

QUARTER THREE 2024

AUGUST 2024

TECHNICAL » NEWSLETTER «



**FROM COMPLIANCE TO
COMMITMENT: FOSTERING
AN ETHICAL CULTURE IN
ACCOUNTING**

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FOREWORD

Since its founding, the Institute of Certified Public Accountants of Kenya (ICPAK) has been at the forefront of the accounting profession's advocacy. As part of this effort, it has consistently been watchful to guarantee that its members receive training that is on par with the best available worldwide. Of all the requirements that the members must adhere to, ethics is without a doubt the most crucial. To say that ethics is the heart and soul of the accountancy profession would not be an exaggeration.

While men may come and go, institutions are perpetual. Professionals are frequently referred to as social trustees, and because of their significant social responsibility and professional expertise, they are institutions in and of themselves. They do, however, receive great respect and admiration in society as a result. When it comes to the field of the accounting profession, it requires highly competent, specialized, and technological labor. While professional accountants take pride in a number of attributes, the most prominent is probably ethics, which instills strict adherence to the ethical standards set forth for the profession. We are aware that those who use Certified Public Accountants (CPA(K)'s), either directly or indirectly, anticipate that they will be competent, trustworthy, impartial, and a person of integrity.

Morality and ethics are more desirable than ever in this day of quick living,

shifting social norms, and international approaches to everything that affects the public and governments. Just as ethics are unquestionably important in every aspect of life, they are also crucial in the workplace. This is especially true in the field of accounting, where a wide range of stakeholders including clients, banks, the government, workers, investors, the business community, and the general public—depend on the services of accountants.

Professional standing was previously determined by a combination of specialized knowledge and a feeling of ethical and public duty. Professionals today, however, increasingly define themselves only in terms of their technical proficiency and their marketable knowledge and abilities. As a result, there will always be a contradiction between professionalism and moral conduct. Because of the high expectations placed on us by the different stakeholders in society who rely on us for our knowledge and technical proficiency, ICPAK requires its members to uphold a standard of self-discipline that goes above and beyond what is required by laws and regulations.

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OVERVIEW

The accountancy profession is characterized by its responsibility to act in pursuit of upholding public interest. The Code of Ethics for Professional Accountants outlines the requirements and application material to help accountants understand and comply with the Code. In cases where laws or regulations prevent compliance, the Code prevails. Accountants should be aware of differences in laws and regulations and consult with professional bodies if necessary. Professional accountants must uphold five fundamental principles of ethics: integrity, objectivity, professional competence and due care, confidentiality, and professional behavior.

The Code requires accountants to be alert for potential threats to compliance with fundamental principles. These accountants may be responsible for financial information preparation, financial management, and advice. A professional accountant must determine the appropriate individuals within the organization's governance structure to communicate with, considering circumstances and matter to be communicated. If communicating with both management and governance responsibilities, the accountant must ensure adequate information is provided to all involved.

Professional accountants must comply with fundamental principles and apply a conceptual framework to identify, evaluate, and address conflicts of interest. Conflicts can arise when a professional accountant undertakes professional activity for multiple parties with conflicting interests, or when the accountant's interests'

conflict with those of a party for whom they work. The level of threat created by conflicts of interest in professional activities is more likely to be unacceptable when the connection is direct. To address these threats, actions like withdrawing from decision-making processes, restructuring responsibilities, and obtaining appropriate oversight are suggested. Disclosure and consent are necessary, and guidance from within the organization or third parties is encouraged.

Accountants must address threats to compliance. This includes preparing or presenting information that may create self-interest or intimidation. Which may include financial and non-financial data, such as operating reports, decision support analyses, budgets, and financial statements. Preparing or presenting information includes recording, maintaining, and approving it. A professional accountant must adhere to a relevant reporting framework when preparing or presenting information.

A professional accountant must not mislead an employer about their expertise or experience level. The principle of professional competence and due care requires accountants to only undertake significant tasks with sufficient training or experience. A self-interest threat can be created if an accountant has insufficient time, incomplete information, insufficient experience, training, or resources. To address this, accountants can seek assistance or training from experts and ensure adequate time for duties. If a threat cannot be addressed, they must decline to perform the duties.

01

OVERVIEW OF CODE OF ETHICS FOR PROFESSIONAL ACCOUNTANTS

1.1 Background

The Code of Ethics for Professional Accountants outlines the fundamental principles that a professional accountant must adhere to. These include integrity, objectivity, professional competence and due care, confidentiality, and professional behavior. Integrity involves being honest and straightforward in all professional and business relationships. Objectivity prevents bias, conflict of interest, or undue influence from others from overriding professional judgments. Professional competence ensures that clients or employers receive competent professional service based on current developments in practice, legislation, and techniques. Confidentiality respects the confidentiality of information acquired from professional and business relationships and requires proper authority to disclose it unless there is a legal or professional right or duty. Professional behavior ensures compliance with relevant laws and regulations and avoids actions that discredit the profession.

The International Federation of Accountants' (IFAC) Code of Ethics for Professional Accountants has been approved by standard-setting organizations in more than 100 nations, enhancing the effectiveness of the world's capital markets. Other organizations are currently in the process of integrating with the code.

1.2 Ethical Principles

A code of ethics for professional accountants often describes the underlying ideas and ethical norms that govern accounting professionals' behavior and obligations. These codes are frequently produced by professional accounting organizations such as the International Federation of Accountants (IFAC) or national accounting associations. According to the International Federation of Accountants' (2006) code of ethics for professional accountants, one defining feature of the accounting profession is its acknowledgment of the responsibility to work in the public interest, which is why public interest is included in the ICPAK vision.

A professional code of ethics is intended to ensure that professionals behave in a socially acceptable and polite manner toward one another. It establishes the rules of behavior and communicates to all members that universal compliance is anticipated. It also lays the framework for a preemptive warning if and when members violate the code. A code of ethics can be useful not just internally as a professional guide, but also publicly as an expression of a company's ideals and commitments.

Professional ethics is nearly identical to professional etiquette, which refers to an unwritten code of conduct

regarding the interactions among the members in a business setting. In June 2005, the IESBA (previously the Ethics Committee) released a revised Code of Ethics for Professional Accountants. The updated Code creates a conceptual framework for all professional accountants to assure conformity with the following essential principles of ethics.

a) Integrity

Integrity is a fundamental principle of professional ethics for accountants. It entails being honest, trustworthy, and adhering to moral and ethical values in all professional and corporate actions. Accountants are expected to maintain the greatest levels of integrity in all contacts with clients, colleagues, employers, regulatory agencies, and the general public.

Accountants are professionals who uphold integrity, confidentiality, and transparency in their work. They must provide accurate and reliable information, maintain transparency in financial reporting, and maintain fairness and objectivity in decision-making. They must comply with laws and regulations, maintain confidentiality of sensitive information, and uphold professional reputation. Whilst integrity may involve whistleblowing, it is essential for accountants to maintain public trust and confidence in the profession. They must remain impartial and avoid personal biases, conflicts of interest, and undue influence.

Overall, accountants must uphold honesty as a moral requirement rather than just a professional obligation. Accountants who demonstrate integrity in their acts and decisions contribute to the accounting profession's dependability and credibility, eventually serving the best interests of their customers, employers, and the public.

b) Objectivity

Objectivity is a fundamental principle of professional ethics for accountants. It requires individuals to approach their work with impartiality, neutrality, and fairness, free from any bias or undue influence. Objectivity is essential for maintaining the credibility and reliability of financial reporting and other professional services provided by accountants.

Accountants must uphold objectivity in their professional and business decisions, ensuring impartiality and independence. They must avoid personal interests, prejudices, and external pressures, ensuring their assessments and recommendations are based on relevant facts and evidence. Professional skepticism is essential, questioning the reliability and validity of information. Accountants must avoid bias, treating all stakeholders fairly, and managing conflicts of interest effectively. Continuous professional development is crucial to maintain competence and knowledge, ensuring accountants can exercise objective judgment effectively in their professional activities. This approach ensures the accuracy and completeness of financial reporting and other information.

Accountants who adhere to the principle of objectivity help to ensure the reliability, credibility, and trustworthiness of financial reporting and other professional services, eventually serving the best interests of their customers, employers, and the public.

c) Professional Competence & Due care

Accountants' essential ethical standards include professional competence and reasonable care. They require professionals to retain the highest degree of experience, ability, and knowledge in their professional

practice, as well as to carry out their obligations diligently, thoroughly, and accurately.

Accountants must continuously update their knowledge and skills to remain competent in their field. They must adhere to professional standards, such as GAAP and IFRS, and maintain a high level of professionalism. Accountants must ensure the accuracy, completeness, and reliability of their work, while also meeting deadlines. They must manage risks, identify and assess them, and maintain professional skepticism. Open and transparent communication with clients, employers, and stakeholders is crucial for maintaining professional competence and due care. Accountants must also maintain professional standards and ethical codes to maintain ethical standards in their profession.

Accountants exhibit their dedication to providing high-quality services, maintaining the profession's integrity, and serving the best interests of their customers, employers, and the general public by adhering to the principles of professional competence and due care.

d) Confidentiality

Confidentiality is a fundamental element of professional ethics for accountants, requiring them to respect

and protect the privacy of client information and other sensitive material gathered during professional engagements. Maintaining confidentiality is critical for preserving trust and confidence in the accountant-client relationship and ensuring the integrity of financial information.

Accountants are responsible for maintaining confidentiality of client information, including proprietary data. This includes secure systems and physical documents, and includes oral and written communications. Accountants must exercise professional judgment in determining the appropriate level of confidentiality, considering factors like data sensitivity, potential impact, and legal obligations. Confidentiality should only be disclosed with explicit client consent or when required by law or professional standards. Accountants must avoid unauthorized access, implementing strong password protections and encryption methods. Conflicts of interest, such as personal or financial relationships, can compromise confidentiality. Confidentiality is a professional responsibility that extends to the entire accounting firm or organization.

Accountants who follow the principle of confidentiality exhibit their dedication to retaining their clients' trust and confidence, shielding sensitive infor-



mation from unauthorized exposure, and upholding the integrity of the accounting profession.

e) Professional Behavior

Professional behavior is a key ethical guideline for accountants that governs their activities and interactions in the workplace as well as with clients, colleagues, regulatory authorities, and the general public. It includes a variety of characteristics and standards that reflect the ideals and expectations of the accounting profession.

Accountants are expected to adhere to all applicable laws and professional standards, including those set by the International Federation of Accountants. They must uphold ethical standards, such as integrity, objectivity, confidentiality, and professional competence, as outlined in their codes of conduct. Accountants must treat all individuals with respect and professionalism, avoid conflicts of interest, maintain professional independence, and act in the best interests of clients and stakeholders. They should invest in professional development to enhance their knowledge and skills, and actively promote the profession to contribute to its positive reputation and public perception. This includes participating in professional organizations, mentoring aspiring accountants, and advocating for ethical practices and standards.

Accountants who exhibit exceptional professional behavior support the integrity and credibility of the accounting profession, encourage trust and confidence in their services, and contribute to the overall well-being of their clients, employers, and the general public.

f) Independence

Independence is a basic element of professional ethics for accountants,

especially in audit and assurance engagements. It refers to an accountant's capacity to behave with integrity, objectivity, and impartiality, without any conflicts of interest or undue influence that could jeopardize their professional judgment or integrity.

Accountants play a crucial role in maintaining independence in audit engagements, where they provide an objective and unbiased assessment of an entity's financial statements. They must be free from any relationships or circumstances that may impair their ability to act objectively, and maintain trust and confidence in their work. Accountants must identify and assess threats to independence, implement appropriate safeguards, and refrain from engaging in activities that could compromise objectivity. They must also disclose any relationships, financial interests, or other factors that could affect their independence to clients, employers, or regulatory authorities. Accountants must comply with legal and professional standards issued by accounting bodies like the International Ethics Standards Board for Accountants.

Accountants exhibit their commitment to operating with integrity, objectivity, and professionalism by respecting the principle of independence, which contributes to the dependability and credibility of financial reporting and assurance services. These principles serve as a framework for ethical behavior, guiding accountants in their professional conduct. However, individual codes of conduct may differ slightly based on the jurisdiction or the professional accounting body that issues them. Accountants must be conversant with the unique code of ethics that governs their practice.



02

THREATS FACING PROFESSIONAL ACCOUNTANTS' ETHICAL CONDUCT

Professional accountants encounter an array of threats that may affect their capacity to perform their responsibilities effectively and to uphold ethical standards, irrespective of whether they operate in public practice or in company. These threats can arise from various places and circumstances. To uphold their moral principles, safeguard their professional integrity and safeguard the interests of their clients, employers and the public, professional accountants need to be alert in spotting and averting these dangers. This frequently entails following professional standards of behavior, engaging peers, or superiors for advice, and using sound judgment in challenging situations. Ethical and professional standards training and ongoing education are also critical for effective threat management.

To maintain the highest levels of pro-

fessionalism and integrity while safeguarding the interests of their stakeholders, employers, and clients, professional accountants in both public practice and business must successfully negotiate these concerns. This frequently calls for a combination of risk management proficiency, ethical discernment, and technical proficiency.

To uphold their moral principles, safeguard their professional integrity and safeguard the interests of their clients, employers and the public, professional accountants need to be alert in spotting and averting these dangers.

The below are a few typical risks that professionals in both public practice and business encounter:

2.1 Ethical threats

It is the conflict of interest that arises from requests to manipulate financial data and the pressure to distort financial outcomes for the purpose of fulfilling performance goals.

- **Self-Interest threat** – There may be pressure on accountants to put their employer's or their own interests above those of their clients or the public.

- **Self-review threat** – Sometimes it can be challenging for accountants to critically evaluate their own work, especially when they have prepared or examined data that will be used to make choices later.

- **Advocacy threat** – Arises when an accountant or auditor promotes a client's position to the point that their objectivity is compromised. This threat can significantly undermine the credibility of financial statements and the trust stakeholders place in financial reporting.

2.2 Financial Threats

- **Financial Pressure** – Financial incentives, including bonuses or promotions based on reaching targets, may put pressure on accountants to act unethically.

- **Financial dependence** – Accountants who rely heavily on clients or employers for their income or means of subsistence may feel obligated to do as they've been told.

2.3 Regulatory Threats

They occur due to legal action from customers or authorities because of financial statement fraud, omissions, or mistakes.

- **Compliance Risk** – Non-compliance with regulations and standards established by regulatory organizations like the International Financial Reporting Standards (IFRS) or the Financial Accounting Standards Board (FASB) by the professional accountant.

- **Legal Risk** – It occurs due to exposure to lawsuits brought about by carelessness, mistakes, or fraud in financial reporting by the professional accountant.

2.4 Technological Threats

This arises because of the use of science and technology by humans that poses technological danger. When technology develops more linked and complex systems, something always goes wrong in the system, resulting in technological accidents (technological breakdowns).

- **Cyber security risk** – Occurs due to threats to the confidentiality and integrity of financial information prepared by the professional accountant and they include virus assaults, hacking, and data breaches.

- **Automation and AI** – Automation and artificial intelligence are two examples of how technological advancements might reduce demand for some accounting services, prompting accountants to undergo retraining or up skill to stay competitive.

2.5 Conflict of Interest threat

This occurs because of juggling the needs of several clients, especially if they are rivals or have divergent goals and also having relationships with clients on a personal level that could affect professional judgment.

A person in a blue shirt is working at a desk. They are using a calculator and pointing at a document with a pen. The desk is cluttered with various items including a smartphone, a pen, and several documents with charts and graphs. The background is slightly blurred, focusing on the person's hands and the desk.

03

NAVIGATING ETHICAL DILEMMAS IN ACCOUNTING

3.1 Environmental, Social, and Governance (ESG) Reporting

(ESG) Reporting has become increasingly important in the realm of corporate responsibility and sustainable business practices. Accountants play a vital role in ensuring the accuracy, transparency, and reliability of ESG information disclosed by organizations.

ESG reporting refers to the practice of companies disclosing information about their Environmental, Social, and Governance (ESG) performance and practices. It provides stakeholders, including investors, customers, employees, and regulators, with insights into how a company manages its impact on the environment, its relationships with society, and its governance structures. Here's an overview of what ESG reporting entails and its significance in providing stakeholders with valuable information;

a) Environmental Impact:

ESG reporting includes data and metrics related to a company's environmental impact, such as greenhouse gas emissions, energy consumption, water usage, waste generation, and efforts to reduce environmental harm. This information helps stakeholders understand how a company is addressing environmental challenges and its commitment to sustainability.

b) Social Initiatives:

ESG reporting covers social aspects like diversity and inclusion, labor practices, human rights, community engagement, and contributions to social causes. It provides transparency about how a company treats its employees, engages with local communities, and promotes social responsibility.

c) Corporate Governance Practices:

ESG reporting includes governance-related information such as

board diversity, executive compensation, ethics and compliance programs, risk management practices, and shareholder engagement. It allows stakeholders to assess the company's leadership, accountability, and adherence to ethical standards.

ESG factors significantly impact a company's performance, fostering trust and addressing risks. By revealing information about sustainability practices, ESG reporting enhances transparency, builds trust, and helps manage environmental, social, and governance risks. It also attracts investors, enhancing access to capital, and drives innovation in sustainable products and services.

ESG factors are integrated into business strategies, aiming to align sustainability goals with corporate objectives. Risk management processes consider ESG factors to mitigate environmental, social, and governance issues. Stakeholder engagement informs decision-making, prioritizing actions that create value while addressing ESG concerns. ESG reporting

frameworks like IFRS S1 & S2 guide companies in reporting ESG information effectively.

Overall, ESG reporting plays a crucial role in enhancing corporate transparency, accountability, and sustainability, thereby contributing to long-term value creation for companies and their stakeholders. It is crucial that information reported in sustainability reports is subjected to the same rigor and accuracy by accountants as are traditional financial reporting information.

3.2 Ethical issues in financial Reporting

Ethical behavior in financial reporting is crucial for building trust, credibility, and enhancing stakeholder confidence. It builds trust among investors, creditors, regulators, and the public by providing accurate, transparent, and honest financial information. Ethical financial reporting ensures legal compliance with accounting standards like Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS), ensuring transparency and disclosure. It



contributes to market stability by reducing the likelihood of financial scandals, fraud, and manipulation.

Ethical reporting also enhances a company's reputation, attracting customers, employees, investors, and business partners, leading to long-term sustainable growth. Ethical reporting practices are essential for effective risk management and stakeholder confidence. Companies that prioritize ethical reporting practices not only fulfill their moral obligations but also create value and sustainable growth opportunities for their stakeholders.

Ethical issues in financial reporting encompass a range of concerns, including transparency, accuracy, disclosure, and accountability.

Ethical issues in financial reporting encompass a range of concerns, including transparency, accuracy, disclosure, and accountability. Transparency involves providing stakeholders with clear and comprehensive information about the company's financial performance, risks, and operations. Accuracy requires ensuring that financial statements and reports are free from material misstatements or errors

that could mislead investors or other stakeholders. Disclosure entails disclosing all relevant financial information in accordance with accounting standards and regulatory requirements. Accountability involves holding individuals and organizations responsible for their financial reporting practices and decisions. Ethical lapses in financial reporting can lead to loss of investor trust, regulatory scrutiny, legal consequences, and damage to the company's reputation, highlighting the critical importance of upholding ethical standards in financial reporting.

3.3 Ethical Implications of Emerging Technology

Emerging technologies frequently have important ethical ramifications that should be properly thought out. To address these ethical consequences, technologists, policymakers, ethicists, and other stakeholders must collaborate alongside together to produce best practices, legislation, and guidelines that encourage the creation and use of developing technologies responsibly. Some of the key considerations include:

a) Privacy - An enormous amount of personal data has been gathered by several emerging. Technologies, including biometric systems, Internet of Things (IoT), and artificial intelligence (AI). Concerns emerge around the handling, protection, and storage of this data in addition to the possibility of monitoring and violations of people's privacy.

b) Bias and Fairness - Biased data is typically used to train AI and machine learning systems, which can provide skewed outcomes like unfair hiring, lending, or criminal justice choices. A major ethical concern in these systems is ensuring fairness and reducing bias.

c) Autonomy and Control - Robots, drones, and self-driving automobiles are just a few examples of technologies that pose concerns about control and accountability. When mistakes or accidents happen, questions about responsibility and culpability come up.

d) Security and Cyber-security - There is a greater chance of cyber-attacks and data breaches as technology gets more linked. It is an ongoing struggle to defend against these attacks and guarantee the security of vital infrastructure and private data.

3.4 Ethics in Professional Networking and Social Media

It encompasses a variety of values and concerns that direct people and organizations in their online interactions and activities included in the field of ethics in professional networking and social media. In today's connected digital world, upholding honesty, reliability, and professionalism in professional networking and social media is essential. Professionals may establish trust, develop solid relationships, and strengthen their reputation in their communities and professional networks by upholding ethical values. The above ethical aspects are important and need to be considered:

a) Honesty and Integrity - Presenting oneself truthfully and appropriately on social media sites is an essential component of upholding honesty and integrity. Maintaining credibility and trustworthiness requires avoiding the widespread dissemination of deceptive data

b) Respect and Civility - It's crucial to treat people with politeness and respect when interacting online. This entails communicating in a professional manner and abstaining from harassing, bullying, or discriminating behavior.

c) Transparency - transparency in social media networking involves being transparent about one's identity, affiliations, and goals, while maintaining audience trust by disclosing sponsored material, paid endorsements, and potential conflicts of interest.

3.5 Ethical Leadership and Professionalism

Professionalism and ethical leadership are core ideas in a variety of industries, including business, politics, education, and more. Setting a good example and making morally righteous and principled actions are key components of ethical leadership while the actions, attitudes, and attributes that people in their specific fields are supposed to demonstrate are all part of professionalism. Professionalism and ethical leadership frequently collide since true professionals act morally in



Setting a good example and making morally righteous and principled actions are key components of ethical leadership

their work and ethical leaders are supposed to exhibit professionalism in their behavior. Integrity, respect, accountability, and responsibility are all emphasized in both ideas.

To sum up, fostering excellent environments, promoting trust and collaboration, and achieving long-term success in any activity all depend on ethical leadership and professionalism. Individuals and leaders who uphold these values foster a climate of honesty, excellence, and respect for one another. Some of the key aspects are:

a) Accountability – they take responsibility for their actions and performance, both for themselves and other people. This promotes an environment of accountability and trust inside the company.

b) Professional Appearance – Keeping up a professional appearance can enhance one's credibility and reputation in a variety of areas, while it's not always necessary.

c) Competence – It is the goal of professionals to consistently succeed at a high level of competence and knowledge. To stay current in their industry, they regularly upgrade their knowledge and abilities.

d) Responsibility – Accountable for their choices and actions, ethical leaders own up to their mistakes. When needed, they strive to make amends and recognize their faults.

3.6 Ethical Decision Making in Complex Business Environment

In a complicated commercial setting, making ethical decisions is a complex process that calls for thorough assessment of numerous issues. Making moral choices in a complex business setting may require balancing conflicting interests, unclear

circumstances, and moral conundrums. It necessitates a thoughtful comprehension of ethics, the ability to think critically, empathy, a dedication to honesty, and responsible leadership. The above approaches can be used to make ethical decisions.

a) Understanding Ethical frameworks

– In a complicated business environment, moral decisions may necessitate striking a balance between competing interests, ambiguous situations, and moral quandaries. It demands a careful understanding of ethics, critical thinking skills, empathy, a commitment to integrity, and responsible leadership.

b) Consult with others – Consult with relevant stakeholders, mentors, coworkers, and ethics advisors to get their opinions and insights. Discussing the choice with others might yield important information and other points of view.

c) Identify Stakeholders – Appreciate everyone who will be adversely affected by the choice, including the local community, shareholders, suppliers, employees, and the public as a whole. Think about their interests and the potential effects of the choice on them.

3.7 Ethics in taxation

Ethical accountants face ethical dilemmas in tax planning and compliance, which require careful consideration and adherence to professional standards. Balancing client interests with legal obligations is a common ethical dilemma, as accountants must ensure their tax planning strategies do not cross the line into tax evasion or aggressive tax avoidance. They must provide sound advice that optimizes tax outcomes while remaining within the bounds of the law and professional standards.

Ethical tax professionals must exercise professional judgment and integrity when advising clients on tax matters, including being transparent about risks associated with certain tax planning strategies and ensuring clients understand the potential consequences of their decisions. They should resist pressure from clients or employers to engage in unethical or illegal behavior and prioritize honesty and integrity in all professional interactions. Disclosure and transparency are also crucial in tax planning and compliance, as accountants must provide clear and accurate information to clients about the tax implications of various courses of action, including potential risks or uncertainties.

Ethical accountants must also identify and manage conflicts of interest, particularly when serving multinational clients or working with international partners.

Ethical accountants are responsible for avoiding aggressive tax avoidance schemes that exploit legal loopholes or contravene tax law. They prioritize upholding the integrity of the tax system and avoiding strategies that undermine public confidence or fairness. They approach tax planning and compliance with professional skepticism and due diligence, evaluating the legality and ethical implications of proposed tax strategies. They conduct thorough research and analysis to ensure compliance with laws and regulations.

Accountants should also be vigilant for potential tax evasion or fraud and take appropriate action to address any concerns. Ethical accountants invest in continuing education and professional development to stay updated on changes in tax laws, regulations, and ethical standards. This helps them provide informed advice, mitigate risks, and uphold the highest standards of professional conduct. By prioritizing ethical conduct and adherence to legal and professional obligations, accountants can contribute to the integrity and fairness of the tax system while serving their clients and the public.

3.8 Globalization and cross border ethics

Globalization has significantly impacted the accounting profession, posing increased complexity and ethical challenges, particularly in cross-border transactions. Accountants must be sensitive to cultural differences and respect cultural practices that may influence financial reporting and decision-making processes. They must navigate the complex landscape of laws, regulations, and accounting standards across different jurisdictions, staying informed about changes and seeking guidance when necessary.

Ethical accountants must also identify and manage conflicts of interest, particularly when serving multinational clients or working with international partners. They must disclose potential conflicts to affected parties and take appropriate steps to mitigate risks to independence and objectivity. By doing so, they can ensure ethical and responsible business practices in a globalized environment.

Globalization has significantly impacted the financial sector, necessitating the need for ethical accountants to

exercise professional skepticism and due diligence. Ethical accountants must scrutinize the accuracy and reliability of financial information, conducting thorough investigations to prevent fraud or misrepresentation. Transparency is crucial in cross-border transactions, where stakeholders may have limited visibility. Ethical accountants prioritize transparency, providing accurate financial information and ensuring proper communication of potential risks. It has also heightened awareness of the social and environmental impacts of business operations, prompting a focus on ESG and sustainability reporting.

Ethical accountants advocate for transparency and accountability in ESG reporting and promote sustainable business practices that align with stakeholders' interests.

Continuous education and professional development are essential for ethical accountants to stay updated with emerging trends, technologies, and regulatory developments. By enhancing their knowledge and skills, accountants can navigate the complexities of globalization more effectively and uphold the highest standards of ethical conduct in their professional practice.

3.9 Ethics in forensic accounting & fraud examination

Forensic accountants and fraud examiners are responsible for uncovering financial misconduct, preventing fraud, and serving as expert witnesses

in legal proceedings. Ethical considerations include maintaining independence and objectivity, protecting confidentiality, maintaining professional competency, demonstrating integrity and honesty, adhering to legal and ethical standards, providing transparency and accountability, demonstrating professional skepticism, and recognizing their responsibility to stakeholders.

Individuals must maintain objectivity and remain impartial, free from conflicts of interest that could compromise their findings or testimony. They must protect the privacy of sensitive financial information obtained during investigations, disclosing it only to authorized parties in accordance with legal and ethical guidelines. Professionals must continuously update their expertise and stay abreast of emerging trends in forensic accounting and fraud detection.

Transparency and accountability are essential in forensic accounting and fraud examination, as practitioners provide clear and concise reports that accurately document their findings, methodologies, and conclusions. Professional skepticism and due diligence are also essential in conducting investigations and gathering evidence.

By upholding these ethical principles, forensic accountants and fraud examiners contribute to the integrity of the financial system, protect stakeholders' interests, and promote trust and confidence in the profession.



04 CONCLUSION

The Institute of Certified Public Accountants of Kenya (ICPAK) being a member of IFAC and the regulator of accountancy profession in Kenya has adopted the IESBA Code of Ethics for Professional Accountants that is applied globally and serves as a vital foundation for directing the conduct of Certified Public Accountants in Kenya. Integrity, objectivity, professional competence, due care, confidentiality, and professional behavior are among the values that are emphasized.

In the accounting profession, ethical behavior and decision-making are based on these concepts. Adherence to the code is necessary to uphold public confidence, guarantee the accuracy of financial reporting and support Kenya's economic expansion. Accountants need to be aware of any revisions and actively implement the principles in their professional practice. Such revisions would be disseminated through the ICPAK and IESBA websites.

This technical bulletin has been developed by the Standards and Technical Services Team at ICPAK as part of thought leadership and advancing knowledge sharing within core areas of the accountancy profession. Should you wish to propose additional areas for consideration and further research please reach out to us through: technicalservices@icpak.com





For further enquiries on financial reporting, adoption of standards and other related technical matters please reach out to the Standards & Technical Services Directorate and the Professional Standards Committee of ICPAK on technicalservices@icpak.com or through ceo@icpak.com