SPEECH FROM KEYNOTE SPEAKER

Dr. Lincoln Cave

lincoln.cave@tei.org.za

Subject Matter Expert, The Ethics Institute (TEI), South Africa

Proceedings of the African Organisation of English-Speaking Supreme Audit Institutions (AFROSAI-E), 09 October 2025, Pretoria South Africa

Theme: Empowering NextGen SAIs for Quality, Integrity and Impact

Venue: AFROSAI-E Secretariat
Lynnwood Bridge Office Park

Ground Floor of the Auditor General of South Africa building

10 Hilden Road,

Lynnwood Manor

Pretoria

Introduction

Honoured guests, Chairperson and Governing Board members of the AFOSAI-E, SAIGA, Auditors-General, ladies and gentlemen, The Ethics Institute (TEI) is honoured to address this distinguished gathering.

As the Convener, your theme being: 'Empowering NextGen SAIs for Quality, Integrity and Impact,' aligns perfectly with TEI's mission of fostering ethical societies through collaboration.

There is no doubt that this gathering facilitated robust deliberations with sober reflections to chart the way in sustaining your stewardship responsibilities.

Context

Permit me to contribute a reflective perspective on the theme:

Writings on the profession trace the evolution of the auditing practice from a 'check and tick' exercise to dealing with rapid changes in business models and regulatory requirements.[1]Comparatively, works on the English-speaking countries that adopted the Westminster model of having auditors-general, reflect a similar historical context to formation of audit institutions.

In the case of the United States of America, the first major accounting body in the US, being the American Association of Public Accountants, emerged during the last quarter of the 19th century. This followed New York State passing the first law in 1896, to recognise the qualification known as Certified Public Accountant (CPA). This is regarded as the beginning of an accredited profession of accounting in this country.

Then followed the focus on professional standards when, in 1947, the Institute's Committee on Auditing Procedure recommended a set of generally accepted auditing standards. These were approved at its annual meeting in September 1948. The intent was to underscore the auditors' professional qualities and the exercise of judgment in the conduct of professionals performing auditing work. Later, the 1960's presented a period where questions emerged around ethical standards and dilemmas in auditing. Following on, in 1984, Leonard Spacek, the architect behind the formation of the now defunct contemporary firm of Arthur Andersen & Co., expressed the values of the earlier era as:

> 'The <u>competition</u> [today] is in fees only. We always had such competition, but to offset it a firm can strengthen itself by the energetic position it takes to make it a leader. Outstanding service is equally an offset, and both characteristics are prime offsets to price. I know because I practiced it for 20 years saying publicly that we were the highest priced firm, but the higher price was more than matched by <u>quality</u>. Prospective clients seek these qualities to prove they risk the most thorough accounting tests'.[2]

Ladies and gentlemen, I take note that 'competition' is not an inclusion to your organisational values. Nor is it incorporated into any of the values promoted by the Southern African Institute of Government Auditors (SAIGA). Nonetheless, you practice is, at a minimum, characterised by the very nature of competing for talent attraction and retention. For example, research

[1] Ajao et al (2016, March 30). Evolution and development of auditing. Unique Research Journals, 3(1), 32-40.

[2] Zeff, S.A. (2003, September). How the U.S. Accounting Profession Got Where It Is Today: Part 1. Accounting Horizons, 17(3), 189-205. https://www.ruf.rice.edu/

indicates that only 3% of audit professionals work in the public service.[3] Linked to this reality is that the evolution of the profession remains seized with challenges. Practitioner views are supported by related literature that:

- Public auditing in Africa must ensure that good governance practices and public sector auditing remain underpinned by **ethical principles** such as accountability and professionalism. A compromise of these key tenets impacts your public value to the citizenry.
- The role of the public auditor is characterised as a stewardship function that provides citizens with performance information on state institutions that are entrusted with public funds. Linked thereto, is the responsibility to maintain advocating **good governance practices** in these institutions. This, as:
  (a) The extensive violation of statutory financial reporting obligations is a great concern.
  (b) The culture of responsiveness to audit queries characterised being a major setback to the accountability process, and
  (c) The slow process in implementing audit office's recommendations underscores the degree to which ethical values of accountability are advanced.

Coming to the normative standard of quality, it is also evident that this value may not be directly stated, but its prominence manifests as a key performance standard in the audit profession. Specifically, as the term 'quality' aligns with your collective values of being professional, credible, innovative and collaborative.

In drawing further reflection on your theme, it underlines the fundamental of ethics conduct, practices and good governance. Needing to promote organisational ethics and the institutionalisation thereof, acknowledges that the audit profession operates in a highly regulated environment. Central thereto is the issue of decision-making as it relates to audit findings and recommendations that must consider the interrelatedness of ethics and the law.

[3] Sadek, M. (2023, July 6). Why South Africa Urgently Needs More Auditors in the Public Sector. BDO South Africa. https://www.bdo.co.za/en-za/insights/2023/advisory/why-south-africa-urgently-needs-more-auditors-in-the-public-sector

Current realities and factors

The premise for this reasoning derives from some of the following realities and influencing factors:

i. The public auditor has information as a key commodity it deals with. With the evolution of information technology to assist in working smarter and quicker also comes the threat ethical risks that are both behavioural and organisational culture in characterisation. The drive towards online work has seen that even the audit profession is not immune to cyber threats. To elucidate: Sometime in 2016, Deloitte UK experienced a systems hack through the ransomware group called Brain Cipher. It wasn't until September 2017 that the incident was revealed. The incident presents as a case study on ethical behaviour risk, more so on the part of the company on the matter of non-disclosure. The point argued is that a data breach is not solely 'about you' as service provider.[4]

   So, what does this mean for the public auditor in terms of ethical awareness? At most, the acknowledgement that services rendered in the public sectors must uphold both legal and ethical standards. Having access to and serving as a custodian of public information during task performance must underscore the ethical responsibility. The facts that (a) in Africa, the infrastructural ICT backlog will demand annual investments of $130-170 billion, most probably beyond the targeted period of 2025.

ii. The combination of aging technology, inadequate funding, and lack of training, coupled with the high-value data these organisations hold, makes them vulnerable to unethical conduct and practices.

iii. This event occurs at a time where the focus on the public audit profession remains. For one, political views expressed on clean audits or audit findings remains part of the political discourse. So too, incidents of litigation being a reality for public auditors. The most worrisome being the targeted assaults on audit professionals. Sadly, South Africa continues to present these realities over an extended timeline.

With your role being central to the advancement of democratic and accountable public institutions, it may be easy to state that 'throwing in the towel' is not an option. There is no debate that your tasks are made difficult and dangerous to perform in such environment. How then does the public auditor and related institutions steer the cause? There is no easy answer.

---

[4] Remolacio, M. (2024, December 04). Why Deloitte Got Hacked (And 6 Things Your Accounting Firm Can Learn From Their Mistakes). https://practiceprotect.com/blog/

While working hard to finding practical and lasting solutions to these work-related safety matters with the relevant stakeholders, the work continues. In advancing the legal mandates of your profession, the role of each public auditor across the institutional hierarchy, requires the need to:

(a) Be ethically aware that the stated values of an institution must translate into the expected ethical conduct and practice.
(b) Exercise ethical courage based on moral convictions, even when it is not comfortable or self-serving to do so.
(c) Modelling the ethical values as a reflection of the identity of the institution being represented, more so when no one is observing.

In advocating for these obligations, I direct attention to the need for each having the responsibility to harness the credibility and independence of the audit bodies. The outcome foreseen, is an increase of its public value to stakeholders. Closely related is that its independence underscores governance as a distinct and well-understood function within the audit framework.

Concerning the issue of governance, The Ethics Institute promotes the leading practice model for the Governance of Ethics, which is anchored in the King Report on Corporate Governance for institutional leaders. The purpose of the framework is to encourage organisational leaders to lead ethically and effectively. The institutionalisation of an ethical culture, good performance, effective control and legitimacy being key corporate governance outcomes.

The emphasis on this leading practice derives from governance and management responsibilities sometimes becoming intertwined due to overreach, or the wrong application of prerogative, also called discretionary powers. Equally, both the public audit practitioner and those tasked with a governance duty are to remain cognisant that the application of discretionary powers, does not imply 'unfettered or unguided powers.' In the case of South Africa, Case Law upholds the use of discretionary powers as premised on accountability, consultation, fairness, transparency and objectivity. At best, these values underpin ethical decision-making.

The governance of ethics and institutionalising of ethics in the public audit profession also become expressed in available audit literature that:

- Given the frequency of auditing scandals and corruption, it is difficult to conclude that public auditors receive sufficient training in cultivating a trustworthy and results-driven attitude or behaviour.
- Guaranteeing high-quality good governance and fostering integrity in public institutions is ethics training for public officials including accountants and auditors.
- There is a scarcity of inclusive research into the auditor ethics that compromise the effectiveness of public sector auditing in Africa.

On ***the future of the public audit profession***, the following:

- It will remain the last line of assurance that public institutions utilise public funds in an accountable, transparent, efficient and effective manner to benefit the citizenry.
- The public auditor's legal responsibilities must continue in an environment that is safeguarded through effective partnership with national security entities. Hence, stakeholder engagement being central to this endeavour. Mainly, as the public audit duty draws appropriateness from the words of our former and late President Nelson Mandela: 'There is no time to pause. The long walk is not yet over. The prize of a better life has yet to be won.'[5] The mission of AFROSAI-E as being seized with 'making a difference in the lives of citizens,' underlines this view.
- Institutionalising ethics, that is, making ethics real, in the audit profession must be promoted in a holistic manner and beyond ethics awareness training that is merely perceived as a compliance exercise.
- The marketing of public audit as a talent attraction must be underpinned by the upholding and promotion of professional ethics associated with the public audit functions. I draw relevance to this issue from the Independent Regulatory Board for Auditors' (IRBA) strategic focus emphasising that 'only suitably qualified individuals are admitted to the auditing profession and that registered auditors deliver services of the highest quality and adhere to the highest ethics standards.'[6]
- The provision of adequate funding is key.
- As guarantors of accountability, SAIs has synchronised legislation across jurisdictions that provides adequate independence and freedom from political interference.

---

[5] Mandela, N. (1999, February 5). President Nelson Mandela: Opening of Parliament 1999. https://www.gov.za/news/speeches/
[6] IRBA. (2025). What is the IRBA? https://www.irba.co.za/about-us/

Some considerations

Your role as public audit stewards draw significance from the view that even if 'your profession is a very old-established function', it 'remains a living organism that continues to change. While it is old-established, it is not ancient, and it has undergone recent change.'[7] Upholding the ethos of the public audit profession under the banner of institutions of this calibre requires:

- Discipline and sustained commitment even where the odds seem to be stacked against you.
- An advocacy role on ethical conduct and practices that is informed by leading practice.
- Understanding that the cost of unethical behaviour undermines the public value and institutional legacy of organisations.

Conclusion

In conclusion, I would like to express my appreciation to the Convener for allowing TEI the opportunity to provide a reflection of the importance of this gathering. Together, your contributions are directed at achieving the aims set forth in the National Development Plans of African nation states, as well as the continental drive for economic integration through the African Continental Free Trade Area. The outcome is to improve the lives of our people while contributing to the creation of public institutions that conduct and practice their mandates ethically.

I invite you now to visit our official website at www.tei.org.za to access some of our governance-related publications, as well as what we have to offer as TEI. We are ready to partner with you in your drive towards 'Empowering NextGen SAIs for Quality, Integrity and Impact.'

Thank you.

---

[7] Hay, D. & Cordery, C. (2017, November). The Value of Public Sector Audit: Literature and History. *Journal of Accounting Literature*, 1-47. https://doi.org/10.1016/j.acclit.2017.11.001