

9. *What are the qualification requirements for these activities in your country in terms of university/higher education degree, practice and professional exam? Specify the number of years required for each element, and the differences according to the activities (audit, insolvency, tax, etc.) covered by the qualification.*

To practise as an auditor, the following is required:

- An under graduate degree of 3 years and 1 year of Honours, comprising of either a Certificate in the Theory of Accounting (CTA) or an Honours Degree in Accounting.
- 3-5 years traineeship at an accountancy firm accredited by the Public Accountants' and Auditors' Board.
- Pass the Qualifying Examination set by the Public Accountants' and Auditors' Board.

To practise as an accounting officer, the person needs to be a member of a recognised professional body. At present the professional bodies recognised in terms of the Close Corporations Act are:

- The South African Institute of Chartered Accountants
- Accountants and Auditors registered in terms of the provisions of the Public Accountants' and Auditors' Act 1951
- The Southern African Institute of Chartered Secretaries and Administrators
- The Chartered Institute of Management Accountants
- The Institute of Commercial and Financial Accountants
- The Institute of Administration and Commerce of Southern Africa

10. *Are there any pre-conditions to meet to start the professional education, minimum age, particular diploma or title, prior education, registration with a professional body, payment of a fee, other (please specify)?*

The following is necessary: a matric exemption with a pass on the higher grade in Mathematics, English or Afrikaans

11. *What are the subjects to be covered by the education: accounting, audit, tax, general law, economics, ethics, information technology, other (please specify)?*

- Financial Accounting
- Auditing
- Taxation
- Commercial Law
- Mercantile Law
- Company Law
- Economics
- Business Economics
- Information Technology
- Quantitative Techniques
- Management Accounting
- Statistics
- Business Communication
- Business Finance

III. TECHNICAL STANDARDS AND ETHICS

12. *In relation to which activities do national standards exist, (audit, accounting, insolvency, other)? Please specify their main policy objectives.*

National standards exist in relation to the activities of Chartered Accountants for the following:

- Audit }
- Accounting } national ethical
- Tax } standards exist
- Insolvency }
- Management Consultancy - practice guidelines are issued from time to time by The South African Institute of Chartered Accountants.

Main policy objectives:

AUDIT	to prescribe the requirements for the carrying out of audit work, including general standards, standards for fieldwork and reporting standards.
ACCOUNTING	to prescribe requirements for financial reporting particularly in annual financial statements, covering both the items to be disclosed and the recognition and measurement of those items
TAX, INSOLVENCY	no standards set, therefore no policy objectives.
MANAGEMENT	to ensure members approach Management Consultancy on a consistent basis.

13. Which body or institution develops these standards and monitors their implementation? What are the consequences of a breach of the standards (for the professional, for clients, etc.)?

Auditing

Standards are set by the Auditing Standards Committee of The South African Institute of Chartered Accountants.

There is a system of practice review in place which reviews the activities of those individuals who carry out the attest function. Depending on the outcome of these reviews, appropriate action would be taken.

If required, a deviation from auditing standards may either need to be justified in a court of law or if detected by practice review, to the Public Accountants' and Auditors' Board investigation and disciplinary committees.

Accounting

Standards are set by the Accounting Practices Board (APB). There is currently no monitoring of compliance with standards, however companies are required under the Companies Act to prepare financial statements in accordance with generally accepted accounting practice, although not necessarily accounting standards as issued by the Accounting Practices Board.

In auditing the financial statements of a company, the auditors would report on whether or not the financial statements have been prepared in accordance with generally accepted accounting practice.

Tax, Insolvency, Management Consultancy

For The South African Institute of Chartered Accountants, professionals are subject to discipline by a professional body. If found guilty they could be sentenced to:

- a caution
- reprimand
- a fine not exceeding R50,000
- suspension not exceeding 5 years
- exclusion from membership

14. *Are the international standards developed by IFAC (International Education Standards and Guidelines, International Standards on Auditing) and IASC (International Accounting Standards) recognised or used in your country? If yes, please explain how. If not, please explain why?*

Yes, there is a harmonisation programme underway to harmonise South African accounting and auditing standards with those of IFAC and the IASC. South African accounting and auditing standards are based on the equivalent IASC and IAPC standards. New standards are only developed in those areas where no international standard exists. If there is no existing standard in South Africa, the International Standard may be used.

15. *In relation to which activities does a particular ethical code exist (audit, accounting, insolvency, other)? Please specify its main policy objectives.*

The South African Institute of Chartered Accountants Code of Professional Conduct covers all aspects of members behaviour in all material respects. This code is in line with IFAC's Code of Ethics. (Attachment 3)

The Public Accountants' and Auditors' Board also have a Code of Professional Conduct which is applicable to all registered Accountants and Auditors. (Attachment 4)

16. *Which body or institution develops this code and monitors its implementation? What are the consequences in case of breach of the ethical code by a professional or a firm?*

The South African Institute of Chartered Accountants.

Breach of the ethical code can lead to consequences as stated in question 13.

17. *Are there restrictions on marketing, solicitation, advertising?*

No, but marketing, etc. must be in keeping with the dignity of the profession.

18. *Are there restrictions on fee-setting (minimum/maximum levels imposed, indicative scale, etc.)?*

No, as long as the guidelines on lowballing or predatory pricing, as set out in the Code of Professional Conduct, are adhered to.

IV. LICENSING REQUIREMENTS AND PROCEDURES

19. *Apart from the qualification requirements, what are the licensing requirements for individuals in your country?*

To perform the auditing function, one must be registered with the Public Accountants' and Auditors' Board.

- 20. *Are there any conditions imposed to be eligible for membership of the relevant professional body(ies)? Please specify.***

The South African Institute of Chartered Accountants pass a qualifying examination, set by the Public Accountants' and Auditors' Board and complete a training contract with a training office registered by the Public Accountants' and Auditors' Board.

- 21. *Are there specific licensing requirements for professional firms?***

The Public Accountants' and Auditors' Board will register firms as long as the individuals are registered with the Public Accountants' and Auditors' Board.

- 22. *Can an application for licensing be filed at any time of the year or are there specific dates to respect? How long does it take to complete the whole licensing procedure? Please specify in case of differences between individuals and firms.***

Application for licensing can be filed at any time of the year.

This takes 1 to 3 days to complete the procedure and is formalised at the next committee meeting.

In the case of firms, it is necessary to be accredited by the Public Accountants' and Auditors' Board, to take in trainee accountants. The formalities are the same as for individuals.

- 23. *Are there differences in terms of licensing requirements and/or procedures, according to the activities covered by the licence (audit, insolvency, etc.)? Please specify. What kind of documentation is necessary/accepted? Are documents issued in other countries acceptable? Please specify.***

Licensing is only applicable to auditing.

Auditing requires special registration with the Public accountants' and Auditors' Board.

A completed application form, proof of completed traineeship and passing the Qualifying Examination is required.

- 24. *What happens when the licensing conditions are no longer respected by the individual or the firm.***

Criminal sanctions can be carried out in terms of the contravention of the Act.

Disciplinary action can be taken against persons previously registered by the Public Accountants' and Auditors' Board and are ex-members of The South African Institute of Chartered Accountants.

V. RECOGNITION OF QUALIFICATIONS

- 25. *Are there any possibilities for taking account of qualifications acquired by foreign professionals in another country? Are there bilateral agreements with other countries in this respect?***

Yes, reciprocity agreements exist.

- 26. *Are there any automatic recognition or mutual recognition agreements between your professional bodies and their counterparts in other countries? Is so, please specify the main characteristics of such agreements: if not, please explain why?***

Reciprocal agreements exist with the Chartered Institutes in England & Wales, Scotland and Ireland and Namibia. Informal reciprocal agreements exist with the Chartered Institutes in Australia, Canada and New Zealand.

- 27. *Where possibilities of taking account of foreign qualifications exist, is a full local examination or a local training exceeding 12 months required? Please specify. Is a local licence always necessary to practice a regulated accountancy activity? Please specify when this is not the case.***

A local licence is necessary to perform the audit function; the Accounting Officer function and Treasurer of Municipalities above a certain size. No licence is required for other activities.

The following education and training steps are required:

- Audit function - in respect of the Chartered Institutes with which The South African Institute of Chartered Accountants has a reciprocal agreement, persons must write and pass a conversion examination in tax, law and accounting standards, based on South African requirements.
- With regard to members of other Institutes, candidates have to pass the Qualifying Examination set by the Public Accountants' and Auditors' Board. Supplementary training may also be required.
- Accounting Officer - different Institutes have different requirements. For members of The South African Institute of Chartered Accountants the same requirements as for the audit function apply.
- Treasurer of Municipalities must be a member of the Institute of Municipal Treasurers and have 10 years relevant experience in municipal accounting.

- 28. *What are the accreditation/licensing requirements imposed on foreign professionals authorised to practice in their home country? May certain (regulated) activities be carried out on the basis of a foreign licence.***

No, licensed activities may be carried out on the strength of a foreign licence. Foreign professionals must register with the Public Accountants' and Auditors' Board. Professionals from the Chartered Institutes in Australia, New Zealand, Canada, Ireland, Scotland and England and Wales are required to pass the conversion examination. All other professionals have to pass the Qualifying Examination set by the Public Accountants' and Auditors' Board, and may be required to supplement their training.

VI. REGULATIONS GOVERNING THE ESTABLISHMENT OF A COMMERCIAL PRESENCE

- 29. *Are there any restrictions on the form under which one can establish (partnership, incorporation, other)? Please specify.***

Yes, Section 21 of the Public Accountants' and Auditors' Act (Attachment 2) permits the formation of partnership or incorporated practices without limited liability.

- 30. *Are there any restrictions on foreign direct investment and ownership, including restrictions applying to not locally qualified individuals or firms? Please specify.***

Yes (see Attachment 2, point number 16).

- 31. *Is there a requirement of a minimum number of percentage of local directors, managers or staff? Please specify.***

Yes (see Attachment 2, point number 16).

- 32. *Are there restrictions on the ability of locally established firms to develop international relations (membership of an international network, association with foreign firms, etc.)? Please specify.***

No.

- 33. *Is the use of international or foreign names restricted for firms?***

No, any name may be used as long as no other firm is registered by the same name in South Africa.

VII. REGULATIONS GOVERNING THE ENTRY AND TEMPORARY STAY OF NATURAL PERSONS FOR THE PURPOSE OF SUPPLYING ACCOUNTANCY SERVICES

- 34. *Is the entry and stay of professional subject to labour market tests or any other restrictions? Please specify.***

Yes, a certificate of the Department of Immigration, normally a work permit is required.

- 35. *Is there any procedure facilitating the temporary entry and stay of professionals to supply accountancy services? Please explain.***

Yes, this is determined by the Department of Home Affairs.

- 36. *Are there any restrictions on hiring of local professionals by foreign firms and professionals? Please explain.***

There are no restrictions.

VIII. NATIONALITY/RESIDENCY REQUIREMENTS

37. *Is a condition of nationality/citizenship imposed to practice certain activities, to start an education, to obtain a licence, to become member of a professional body, etc.? Please specify.*

The only restriction is that a person must be ordinarily resident in South Africa in order to practise as an auditor.

38. *Is a condition of establishment, prior residency or residency imposed to practice certain activities, to obtain a licence, to become member of a professional body, etc.? Please specify the conditions and the definition of establishment, residency, etc. when relevant. Is it possible to have a professional establishment in more than one country?*

No, as long as a person has passed the Qualifying Examination and completed a training contract in South Africa and is a fit and proper person, he or she may be registered with the Public Accountants' and Auditors' Board.

Members of the Chartered Institutes from Australia, Canada, England and Wales and New Zealand may be required to write a conversion examination in South African Law, be in good standing with the Institute of that country and hold a practising certificate with that Institute, in order to be registered with the Public Accountants' and Auditors' Board.

ATTACHMENT 1

CHARTERED ACCOUNTANTS DESIGNATION (PRIVATE) ACT, 67 OF 1993

Use of designation "Chartered Accountant" and related designations

1. (1) Every member of The South African Institute of Chartered Accountants or of any successor in title to that Institute and every member of The Cape Society of Chartered Accountants or The Natal Society of Chartered Accountants or The Orange Free State of Chartered Accountants or The Transvaal Society of Chartered Accountants, or of any successor in title to any of the aforementioned Societies, shall be entitled to use the designation "Chartered Accountant", "Geoktrooieerde Rekenmeester", "Chartered Accountant (South Africa)", "Geoktrooieerde Rekenmeester (Suid-Afrika)", "Chartered Accountant (SA)" or "Geoktrooieerde Rekenmeester (SA)", or the initials "FCA (SA)", "ACA (SA)", "CA", "GR", "CA (SA)" or "GR (SA)".

(2) Any company, close corporation or other body, firm or partnership which engages in public practice as accountants and auditors and of which every shareholder, every director, every member or every partner, as the case may be, is a member of the Institute or of one of the Societies referred to in subsection (1), shall be entitled to use the designations or initials referred to in that subsection.

Member of a body of chartered accountants established outside the Republic

2. A member of a body of chartered accountants established outside the Republic of South Africa may use the designation or initials which he is entitled to use by virtue of his membership of that body, provided the country where the qualification was obtained is clearly indicated in or after the designation or initials.

Prohibition relating to name or business style of company, close corporation or other body

3. No person, whether or not he is entitled to use any designation or initials referred to in section 1(1) or 2, may use, or permit the use of, such designation or initials in the name or business style of any company, close corporation or other body, firm or partnership which does not engage in public practice as accountants and auditors.

Penalties

4. (1) Any person who uses any designation or initials referred to in section 1(1), either alone or in combination with any other words or initials or any name, title or description, shall be guilty of an offence and liable on conviction to a fine not exceeding R20 000 unless he proves that he is a member of the Institute or one of the Societies referred to in that section.

(2) Any person who permits a company, close corporation or other body, firm or partnership to use any designation or initials referred to in section 1(1), either alone or in combination with any other words or initials or any name, title or description, when any shareholder, director, member or partner of such company, close corporation or other body, firm or partnership is not entitled to use such designation or initials, shall be guilty of an offence and liable on conviction to a fine not exceeding R20 000.

(3) Any person who contravenes the provisions of section 2 or 3 shall be guilty of an offence and liable on conviction to a fine not exceeding R20 000.

Repeal of laws, and saving

5. (1) The Chartered Accountants Designation (Private) Act, 1927 (Act No. 13 of 1927), and the Chartered Accountants Designation Amendment (Private) Act, 1971 (Act No. 97 of 1971), are hereby repealed.

(2) Nothing in this Act contained shall be construed as prohibiting any person who, immediately prior to its commencement, lawfully used any designation or initials referred to in section 1(1) or 2, from so using such designation or initials.

Short title

6. This Act shall be called the Chartered Accountants Designation (Private) Act, 1993.

**OBJECTS OF THE CHARTERED ACCOUNTANTS
DESIGNATION (PRIVATE) ACT, 1993**

01. The 1927 Act provided that only persons who were admitted as members of The Cape Society of Chartered Accountants, The Natal Society of Chartered Accountants, The Orange Free State Society of Chartered Accountants and The Transvaal Society of Chartered Accountants were entitled to use the designation "Chartered Accountant (SA)" and related designations. It is envisaged that some of these Societies may decide to delegate to The South Africa Institute of Chartered Accountants their power to admit persons to membership and thereby to allow such persons to use these designations. Furthermore, it is envisaged that a national designation should be conferred by a national body and accordingly the Societies agreed that the national body as well as the four provincial bodies should be able to confer the national designation. It has therefore been provided in the 1993 Act that members of the Institute as well as members of Societies are entitled to use the designations "Chartered Accountant" or "Chartered Accountant (SA)" and related designations.
02. The 1927 Act prohibited a firm of chartered accountants in public practice from using the designation "Chartered Accountants" or "Chartered Accountants (SA)". There seems to be no valid reason for this restriction. Firms in public practice have been using the designations in this manner for many years, which, in the view of the Institute and the Societies, was not misleading to the public. Provision has been made in the 1993 Act to regularise this position and also to permit incorporated practices to use such designations.
03. A person who was entitled to use the designations or initials referred to in section 1(2) of the 1927 Act by virtue of his membership of a body of chartered accountants established outside South Africa was not required to indicate the country where the designation concerned was obtained. In order that the public is not confused or misled, the 1993 Act provides that when a person who is a member of a body of chartered accountants established outside South Africa, uses the designations or initials referred to in section 1(2) he is required to indicate where the qualification was obtained.
04. The 1927 Act provided specifically that persons who were members of one of the Societies may use the designation "Chartered Accountant (SA)" and the initials "CA (SA)". It did not specify that such designations may be used only in connection with professional practice and in particular did not prohibit their use in the name or business style of a company, close corporation or other body or firm which did not engage in public practice as accountants or auditors, for example, "Chartered Accountant Placement Services" or "Chartered Accountant Booksellers". The use of the designations "Chartered Accountant" and "Chartered Accountant (SA)" and the initials "CA" and "CA (SA)" in the name or business style of an entity which does not engage in public practice as accountants or auditors, may be misleading to the public because it may infer some kind of recognition, approval or endorsement by the Institute or the Provincial Societies. It may even mislead the public into thinking that that entity is an official arm of the Institute. Provision has been made in the 1993 Act to clarify the issue by restricting the use of these designations and initials in the name of an entity.
05. The maximum fine of R500 provided for in the 1927 Act was fixed many years ago and became substantially devalued with the passage of time. The penalty was regarded as inadequate considering the serious light in which the chartered accountancy profession views misuse of its protected designation, and the potential prejudice to the public when persons who are not entitled to do so use the designations and initials permitted by the Act or use such designations, or permit them to be used, in the name or business style of any company, close corporation or other body or firm which does not engage in public practice as accountants or auditors. Provision has been made for a penalty commensurate with the seriousness of the offence and of such an amount as to be a deterrent to persons considering using the designations who are not so entitled.

06. The 1927 Act provided that a person who was a member of a body of chartered accountants established outside the Republic of South Africa and was entitled to registration as an accountant and auditor under the Public Accountants' and Auditors' Act, 1991, without being required to pass any examination in the Republic, was entitled to use the designation "Chartered Accountant (SA)" and the initials "CA (SA)". This provision was obsolete and has been deleted in the 1993 Act as every person who is a member of a body of chartered accountants established outside the Republic of South Africa is required to pass at least an examination in the law of the Republic in terms of section 19 of the Public Accountants' and Auditors' Act, 1991, before being entitled to registration as an accountant and auditor.
07. The 1927 Act provided that a person who proved that he was a member of a body of chartered accountants established outside the Republic of South Africa and South West Africa and was entitled to registration as an accountant and auditor under the Public Accountants' and Auditors' Act, 1991, without being required to pass any examination in the Republic or South West Africa other than such examination in the law of the Republic as the Public Accountants' and Auditors' Board may determine, may use the designations or initials set out in the Act. The Institute and the Societies considered that it was inappropriate for the use of such designations or initials to be subject to the requirements of the Public Accountants' and Auditors' Act. It was also inappropriate for the designations and initials to be used by persons who were not members of the Institute or of any of the Societies and who were accordingly not subject to disciplinary action by the Institute or any of the Societies. Section 1(2)(c) of the 1927 Act has been omitted from the 1993 Act.
08. The 1927 Act stated that "nothing in this section contained shall be construed as prohibiting any person who, immediately prior to the commencement of the Chartered Accountants Designation Amendment (Private) Act, 1971, practised in the Republic as a chartered accountant from practising as such". The Act does not give a person the right to practise. It only deals with the right to use the designations and initials set out in the Act. This reference has been omitted from the 1993 Act.

ATTACHMENT 2

PUBLIC ACCOUNTANTS' AND AUDITORS' ACT, ACT 80 OF 1991 (EXTRACT)

- (10) A person who is registered in terms of this section as an accountant and auditor, may describe himself as a registered accountant and auditor, and shall, if he has paid the annual fees (or portion thereof) prescribed or determined by the board under section 13(1)(e) at the rate applicable to a registered accountant and auditor who is engaged in public practice, be entitled to describe himself as a public accountant or a public accountant and auditor and to engage in public practice in any part of the Republic.
- (10A) Any person who is registered in terms of this section as an accountant and auditor may affix the abbreviation "RAA" after his or her name.

Restrictions in connection with non-resident accountants and auditors

16. (1) No person:
- (a) who is registered under this Act as a non-resident accountant and auditor shall become a member of a firm of which more than half of the members are persons registered as non-resident accountants and auditors or of which more than half of the members would be such persons if he became a member thereof;
 - (b) who is a member of a firm referred to in paragraph (a) shall permit a person registered as a non-resident accountant and auditor to become a member of that firm;
 - (c) shall be a member of a firm of which more than half of the members are persons registered as non-resident accountants and auditors.
- (2) No person registered in terms of this Act as a non-resident accountant and auditor may, in the capacity of an accountant or auditor, in his own name or in the name of the firm of which he is a member, certify, or furnish a report or an opinion on, any financial statement (including any annexure thereto) or other document relating to the operations in the Republic of an undertaking registered or established in the Republic under any law or carrying on business in the Republic.

Carrying on of business

21. (1) A public accountant may engage in public practice by himself or in partnership with other public accountants.
- (2) Persons registered in terms of this Act as accountants and auditors and engaged in public practice may in terms of the Companies Act, 1973 (Act No. 61 of 1973) form a company to engage in public practice through its members, provided:

- (a) the company is incorporated and registered as a company in terms of the Companies Act, 1973, with a share capital, and its memorandum of association provides that its directors and past directors shall be liable jointly and severally, together with the company, for its debts and liabilities contracted during their periods of office;
 - (b) only natural persons who are public accountants and auditors are members or shareholders of the company or have any interest in its shares;
 - (c) every shareholder of the company is a public accountant and director thereof and only such a shareholder may be a director thereof;
 - (d) in the case where a shareholder of the company or a person having any interest in its shares dies or ceases to conform to any requirement of paragraph (b), his estate or he, as the case may be, may continue to hold the relevant shares or interest for a period of six months as from the date of the death or on which he ceases to so conform or for such longer period as the board may approve;
 - (e) no voting rights attach to any share contemplated in paragraph (d), and a shareholder therein mentioned does not act as a director of the company or receive, directly or indirectly, any director's fees or remuneration or participate in the income of or profits earned by the company in its business;
 - (f) the company may, if its articles of association so provide and without confirmation by a court, purchase on such conditions as it may deem expedient any shares held in it without its authorised share capital being reduced thereby;
 - (g) shares purchased under paragraph (f) are available for allotment in terms of the company's articles of association;
 - (h) the company's articles of association provide, notwithstanding anything to the contrary contained in any other law, that a member of the company shall not appoint a person who is not a member of the company to attend, or speak or vote, in his stead at any meeting of the company;
 - (i) the company ceases so to engage in public practice immediately when it ceases to conform to paragraphs (a) and (b): provided that the provisions of this paragraph shall not, during the period referred to or contemplated in paragraph (d), apply to the company by reason only of the fact that a shareholder of the company or a person having an interest in the shares of the company has ceased to be a public accountant.
- (3) The provisions of section 20 (1) (b) of the Companies Act, 1973 (Act No. 61 of 1973), shall not apply in respect of a company referred to in subsection (2) of this section of this Act, if it is a private company.

ATTACHMENT 3

THE SOUTH AFRICAN INSTITUTE OF CHARTERED ACCOUNTANTS

CODE OF PROFESSIONAL CONDUCT

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CODE OF PROFESSIONAL CONDUCT

INTRODUCTION

01. Council of the Institute has identified skills and integrity as the pre-eminent professional attributes of Chartered Accountants (South Africa). Council is committed, in the interests of the profession as a whole, to enhancing these qualities in all members by providing appropriate guidance. This Code deals with professional attitudes.
02. Guidance on the other aspects of professionalism relating to knowledge and skills is given in other documents issued by the Institute, the Public Accountants' and Auditors' Board (the Board) and the Accounting Practices Board. The Board also issues a Code of Professional Conduct and rules and regulations dealing with the conduct of those members who are registered in terms of the Public Accountants' and Auditors' Act (the Act). In addition, the Provincial Societies of Chartered Accountants issue local rules concerning the conduct of members in their provinces.
03. This Code is consistent in all material respects with the Code of Ethics issued by the International Federation of Accountants.
04. The Code is established on the basis that unless a limitation is specifically stated the objectives and fundamental principles are equally valid for all members, whether they be in public practice, industry, commerce, the public sector or education.
05. A profession is distinguished by certain characteristics including:
 - (a) Mastery of a particular intellectual skill, acquired by training and education;
 - (b) Acceptance of duties to society as a whole in addition to duties to the client or employer;
 - (c) An outlook which is essentially objective;
 - (d) Rendering personal services to a high standard of conduct and performance.

DEFINITIONS

06. For the purposes of this Code the following terms have the following meanings assigned to them. These definitions are for guidance only and are not intended to be complete or exhaustive.
 - (a) Advertising - The communication to the public of information as to the services or skills provided by a member with a view to procuring professional business.
 - (b) Client - A person or an undertaking with whom a member has or can reasonably expect to have a continuing professional relationship. A client for whom a member carries out a single professional task which has been completed, or who has terminated a previously existing professional relationship, will not be regarded as a client for the purposes of this Code.
 - (c) Client account - Any bank account which is used solely for the banking of clients' monies.

- (d) Clients' monies - Any monies, including documents of title to money e.g. bills of exchange, promissory notes, and documents of title which can be converted into money e.g., bearer bonds, received by a member in public practice to be held or paid out on the instruction of the person from whom or on whose behalf they are received.
- (e) Existing accountant - A member in public practice currently engaged by the client to render professional services to him.
- (f) Investee - A subsidiary or an entity subject to the significant influence of an investor.
- (g) Investor - A parent, general partner, or natural person or corporation that has the ability to exercise significant influence on an investee.
- (h) Practice - A sole practitioner, a partnership, a company or a close corporation of members which offers professional services to the public.
- (i) Member - A person who is a member of the Institute.
- (j) Member in public practice - A member providing professional services to the public, whether on a full time or an occasional basis.
- (k) Professional work, professional services and professional business

This is regarded as related to the following:

(i) **The attest function (audit services)**

- The examination, in accordance with generally accepted auditing standards, of financial statements with the objective of expressing an opinion as to their fairness and as to their compliance with the requirements of applicable statutes.
- The audit of other reports and representations of a financial nature.

(ii) **The financial reporting function (accounting services)**

- **External financial reports:** The preparation of financial statements in accordance with generally accepted accounting practice and applicable statutes and the interpretation of those financial statements.
- **Internal financial systems and reports:** The design and operation of internal accounting systems to provide management with information which will enable management to plan, monitor and control its business.

(iii) **The advising function (advisory and fiduciary services)**

- **Taxation services:** The interpretation and application of revenue laws and procedures and of tax planning.
- **Management consulting services:** The provision of consulting services to management of enterprises; these services include advisory services relating to planning, control, cost accounting, financial management and reporting, data processing and related systems.

- **Other services:** These services include investigations, valuations, secretarial services, trusteeships, the planning and administration of estates, judicial management and liquidation and insolvency work.
- (l) Proposed accountant - A member in public practice whom the client proposes to engage in place of or in addition to the existing accountant.
 - (m) Publicity - The communication to the public of information about a member or his firm or bringing his name or the name of his firm to the notice of the public.
 - (n) Receiving accountant - A member in public practice to whom the existing accountant or client of the existing accountant has referred audit, accounting, taxation, consulting or similar appointments, or who is consulted in order to meet the needs of the client.
 - (o) Reporting assignment - An engagement which requires the expression of an opinion by a member in public practice.
 - (p) Solicitation: Direct mailing and cold-calling - The direct or indirect approach to a potential client for the purpose of offering to perform professional work. Direct mailing and cold calling are forms of solicitation. Direct mailing includes sending a brochure to a non-client who did not request it. Cold calling includes the direct or indirect approach to a potential client in person or by telephone.

THE PUBLIC INTEREST

07. A distinguishing mark of a profession is acceptance of its responsibility to the public. The accountancy profession's public consists of clients, governments, employers, employees, investors, the business and financial community, and others who rely on the objectivity and integrity of members to maintain the orderly functioning of commerce. This reliance imposes a public interest responsibility on the accountancy profession. The public interest is defined as the collective well-being of the community of people and institutions the member serves.
08. A member's responsibility is not exclusively to satisfy the needs of an individual client or employer. The standards of the accountancy profession are heavily determined by the public interest, for example:
 - (a) independent auditors help to maintain the integrity and efficiency of the financial statements presented to financial institutions in partial support for loans and to stockholders for obtaining capital;
 - (b) financial executives serve in various financial management capacities in organisations and contribute to the efficient and effective use of the organisation's resources;
 - (c) internal auditors provide assurance about a sound internal control system which enhances the reliability of the external financial information of the employer;
 - (d) tax experts help to establish confidence and efficiency in, and the fair application of, the tax system;
 - (e) management consultants have a responsibility toward the public interest in advocating sound management decision making.

09. Members have an important role in society. Investors, creditors, employers and other sectors of the business community, as well as the government and the public at large rely on members for sound financial accounting and reporting, effective financial management and competent advice on a variety of business and taxation matters. The attitude and behaviour of members in providing such services have an impact on the economic well-being of their community and country.
10. Members can remain in this advantageous position only by continuing to provide the public with these unique services at a level which demonstrates that the public confidence is firmly founded. It is in the best interest of the accountancy profession to make known to users of the services provided by members that they are executed at the highest level of performance and in accordance with ethical requirements that strive to ensure such performance.

OBJECTIVES

11. The Code recognises that the objectives of the accountancy profession are to work to the highest standards of professionalism, to attain the highest levels of performance and generally to meet the public interest requirement set out above. These objectives require four basic needs to be met:
 - (a) *Credibility*

In the whole of society there is a need for credibility in information and information systems.
 - (b) *Professionalism*

There is a need for individuals who can be clearly identified by clients, employers and other interested parties as professional persons in the accountancy field.
 - (c) *Quality of Services*

There is a need for assurance that all services obtained from a member are carried out to the highest standards of performance.
 - (d) *Confidence*

Users of the services of members should be able to feel confident that there exists a framework of professional ethics which governs the provision of those services.

FUNDAMENTAL PRINCIPLES

12. In order to achieve the objectives of the accountancy profession, members have to observe a number of prerequisites or fundamental principles.
13. The fundamental principles are:
 - (a) *Integrity* (see Section 2)

Integrity is essentially an attitude of mind. Adherence to certain standards of conduct and moral behaviour consistently practised will ensure integrity.

A member should be straightforward and honest in performing professional services.

(b) *Objectivity* (see Sections 2 and 3)

Objectivity is essentially the quality of being able to maintain an impartial attitude. It requires a member to be fair and not to allow prejudice or bias or influence of others to override objectivity.

(c) *Professional Competence and Due Care* (see Section 4)

A member, in agreeing to provide professional services, implies that there is a level of competence necessary to perform professional services and that the knowledge, skill and experience of the member will be applied with reasonable care and diligence. Members should therefore refrain from performing any services which they are not competent to carry out unless advice and assistance is obtained to ensure that the services are performed satisfactorily.

A member should perform professional services with due care, competence and diligence and has a continuing duty to maintain professional knowledge and skill at a level required to ensure that a client or employer receives the advantage of competent professional service based on up-to-date developments in practice, legislation and techniques.

(d) *Confidentiality* (see Section 5)

A member should respect the confidentiality of information acquired during the course of performing professional services and should not use or disclose any such information without proper and specific authority or unless there is a legal or professional right or duty to disclose.

(e) *Professional Behaviour* (see Sections 6-10)

A member should act in a manner consistent with the good reputation of the profession and refrain from any conduct which might bring discredit to the profession. A member should conduct himself with courtesy and consideration towards clients, third parties, other members of the accountancy profession, staff, employers and the general public.

(f) *Technical Standards* (see Sections 11-19)

A member should carry out professional services in accordance with the relevant technical and professional standards. Members have a duty to carry out with care and skill, the instructions of the client or employer in so far as they are compatible with the requirements of integrity, objectivity and, in the case of members in public practice, independence (see Section 11). In addition, they should conform with the technical and professional standards promulgated by the Institute, relevant authorities and relevant legislation.

STATUS OF THE CODE

14. The objectives as well as the fundamental principles are of a general nature and are not intended to be used to solve a member's ethical problems in a specific case. Therefore, the Code also provides detailed guidance as to the application in practice of the objectives and the fundamental principles with regard to a number of typical situations occurring in the accountancy profession.
15. If, having consulted this Code, doubt still exists in a member's mind, he should fully discuss the matter with an appropriate and senior member of the Institute. If considered necessary, advice should be sought from one of the Advisory Panels set up by the Profession.

16. Paragraph 21 of the Institute's By-laws sets out acts and practices which shall be offences and which, if committed by a member, render him liable to penalties. In sub-paragraph (1) of paragraph 21 of the By-laws it is stated that "if a member conducts himself in a manner which, in the opinion of the Investigation Committee or the Disciplinary Committee, is discreditable, dishonourable, dishonest, irregular, or unworthy or which is derogatory to the Institute, or tends to bring the profession of accountancy into disrepute", such conduct will be considered an act or practice which shall be an offence. It should be noted that the decision of the Disciplinary Committee is final and there is no appeal against its decision. When forming its opinion the committee will be guided by this Code. It is emphasised that the Code sets out the way Council considers a member should behave in certain circumstances and also sets out those circumstances in which a member should very carefully consider his position before deciding on his course of action. Breach of the Code will indicate only that an offence may have been committed. If a complaint is lodged alleging that a member has breached the Code such member may well be called upon by the Investigation or Disciplinary Committees to show cause why he considers that the breach, if there was one, did not constitute an offence.
17. The Code set out below is divided into two parts: Part A applies to all members unless otherwise specified, Part B applies only to those members in public practice.

PART A - APPLICABLE TO ALL MEMBERS

SECTION 1 - JOINT AND VICARIOUS LIABILITY

01. A member may be held responsible for a breach of, or failure to comply with, this Code on the part of all persons who are:
- (a) his employees; or
 - (b) under his supervision; or
 - (c) his partners; or
 - (d) fellow shareholders in, or directors or employees of, a company controlled by the member or the member and his partners and offering professional services to the public. (For purposes of this Code a company will be deemed to be controlled by members if members between them hold directly or indirectly, more than half of the voting rights attached to the shares of the company or directly or indirectly and either alone or together with anyone else are entitled to exercise the *de facto* right to control the manner in which the business of the company is carried on (including, but without limitation, the right to appoint the majority of the persons entitled to exercise control over its management and affairs)); or
 - (e) fellow members in or employees of a close corporation controlled by the member or the member and his partners and offering to do professional work to the public. (For purposes of this Code a close corporation will be deemed to be controlled by members if members between them hold an interest in the corporation which would entitle them to a majority vote at a meeting of members of the corporation, or would otherwise entitle them to exercise the *de facto* right to control the manner in which the business of the corporation is carried on.)
02. A member may not, under the guise or through the medium of a partnership, company, close corporation or any other entity, do anything or allow anything to be done which he would not be permitted to do as an individual.

03. A member may not permit others to carry out on his behalf, either with or without remuneration, acts which, if carried out by himself, would constitute a contravention of this Code.

SECTION 2 - INTEGRITY AND OBJECTIVITY

01. The principles of integrity and objectivity impose the obligation on all members to be fair, honest and free of conflicts of interest, prejudice and bias.
02. Members serve in many different capacities and there is an obligation on them to apply these principles, even at the sacrifice of personal advantage, whether they are in commerce, in industry, in academic situations, in the public sector or in public practice. Regardless of service or capacity, members should protect the integrity of their professional services, maintain objectivity, and avoid any subordination of their judgement by others.
03. Relationships or interests, whether direct or indirect, which could adversely influence, impair or threaten his capacity to act with integrity and objectivity should be avoided. A member should not accept or provide gifts or similar favours which could impair his integrity or objectivity.
04. Members will be exposed to situations which involve the possibility of pressures being exerted on them. These pressures may impair their integrity and objectivity. It is impracticable to define and prescribe all such situations where these possible pressures exist, but reasonableness should prevail in identifying relationships that are likely to, or appear to, impair a member's integrity and objectivity.

SECTION 3 - CONFLICTS OF INTEREST

01. A member should be and appear to be free of any influence, interest or relationship, whether direct or indirect which might be regarded, whatever its actual effect, as being incompatible with integrity, objectivity and, in the case of a member in public practice, independence.
02. A member should be constantly alert to the possibility of a conflict of interest.
03. The member should consider the facts and circumstances before deciding whether or not his integrity and objectivity would be impaired by accepting the engagement or continuing in the position.
04. Such conflicts may arise in a wide variety of ways, ranging from the relatively trivial dilemma to the extreme case of fraud and similar illegal activities. It is not possible to attempt to itemise a comprehensive check list of potential cases where conflicts of interest might occur.
05. It should be noted that an honest difference of opinion between a member and another party is not in itself an ethical issue.
06. It is recognised, however, that there can be particular factors which occur when the responsibilities of a member may conflict with internal or external demands of one type or another. Hence:
 - (a) There may be the danger of pressure from an overbearing supervisor, manager, director or partner; or when there are family or personal relationships which can give rise to the possibility of pressures being exerted upon them. Indeed, relationships or interests which could adversely influence, impair or threaten a member's integrity should be discouraged.
 - (b) A member may be asked to act contrary to technical and/or professional standards.

- (c) A question of divided loyalty as between the member's superior and the required professional standards of conduct could occur.
 - (d) Conflict could arise when false, misrepresenting, or misleading statements or information are released or published which may be to the advantage of the employer or client and which may or may not benefit the member as a result of such publication.
07. Where a member has reason to believe that his or his employee's involvement in an assignment would possibly cause a conflict of interest, he should immediately disclose this fact.
08. Where it is clear that a material conflict of interest exists, a member should decline to act.
09. Where a member considers that it would be possible to act objectively, the engagement may be accepted provided:
- (a) the nature of the conflict is fully explained to each party for whom the member will be acting; and
 - (b) the parties agree in writing that the member may act.
10. In applying standards of ethical conduct, members may encounter problems in identifying unethical behaviour or in resolving an ethical conflict. When faced with significant ethical issues, members not in public practice should follow the established policies of the employing organisation to seek a resolution of such conflict. If those policies do not resolve the ethical conflict, the following should be considered:
- (a) Review the conflict problem with the immediate superior. If the problem is not resolved with the immediate superior and the member determines to go to the next higher managerial level, the immediate superior should be notified of the decision. If it appears that the superior is involved in the problem, the member should raise the issue with the next higher level of management. When the immediate superior is the Chief Executive Officer (or equivalent) the next higher reviewing level may be the Executive Committee, Board of Directors, Non-Executive Directors, Trustees, Partners' Management Committee or shareholders.
 - (b) Seek counselling and advice on a confidential basis with an independent advisor or appropriate and senior member of the Institute to obtain an understanding of possible courses of action. If considered necessary, advice should be sought from the Advisory Panel of the Institute.
 - (c) If the ethical conflict still exists after fully exhausting all levels of internal review, the member, as a last resort, may have no other recourse on significant matters, such as fraud, than to resign from the employing organisation, and to submit a memorandum setting out the reasons for resigning to an appropriate representative of that organisation.

SECTION 4 - PROFESSIONAL COMPETENCE

01. A member should not undertake or continue with any professional services which he is not competent to carry out unless competent advice and assistance is obtained so as to enable him to satisfactorily perform such services. If a member does not have the competence to perform a specific part of the professional service, technical advice may be sought from experts such as other members, lawyers, actuaries, engineers, geologists, valuers.

02. Whether a member is in public practice, commerce, industry, academic life or the public sector, he has a responsibility to keep himself up-to-date in whatever field of activity he is engaged.
03. A member should maintain his professional knowledge and skill. This requires a continuing awareness of developments in the accountancy profession including relevant national and international pronouncements on accounting, auditing and other relevant regulations and statutory requirements.
04. All members should adopt a programme of continuing professional education. Guidance is issued by the Institute from time to time.

SECTION 5 - CONFIDENTIALITY

01. Members have an obligation to respect the confidentiality of information acquired about a client's or employer's affairs. The duty of confidentiality continues even after the end of the relationship between the member and the client or employer.
02. Confidentiality should always be observed by a member unless specific authority has been given to disclose information or there is a legal or professional duty to disclose.
03. Members have an obligation to ensure that staff under their control and persons from whom advice and assistance is obtained respect the principle of confidentiality.

Confidentiality is not only a matter of disclosure of information. It also requires that a member acquiring information in the course of performing professional services shall neither use nor appear to use that information for personal advantage or for the advantage of a third party.

A member has access to much confidential information about a client's or employer's affairs not otherwise disclosed to the public. Therefore the member should be relied upon not to make unauthorised disclosures to other persons. This does not apply to disclosure of such information in order properly to discharge the member's responsibility according to the profession's standards, or when required by law.

04. The following should be considered in determining the extent to which confidential information may be disclosed.

- (a) When disclosure is authorised.

When authorisation to disclose is given by the client or the employer the interests of all the parties including those third parties whose interests might be affected should be considered.

- (b) When disclosure is required by law.

Examples of when a member is required by law to disclose confidential information are:

- (i) to produce documents or to give evidence in the course of legal proceedings; and
- (ii) to disclose to the appropriate authorities infringements of the law which come to light.

- (c) When there is a professional duty or right to disclose:
 - (i) to comply with technical standards and ethics requirements- such disclosure is not contrary to this section;
 - (ii) to protect the professional interests of a member in legal proceedings;
 - (iii) to comply with the quality review of the Institute;
 - (iv) to respond to an inquiry or investigation by the Investigation or Disciplinary Committees.

- 05. Where a member is required to disclose information about a client's or employer's affairs he should advise the client or employer that this is the case. Care should be taken to ensure that no more information than is strictly necessary be made available.

SECTION 6 - TAX PRACTICE

- 01. A member rendering professional tax services is entitled to put forward the best position in favour of a client, or an employer, provided the service is rendered with professional competence, does not in any way impair integrity and objectivity, and is in the opinion of the member consistent with the law. Doubt may be resolved in favour of the client or the employer if there is reasonable support for the position.
- 02. A member should not hold out to a client or an employer the assurance that the tax return prepared and the tax advice offered are beyond challenge. Instead, the member should ensure that the client or the employer are aware of the limitations attaching to tax advice and services so that they do not misinterpret an expression of opinion as an assertion of fact.
- 03. A member who undertakes or assists in the preparation of a tax return should advise the client or the employer that the responsibility for the content of the return rests primarily with the client or employer. The member should take the necessary steps to ensure that the tax return is properly prepared on the basis of the information received.
- 04. Tax advice or opinions of material consequence given to a client or an employer should be recorded, either in the form of a letter or in a memorandum for the files.
- 05. A member should not be associated with any return or communication in which there is reason to believe that it:
 - (a) Contains a false or misleading statement;
 - (b) Contains statements or information furnished recklessly or without any real knowledge of whether they are true or false; or
 - (c) Omits or obscures information required to be submitted and such omission or obscurity would mislead the revenue authorities.

06. For the purpose of this section of the Code, "associated" has the following meaning:

A member, or in the case of a practice, his practice is "associated" with a return or with a financial statement to be submitted with a return or with a submission on behalf of a client or employer when he has consented to the use of his or his practice's name in that return or statement or submission or when he has submitted to the taxation authorities, with or without a covering letter, a return or financial statement or submission which he or his practice has prepared or assisted in preparing. The fact that the return or financial statement or submission may be typed or otherwise reproduced on plain paper (as distinct from the member's or his practice's own stationery) or that the name of the member or his practice is not appended to them does not itself negate such association.

07. A member may prepare tax returns involving the use of estimates if such use is generally acceptable or if it is impractical under the circumstances to obtain exact data. When estimates are used, they should be presented as such in a manner so as to avoid the implication of greater accuracy than exists. The member should be satisfied that estimated amounts are reasonable under the circumstances.

08. In preparing a tax return, a member ordinarily may rely on information furnished by the client or employer provided that the information appears reasonable. Although the examination or review of documents or other evidence in support of the information is not required, the member should encourage, when appropriate, such supporting data to be provided.

09. In addition, the member:

- (a) should make use of the client's returns for prior years whenever feasible.
- (b) is required to make reasonable inquiries when the information presented appears to be incorrect or incomplete.
- (c) is encouraged to make reference to the books and records of the business operations.

10. When a member learns of a material error or omission in a tax return of a prior year (with which the member may or may not have been associated), or of the failure to file a required tax return, the member has a responsibility to promptly advise the client or employer of the error or omission and recommend that disclosure be made to the revenue authorities. The member is not obligated to inform the revenue authorities, nor may this be done without permission.

11. If the client or the employer does not correct the error the member:

- (a) should inform the client or the employer that it is not possible to act for them in connection with that return or other related information submitted to the authorities; and
- (b) should consider whether continued association with the client or employer in any capacity is consistent with professional responsibilities; and
- (c) should refer to the section in the Code of Professional Conduct dealing with the resolution of ethical conflicts.

12. If the member concludes that a professional relationship with the client or employer can be continued, all reasonable steps should be taken to ensure that the error is not repeated in subsequent tax returns.

SECTION 7 - DISCRIMINATION

A member should not practise discrimination against any person based on race, colour, religion, sex, marital status, age or origin in engagement, promotion, dismissal, salary, transfer, training or other practices relating to employment.

SECTION 8 - CROSS BORDER ACTIVITIES

Members working in other countries where the profession is controlled by a reputable body or by law should adhere to local ethical requirements even though to do so may not be in accordance with this Code. Members working in a country where the profession is not so controlled, should follow the guidance of the Institute unless recognised, well established and reputable local standards are being applied.

SECTION 9 - PUBLICITY, ADVERTISING AND SOLICITATION

Publicity and advertising

01. Members in public practice ordinarily offer a wide range of professional services and products. For their practices to be conducted in a businesslike manner and to compete effectively with individuals and organisations offering similar services and products, it is necessary for the public to be informed of the services and products on offer.
02. Publicity and advertising by all members of all services and products is therefore permitted.
03. A member preparing or authorising the issue of material for the purpose of publicity, advertising, direct mailing or cold calling of his services and products should do so with a due sense of responsibility to the profession and to the public as a whole. In particular, such material should be aimed at informing the public in an objective manner and be in good taste both as to content and presentation. The medium used must be consistent with the dignity of the profession.
04. Advertisements should conform with the accepted norms of legality, decency, honesty and truthfulness.
05. A member will be personally responsible for ensuring that the provisions of this section are complied with, and that what is published about him or his firm complies with this Code. A member will also be personally responsible for ensuring that all publicity, advertising, direct mailing and cold calling is subject to the limitations and requirements of this Code.

Good taste

06. Judgement as to what may or may not constitute good taste can only be made in the context of the particular facts on which that judgement is exercised.
07. It is possible, however, to give some broad guidance and general examples as to what might, in appropriate circumstances, be regarded as not being in accordance with good taste. Thus material which tends to sensationalise or shock, or which is likely to give offence to religious beliefs, or is racist, is unacceptable. Other possible examples include the trivialisation of important issues, excessive reliance on a particular personality or personalities, the deriding of public figures, disparagement of educational attainment and material which makes odious comparisons or is strident in tone, hectoring or extravagant. Furthermore, such material should not compare with nor belittle services offered by others, whether

members or not, either by claiming superiority for the services of a particular member or otherwise and should not contain testimonials or endorsements.

Advertisements

08. Advertisements may refer to the basis on which professional fees for services are calculated but to state hourly or other charging rates could be misleading and is considered to be inconsistent with the dignity of the profession.

Solicitation

09. Direct mailing by all members, pertaining to any services and products, is permitted.
10. A member may not continue to address direct mail material, for the purpose of offering to perform professional work, to a recipient who has asked him to desist.
11. Cold calling by members not in public practice in respect of all services and products is permitted.
12. Cold calling by members in public practice for professional work is not permitted.

SECTION 10 - RESPONSIBILITIES TO COLLEAGUES

01. A member should conduct himself in a manner which will promote co-operation and good relations between members and within the profession.
02. The support of a profession by its members and their co-operation with one another are essential elements of professional character. The public confidence and respect which a member enjoys is largely the result of the cumulative accomplishments of all members, past and present. It is, therefore, in the member's own interest as well as that of the general public, to support the collective efforts of colleagues through professional societies and organisations and to deal with fellow practitioners in a manner that will not detract from their reputation and well-being.
03. While the Code prescribes certain specific actions in the area of relationships with colleagues, it should be understood that these prescriptions do not define the limits of desirable intra-professional conduct. Such conduct should encompass the professional consideration and courtesies which each member would like to have fellow members extend to him.
04. A member should assist his fellow members in complying with this Code and should co-operate with the appropriate disciplinary authorities in applying the Code. To condone serious fault can be as bad as to commit it. It may be even worse, in fact, since some errors may result from ignorance rather than intent and, if let pass without action, will probably be repeated. In situations of this kind the welfare of the profession as a whole should be the guide to a member's action.
05. Although the reluctance of a professional to give testimony that may be damaging to a colleague is understandable, the obligation of professional courtesy and fraternal consideration can never excuse lack of complete candour if the member is testifying as an expert witness in a judicial proceeding or properly constituted enquiry.
06. A member should not irresponsibly criticise another member.

07. It is natural that a member in public practice will seek to develop his practice. However, in doing so he should not seek to displace another member in a client relationship by means which will lessen the effectiveness of technical performance, and in particular the integrity and objectivity of audit opinions or impinge upon the rights of third parties to reliable information. Further, a member should not act in any way that reflects negatively on fellow members.
08. A member should extend the same professional considerations and courtesies to any non-member with whom he may have a professional relationship, as set out in paragraph 01. He should also follow the same procedures of conduct as he would with a member where there is a change in appointment, as set out in Section 17.
09. While it is essential that the legitimate interests of clients are protected it is also important that the person who proposes to accept appointment as the accounting officer of a close corporation has the opportunity of ascertaining whether there are any reasons why he should not accept the appointment. A member who resigns as accounting officer of a close corporation should state in his letter of resignation, which is sent to every member of the close corporation, the reasons for his resignation. In addition, a copy of this letter must be sent to the close corporation.
10. Where a member has accepted the appointment as accounting officer of a close corporation, he should, in terms of the normal professional courtesies, inform the outgoing accounting officer of the change, in writing, whether he is a member of the Institute or not.

PART B - APPLICABLE TO MEMBERS IN PUBLIC PRACTICE

SECTION 11 - INDEPENDENCE

01. Independence is an essential quality, concomitant with integrity and objectivity, in a member in public practice undertaking a reporting assignment.
02. Independence is a quality which enables a member in public practice to apply unbiased judgement and objective considerations to established facts in arriving at an opinion or decision. To be recognised as independent, the member in public practice must be free from any obligation to, or interest in the client, its management or its owners.
03. Members in public practice, when undertaking a reporting assignment, should be independent in fact and appearance.
04. The following paragraphs indicate some of those situations which, because of the actual or apparent lack of independence, would give a reasonable observer grounds for doubting the independence of a member in public practice.

Fiduciary or financial involvement with, or in the affairs of, clients

05. Financial involvement with a client may affect independence and may lead a reasonable observer to conclude that it has been impaired. Such involvement can arise in a number of ways such as:
 - (a) By direct or indirect financial interest in a client.
 - (b) By a fiduciary interest in a client.

- (c) By loans to or from the client or any officer, director or principal shareholder of a client company.
- (d) By holding a financial interest in a joint venture with a client or employee(s) of a client.
- (e) By having a financial interest in a non-client that has an investor or investee relationship with the client.

06. The following, however, would not ordinarily be considered to impair a member's independence:

- (a) Holding of securities in a public company in which the securities are widely held, provided that holding is not material either in relation to the total number of securities issued by the company or in relation to the assets of the member, or his professional staff, or his spouse or dependent children; and they are not directly involved in providing professional services to that company;
- (b) Making deposits with, or accepting loans from clients which are registered as financial institutions on the same terms as are available to the general public;
- (c) Making investments in loan stock of public utility corporation clients or municipal clients;
- (d) Making indirect investments in clients through the holding of units in mutual funds, insurance policies or retirement funding investments;
- (e) Indebtedness arising out of normal trading transactions on the same terms as are available to the general public.

Commentary

- 07. Independence may be impaired when a member in public practice has or is committed to acquire a direct or indirect financial interest in a company for which the member in public practice provides professional services requiring independence. A direct financial interest includes an interest held by the spouse or dependent child of the member in public practice.
- 08. When the member in public practice holds or advises on investing in shares in an audit client on behalf of a third party, e.g. a trust, the appearance of independence is at risk. This is because responsibilities to the third party may conflict with responsibilities to the audit client.
- 09. Because of the need to be seen to be independent in any reporting assignment, in fact and in appearance, a member in public practice should avoid the appointment as a trustee in any situation where the absence of a conflict of interest cannot be clearly demonstrated. A trustee should therefore not personally be involved in the audit of the trust. He should also not personally be involved in the audit of a company in which the trust has a material share-holding. Where the member is requested to be a trustee, he should be a minority trustee.
- 10. Shares in a client may be involuntarily acquired as when a member in public practice inherits such shares or marries a shareholder or in a take-over situation. In these cases the shares should be disposed of at the earliest practicable date or the member in public practice should decline any further reporting assignment on that company.

11. Neither a member in public practice nor his spouse or dependent child should make a loan to a client or guarantee a client's borrowing or accept a loan from a client or have borrowing guaranteed by a client. This latter proscription does not apply to loans to or from banks or other similar financial institutions when made under normal lending procedures, terms and requirements; to home mortgages or to current or deposit accounts with Banks, etc.
12. When a non-client investee is material to a client investor, any direct or material indirect financial interest of the member in the non-client investee would be considered to impair the member's independence with respect to the client. Likewise, where a client investee is material to a non-client investor, any direct or material indirect financial interest of the member in the non-client investor would be considered to impair the member's independence with respect to the client.
13. Other relationships, such as client-non-client joint ventures, may affect the appearance of independence. In general, in a joint venture situation, an immaterial financial interest of the member in the non-client investor would not impair the independence of the member with respect to the client investor provided that the member could not significantly influence the non-client investor. If the member does not and could not reasonably be expected to have knowledge of the financial interests or relationships involving the joint ventures, the member's independence would not be considered to be impaired.
14. Generally, the member should be independent of a client and all its parents, subsidiaries and affiliates.

Appointments in companies

15. When a member in public practice is or was, within the period under current review or immediately preceding an assignment:
 - (a) a member of the board, an officer or employee of a company,
 - (b) a partner of, or in the employment of, a member of the board or an officer or employee of a company,

he would be regarded as having an interest which could detract from independence when reporting on that company.

Commentary

16. Members in public practice in such situations should not be appointed as auditors of the companies concerned. It is also clearly desirable that they should not be personally appointed or involved in other assignments on which an opinion is required. It is suggested that the period immediately preceding the assignment should be no less than 2 years.

Provision of other services to audit clients

17. When a member in public practice, in addition to carrying out an audit or other reporting function, provides other services to a client, care should be taken not to perform management functions or make management decisions, responsibility for which remains with the board of directors and management.

Commentary

18. It is appropriate in terms of skill and effort for members in public practice to be able to offer other financial and management consultancy services to their clients, since they already have a close familiarity with the client's businesses. Many companies (particularly the smaller ones) would be adversely affected if they were denied the right to obtain other services from their auditors. In the course of performing their professional services members in public practice frequently offer advice to their clients. This happens particularly in the case of smaller businesses, where the audit of the financial statements and advice, for example, on the provision to be made for taxes, are often so inextricably linked that they cannot be separated. Moreover, one key concept in auditing involves examination of the system of internal control which necessarily involves suggestions for improvement. For these reasons it is impracticable to define the limitations on the advice which a member in public practice may give.
19. The services provided by the member in public practice in the fields of management consultancy and taxation are advisory services. Such services should not usurp the management functions of client companies. The independence of a member in public practice is not impaired by offering advisory services, provided there is no involvement in or responsibility assumed for management decisions. The provision of other professional services is not in principle a factor in determining whether the member in public practice is independent. Nevertheless, the member in public practice should be careful not to go beyond the advisory function into the management sphere. A member in public practice who has advised on the installation of a stock recording system should carry out a normal audit review on the working of the system as failure to take all normal audit steps in relation to that system will have an adverse impact on competence and independence.
20. The preparation of accounting records is a service which is frequently requested of a member in public practice, particularly by smaller clients, whose businesses are not sufficiently large to employ an adequate internal accounting staff. It is unlikely that larger clients will need this service other than in exceptional circumstances. In all cases in which independence is required and in which a member in public practice is concerned in the preparation of accounting records for a client the following requirements should be observed:
 - (a) The member in public practice should not have any relationship or combination of relationships with the client or any conflict of interest which would impair integrity or independence.
 - (b) The client should accept responsibility for the statements.
 - (c) The member in public practice should not assume the role of employee or of management conducting the operations of an enterprise.
 - (d) Staff assigned to the preparation of accounting records ideally should not participate in the examination of such records. The fact that the member in public practice has processed or maintained certain records does not eliminate the need to make sufficient audit tests.

Personal and family relationships

21. Personal and family relationships can affect independence. There is a particular need to ensure that an independent approach to any assignment is not endangered as a consequence of any personal or family relationship.

Commentary

22. It is recognised that it would be impracticable to attempt to prescribe in detail in ethical requirements the permissible extent of a personal relationship between a member in public practice and a client or those occupying responsible executive positions (e.g. director, chief executive, financial officer or another employee in a similar position) with a client. The kinds of situations which can give rise to the possibility of pressures being exerted upon members in public practice may arise, for example, when a member in public practice has a mutual business interest with an officer or employee of a client or has a material interest in a joint venture with a client.
23. With respect to family relationships it is important to ensure that the degree of relationship with a client should not be too close to ensure that an independent approach to professional services for that client will suffer.
24. Family relationships which always pose an unacceptable threat to independence are those in which a sole practitioner or a partner in a practice, or an employee engaged on the assignment relating to the client, is the spouse, dependent child or relative living in a common household, of the client.

Fees

25. When the receipt of recurring fees from a client or group of connected clients, represents a large proportion of the total gross fees of a member in public practice or the practice as a whole, the dependence on the client or group of clients should inevitably come under scrutiny and could raise doubts as to independence.

Commentary

26. It is not possible to state precisely what constitutes an unacceptable proportion of total fees emanating from one client or group of connected clients. However, if such fees are the only or the substantial part of the gross income, the member in public practice should carefully consider whether independence has been impaired. A similar situation may arise if fees due from a client for professional services remain unpaid for an extended period of time, especially if a substantial part is not paid before the issue of the report of the member in public practice for the following year. Allowances will be made for new practices seeking to establish themselves or practices which are planning to cease operations. Exemptions will be made for a branch office which is reliant upon one client or group of connected clients. For example, this might be the case if the branch office is auditing the financial statements of a client of the practice as a whole and that client forms a major part of the business of the branch office. In such circumstances professional services for that client or group should be the subject of review by a partner from another office.

Goods and services

27. Acceptance of goods and services from a client may be a threat to independence. Acceptance of undue hospitality poses a similar threat.

Commentary

28. Goods and services should not be accepted by members in public practice, their spouses or dependent children except on business terms no more favourable than those generally available to others. Hospitality and gifts on a scale which is not commensurate with the normal courtesies of social life should not be accepted.

Former partners

29. A partner in a practice may leave the practice by resignation, termination, retirement, or sale of the practice. Such a partner may accept an appointment with a client of the practice, of which he is a former partner when an audit or other reporting function is being performed by that practice. In such circumstances, the independence of the practice would not be impaired where:
- (a) Payments of the amounts due to a former partner for his interest in the practice and for unfunded, vested retirement benefits are made in accordance with a schedule that is fixed as to both payment dates and amounts. In addition the amounts owed should be such that they do not cause a substantial doubt about the practice's ability to continue as a going concern.
 - (b) The former partner does not participate or appear to participate in the practice's business or professional activities, whether or not compensated. Indications of participation include the provision of office space and related amenities to the former partner by the practice.

Actual or threatened litigation

30. Litigation involving the member in public practice and a client may cause concern that the normal relationship with the client is affected to the extent that the member's independence and objectivity may be impaired.

Commentary

31. The commencement by a client or others of proceedings against the member in public practice, or the commencement of litigation by the member in public practice alleging e.g. fraud or deceit by the officers of a company, or sub-standard performance of the client's audit by the member, may impair independence. Such commencement or a credible threat to commence or a declared intention to commence legal action against a member in public practice relating to the affairs of the company, or vice versa, may cause the member in public practice and the company to be placed in positions which may affect the objectivity of the member in public practice. Thus, the ability to report fairly and impartially on the company's financial statements may be affected. At the same time, the existence of such action (or threat of action) may affect the willingness of the management of the company to disclose relevant information to the member in public practice.
32. It is not possible to specify precisely the point at which it would become improper for the member to continue to report. However, the member in public practice should have regard to circumstances when litigation might be perceived by the public as likely to affect the accountant's independence.

SECTION 12 - FEES FOR PROFESSIONAL SERVICES

Introduction

01. Members who undertake professional services for a client, assume the responsibility to perform such services with integrity and objectivity and in accordance with the appropriate technical standards. That responsibility is discharged by applying the professional skill and knowledge which members in public practice have acquired through training and experience. For the professional services rendered, the member is entitled to be fairly remunerated.

Determination of fees

02. In determining what constitutes fair remuneration a member may take into account the value of the professional service to the client, the customary charge for similar services by other professions, banks and management and business consultants, and any other special circumstances which may exist. No single factor is necessarily the determining factor. Agreeing on an acceptable fee is primarily a matter for negotiation between the member and his client.
03. Fees should be a fair reflection of the value of the professional services performed for the client. In determining the fee, the following factors should be taken into account:
 - (a) the skill and knowledge required for the type of professional service involved;
 - (b) the level of training and experience of the persons necessarily engaged in performing the professional services;
 - (c) the time necessarily occupied by each person engaged in performing the professional services;
 - (d) the degree of responsibility that performing those services entails; and
 - (e) the level and extent of investment in technology.
04. It is in the best interests of both the client and the member that the member should explain the precise range of professional services that the fee is intended to cover, the basis on which his fees are computed and any billing arrangements. This should be done, preferably in writing, before the commencement of the engagement, to help in avoiding misunderstandings with respect to fees.
05. A member should furnish on request such details as are reasonable to enable the client to understand the basis upon which the fee account has been prepared.
06. It follows that:
 - (a) time records should, where appropriate, be kept as a basis for determining fees;
 - (b) the rates used to calculate the fees should be fair and reasonable in the circumstances; and
 - (c) these rates should be based on the fundamental premise that the organisation and conduct of the member and the services provided to clients are well planned, controlled and managed.
07. A member should not make a representation that specific professional services in current or future periods will be performed for either a stated fee, estimated fee, or fee range if it is likely at the time of the representation that such fees will be substantially increased and the prospective client is not advised of that likelihood.

Commissions

08. The payment or receipt of a commission by a member may impair his objectivity and independence. A member should not, for example:
 - (a) pay a commission to obtain a client; or

- (b) accept a commission from third persons for referring products or services to a client, unless the client has prior knowledge of the arrangement.
- 09. The payment or receipt of fees in respect of work referred between members in public practice is not regarded as a commission.
- 10. Payment and receipt of referral fees between members in public practice when no services are performed by the referring accountant are regarded as commissions for the purpose of paragraph 08.
- 11. A member in public practice may enter into an arrangement for the purchase of the whole or part of an accounting practice requiring payments to individuals formerly engaged in the practice or payments to their heirs or estates. Such payments are not regarded as commissions for the purpose of paragraph 08.

Contingent fees

- 12. A contingent fee is a fee which is negotiated for the performance of any professional services pursuant to an arrangement whereby a fee will not be charged unless a specified finding or result is obtained, or where the payment of the fee or the quantum thereof is otherwise dependent on the finding or result of the service.
- 13. Fees often cannot practically be charged other than on a contingency basis in circumstances such as advising on a management buy-out, the raising of venture capital, acquisition search or sales mandates or where the capacity of the client to pay is dependent upon the success or failure of the venture.
- 14. A member may not perform work related to the attest function, nor may he prepare an original or amended tax return, for a contingent fee for any client.
- 15. In all cases the charging of fees on a contingency basis may be done only after careful consideration that the member's objectivity and integrity would not be compromised.
- 16. Where the work is subject to a fee on a contingency basis, the capacity in which the member has worked and the basis of his remuneration should, where appropriate, be made clear in any document prepared by the member in contemplation that a third party may rely on it.

Lowballing

- 17. It is not improper for a member in public practice to charge a client a lower fee than has previously been charged for similar services, provided:
 - (a) the fee has been calculated in accordance with the factors referred to in paragraphs 01, 02, 03 and 06;
 - (b) care is taken to ensure that the client is not misled:
 - (i) as to the precise range of services that the quoted fee is intended to cover; and
 - (ii) as to the level of fees it is anticipated charging for subsequent work at present-date prices.

18. A member who obtains or retains work by quoting levels of fees which are significantly lower than those charged by an existing member or quoted by other tendering firms should be aware that their perceived independence may appear to be threatened. Such members should take care to allocate the appropriate quantity and quality of staff, both in terms of competence and time, to the assignment.
19. Members should take care whatever their rate of charging that they comply with all professional standards and guidelines and, in particular, quality control procedures.
20. In the event of a complaint being made to the Institute where fees were a feature in obtaining the work such members should be prepared to demonstrate to the Investigation and Disciplinary Committees that:
 - (a) their independence has not been affected;
 - (b) the resources allocated to the assignment were at least those that would have been allocated to work of a similar nature; and
 - (c) the client was not misled as to the level of fees for following and subsequent years.

SECTION 13 - SIGNING OF REPORTS OR CERTIFICATES

A member may not delegate to any person who is not his partner, his power to sign audit or other reports expressing opinions, or certificates. In specific cases where emergencies of sufficient gravity arise, however, this prohibition may be relaxed, provided the full circumstances giving rise to the need for delegation are reported both to the client of the member concerned and to the Board.

SECTION 14 - STATIONERY AND LETTERHEADS

01. Stationery of members in public practice should be of an acceptable professional standard.
02. Apart from the name of the firm, its logo (if any) and the customary details regarding its address and telephone, telex and telefax numbers, a member's professional stationery may also contain the following information:
 - (a) the names of all partners, specified as such;
 - (b) the names of all professional assistants who are registered with the Board specified as such;
 - (c) the names of other employees or consultants (whether of "partner status" or not) provided it is clear that such employees or consultants are not partners or registered with the Board;
 - (d) the names of persons, firms or organisations including those not registered with the Board, with whom the member is associated.

(Members should bear in mind the constraints contained in Sections 14 and 27(1) of the Public Accountants' and Auditors' Act, 80 of 1991 and Section 83 of the Attorneys' Act, 53 of 1979.)

SECTION 15 - ACTIVITIES INCOMPATIBLE WITH THE PRACTICE OF PUBLIC ACCOUNTANCY

01. A member in public practice should not concurrently engage in any business, occupation or activity which impairs or might impair integrity, objectivity or independence, or the good reputation of the profession and therefore would be incompatible with the rendering of professional services.
02. The rendering of two or more types of professional services concurrently will not by itself impair integrity, objectivity or independence.
03. The simultaneous engagement in another business, occupation or activity unrelated to professional services which has the effect of not allowing the member in public practice properly to conduct a practice in accordance with the fundamental ethical principles of the accountancy profession should be regarded as inconsistent with the practice of public accountancy.

SECTION 16 - RELATIONS WITH OTHER MEMBERS IN PUBLIC PRACTICE

Accepting new assignments

01. The extension of the operations of a business undertaking frequently results in the formation of branches or subsidiary companies at locations where an existing accountant does not practice. In these circumstances, the client or the existing accountant in consultation with the client may request a receiving accountant practising at those locations to perform such professional services as are necessary to complete the assignment.
02. Referral of business may also arise in the area of special services or special tasks. The scope of the services offered by members in public practice continues to expand and the depth of knowledge which is needed to serve the public often calls for special skills. Since it is impracticable for any one member in public practice to acquire special expertise or experience in all fields of professional services some members in public practice may decide that it is neither appropriate nor desirable to develop within their firms the complete range of special skills which may be required.
03. Members in public practice should undertake only such services which they can expect to complete with professional competence. It is essential therefore for the profession in general and in the interests of their clients that members in public practice be encouraged to obtain advice when appropriate from those who are competent to provide it.
04. An existing accountant without a particular skill may, however, be reluctant to refer a client to another member in public practice who may possess that skill, because of the fear of losing existing business to the other member in public practice. As a result, clients may be deprived of the benefit of advice which they are entitled to receive.
05. The wishes of the client should be paramount in the choice of professional advisers, whether or not special skills are involved. Accordingly, a member in public practice should not attempt to restrict in any way the client's freedom of choice in obtaining special advice, and when appropriate should encourage a client to do so.

06. The services or advice of a member in public practice having special skills may be sought in one or other of the following ways:
 - (a) by the client
 - (i) after prior discussion and consultation with the existing accountant;
 - (ii) on the specific request or recommendation of the existing accountant;
 - (iii) without reference to the existing accountant; or
 - (b) by the existing accountant with due observance of the duty of confidentiality.
07. When a member in public practice is asked to provide services or advice, inquiries should be made as to whether the prospective client has an existing accountant. In cases where there is an existing accountant who will continue to provide professional services, the procedures set out in paragraphs 08 to 13 should be observed. If the appointment will result in another member in public practice being superseded, the procedures set out in paragraphs 14 to 26 should be followed.
08. The receiving accountant should limit the services provided to the specific assignment received by referral from the existing accountant or the client unless otherwise requested by the client. The receiving accountant also has the duty to take reasonable steps to support the existing accountant's current relationship with the client and should not express any criticism of the professional services of the existing accountant without giving the latter an opportunity to provide all relevant information.
09. A receiving accountant who is asked by the client to undertake an assignment of a type which is clearly distinct from that being carried out by the existing accountant or from that initially received by referral from the existing accountant or from the client should regard this as a separate request to provide services or advice. Before accepting any appointment of this nature, the receiving accountant should advise the client of the professional obligation to communicate with the existing accountant and should immediately do so preferably in writing, advising of the approach made by the client and the general nature of the request. This action is indicated not only by considerations of professional courtesy but by good business judgement.
10. Circumstances sometimes arise when the client insists that the existing accountant should not be informed. In this case, the receiving accountant should decide whether the client's reasons are valid. In the absence of special circumstances a mere disinclination by the client for communication with the existing accountant would not be a satisfactory reason.
11. The receiving accountant should:
 - (a) comply with the instructions received from the existing accountant or the client to the extent that they do not conflict with relevant legal or other requirements; and
 - (b) ensure, in so far as it is practicable to do so, that the existing accountant is kept informed of the general nature of the professional services being performed.
12. When there are two or more other members in public practice performing professional services for the client concerned, it may be appropriate to notify only the relevant member in public practice depending on the specific services being performed.

13. When appropriate, the existing accountant, in addition to issuing instructions concerning referred business, should maintain contact with the receiving accountants and co-operate with them in all reasonable requests for assistance.

Superseding another member in public practice

14. Clients have an indisputable right to choose their professional advisers and to change to others should they so desire.
15. While it is essential that the legitimate interests of the clients are protected, it is also important that a member in public practice who is asked to replace another member in public practice has the opportunity to ascertain if there are any professional reasons why the appointment should not be accepted. This cannot effectively be done without direct communication with the existing accountant. In the absence of a request, the existing accountant should not volunteer information about the client's affairs.
16. Communication enables a member in public practice to ascertain whether the circumstances in which a change in appointment is proposed are such that the appointment can properly be accepted and also whether there is a wish to undertake the engagement. In addition, such communication helps to preserve the harmonious relationships which should exist between all members in public practice on whom clients rely for professional advice and assistance.
17. The extent to which an existing accountant can discuss the affairs of the client with the proposed member in public practice will depend on:
 - (a) whether the client's permission to do so has been obtained; and/or
 - (b) the legal or ethical requirements relating to such disclosure.
18. The proposed accountant should treat in the strictest confidence and give due weight to any information provided by the existing accountant.
19. The information provided by the existing accountant may indicate, for example, that the ostensible reasons given by the client for the change are not in accordance with the facts. It may disclose that the proposal to make a change in members in public practice was made because the existing accountants stood their ground and properly carried out the duties as members in public practice despite opposition or evasion on an occasion on which important differences of principles or practice have arisen with the client.
20. Communication between the parties therefore serves:
 - (a) to protect a member in public practice from accepting an appointment in circumstances where all the pertinent facts are not known;
 - (b) to protect the minority proprietors of a business who may not be fully informed of the circumstances in which the change is proposed; and
 - (c) to protect the interests of the existing accountant when the proposed change arises from, or is an attempt to interfere with, the conscientious exercise of the existing accountant's duty to act as an independent professional.

21. Before accepting an appointment involving continuing professional services previously carried out by another member in public practice, the proposed accountant should:
- (a) Explain to the prospective client his duty to communicate with the existing accountant.
 - (b) Ascertain if the prospective client has advised the existing accountant of the proposed change and has given permission, preferably in writing, to discuss the client's affairs fully and freely with the proposed accountant.
 - (c) When satisfied with the reply received from the prospective client, request permission to communicate with the existing accountant. If such permission is refused or the permission referred to in (b) above is not given, the proposed accountant should, in the absence of exceptional circumstances of which there is full knowledge, and unless there is satisfaction as to necessary facts by other means, decline the appointment.
 - (d) On receipt of permission, ask the existing accountant, preferably in writing:
 - (i) to provide information on any professional reasons which should be known before deciding whether or not to accept the appointment and, if there are such matters,
 - (ii) to provide all the necessary details to be able to come to a decision,
 - (iii) to provide the information within a specified time otherwise he will assume that there are no matters which should be brought to his attention.
22. The existing accountant, on receipt of the communication referred to in paragraph 21(c) should forthwith:
- (a) Reply, preferably in writing, advising whether there are any professional reasons why the proposed accountant should not accept the appointment, and
 - (b) If there are any such reasons or other matters which should be disclosed, ensure that the client has given permission to give details of this information to the proposed accountant. If permission is not granted the existing accountant should report that fact to the proposed member in public practice.
 - (c) On receipt of permission from the client, disclose all information needed by the proposed accountant to be able to decide whether or not to accept the appointment, and discuss freely with the proposed accountant all matters relevant to the appointment of which the latter should be aware.
23. If the proposed accountant does not receive, within a reasonable time, a reply from the existing accountant and there is no reason to believe that there are any exceptional circumstances surrounding the proposed change, the proposed accountant should endeavour to communicate with the existing accountant by some other means. If unable to obtain a satisfactory outcome in this way, the proposed accountant should send a further letter, stating that there is an assumption that there is no professional reason why the appointment should not be accepted and that there is an intention to do so.
24. The fact that there may be fees owing to the existing accountant is not a professional reason why another member in public practice should not accept the appointment.

25. The existing accountant should promptly make available to the receiving accountant all books and papers of the client which are or may be held after the change in appointment has been effected and should advise the client accordingly, unless the existing accountant has a legal right to withhold them.
26. The matters of which the proposed member in public practice should be aware would, where relevant, include that:
 - (a) reasons for the change advanced by the client of which the existing accountant is aware are not in accordance with the facts, as understood by the latter;
 - (b) the proposal to displace the existing accountant arises because the incumbent carried out his duties in the face of opposition or evasion/s in which important differences of principle or practice had arisen with the client;
 - (c) the client, its directors, or employees may have been guilty of some unlawful act or default or that any aspect of their conduct which is relevant to the carrying out of an audit ought, in the opinion of the existing accountant, to be investigated further by the appropriate authority;
 - (d) the existing accountant has unconfirmed suspicions that the client or its directors or employees have defrauded the Inland Revenue, Customs and Excise or others;
 - (e) there remains a failure or refusal by the client to supply the existing accountant with information required by him for the performance of his duties;
 - (f) the existing accountant has serious doubts regarding the integrity of the directors and/or senior managers of the client company;
 - (g) the client, its directors, or employees have attempted to limit the scope of the existing accountant such that this would entail the issue of a disclaimer of opinion;
 - (h) the existing accountant proposes to bring to the attention of members or creditors circumstances surrounding the proposed change of auditor.
27. The existing accountant should not refuse to communicate, or delay his reply, on the grounds that:
 - (a) a proposed member in public practice has obtained nomination in contravention of this guidance; or
 - (b) the existing accountant has a genuine belief, whether justified or not, of having been unfairly treated by the client.

SECTION 17 - RECRUITING

Visits to schools and universities

01. Experience has indicated that recruiting at schools is best done on an institutional basis. Members may not visit schools for the purpose of recruiting staff.
02. Different considerations apply to universities. Where facilities are made available by university authorities, members may recruit staff on university campuses.

Educational institutions

03. A member may offer bursaries and prizes for students at educational institutions, and may allow the bursaries and prizes to be named after him or his firm.
04. A member may endow a chair at a university and may allow his or his firm's sponsorship to be acknowledged publicly by the university.

Competitors' staff

05. A member should not, directly or indirectly, offer employment to an employee of another member without first informing the latter. However, an employee of another member who, in response to an advertisement or of his own initiative, applies to him for employment may be engaged subject to his informing the applicant's employer.

SECTION 18 - INCLUSION OF THE NAME OF A MEMBER IN PUBLIC PRACTICE IN A DOCUMENT ISSUED BY A CLIENT

01. When a client proposes to publish a report by a member in public practice (whether as part of another document or on its own) dealing with the client's existing business affairs or in connection with the establishment of a new business venture the member in public practice should take steps to ensure that the context in which the report is published is not such as might result in the public being misled as to the nature and meaning of the report. In these circumstances the member in public practice should advise the client that permission should first be obtained before publication of the document.
02. Similar consideration should be given to other documents proposed to be issued by a client containing the name of a member in public practice acting in an independent professional capacity. This does not preclude the inclusion of the name of a member in public practice in the annual report of a client.
03. When members in their private capacity are associated with, or hold office in an organisation, the organisation may use their name and professional designation on stationery and other documents. The member in public practice should ensure that this information is not used in such a way as might lead the public to believe that there is a connection with the organisation in an independent professional capacity.

ATTACHMENT 4

PUBLIC ACCOUNTANTS' AND AUDITORS' BOARD

CODE OF PROFESSIONAL CONDUCT

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