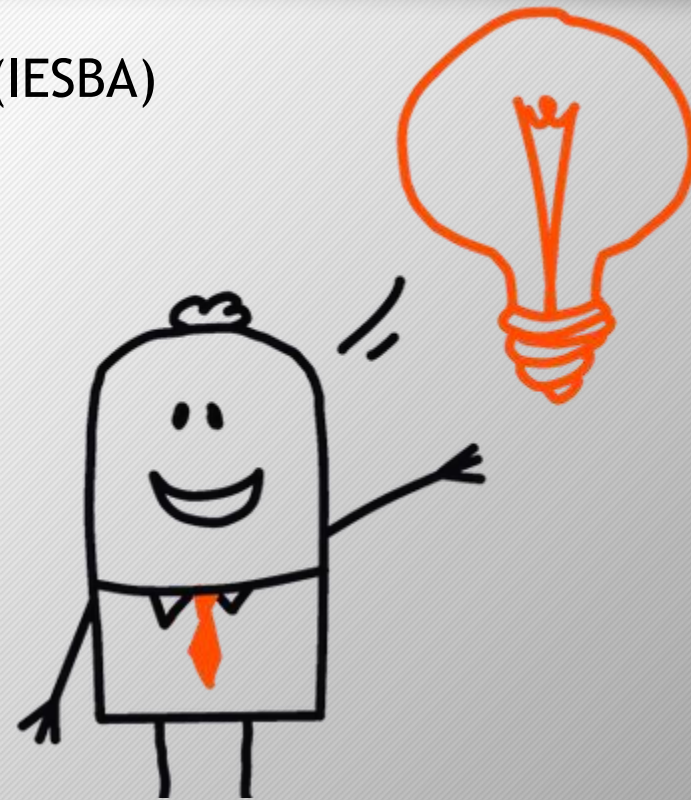


International Code of Ethics for Professional Accountants



What we will learn today

- About Int'l Ethics Standards Board for Accountants (IESBA)
- The 5 fundamental principles of the code
- Identifying, Evaluating and Addressing threats
- Conflicts of interest
- Preparation & presentation of information
- Inducements including gifts & hospitality
- NOCLAR
- Pressure to breach fundamental principles
- Action points



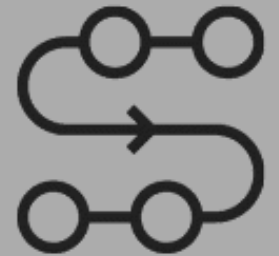
Int'l Ethics Standards Board for Accountants (IESBA)

The IESBA logo is located in the top right corner of the slide. It consists of the letters "IESBA" in a white serif font, set against a dark blue rectangular background. To the right of the text is a thin vertical white line.

- Independent global standards setter with an Independent Chair
- 17 volunteer members from around the world
- No more than 9 practitioners and no fewer than 3 public members
- Members are appointed by IFAC Board and approved by Public Interest Oversight Board (PIOB)
- There is a lot of public participation/comment in coming up with the standards
- The code is used in over 120 countries around the world in 39 languages
- Current handbook on Int'l code of ethics became effective 15th June 2019
- Did you contribute to the code? Have you read the code? Did your organization like the code?

Architecture of the code

- Part 1: Complying with the code, fundamental principles & conceptual framework
- Part 2: Professional Accountants in Business (PAIBs)
- Part 3: Professional Accountant in Public Practice (PAPPs)
- Part 4: International Independence standards
- Part 4A: Independence for Audits & Reviews
- Part 4B: Independence for Assurance engagements other than audit and review engagements



The 5 fundamental principles

1. Integrity
2. Objectivity
3. Confidentiality
4. Professional Behaviour
5. Professional Competence and Due Care



Integrity



IESBA

- straightforward and honest in all professional and business relationships.
- Integrity implies fair dealing and truthfulness.
- A professional accountant shall avoid information that:
 - Contains a materially false or misleading statement;
 - Contains statements or information provided recklessly; or
 - Omits or obscures required information where such omission or obscurity would be misleading.
- When a professional accountant becomes aware of having been associated with information described above, the accountant shall take steps to be disassociated from that information.

Objectivity



- Not to compromise professional or business judgments because of bias, conflict of interest or undue influence of others.
- A professional accountant shall not undertake a professional activity if a circumstance or relationship unduly influences the accountant's professional judgment regarding that activity.
- Can we shortlist “mtu wetu” for the job /contract?

Confidentiality



- To respect the confidentiality of information acquired as a result of professional and business relationships.
- An accountant shall:
 - Be alert to the possibility of inadvertent disclosure,
 - Maintain confidentiality of information within the firm or employing organization;
 - Maintain confidentiality of information disclosed
 - Not disclose confidential information acquired as a result of professional work
 - Not use confidential information for personal advantage
 - Not use or disclose any confidential information, after that relationship has ended;
 - Take reasonable steps to ensure that personnel under the accountant's control, and individuals from whom advice and assistance are obtained, respect the accountant's duty of confidentiality.

Confidentiality



IESBA

- Confidentiality serves the public interest because it facilitates the free safe flow of information in organizations
- circumstances where you are required to disclose info:
- Disclosure is required by law, for example:
 - Production of documents or other provision of evidence in the course of legal proceedings; or
 - Disclosure to the appropriate public authorities of infringements of the law that come to light;
- Disclosure is permitted by law and is authorized by the client or the employing organization; and
- There is a professional duty or right to disclose, when not prohibited by law:
 - To comply with the quality review of a professional body;
 - To respond to an inquiry or investigation by a professional or regulatory body;
 - To protect the professional interests of a professional accountant in legal proceedings; or
 - To comply with technical and professional standards, including ethics requirements.

Confidentiality



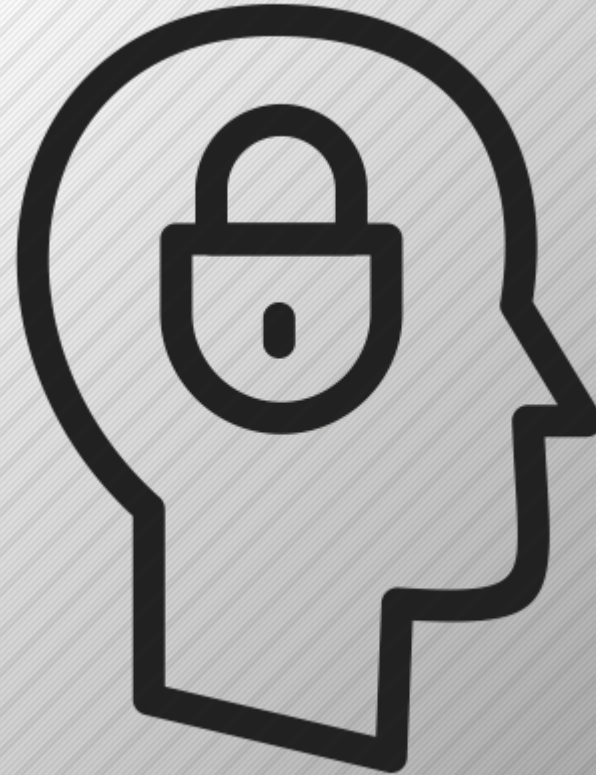
- factors to consider on confidentiality:
- Whether the interests of stakeholders could be harmed by disclosure of information by the professional accountant.
- is all the relevant information known and substantiated:
 - Unsubstantiated facts.
 - Incomplete information.
 - Unsubstantiated conclusions.
- The proposed type of communication, and to whom it is addressed.
- Whether the parties to whom the communication is addressed are appropriate recipients.
- Parliament or a funeral/wedding?

Confidentiality



IESBA

- confidentiality even after the end of the relationship between the accountant and a client or employing organization.
- When changing employment or acquiring a new client, the accountant is entitled to use prior experience but shall not use or disclose any confidential information acquired or received as a result of a professional or business relationship
- Have you ever released a leak???



Professional behavior

- To comply with relevant laws and regulations
- Avoid any conduct that the accountant knows or should know might discredit the profession.
- Avoid activity incompatible with the fundamental principles.
- When undertaking marketing or promotional activities, a professional accountant shall not bring the profession into disrepute.
- A professional accountant shall be honest and truthful and shall not.....

Professional behavior



- Exaggerated claims for the services offered by, or the qualifications or experience of, the accountant; or
- Disparaging references or unsubstantiated comparisons to the work of others.
- If a professional accountant is in doubt about whether a form of advertising or marketing is appropriate, the accountant is encouraged to consult with the relevant professional body.

Professional competence and due care

- A professional accountant shall comply with the principle of professional competence and due care:
- Attain and maintain professional knowledge and skill at the level required
- Have knowledge of current technical and professional standards and relevant legislation; and
- Act diligently and in accordance with applicable technical and professional standards.



Professional competence and due care

- exercise sound judgment in applying professional knowledge and skill when undertaking professional activities.
- continuing awareness and an understanding of relevant technical, professional and business developments.
- Continuing professional development enables a professional accountant to develop and maintain the capabilities to perform competently within the professional environment.

Professional competence and due care

- **Diligence** encompasses the responsibility to act in accordance with the requirements of an assignment, carefully, thoroughly and on a timely basis.
- take reasonable steps to ensure that those working in a professional capacity under the accountant's authority have appropriate training and supervision.
- Where appropriate, make stakeholders aware of the limitations inherent in the services or activities.

Conflict in compliance

- consult, on an anonymous basis if necessary, with:
 - Others within the firm or employing organization.
 - Those charged with governance.
 - A professional body.
 - A regulatory body.
 - Legal counsel.
- However, such consultation does not relieve the accountant from the responsibility to exercise professional judgment to resolve the conflict or, if necessary, and unless prohibited by law or regulation, disassociate from the matter creating the conflict

Identifying threats

- **Self-interest threat**

The threat that a financial or other interest will inappropriately influence a professional accountant's judgment or behaviour;

- **Self-review threat**

The threat that a professional accountant will not appropriately evaluate the results of a previous judgment made;

Advocacy threat

The threat that a professional accountant will promote a client's or employing organization's position to the point that the accountant's objectivity is compromised;

- **Familiarity threat**

The threat that due to a long or close relationship with a client, or employing organization, a professional accountant will be too sympathetic to their interests or too accepting of their work; and

- **Intimidation threat**

The threat that a professional accountant will be deterred from acting objectively because of actual or perceived pressures, including attempts to exercise undue influence over the accountant.

Evaluating threats

- The existence of conditions, policies and procedures might also be factors that are relevant in evaluating the level of threats to compliance with fundamental principles.
- Examples of such conditions, policies and procedures include:
 - Corporate governance requirements.
 - Educational, training and experience requirements for the profession.
 - Effective complaint systems which enable the professional accountant and the general public to draw attention to unethical behaviour.
 - An explicitly stated duty to report breaches of ethics requirements.
 - Professional or regulatory monitoring and disciplinary procedures.

Evaluating threats

- **Acceptable level**

An acceptable level is a level at which a professional accountant using the reasonable and informed third party test would likely conclude that the accountant complies with the fundamental principles.



Addressing threats

- Try eliminate the threats or reducing them to an acceptable level.
- Eliminating the circumstances, including interests or relationships, that are creating the threats;
- Applying safeguards, where available and capable of being applied, to reduce the threats to an acceptable level; or
- Declining or ending the specific professional activity
- form an overall conclusion on whether the actions taken, or intended, to address the threats created will eliminate those threats or reduce them to an acceptable level.
- Review any significant judgments made or conclusions reached; and
- Use the reasonable and informed third party test.

Conflict of interest

- We have the duty identify, evaluate and address threats
- creates threats to compliance with the principle of objectivity
- When one undertakes a professional activity related to a particular matter for two or more parties whose interests with respect to that matter are in conflict; or
- The interest of the accountant with respect to a particular matter and the interests of a party for whom the accountant undertakes a professional activity related to that matter are in conflict.
- A party might include an employing organization, a vendor, a customer, a lender, a shareholder, or another party.

Examples of conflict of interest

- Serving in a management or governance position for two employing organizations and acquiring confidential information from one organization that might be used by the professional accountant to the advantage or disadvantage of the other organization.
- Preparing financial information for certain members of management of the accountant's employing organization who are seeking to undertake a management buy-out
- Being responsible for selecting a vendor for the employing organization when an immediate family member of the accountant might benefit financially from the transaction.
- Serving in a governance capacity in an employing organization that is approving certain investments for the company where one of those investments will increase the value of the investment portfolio of the accountant or an immediate family member.

Conflict identification

- take reasonable steps to identify circumstances that create a conflict of interest, and therefore a threat to compliance with one or more of the fundamental principles.
- Such steps shall include identifying:
 - The nature of the relevant interests and relationships between the parties involved; and
 - The activity and its implication for relevant parties.
- A professional accountant shall remain alert to changes over time in the nature of the activities, interests and relationships that might create a conflict of interest while performing a professional activity.

Threats created by conflict of interest

- In general, the more direct the connection between the professional activity and the matter on which the parties' interests conflict, the more likely the level of the threat is not at an acceptable level
- An example of an action that might eliminate threats created by conflicts of interest is withdrawing from the decision-making process related to the matter giving rise to the conflict of interest.
- Examples of actions that might be safeguards to address threats created by conflicts of interest include:
 - Restructuring or segregating certain responsibilities and duties.
 - Obtaining appropriate oversight, for example, acting under the supervision of an executive or non-executive director.

Inducements including gifts & hospitality

- An inducement can take many different forms, for example:
- Gifts.
- Hospitality.
- Entertainment.
- Political or charitable donations.
- Appeals to friendship and loyalty.
- Employment or other commercial opportunities.
- Preferential treatment, rights or privileges



Inducements including gifts & hospitality

- In many jurisdictions , there are laws and regulations, such as those related to bribery and corruption, that prohibit the offering or accepting of inducements in certain circumstances.
- obtain an understanding of relevant laws and regulations and comply with them
- A professional accountant shall not offer or accept, or encourage others to offer or accept, any inducement that is made, or which the accountant considers a reasonable and informed third party would be likely to conclude is made, with the intent to improperly influence the behavior of the recipient or of another individual.

Inducements including gifts & hospitality

- The determination of whether there is actual or perceived intent to improperly influence behavior requires the exercise of professional judgment.
- consider.....:
- The nature, frequency, value and cumulative effect of the inducement.
- Timing of when the inducement is offered relative to any action or decision that it might influence.
- Whether the inducement is a customary or cultural practice in the circumstances, for example, offering a gift on the occasion of a religious holiday or wedding.
- Whether the inducement is an ancillary part of a professional activity, for example, offering or accepting lunch in connection with a business meeting.
- Whether the offer of the inducement is limited to an individual recipient or available to a broader group.
- The broader group might be internal or external to the employing organization, such as other customers or vendors.
- The roles and positions of the individuals offering or being offered the inducement.

Inducements including gifts & hospitality

- Whether the professional accountant knows, or has reason to believe, that accepting the inducement would breach the policies and procedures of the counterparty's employing organization.
- The degree of transparency with which the inducement is offered.
- Whether the inducement was required or requested by the recipient.
- The known previous behavior or reputation of the offeror.
- Consideration of Further Actions
- Informing senior management or those charged with governance of the employing organization of the professional accountant or the offeror regarding the offer.
- Amending or terminating the business relationship with the offeror.

Noclar

- Non-compliance with laws and regulations ("non-compliance") comprises acts of omission or commission, intentional or unintentional, which are contrary to the prevailing laws or regulations committed by the following parties:
- The professional accountant's employing organization;
- Those charged with governance of the employing organization;
- Management of the employing organization; or
- Other individuals working for or under the direction of the employing organization.

Noclar

- Examples of laws and regulations which this section addresses include those that deal with:
- Fraud, corruption and bribery.
- Money laundering, terrorist financing and proceeds of crime.
- Securities markets and trading.
- Banking and other financial products and services.
- Data protection.
- Tax and pension liabilities and payments.
- Environmental protection.
- Public health and safety.

Noclar

- Obtain an understanding of the matter
- Address the matter
- Determine whether further action is needed
- Disclose matters to avoid Imminent breach
- Document the matter, discussions had and action taken



Pressure to breach fundamental principles

- **Pressure related to conflicts of interest:**
 - Pressure from a family member bidding to act as a vendor to the professional accountant's employing organization to select the family member over another prospective vendor.
- **Pressure to influence preparation or presentation of information:**
 - Pressure to report misleading financial results to meet investor, analyst or lender expectations.
 - Pressure from elected officials on public sector accountants to misrepresent programs or projects to voters.
 - Pressure from colleagues to misstate income, expenditure or rates of return to bias decision-making on capital projects and acquisitions.
 - Pressure from superiors to approve or process expenditures that are not legitimate business expenses.
 - Pressure to suppress internal audit reports containing adverse findings.
- **Pressure to act without sufficient expertise or due care:**
 - Pressure from superiors to inappropriately reduce the extent of work performed.
 - Pressure from superiors to perform a task without sufficient skills or training or within unrealistic deadlines.

Pressure to breach fundamental principles

- **Pressure related to financial interests:**
 - Pressure from superiors, colleagues or others, for example, those who might benefit from participation in compensation or incentive arrangements to manipulate performance indicators.
- **Pressure related to inducements:**
 - Pressure from others, either internal or external to the employing organization, to offer inducements to influence inappropriately the judgment or decision making process of an individual or organization.
 - Pressure from colleagues to accept a bribe or other inducement, for example to accept inappropriate gifts or entertainment from potential vendors in a bidding process.
- **Pressure related to non-compliance with laws and regulations:**
 - Pressure to structure a transaction to evade tax.

Pressure to breach fundamental principles

- Factors that are relevant in evaluating the level of threats created by pressure include:
- The intent of the individual who is exerting the pressure and the nature and extent of the pressure.
- The application of laws, regulations, and professional standards to the circumstances.
- The culture and leadership of the employing organization ‘tone at the top’
- Policies and procedures, if any, that the employing organization has established, such as ethics or human resources policies that address pressure.

Pressure to breach fundamental principles

- Discussing the matter with the individual who is exerting the pressure to seek to resolve it.
- Discussing the matter with the accountant's superior, if the superior is not the individual exerting the pressure.
- Escalating the matter within the employing organization, including when appropriate, explaining any consequential risks to the organization, for example with:
 - Higher levels of management.
 - Internal or external auditors.
 - Those charged with governance.
- Disclosing the matter in line with the employing organization's policies, including ethics and whistleblowing policies, using any established mechanism, such as a confidential ethics hotline.

Action points

- Consulting with:
 - A colleague, superior, human resources personnel, or another professional accountant;
 - Relevant professional or regulatory bodies or industry associations; or
 - Legal counsel.
- An example of an action that might eliminate threats created by pressure is the professional accountant's request for a restructure of, or segregation of, certain responsibilities and duties so that the accountant is no longer involved with the individual or entity exerting the pressure.
- The professional accountant is encouraged to document:
 - The facts.
 - The communications and parties with whom these matters were discussed.
 - The courses of action considered.
 - How the matter was addressed.
- Keep into an accountability group
- Pray

THE END