

LEARNING UNIT 1 –THE CODE OF PROFESSIONAL CONDUCT, BY- LAWS AND RULES REGARDING IMPROPER CONDUCT



1.1 INTRODUCTION

In your future career as a Chartered Accountant (CA(SA)) and/or auditor, you will frequently be required to make decisions in situations where the “right” answer is not immediately obvious. Ethical decision-making in practice rarely involves choosing between a clearly right or clearly wrong option. Instead, it often requires balancing competing interests, managing conflicts, and exercising professional judgement in circumstances where multiple stakeholders are affected.

The credibility, sustainability and public trust of the accounting and auditing profession depend on members acting ethically and consistently with the SAICA Code of Professional Conduct (CPC). The CPC provides both fundamental ethical principles and a conceptual framework to guide professional accountants in identifying, evaluating and addressing ethical threats in a structured and defensible manner.

This learning unit therefore does not merely summarise the Code. Its purpose is to develop your ability to apply ethical principles in practical, exam-style scenarios, in line with the expectations of the SAICA Initial Assessment of Competence (IAC).



1.2 LEARNING OUTCOME AND ASSESSMENT CRITERIA

The content of this learning unit is based on the following learning outcome and assessment criteria:

Learning outcome	Assessment criteria
Exercise ethical judgments, corporate governance principles, and statutory requirements in practical situations.	Integrate ethical principles, corporate governance principles and statutory requirements in practical situations.

1.3 LEARNING ASSUMED TO BE IN PLACE



The code of professional conduct, by-laws and rules regarding improper conduct was covered as part of your undergraduate studies. You must revise the content below if you are not familiar with the content.

SAICA Student Handbook 2025/2026 Volume 2B, SAICA and IRBA Pronouncements:

- Section 1: ET
- Section 2: IRBA Rules Regarding Improper Conduct (BN105/2019 and IRBA RULES)

Please take note that the pronouncements issued by IRBA is not included in Volume 2B, but only available on the IRBA website: www.irba.co.za.



COMMENT

We recommend that you study the CPC directly from the SAICA Student Handbook, as you may take this book with you when writing the test and/or examination according to the open book policy.

The Rules Regarding Improper Conduct is not included in the SAICA books but is still examinable. You should therefore ensure that you are familiar with the content thereof.

1.4 Complying with the Code, Fundamental Principles and Conceptual Framework

Part 1 basically sets the groundwork for the entire code, and it is important that you understand all the basics covered.

The fundamental principles (section 110) are as follows:

- integrity (subsection 111);
- objectivity (subsection 112);
- professional competence and due care (subsection 113);
- confidentiality (subsection 114); and
- professional behaviour (subsection 115).

Fundamental principles are the standard of behaviour that is expected from all CA(SA)s as defined in the CPC. Ensure that you understand each of these principles, so that you can identify the fundamental principle under threat in each scenario given in an assessment.

The conceptual framework approach requires the CA(SA)s to (120.2):

- identify the threat to a fundamental principle;
- evaluate the identified threat; and
- address the threat by eliminating or reducing them to an acceptable level.

The conceptual framework is central to ethical decision-making under the SAICA Code of Professional Conduct. It ensures that professional accountants respond consistently and defensibly to ethical threats, rather than relying on subjective judgement alone.

When applying the framework, professional accountants must exercise professional judgement and consider whether a reasonable and informed third party, weighing all relevant facts and circumstances, would likely conclude that compliance with the fundamental principles has been compromised.

If a threat cannot be eliminated or reduced to an acceptable level through safeguards, the professional accountant is required to decline or discontinue the professional activity.

Before you can identify the threat and start applying the conceptual framework, you need to know each of the following categories of threats. Please note that more than one threat can be applicable to any given scenario (R120.6 A3):

- self-interest threats;
- self-review threats;
- advocacy threats;
- familiarity threats; and
- intimidation threats.

After identifying the threat, which can be challenging, the CA(SA) would need to assess the threat and ensure that it is at an acceptable level. Should the threat not be at an acceptable level, paragraph R120.10 would apply.

1.4.1 LEARNING ASSUMED TO BE IN PLACE



I suggest that you revise part 1 in the *SAICA student handbook* now. This will help you to capture all the content covered above. The bare minimum has been covered in the above summary and it is in no way adequate to cover all knowledge gaps. You need to revise and highlight in your handbook; this process assists you in familiarising yourselves with the content. Should you not understand any paragraph in part 1, please contact one of your lecturers for assistance.

1.5 Part 2: Professional accountants in business

This part of the CPC is applicable to professional accountants in business such as employees, directors (executive or non-executive), partners, owner-managers, and the like. Professional accountants in business must comply with this part, as well as with part 1 of the CPC. (Refer to the Guide to the Code.)

This part further sets out additional material that applies to professional accountants in business when performing professional activities. Professional accountants in business include professional accountants employed, engaged, or contracted in an executive or non-executive capacity. This part is also applicable to professional accountants in public practice when performing professional activities pursuant to their relationship with the firm, whether as a contractor, employee, or owner. This part of the International Ethics Standards Board for Accountants (IESBA) Code of Ethics was not incorporated into the IRBA Code.

It is important that you are familiar with each of the specific situations addressed in sections 210 to 270 and how it can be incorporated into assessments. These situations form the basis of questions that could be set in this area of the CPC.

We will focus a bit more on section 260 which addresses how to respond to non-compliance to laws and regulations. Section 260 paragraph 260.2 states that a self-interest threat or intimidation threat to compliance with principles of integrity and professional behaviour is created when a professional accountant becomes aware of non-compliance or suspected non-compliance with laws and regulations. This non-compliance can directly affect the financial statements, or they can affect it indirectly such as affecting the company's business (material penalties). Please note that they are different responsibilities listed for senior professional accountants in business and non-senior professional accountants in business (par 260.11 A1, par 260.24, par 260.25, par 260.26 and par 260.27). This section has been very topical in prior years' ITC, so please ensure you are familiar with the content of this section.

1.5.1 LEARNING ASSUMED TO BE IN PLACE



I would suggest that you go revise part 2 in the *SAICA handbook* at this moment. The bare minimum has been covered in the above summary and it is in no way adequate to cover all knowledge gaps. You need to revise and highlight in your handbook; this process assist you to familiarise yourselves with the content. Should you not understand any paragraph in part 2, please contact one of your lecturers for assistance.

1.6 Part 3: Professional accountants in public practice

This part of the CPC is applicable to professional accountants who are in public practice whether they provide assurance services or not. This part sets out additional information that applies to professional accountants when providing professional services.

1.6.1 LEARNING ASSUMED TO BE IN PLACE



I would suggest that you go revise part 3 in the SAICA handbook at this moment. The bare minimum has been covered in the above summary and it is in no way adequate to cover all knowledge gaps. You need to revise and highlight in your handbooks; this process assist you to familiarise yourselves with the content. Should you not understand any paragraph in part 3, please contact one of your lecturers for assistance.

1.7 Part 4: International independence standards

This part sets out additional material that applies to professional accountants in public practice when performing the following engagements:

- Part 4A–*Independence for Audit and Review engagements* – when performing audit or review engagements
- Part 4B–*Independence for Assurance Engagements other than Audit and Review Engagements* – when performing assurance engagements which are not audit or review engagements.

Independence threats are very topical, and you need a thorough understanding of this topic together with the related safeguards. Professional accountants in this part refers to individual professional accountants in public practice and their firms. As mentioned above professional accountants in public practice must comply with parts 1, 3 and 4 of the CPC.

You should study all four parts of the CPC, as stated above, to enable yourself to identify which parts of the CPC are applicable when answering questions.

When attempting questions or writing tests or examinations, you should be on the lookout for persons in scenarios who are CA(SA)s and bear in mind that they have to comply with the CPC.

Please note that trainees aspiring to become CA(SA)s should comply with the SAICA CPC based on the provisions of SAICA's training regulations. SAICA's training regulations however do not form part of your certificate in the theory of accounting (CTA) or Initial Test of Competence (ITC) syllabus.

1.7.1 LEARNING ASSUMED TO BE IN PLACE



I would suggest that you go revise part 4 in the SAICA handbook at this moment. This will help you to capture all the content covered above. The bare minimum has been covered in the above summary and it is in no way adequate to cover all knowledge gaps. You need to revise and highlight in your handbooks; this process assist the you to familiarise yourselves with the content. Should you not

understand any paragraph in part 4, please contact one of your lecturers for assistance.



1.8 IMPORTANT PRINCIPLE

When dealing with the ethical conduct of a CA(SA) and/or auditor, you need to consider the following three elements in your answer:

1. Compliance with a fundamental principle being threatened

For example, compliance with the fundamental principle of **objectivity** is threatened due to the familiarity threat to the external auditor's objectivity because of the auditor's family ties with the financial director, a CA(SA) of the client company. The threats can be categorised as follows (see paragraph 120.6 A3):

- self-interest threats;
- self-review threats;
- advocacy threats;
- familiarity threats; and
- intimidation threats.

2. Evaluation of threat (R120.7 and R120.9)

You should evaluate the significance of each threat. In point 1 above, the financial director will have a significant influence on the subject matter that will be audited by the auditor in question, and the threat will therefore be significant.

3. Addressing threats (R120.10 and R120.11)

The threat should be either eliminated or reduced to an acceptable level by putting an applicable safeguard(s) in place. The professional accountant will do so by:

- (a) eliminating the circumstances, including interests and/or relationships, that are creating threats;
- (b) applying safeguards, where available and capable of being applied, to reduce the threats to an acceptable level; and
- (c) declining or ending the specific professional activity.



1.9 EXAMINATION TECHNIQUE

1. Most students struggle to identify all the relevant matters relating to improper ethical conduct in any given scenario. A very good theoretical knowledge of the CPC will help you with this. The first step is to know what is in your book and what is covered in parts 1, 2, 3 and 4 of the CPC. You should then enhance this knowledge by attempting many questions under examination conditions.
2. Remember that both professional accountants in business and professional accountants in public practice must comply with the CPC. It is therefore very important to ensure you deal with the ethical conduct of all the relevant persons in the given scenario, for example, a financial director who is a CA(SA) and which parts of the CPC is applicable.
3. The threat to the auditor's independence will always be a topical issue, and you should be on the lookout for this threat and any others hidden in a scenario. Please refer to the CPC as well as *Auditing notes* for practical examples on threats, considerations

regarding the significance of the threat, as well how to address the identified threats. **It is important to link each of the threats identified with the appropriate fundamental principle as per section 110 of the CPC.**



1.10 ANNOUNCEMENTS

Please refer to the Announcements on Learning Unit 1 on myUnisa for some additional resources on the content of this Learning Unit.

1.11 CONTENTS OF THE IRBA CODE – LEARNING ASSUMED TO BE IN PLACE



It is assumed that you are already familiar with the contents of the IRBA Code.



1.12 IMPORTANT PRINCIPLE

You need to be familiar with the entire contents of “Rules Regarding Improper Conduct of the IRBA” as well as the “By-laws” of SAICA.

Refer to volume 2B of the SAICA Handbook to access these two documents as well as the SAICA website.

Additional resource:



DISCUSSION FORUM 1.1: IN THE NEWS



1. Read the following article:

<https://capechamber.co.za/media-release/billions-lost-corruption-while-sa-slips-below-india-and-ethiopia-poverty-index>



Discussion points:

1. Corruption vs Immediate Human Suffering

Ethical dilemma:

If corruption diverts billions from public funds while millions live in poverty, is failing to act against corruption itself an ethical violation equivalent to causing harm?

Tension: moral responsibility for **action vs inaction**

Core question: Is “looking the other way” ethically the same as stealing?

2. Accountability vs Urgent Service Delivery

Ethical dilemma:

Should government prioritise prosecuting corruption (which takes time and resources) or focus first on delivering basic services to alleviate poverty?

Tension: **justice and rule of law vs immediate welfare**

Core question: Can delaying justice ever be ethically justified if people are suffering now?

3. Individual Responsibility vs Systemic Failure

Ethical dilemma:

Is corruption primarily the fault of individual leaders and officials, or does society share ethical responsibility for allowing corrupt systems to persist?

Tension: individual blame vs collective moral failure

Core question: At what point does silence or apathy become complicity?

4. Private Sector & Civil Society Filling Government Gaps

Ethical dilemma:

Is it ethical for civil society and the private sector to step in where government fails, or does this allow the state to evade its moral and constitutional responsibilities?

Tension: compassionate intervention vs normalising state failure

Core question: Are good intentions enough if they entrench a broken system?

5. Inequality, Comparison, and Moral Obligation

Ethical dilemma:

Given South Africa's resources and economic potential, is it ethically worse for the country to have higher poverty levels than poorer nations like India or Ethiopia?

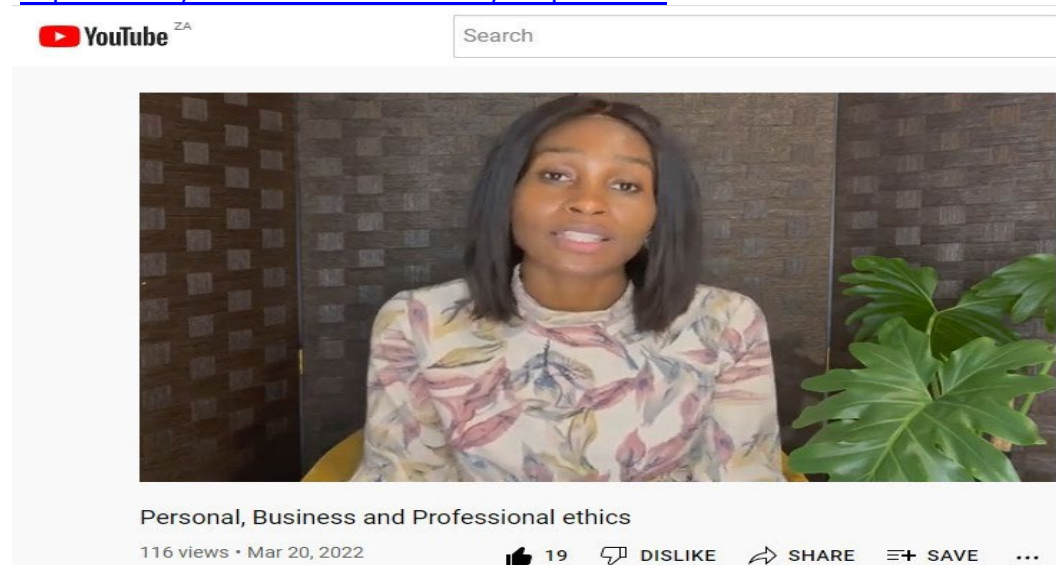
Tension: capacity and opportunity vs outcomes

*Core question: Should ethical judgment consider what a country *could* achieve, not just what it does?*

Please use the Discussion Forum on myUnisa to discuss among yourselves how you would approach this question. The discussion forum will be viewed during the second week of March 2026 for your comments.

Watch the following video explaining personal, business and professional ethics

<https://www.youtube.com/watch?v=xyaVzpG8WKc>



1.13 ETHICAL DILEMMAS

Ethical dilemmas arise when a professional accountant is faced with a situation where compliance with one fundamental principle may conflict with compliance with another, or where personal, commercial or professional pressures create threats to ethical behaviour. In such situations, simply relying on intuition or personal values is insufficient.

The SAICA Code of Professional Conduct (2025) requires professional accountants to apply the **conceptual framework** to ethical dilemmas. This involves:

- Identifying the ethical issue and the fundamental principle(s) under threat
- Identifying and categorising the type of threat
- Evaluating whether the threat is at an acceptable level
- Addressing the threat by eliminating it or reducing it to an acceptable level

Importantly, ethical dilemmas in examinations are assessed not on the conclusion reached, but on the **quality and structure of the ethical reasoning applied**.

https://www.youtube.com/watch?v=yg16u_bzjPE&ab_channel=TED-Ed

https://www.youtube.com/watch?v=cyj1wbFukUw&ab_channel=UniversidadeDeusto%2FDeustokoUnibertsitatea