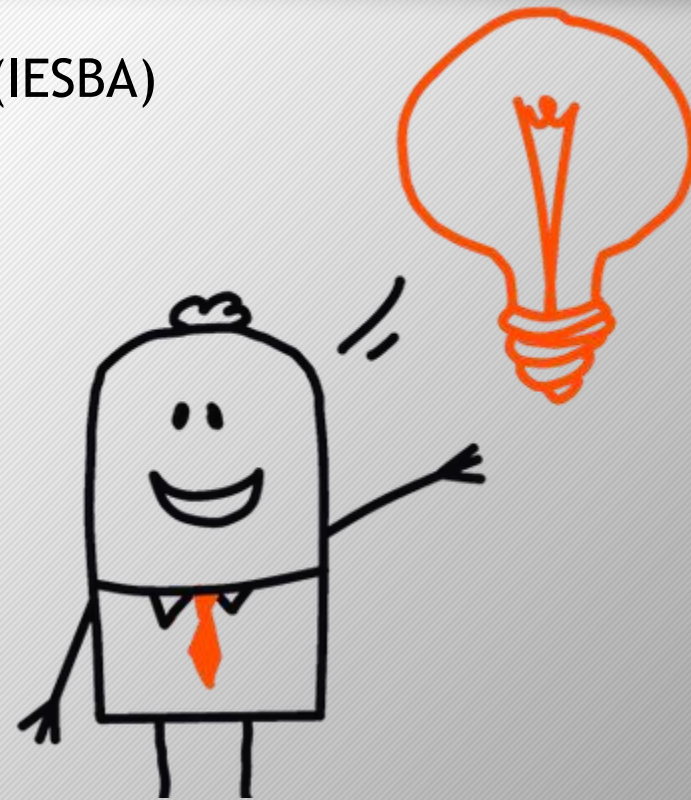


International Code of Ethics for Professional Accountants



What we will discuss 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



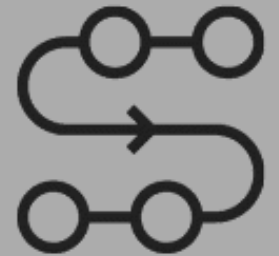
Int'l Ethics Standards Board for Accountants (IESBA)



- 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 sector 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

- honesty
- fair dealing and truthfulness.
- Information pitfalls to avoid
- When to disassociate with information

Menti Questions

1. Integrity means
 - a. Trying to please the Board
 - b. Listening to the Board's point of view
 - c. Preparing accounts to the Boards specifications
 - d. Preparing accounts to show a true and fair view

2. Grade your organization in terms on integrity

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.

Menti Question 2

1. Objectivity means
 - a. Being whiter than white
 - b. Being open and transparent
 - c. Investigating figures that appear inconsistent
 - d. Listening to the Board's explanations

2. Example where Lack of objectivity has failed the organization

Confidentiality



IESBA

- To respect the confidentiality of information acquired as a result of professional and business relationships.
- Things to do.....
- When are you required to disclose?
- Factors to consider on confidentiality
- Other considerations



Menti Question 3

1. You can disclose key organization information if
 - a. The ceo is out of town and won't know who disclosed
 - b. The Board won't know that it is you who has supplied the information
 - c. The organization has been polluting rivers with chemical waste because it is a cheap option
 - d. You think the ceo is an arrogant leader woman who deserves to be brought down a peg
2. Have you ever been a victim or perpetrator

Menti Question 4

4. Fred is leaving the organization to become the Finance Director of a rival company. The ethical dilemma he is most likely to face would be
- a. Confidentiality
 - b. Professional behavior
 - c. Professional competence
 - d. Integrity
 - e. Objectivity

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 to 5 principles

- consult, on an anonymous basis if necessary, with:
 - Others within the 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
- Self-review threat
- Advocacy threat
- Familiarity threat
- Intimidation threat

Menti Question 5

5. Of the five threats, which is the most common in your organization
- a. Advocacy
 - b. Self-interest
 - c. Self review
 - d. Intimidation
 - e. Familiarity

Menti question 6

6. Which is your biggest risk in performing your duties to your organization
- a. Advocacy
 - b. Self review
 - c. Familiarity
 - d. Self interest
 - e. Intimidation

Steps to lowering 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,
- Declining or ending the specific professional activity
- overall conclusion
- Review any significant judgments made or conclusions reached; and
- Use the reasonable and informed third party test.

Menti question 8

8. Safeguards are there to try and minimize the threats to fundamental principles to an acceptable level. Which of the following are not internal safeguard
- a. Data protection act
 - b. Reviews of staff work by senior colleagues or peers
 - c. Due diligence letters
 - d. Continuous stock takes

Conflict of interest

- Has following characteristics
- creates threats to compliance with the principle of objectivity
- Two or more parties having interests in a matter that are conflicting
- Threatens professionalism.
- A party might include an employing organization, a vendor, a customer, a lender, a shareholder, or another party.
- Some examples of conflict of interest
- circumstances that create a conflict of interest,
- remain alert to changes over time

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

- The determination of whether there is actual or perceived intent to improperly influence behavior requires the exercise of professional judgment.
- various considerations:
- Consideration for further action

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 to influence preparation or presentation of information:
- Pressure to act without sufficient expertise or due care:
- Pressure related to financial interests:
- Pressure related to inducements:
- Pressure related to non-compliance with laws and regulations:

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.

Resolving the matter

- 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