

2nd SMP TOOL KIT

Theme - Identifying & Overcoming Inherent Challenges in SMPs

Topic – International Code of Ethics for Professional Accountants

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LEARNING OBJECTIVES



At the end of this Presentation you should have:-

- ❑ Identified critical challenges within an SMP Environment
- ❑ Obtained knowledge & Skills on how to resolve some of the challenges in an SMP Environment.
- ❑ Attained technics, competencies and expertise to manage Small & Medium Practice firms.

Presentation Agenda



1. Meaning and Practice of Ethics & Ethical Behaviour
2. Code of Ethics for Professional Accountants
3. ICPAK code of Conduct for Professional Accountants
4. Why Ethics for Accountants
5. General Application of the Code
6. Threats to Compliance to the code
7. Steps to Safeguards Threats to Compliance
8. Ethical Conflict Resolution
9. Conclusions

1. ETHICS & ETHICAL BEHAVIOUR



- ❑ What is Ethics?
 - ❑ Greek words – *ethikos* & *ethos* – Custom and Character – Right or Wrong; Good or Bad.
 - ❑ A collection/system of beliefs to support some morality.
 - ❑ Moral principals that govern someone's behaviour.
 - ❑ Ethics speaks to the conscience on best and acceptable reaction/behaviour
- ❑ Code of Conduct
 - ❑ Rules and Responsibilities for proper practices in an organization, Party or Individual.
- ❑ Code of Ethics
 - ❑ A written set of guidelines by an organization to its staff, members, management and Directors to be followed to achieve its objectives and values.



1. ETHICS & ETHICAL BEHAVIOUR



Basis of Comparison	Code of Ethics	Code of Conduct
Meaning	Aspirational	Directional
Nature	General	Specific
Scope	Wide	Narrow
Governance	Decisions	Actions
Length	Short	Long
Disclosure	Public	Employees
Focus	Values or Principles	Compliance & Rules

1. ETHICS & ETHICAL BEHAVIOUR



1. ETHICS & ETHICAL BEHAVIOUR



- ❑ Why be Ethical?
 - ❑ Ethics provide guidance on certain behaviours in a group of people, since there are no 100% rules in all situations.
 - ❑ Ethics play a key role in service delivery and helps build public confidence for services offered.
- ❑ Situations where Ethical Behaviour is likely to Emerge
 - ❑ Compromising of laid down rules and Requirements;
 - ❑ Making financial claims; Deliberate execution of fraud; embezzlement etc.
 - ❑ Conflict of Interest in a matter where you participate in decision-making;
 - ❑ Perpetual and discreet disappearance from work and own work;
 - ❑ Issuing a letter of reference/recommendation for employment.

3. ICPAK'S CODE OF ETHICS FOR PROFESSIONAL ACCOUNTANTS



- ☐ ICPAK has developed a Code of Ethics based on the IFAC Code of Ethics for Professional Accountants setting up ethical requirements for all professional Accountants in Kenya.
- ☐ ICPAK being a member of IFAC cannot compromise on the standards in the IFAC code.
- ☐ Part A – General Application- Fundamental Principles
- ☐ Part B – Professional Accountants in Practice – PAIP
- ☐ Part C - Professional Accountants in Business – PAIB
- ☐ PAIP - Professional Accountant – an individual who is a member of an IFAC Member Body.
- ☐ PAIB – Professional Accountant working for an organization in an executive or non executive capacity

4. WHY ETHICS FOR PROFESSIONAL ACCOUNTANTS



- ☐ Accountants and Auditors
 - ☐ Audit and Assurance Services
 - ☐ Preparers of Financial Statements
 - ☐ Accounting and Reporting of Financial Transactions
 - ☐ Forecasting and Advisory Services
- ☐ Possible unethical Behaviour
 - ☐ Falsification of Financial Statements and Creative Accounting;
 - ☐ Hiding of real and genuine transactions;
 - ☐ Fraudulent and deliberate falsification of profits.
- ☐ Benefits of Ethical Behaviour
 - ☐ Public and Client Confidence.
 - ☐ Competitive advantage over other service providers = ethical standards not so much on Technical Knowledge

5. GENERAL APPLICATION OF THE CODE



- ☐ Integrity
 - ☐ Quality of being honest and having a moral principles – uprightness, honour, sincerity or truthfulness;
 - ☐ Adherence to moral code; being incorruptible;
 - ☐ Personal level = Personal Values or Corporate level = Legitimacy; rationality; legality and completeness.
 - ☐ As a professional Accountant – NEVER be associated with reports that contain materially false/misleading statement; lacks required and critical information the absence of which significantly impairs its value.
- ☐ Objectivity
 - ☐ Being impartial, Neutral, fair, without bias, with no conflict of interest or undue influence.

5. GENERAL APPLICATION OF THE CODE...Cont



- ☐ Professional Competence and Due Care
 - ☐ Here Knowledge and Skill is critical to attain and maintain competence in service provision. Up date your skills and capacities.
 - ☐ Diligence = Careful and persistent work effort; be thorough; be attentive; focus on details.
- ☐ Confidentiality
 - ☐ Refrain from disclosure of data/information to unauthorised party;
 - ☐ Keep data/information private; do not use data to benefit a third party;
 - ☐ Staff must respect duty of client confidentiality before, during and after assignment.

5. GENERAL APPLICATION OF CODE....Cont.....



- ☐ Exceptions to Disclosure of Data/Information
 - ☐ By Law
 - ☐ On consent from Client
 - ☐ Under professional duty to disclose.
- ☐ Professional Behaviour
 - ☐ Comply with ICPAK pronouncements and avoid actions that may bring disrespect to the profession.
 - ☐ Comply with ICPAK Policy on Marketing and Advertising of services.
 - ☐ Do not exaggerate claims on experiences and qualifications or competencies.
 - ☐ Do not make disparaging/damaging comparison of the work of others.

6. THREATS TO COMPLIANCE WITH CODE OF ETHICS



- ☐ Deliberate, consistent and sustained efforts MUST be adopted to ensure compliance to Code of Ethics.
- ☐ Circumstances leading to Non-Compliance may include:-
 - ☐ Self Interest – Firm has vested interest in the assignment; financial or business
 - ☐ Advocacy – Pressure from advocacy groups/individuals- pressure to report higher profits.
 - ☐ Intimidation – By way of high fee compensation or deliberate undue influence; Litigation; or dismissal.
 - ☐ Familiarity – Over looking matters due to familiarity; relationships with clients; Presence of person with significant influence.

7. STEPS TO SAFEGUARD THREATS



- ☐ Pay attention to ICPAK Professional Requirements
 - ☐ Standards
 - ☐ Regulations
 - ☐ Disciplinary Process

- ☐ Pay attention to inherent legislation and Regulations – Tax Act, VAT Act, TP Act etc.

- ☐ Pay attention to work environment
 - ☐ Act in Public Interest
 - ☐ Adhere to policies and procedures.

8. ETHICS CONFLICT RESOLUTION



- ☐ Identify the requisite ethical conflict based on fundamental Principles
 - ☐ Integrity; Objectivity; Professional Competence & Due care; Confidentiality or Professional Behaviour
 - ☐ Adhere to the internal policies and procedures;
 - ☐ Consult with those charged with governance; Directors;
 - ☐ Audit committee;
 - ☐ Documents matters at every stage;
 - ☐ May consult a professional for advice.

9. LEARNING OBJECTIVES



- ❑ Learn critical challenges within an SMP Environment

Financial misrepresentations, creativity, fraud, impropriety.

- ❑ Obtain knowledge & Skills on how to resolve some of the challenges in an SMP Environment.

Commitment to Ethical Practices is more critical than technical skills and competencies

- ❑ Attain technics, competencies and expertise to manage Small & Medium Practice firms.

Means methods of ethical conflict resolutions.

FINALLY



THE END

THANK YOU

Q&A

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