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Exploring the IESBA Code

Presenter: **Lettie Janse van Vuuren CA(SA), RA, CBA(SA)**

17 SEPTEMBER 2020

*Exploring the IESBA Code: The International Code of Ethics for
Professional Accountants*
Webinar 1 in the series of 6

Presenter

Lettie Janse van Vuuren CA(SA), RA, CBA(SA)

- Lettie joined SA Accounting Academy in November 2017 as Head of Technical. She is a Chartered Accountant, Registered Auditor and Certified Business Accountant.
- She is a **professional trainer and webinar host**, and with her relaxed and humorous presentation style, she is able to hold the attention of an audience. She has a unique ability to communicate with delegates at their respective levels of knowledge and experience. Over the last 20 years, she has trained thousands of partners, managers, trainee accountants and other professionals.
- She is responsible for our MCLU (Monthly Compliance and Legislation Updates).
- She was the Professional Development Manager at SAICA for 4 years and in charge of accrediting new training offices and monitoring existing ones (including the moderation of training offices and trainee assessments).
- Lettie is passionate about improving the efficiency and standardisation at practices. She has extensive experience on a variety of technical and practical topics which she consults on, including: SAICA re-accreditation assistance and preparation, IRBA inspection assistance and preparation, audit file reviews (post-issuance monitoring and EQCR), Quality control implementation, other office-specific manuals, and FASSET skills development facilitation.



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Feel free to ask your questions during the webinar in the chat, these will be addressed in the formal Q & A at the end of the presentation.

Where appropriate, a **Q & A Summary will be uploaded to your profile as soon as all answers have been documented.**

WHAT'S ON THE AGENDA?

Table of Contents

Module 1:	Introduction (<i>including SA amendments</i>)
Module 2:	Instalment 1 = The Five Fundamental Principles
Module 3:	Instalment 2 = The Conceptual Framework – Step 1, Identifying Threats
Module 4:	SA Case Studies

Quote

**Ethics is knowing the difference
between what you have a right to
do and what is right to do.**

Potter Stewart

MODULE 1

INTRODUCTION

Module 1

Module 1: Introduction

The following items are dealt with here:

- Introduction to the Exploring the IESBA Code series
- Structure of the Code
- Effective Dates
- South African Amendments (SAICA and IRBA)
 - Breakdown of the instalments

MODULE 2

THE 5 FUNDAMENTAL PRINCIPLES

Module 2

Module 2: The 5 Fundamental Principles

The following items are dealt with here:

- Examples of real world scenarios
- The Five Fundamental Principles
- Five Fundamental Principles Help Accountants Navigate Ethical Dilemmas
- Where to get Assistance?

The five fundamental principles

Examples of real world scenarios

- As a Director of Accounting Policy
- As an Audit manager
- As a Vice President of Finance

The Fundamental Principles are found in Section 110 of the Code

The 5 fundamental principles

1

INTEGRITY

Be straightforward and honest in all professional and business relationships:

As the Director, have you evaluated the spirit of the CEO's expansion plan to determine if it effectively relies on any inappropriate influence of government officials to obtain approvals for building a factory and selling products?

4

PROFESSIONAL BEHAVIOR

Comply with all laws and regulations and don't act in a way that could discredit the profession:

As the VP of Finance, is the analysis you prepared in support of the new pricing policy fair and accurate—such that it would hold up to professional scrutiny—and not be viewed as biased or incomplete information that “justifies” what the marketing department wants to charge?

2

OBJECTIVITY

Don't allow bias, conflicts of interest, or the undue influence of others to compromise sound judgement:

As the Audit Manager, being mindful of the potential EVP job opportunity, are you able to plan and execute the audit with an appropriate level of skepticism and due diligence?

5

CONFIDENTIALITY

Respect the confidentiality of information acquired because of professional and business relationships, subject to applicable laws:

As the Director, you subsequently discover emails describing a scheme to funnel money to government officials; how should you communicate this information internally—including the CEO if necessary? What obligation do you have to notify authorities or disclose this information?

3

PROFESSIONAL COMPETENCE & DUE CARE

Always apply an appropriate level of professional knowledge, skill, and diligence:

As the Director, have you done enough work to really understand the rules and regulations governing bribery so that your CEO can make the right decision about expanding into new markets?

Remember...

While it is not possible to define every situation, the principles-based nature of the Code is **relevant to all professional accountants, regardless of whether they work for a public accounting firm or in a business.**

Even if there is no requirement that is directly applicable to a specific situation, the five Fundamental Principles set out in the Code help the accountants find the right path—upholding their professional responsibility to act in the public interest

MODULE 3

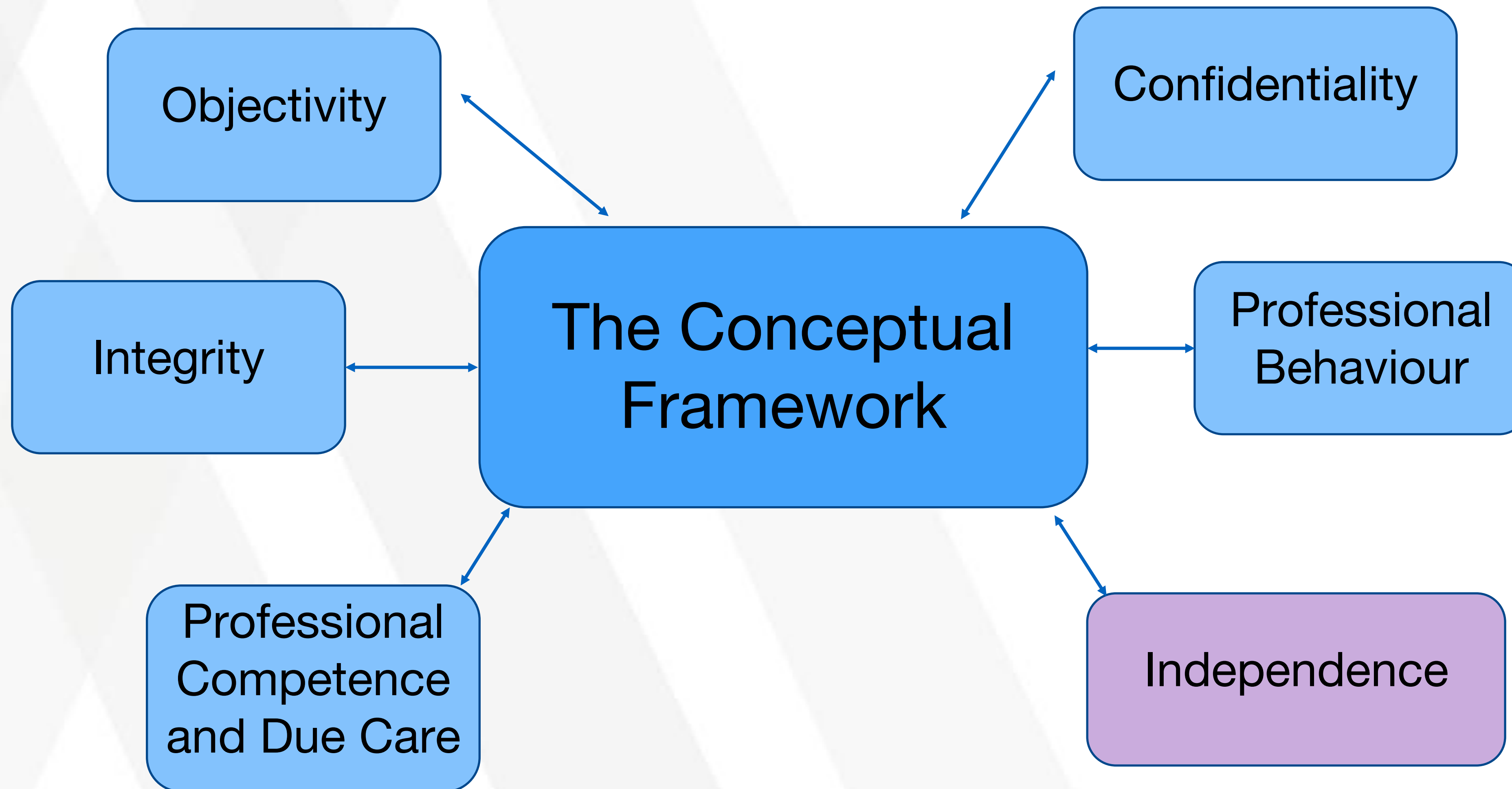
THE CONCEPTUAL FRAMEWORK – STEP 1: IDENTIFYING THREATS

Module 3: The Conceptual Framework – Step 1: Identifying Threats

The following items are dealt with here:

- What is the Conceptual Framework?
- What are Threats?
- Where to get Assistance?

Fundamentals



The 5 types of Threats

1 **SELF-INTEREST**—What's in it for me and does this impact my decision making?

- ✓ Does the promise of a large bonus make you hesitant to investigate the emails that were uncovered? Does it make you less objective?

4 **FAMILIARITY**—Does my long-standing relationship with my client or employer threaten my decision-making or judgement?

- ✓ Are you motivated to agree with the CEO's plan, rather than objectively applying professional judgement, out of implicit trust in the CEO and the company's decision-making process?

2 **SELF-REVIEW**—Am I reviewing my own work or evaluating recommendations I previously made?

- ✓ Were you involved in the development of the plan, and if so, would that threaten objectivity in evaluating the plan going forward?

5 **INTIMIDATION**—Do I feel threatened in any way with respect to performing my job in a diligent, professional or objective way?

- ✓ Does the CEO's "whatever it takes" approach pressure you into feeling that both job and reputation are on the line if anything slows down or derails entry into the new market?

3 **ADVOCACY**—Am I at risk of promoting my client's or employer's position in a way that is inappropriate?

- ✓ Said another way, are you at risk of over-stating the legitimacy or value of the CEO's position/plan in spite of concerns over the bribery issue in order to promote the interests of the company?

Categories of threats

The PA asks the following questions in relation to each category of threat:

Threat	Question
Self-interest	What's in it for me and does this impact my decision making?
Self-review	Am I reviewing my own work or evaluating recommendations I previously made?
Advocacy	Am I at risk of promoting my client's or employer's position in a way that is inappropriate?
Familiarity	Does my long-standing relationship with my client or employer threaten my decision-making or judgement?
Intimidation	Do I feel threatened in any way with respect to performing my job in a diligent, professional or objective way?

Context



Context is important. As part of identifying threats, professional accountants are required to understand the specific facts and circumstances, including any professional activities, interests, and relationships that might compromise compliance with the fundamental principles.

Code Reference

- *The conceptual framework is set out in Part 1, Section 120 of the Code*
- *Additional provisions that are relevant to applying this framework are set out in Parts 2, 3, 4A and 4B, Sections 200, 300, 400 and 900 respectively*

MODULE 4

CASE STUDIES

SOUTH AFRICAN SCENARIOS

Module 4: South African case studies

The following items are dealt with here:

IRBA News cases:

- ☐ Respondent appointed Trustee of Trust and auditor of business fully owned by Trust = INDEPENDENCE breach. **Effectively fined R50 000**
- ☐ Respondent issued unprofessional communication to audit client and failed to respond to successor audit firm = UNPROFESSIONAL BEHAVIOUR. **Effectively fined R20 000**

SA Case Studies *(continued)*

- ❑ Non-assurance services provided to audit client and signed without disclosing name = INDEPENDENCE and UNPROFESSIONAL BEHAVIOUR. Effectively fined R50 000
- ❑ Respondent failed to resign from professional appointment when requested to do so by client. Failed to transfer documentation and the SARS e-filing profile = UNPROFESSIONAL BEHAVIOUR. Effectively fined R15 000
- ❑ Respondent failed to deal with additional VAT assessments and returns, failed to correspond with client, did not declare assurance on legal practitioner's trust accounts for several years = UNPROFESSIONAL BEHAVIOUR. Effectively fined R100 000

Our next webinar in the series...

- **15 October 2020**
- In the next installment of this Series, we will turn our attention to evaluating whether an identified threats are at an acceptable level.
 - Addressing Threats: We will learn how the Director addresses threats that are not at an acceptable level.
- We will also focus on using the reasonable and informed third party test.

QUESTIONS?



Formal Q&A Session

We will now take a **quick comfort break** before we discuss some questions received during the webinar.

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participation!**

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