ETHICAL BEHAVIOUR – AN ESSENTIAL PILLAR FOR SUCCESSFUL PROFESSIONALS

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Organisations with strong governance provide discipline and structure; instill ethical values in employees and train them in the proper procedures; and exhibit behavior at the board and executive levels that the rest of the organisation emulates.

Society places trust in professionals charged with governance and expects them to undertake their roles in ways that advance long term societal value and progress. Their public interest responsibility includes among other things the need to carefully reflect upon the impact their actions, conduct and behavior might have on society. The infamous WireCard Scandal represents one of the largest incidents of ethical failure in recent times and has shown that, when professionals and regulatory and oversight bodies fail to uphold ethical standards, it negatively impacts their effectiveness and results in undesired losses for investors and the general public.

Professionals benefit from good and are penalised by bad reputations. They are expected to act in a way that upholds the reputation of their profession and to demonstrate their commitment to serve the public rather than self interest in the course of their professional and private obligations.

The ACFE Code of Conduct requires all its members to meet the rigorous criteria for admission to the Association of Certified Fraud Examiners. Thereafter, they must consistently exemplify the highest moral and ethical standards and must agree to abide by the bylaws of the ACFE and its Code of Professional Ethics. The members of Professional Accountancy Organisations (PAOs) are subjected to similar requirements.

While Professional Accountants are the custodians of much of the evidence on which the Certified Fraud Examiners rely to unravel real or perceived financial fraud, it is incumbent on these professionals to continuously develop their ethical competencies so as to sustainably deliver on their primary duty of serving the public interest .

Good Governance

Good governance draws its value from embracing and financing ethical institutional policy actions that create long term value for stakeholders by appropriately addressing their relevant needs, interests and value expectations consistent with the institutional purpose thereby increasing trust and giving legitimacy to the professionals charged with governing the concerned entities.

The King IV Code on Governance places high premium on ethical culture as a critical ingredient for success in realising long term sustainable corporate value creation. Every professional has a duty to embrace ethical behavior to avoid engaging in actions that go against the interests of stakeholders that have risked their resources by trusting that those charged with organisational governance will act in ways that protects stakeholder interests and those of the general public.

The ethical focus above should be anchored on organizational processes for strengthening the control environment to ensure effective oversight and prevention of fraud and unethical behaviour that could result in financial losses and tainting of the orgamisation’s brand and reputation.

Ethical Behavior and Principles

Professional bodies have set out principles that must be observed to guard against the risk of losing professional independence that results in the undesired compromise of professional standards at the expense of the stakeholders as illustrated in the Wirecard and other reported scandals. For example, these principles, which govern the conduct of professional accountants - when adhered to - contribute to the success of the work of Certified Fraud Examiners by assuring reliable information for establishing facts and evidence to realise fraud prevention, investigation, detection and remedial actions. These include: Objectivity; Integrity; Professional Competence and Due Care; Confidentiality; and lastly but not least, Professional Behaviour.

Objectivity

Objectivity imposes an obligation on all professionals not to compromise their professional or business judgment because of bias, conflict of interest or the undue influence of others. They must not perform a professional activity or service if a circumstance or relationship biases or unduly influences their professional judgment with respect to that service.

Integrity

Integrity imposes an obligation on all professionals to be straightforward and honest in all professional and business relationships. It also implies fair dealing and truthfulness. Professionals should not knowingly be associated with reports, returns, communications or other information where they believe that the information: contains a materially false or misleading statement; contains statements or information furnished recklessly; or omits or obscures information required to be included where such omission or obscurity would be misleading. When professionals become aware that a fellow professional has been associated with such information, they must take steps to be disassociated from that information.

Professional Competence and Due Care

This principle requires professionals to maintain professional knowledge and skill at the level required to ensure that clients or employers receive competent professional service; to act diligently in accordance with applicable technical and professional standards when performing professional activities or providing professional services. Competent professional service requires the exercise of sound judgment in applying professional knowledge and skill in the performance of such service. Professional competence may be divided into two separate phases: attainment of professional competence; and maintenance of professional competence.

Confidentiality

Confidentiality imposes an obligation on professionals to refrain from disclosing outside the consultancy/firm or employing organisation confidential information acquired as a result of professional and business relationships without proper and specific authority or unless there is a legal or professional right or duty to disclose; and from using confidential information acquired as a result of professional and business relationships to their personal advantage or the advantage of third parties.

Professionals must maintain confidentiality, including in a social environment, being alert to the possibility of inadvertent disclosure, particularly to a close business associate or a close or immediate family member.

They must also maintain confidentiality of information disclosed by a prospective client or employer and confidentiality of information within the consultancy/firm or employing organization.

Professional Behaviour

This principle imposes an obligation on all professionals to comply with relevant laws and regulations and avoid any action that the professional knows or should know may discredit the profession. This includes actions that a reasonable and informed third party, weighing all the specific facts and circumstances available to the professional at that time, would be likely to conclude adversely affects the good reputation of the profession. In marketing and promoting themselves and their work, professionals must not bring the profession into disrepute.

Professionals must be honest and truthful and not make exaggerated claims for the services they are able to offer, the qualifications they possess, or experience they have gained; or make disparaging references or unsubstantiated comparisons to the work of others.

Conclusion

The numerous disciplinary cases by professional bodies, regulators, oversight bodies, court rulings against audit firms, corporate scandals, to name but a few have laid brutally and surgically bare the critical importance of upholding professional ethics. All professionals must therefore unequivocally commit to upholding ethical standards.

Key Sources: *ACFE Code of Conduct; IESBA Code of Ethics for Professional Accountants; Harvard Business Review; King IV Code on Governance; Fundamentals of Financial Management – Bringham & Houston; Online Research.*