



Ethics 2021

Presented by:
Caryn Maitland

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3 Elements

- Personal
- Business
- Professional
 - NOCLAR and reporting obligations

Personal Ethics

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Objectives of the session

The objective is to reflect and answer the following questions?

- What is ethics?
- Why are they important?
- Who are we?
- Where did our ethics come from?

Mark Twain

Always do what is right. It will gratify half of mankind and astound the other.



**“IT TAKES A LOT OF
COURAGE, HUMILITY,
AND SELF-AWARENESS
TO LOOK AT OURSELVES
CLOSELY AND WITH
HONESTY.”**


- TODD DAVIS



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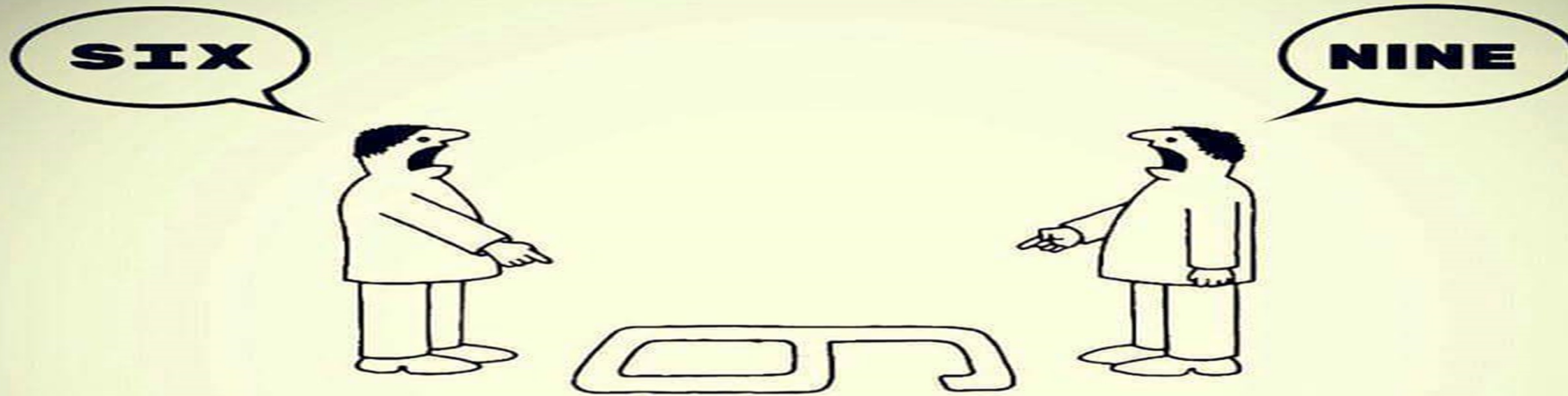
**How deep
is the mud?
Depends on
who you ask.**

**We all go through the
same stuff differently.**

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Just because you are right,
does not mean, I am wrong.
You just haven't seen life
from my side.



**It is the mark of an educated
mind to be able to entertain a
thought without accepting it.**

Aristotle



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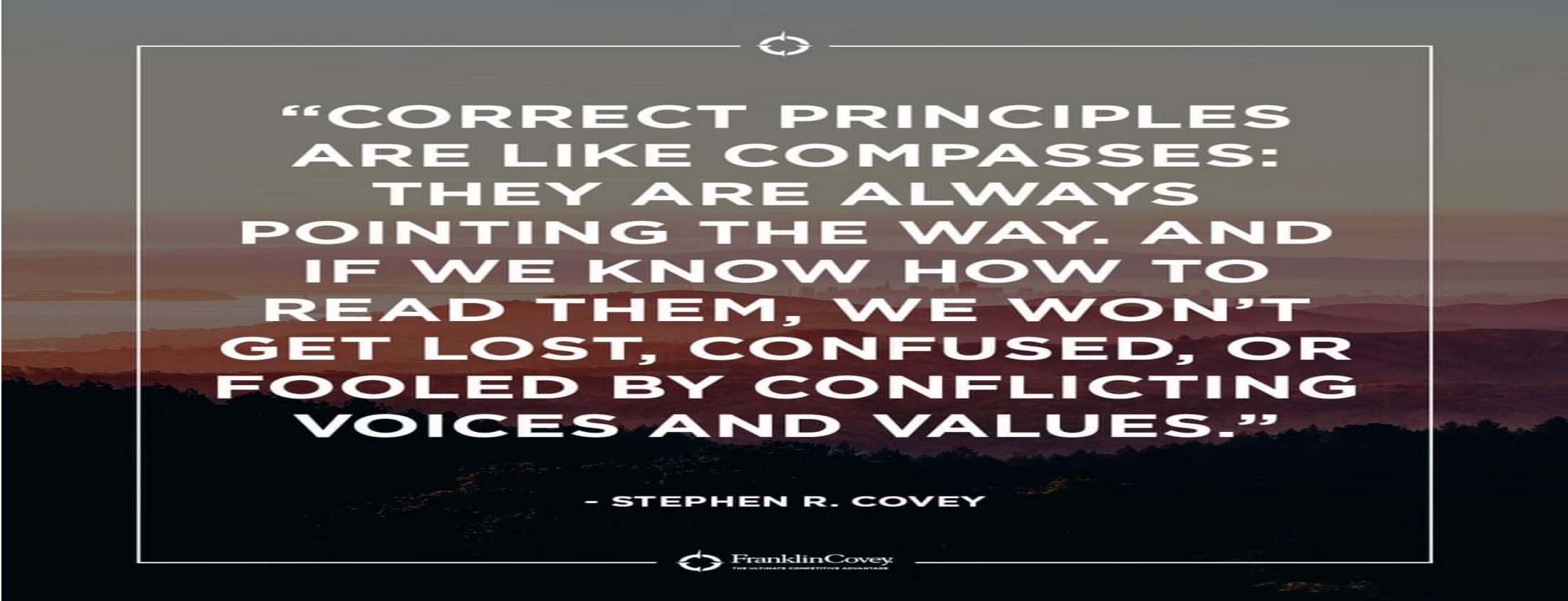
What is ethics?

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Why are Ethics Important?



**“CORRECT PRINCIPLES
ARE LIKE COMPASSES:
THEY ARE ALWAYS
POINTING THE WAY. AND
IF WE KNOW HOW TO
READ THEM, WE WON’T
GET LOST, CONFUSED, OR
FOOLED BY CONFLICTING
VOICES AND VALUES.”**

- STEPHEN R. COVEY



Our Ethical Beliefs

- It is not the things themselves which trouble us, but the opinions that we have about these things”
- Opinions and values (often uncritically held) handed down from generation to generation
- Developed to the point where their validity isn't questioned

Our Ethical Systems

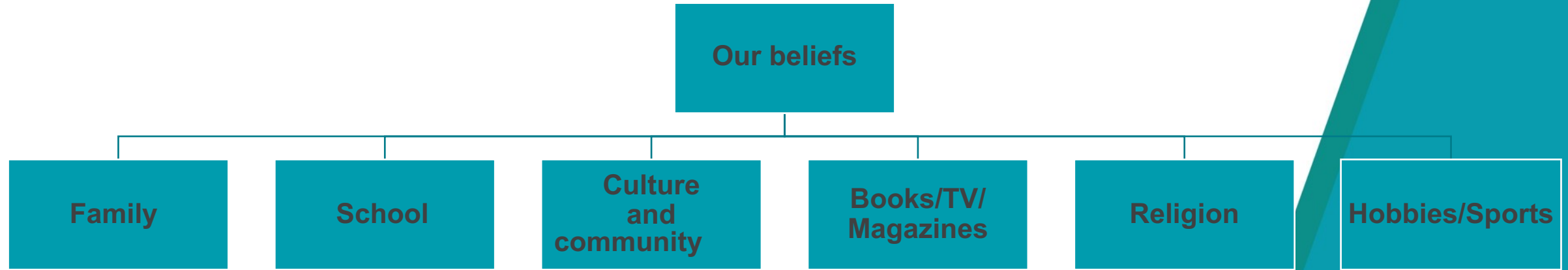
Values are the building blocks of our belief systems and are developed over time.

Help us to judge situations quickly without the need for time-consuming consideration of alternative views and actions.

Impact on behaviour

- Belief systems affect our behaviour.
- Can lead to anxiety, fear and conflict
- Can turn into 'automatic' thinking that can cause us to act impulsively, as if operating unconsciously.
- Emotional and reactive
- Automatic thoughts believed as ultimate truth.
- Don't consider other frames of reference

Where do our Ethics come from?



- Learn about the world in terms of what situations and actions produce physical pleasure (good) or pain (bad).
- Become socialised through commonly-held socially prescribed value sets

Why bother?

- We aren't walking impulses
- Can rise above the impulsive thoughts and automatic urges and think our lives through.
- Need to question - become aware of other perspectives
- "Don't believe everything you think"!!

“ Between stimulus and response there is a space. **In that space is our power to choose our response.** In our response lies our growth and our freedom.

Victor Frankl

BLOG.ZERODEAN.COM

Why bother?

- Good for a cohesive productive society
- Concern for something/someone other than ourselves and our own desires and self interests
- Concerned with other people, interests of society, God's interests, with ultimate goods and so on
- Personal benefits:
 - Happier life
 - Successful
 - Sleep at night
- INTEGRITY
- It's the right thing to do

Exercise – Self reflection

- Please write your personal belief system around the following terms.....
- Career, Money, Marriage, Religion, Politics
- (Remember to only write down the first thing that comes to mind. Your recorded response must be your initial, reflexive, automatic thought.
- Example: My personal belief around politics is : all politicians are crooks!

Honesty...

William Shakespeare:

No legacy is as rich as honesty

**WHAT YOU DO
HAS FAR
GREATER
IMPACT THAN
WHAT YOU
SAY.**

STEPHEN COVEY

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Easy to spot a yellow car when you are always thinking of a yellow car.

Easy to spot opportunity when you are always thinking of opportunity.

Easy to spot reasons to be mad when you are always thinking of being mad.

You become what you constantly think about. Watch yourself.



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Respect yourself enough to
hold yourself accountable to
a **high standard**.

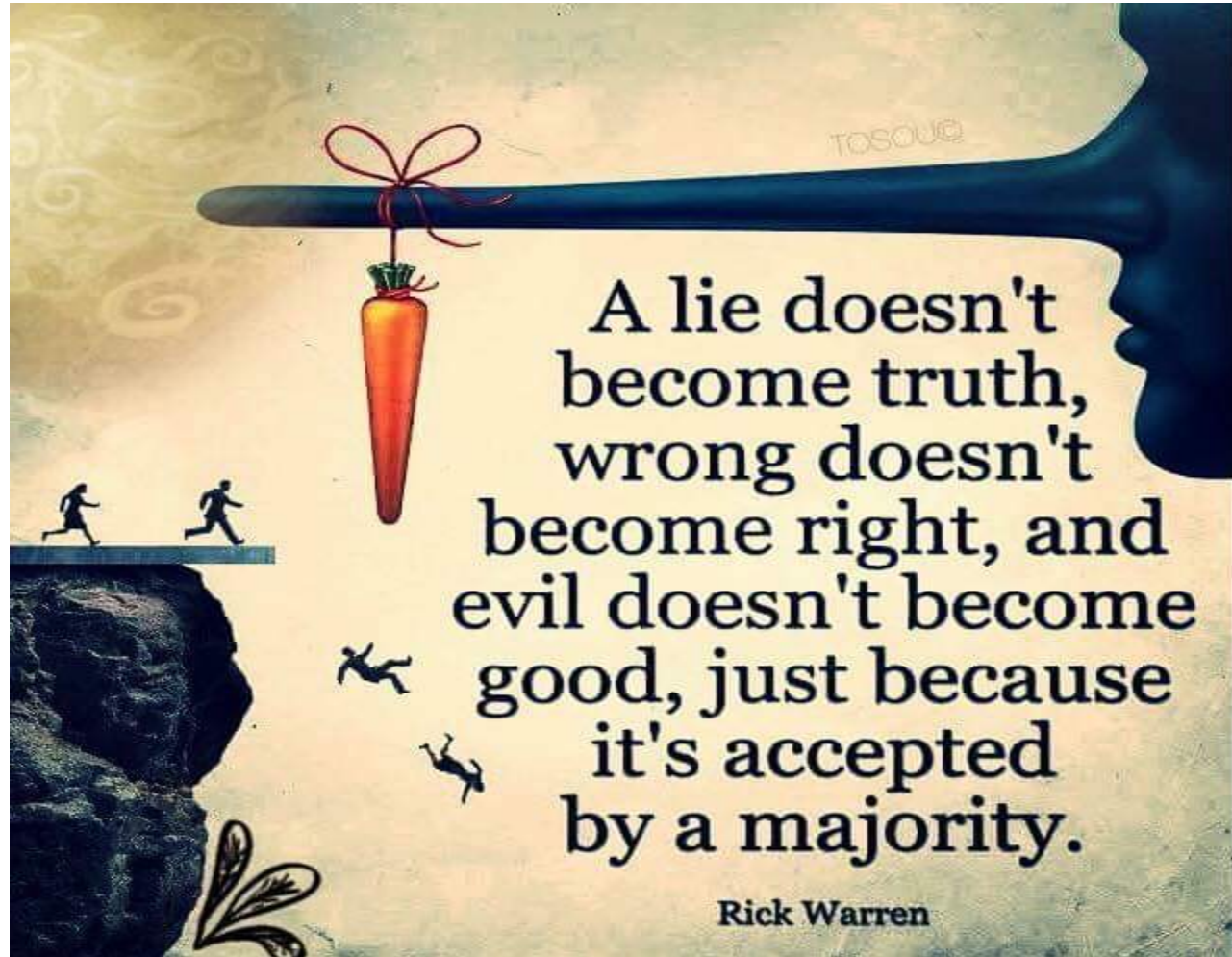
- *Tom Bilyeu*



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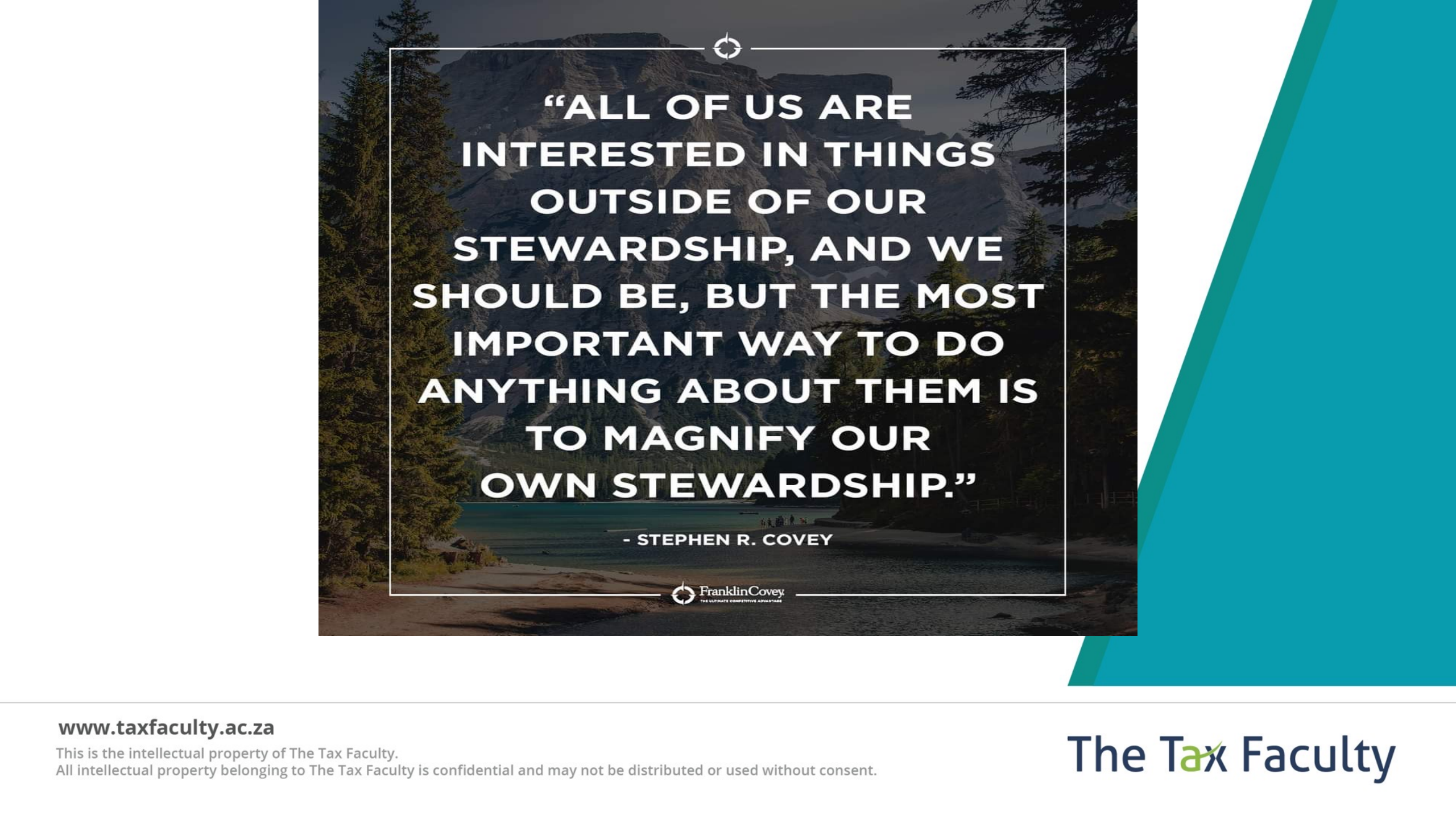
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SHOULD BE, BUT THE MOST
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TO MAGNIFY OUR
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- STEPHEN R. COVEY



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“I TEACH PEOPLE
HOW TO TREAT
ME BY WHAT I
WILL ALLOW.”

- STEPHEN R. COVEY



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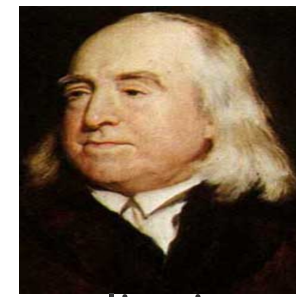
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Ethical theories

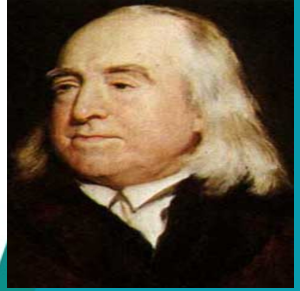
- Systematic way of analysing what you ought to do/not to do
- **Consequential and Non-Consequential Ethics**

Consequentialism



- (traced back to 5BC Chinese philosopher)
 - outcomes determine the morality of the act. Essence of morality is determined by the result or outcome of the act.
- Quality of the consequence – depending on how much good they contain
 - Increasing happiness and preventing suffering
 - Best consequence at the time
- **Utilitarianism:** most popular form of consequentialism
Jeremy Bentham.
- What makes the consequences better or worse?
 - how much happiness, pleasure and/or benefit is produced vs how much suffering and struggle is produced
 - Principle of utility (usefulness of action)
 - Measures the general good – for *everyone* involved

Consequentialism



Direct approach: consider direct effects actions have on others and act in ways maximising benefits to everyone involved.

Indirect approach: need to consider 3 steps

What would happen if everyone acted in accordance with the rule of conduct.

what would happen if everyone acted in accordance with the opposite

choose that in accordance with rule that if generally followed produce the best consequences.

Non-consequential ethics

- Non-consequential ethics
 - morality is determined by higher authority, some sense of duty, the nature of the thing, love, virtue involved, the right thing to do, or intuition.
 - The source of morality comes before the act is done.
- Intuitionism, natural law, virtue/character, divine command
- Golden rule
- Duty ethics (Kant)

Virtues

Honesty



- Commitment to being a good and virtuous person.
- Concerned with character and less with actions or rules.
 - Actions do count because if you are a good person then you behave virtuously in situations that require it!
- Character defines a person – you build your virtues through continuous practice of behaving virtuously!
- Can't be different you's!

Trustworthiness



Integrity

Integrity
is choosing your
thoughts and actions
based on values rather
than personal gain.



8-Images.blogspot.com



- What does it mean to have a virtue?
 - Reliable habits that you engrave into your identity. Habits that direct you toward what's good.
- Holistic view - excellence and virtue in all aspects of life
 - how you feel, think, what you see and how you act.
- Leads to good judgement without the need for rules.

The Golden Rule



- “Do unto others as you would want done unto you”
.....Spans history and culture
- Appeals to common sense: Short, clear and simple
- Builds on motivations and feelings that people already have
- Has obvious and immediate practical importance
- Has basic human appeal and maintains civilised society.

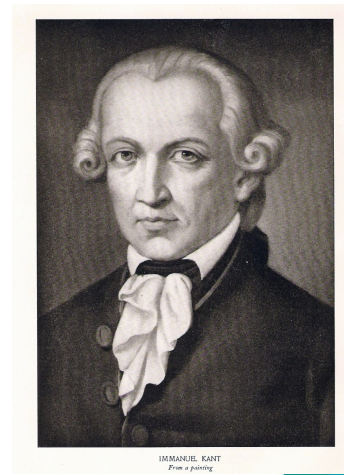
Golden Rule

- How it works
 - Test your proposed action towards others by seeing how that action would feel if you were on the receiving end.
 - Belief that other person's interests are similar and of as much importance as your own. Others have the same moral status or worth.
- You can't ignore the beliefs and values of others but do need to make a critical assessment of them.
- Concept of Reversibility:
 - so if I was the recipient, would I want to have that done to me.

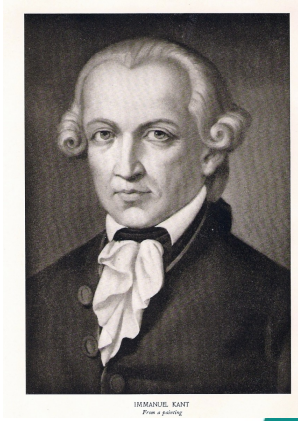


Kantian Ethics

- Ethical principles determined by practical reasoning
- Have a duty to achieve good
 - What's good? Your reasoning works that out
- Ability to reason common to all human beings
- Pure reasoning is the source of morality – not law or consequences
- Have an obligation to do the right thing
 - A moral action has to be done voluntarily. Morality is a conscious action
- People/actions are moral when they achieve the good/goodwill



Kantian Ethics



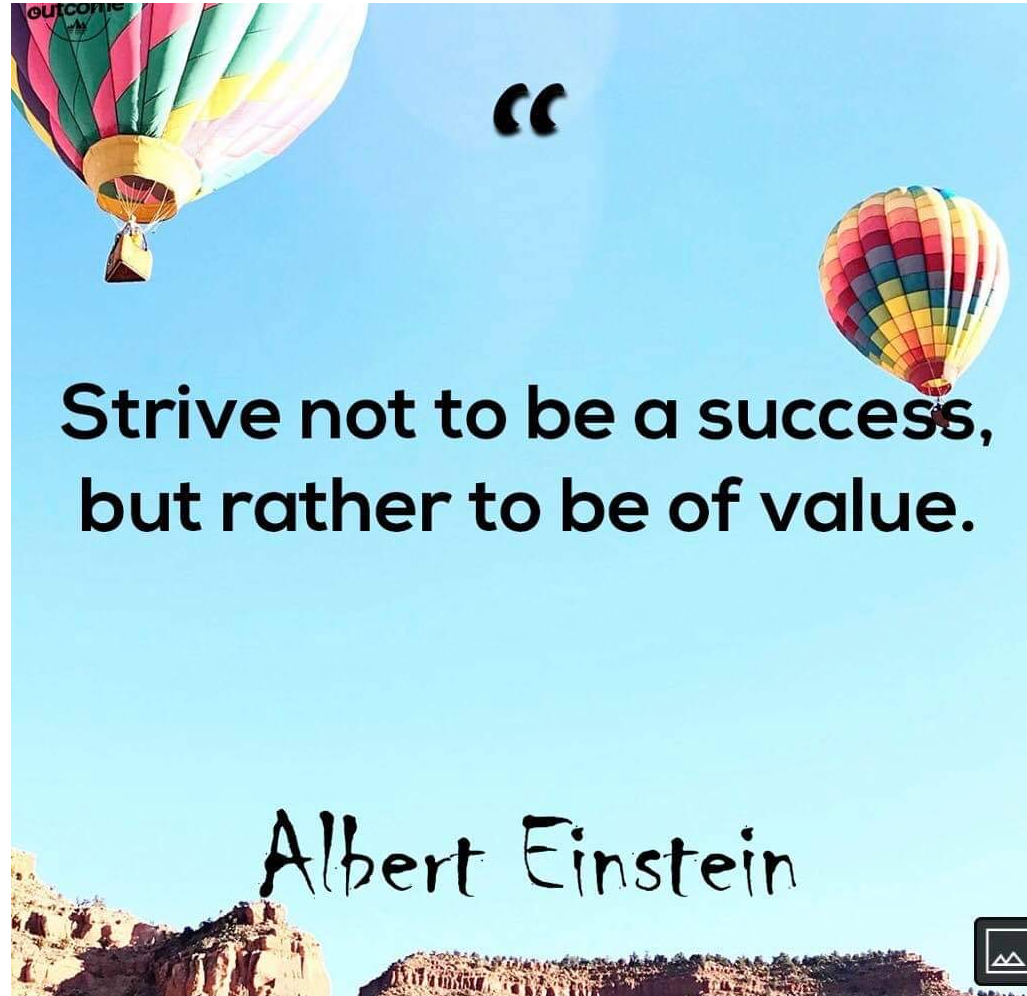
Categorical Imperative:

Act only according to that maxim (rule), which can be a universal law for all people in all circumstances.

This is a universal law of nature

1. Work out what the principle behind your action is.
2. Try to imagine a world in which everyone lived by that principle.
3. Ask yourself whether a world could exist in which everyone lived by that principle.

Albert Einstein



Comfort Break!!!

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Business Ethics

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What is Business Ethics?

Our business ethics guide us with respect to the people we surround ourselves with and the organisational culture we create.

“The culture of any organization is shaped by the worst behaviour the leader is willing to tolerate” Steve Gruenert and Todd Whitaker

Business Ethics: operational character of a business as a whole.

Human behaviour in the organisational context

Application of moral systems to a particular set of questions or a specific environment.

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What is Business Ethics?

- Business ethics is the** study of
- appropriate **business** policies and practices
 - regarding potentially controversial subjects
 - including corporate governance, insider trading, bribery, discrimination, corporate social responsibility, and fiduciary responsibilities.

Affects conduct and decision making

It always starts with the little things...

This is when my lying started



Name: _____

Date	Title	Start Page	End Page

Creating a healthy environment

The characteristics of leadership create the organisations character -
Tone form the top

Who are you as a person affects your behaviour in your business

- What behaviour do you tolerate?

Accountability

Taking responsibility

Effective communication

Ethical leadership

Empathy
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What do you, as an organisation, believe in?

How do your beliefs translate into your business decisions?

- Environmental issues (sustainability)
- Lifestyle choices (vegan example)
- Striving for excellence (Life long learning)
- Respecting others beliefs

What is your personal line in the sand

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Case Study: Honey farming in SA




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Every job
is a self portrait
of the person who did it.
Autograph your work
with excellence.

Vince Lombardi

SUTTLE
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Who do you surround yourself with?

Who do you do business with?

Who do you employ?

Who do you associate with?

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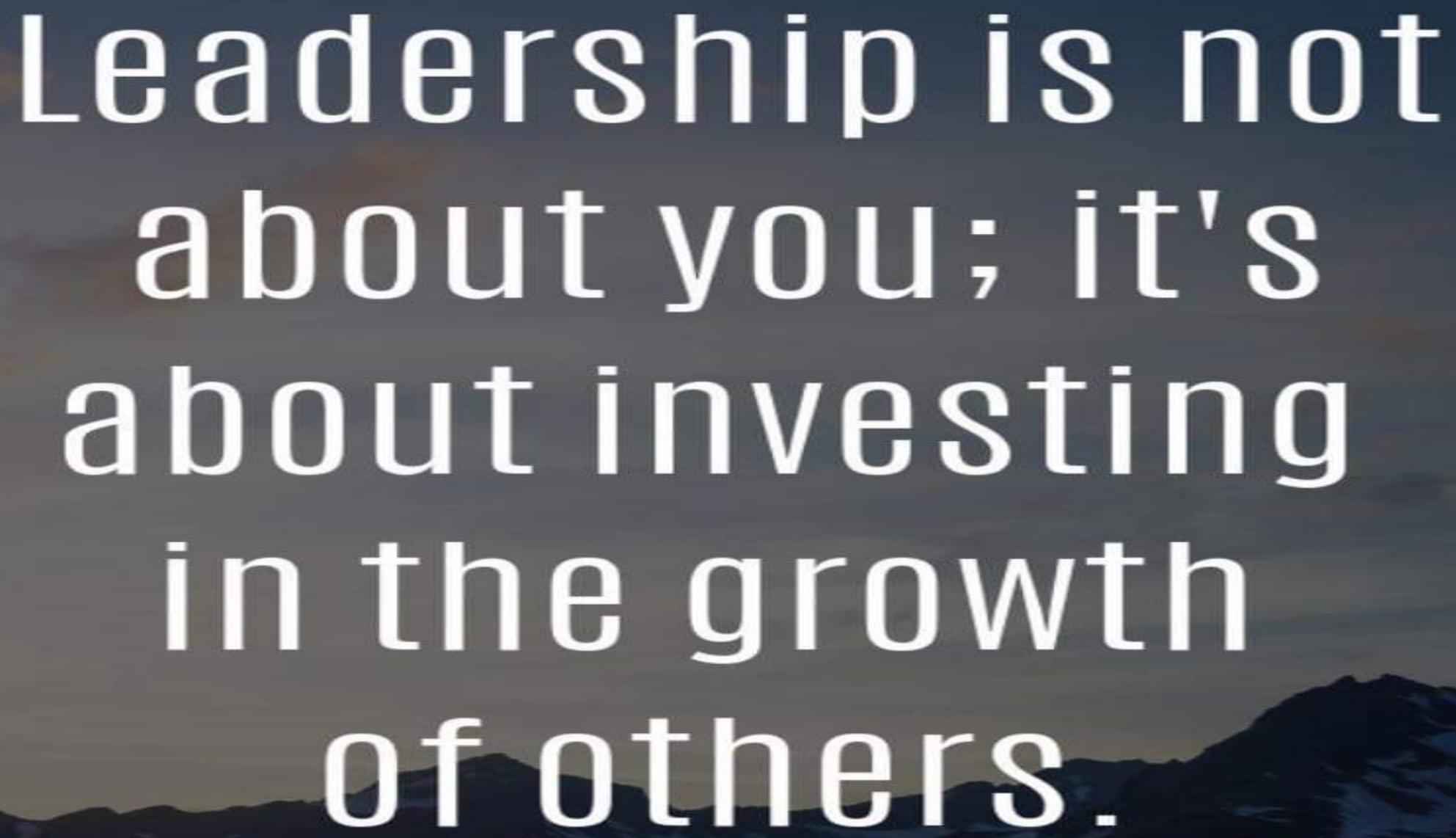


**“LEADERSHIP IS
COMMUNICATING
TO PEOPLE THEIR WORTH
AND POTENTIAL SO
CLEARLY THAT THEY COME
TO SEE IT IN THEMSELVES.”**

- STEPHEN R. COVEY



FranklinCovey
THE ULTIMATE COMPETITIVE ADVANTAGE



Leadership is not
about you; it's
about investing
in the growth
of others.

Ken Blanchard

Importance of Role modelling

Consider the impact of your actions

What does ethical behaviour and respect look like?

Consider the cost of staff working in a disrespectful workplace...

- Break down in working relationships, lowers productivity, high employee turnover, low staff moral

Lack of respect looks like:

- Shouting and swearing in the office, insubordination, gossiping and spreading rumours, trying to pull colleagues into your fights, doing the bare minimum...

The goal is not to do
business with everybody
who needs what you have.
The goal is to do business
with people who
believe what you believe.

- SIMON SINEK

Ethical Challenges in Business

Gifts

Ambition...

Loyalty

Toxic personalities

Harassment

Use of business assets -

Commercialism vs Professionalism

Deadlines and Overpromising –
unrealistic pressure on staff

Staying in your lane

Personal interest

Fiduciary care

Independence

Personal views/Social media

Diversity

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Applying to business ethics to the real world

Looting and looters – are they your staff??

Decisions at the Board room table..

Covid-19

Companies that you do business with

Impact on the country

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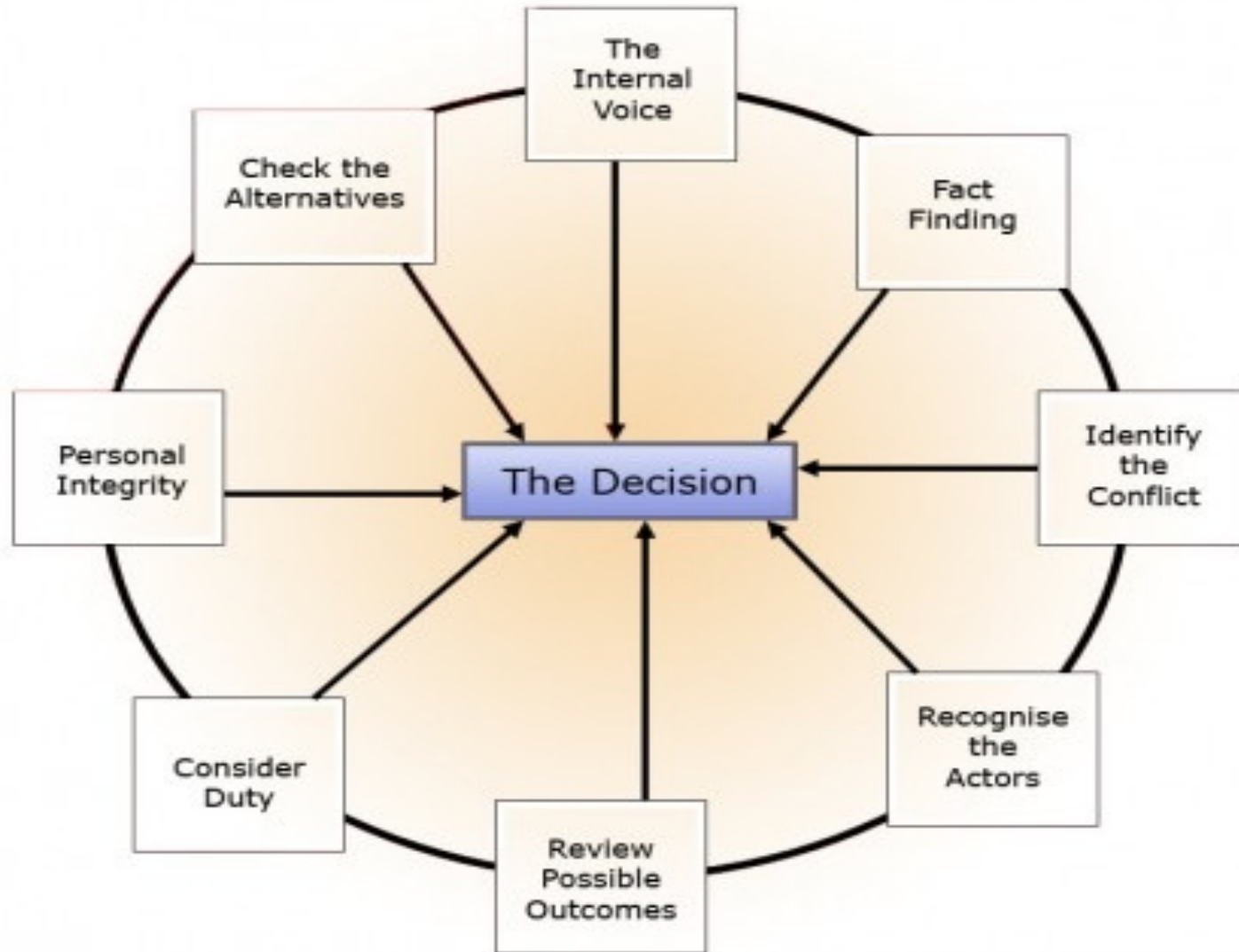
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Dealing with ethical dilemmas



Concept of Ethical Fading

Why good people do bad things....

Ethical aspects of a decision disappear from view

Rely on other aspects of decision – profitability and winning....

Simon Sinek, Lenny Wong

Product of self deception

Tools used

- Over use of Euphemisms (data mining, enhanced interrogation, manage the externalities)
- Rationalising (excuses, everyone is doing it, need to put food on the table)
- How do you sleep at night?

Moral disengagement –

People restructure reality to make it seem less harmful

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Rise of Selfishness - Sinek

Milton Friedman Theory (1970's)

Responsibility of business is to maximise shareholders profits

Business only existed to make money

Shareholders over customers and employees

1980's and 1990's boom

Rise of shareholder supremacy

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Leo Tolstoy

““Everyone thinks of changing the world, but no one thinks of changing himself”

Don't ever underestimate the importance you can have, because history has shown us that courage can be contagious and hope can take on a life of its own.

~ Michelle Obama



Goalcast

Comfort break

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Professional Ethics



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What is Professional Ethics?

Professional ethics

Our professional beliefs align us to our colleagues and our **aim to protect public interest.**

Code of Conduct

Aligning personal to professional to business ethics...

Code of Professional Conduct

Professional Membership Body

International Federation of Accountants (IFAC)

Ultimate objective: protection of public interest
- what does this look like??

Principle based code (as opposed to a rules based code)

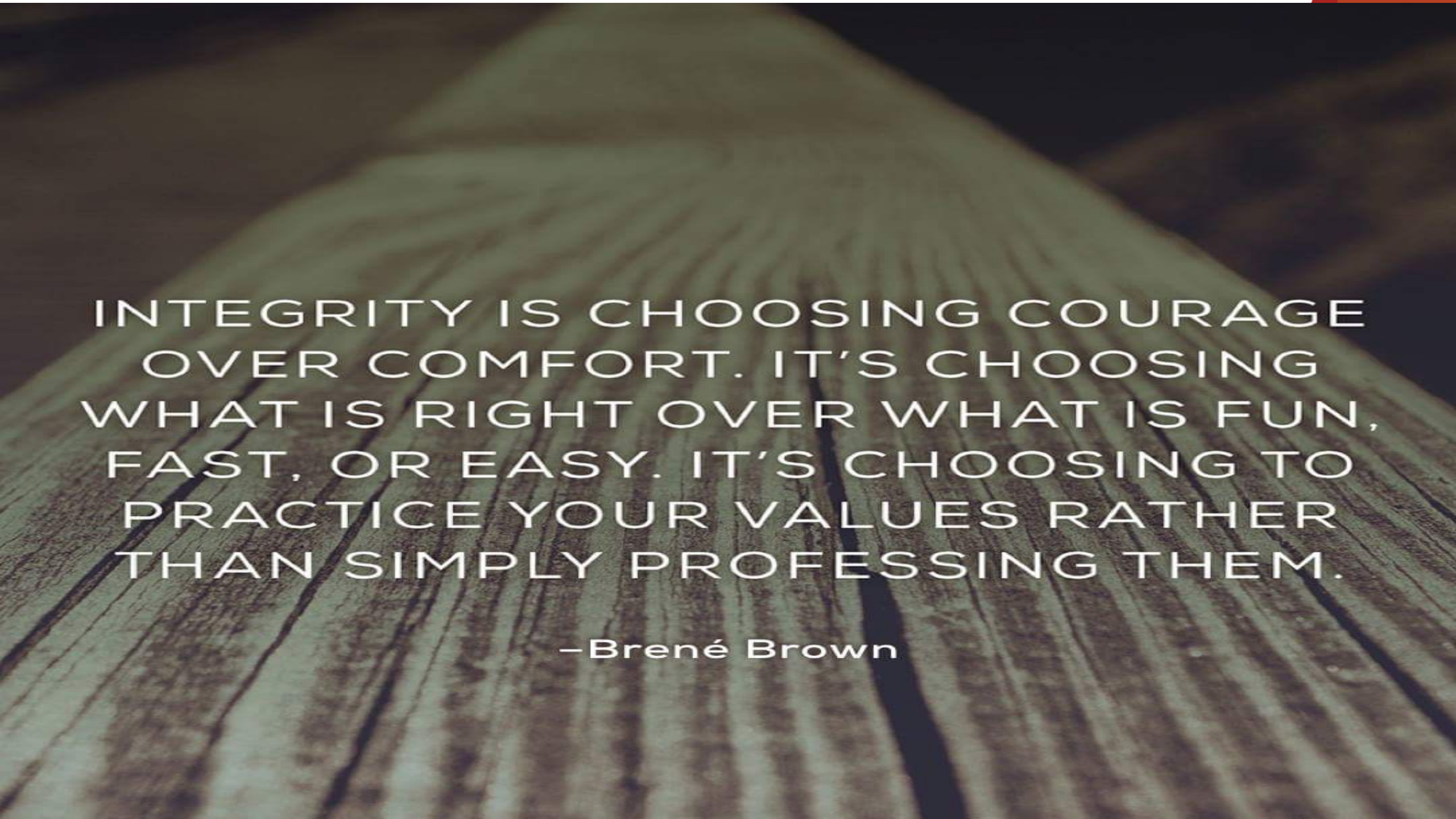
Why is independence so important to the profession?

BOTH in and out of practice??

Thought to ponder...

Stephen R Covey:

Correct principles are like compasses: They are always pointing the way. And if we know how to read them, we won't get lost, confused, or fooled by conflicting voices and values



INTEGRITY IS CHOOSING COURAGE
OVER COMFORT. IT'S CHOOSING
WHAT IS RIGHT OVER WHAT IS FUN,
FAST, OR EASY. IT'S CHOOSING TO
PRACTICE YOUR VALUES RATHER
THAN SIMPLY PROFESSING THEM.

-Brené Brown

5 Principles vs 5 Threats

	Integrity	Objectivity	Due Care	Confidentiality	Professional Behaviour	INDEPENDENCE
Self Review						
Personal Interest						
Intimidation						
Advocacy						
Familiarity						

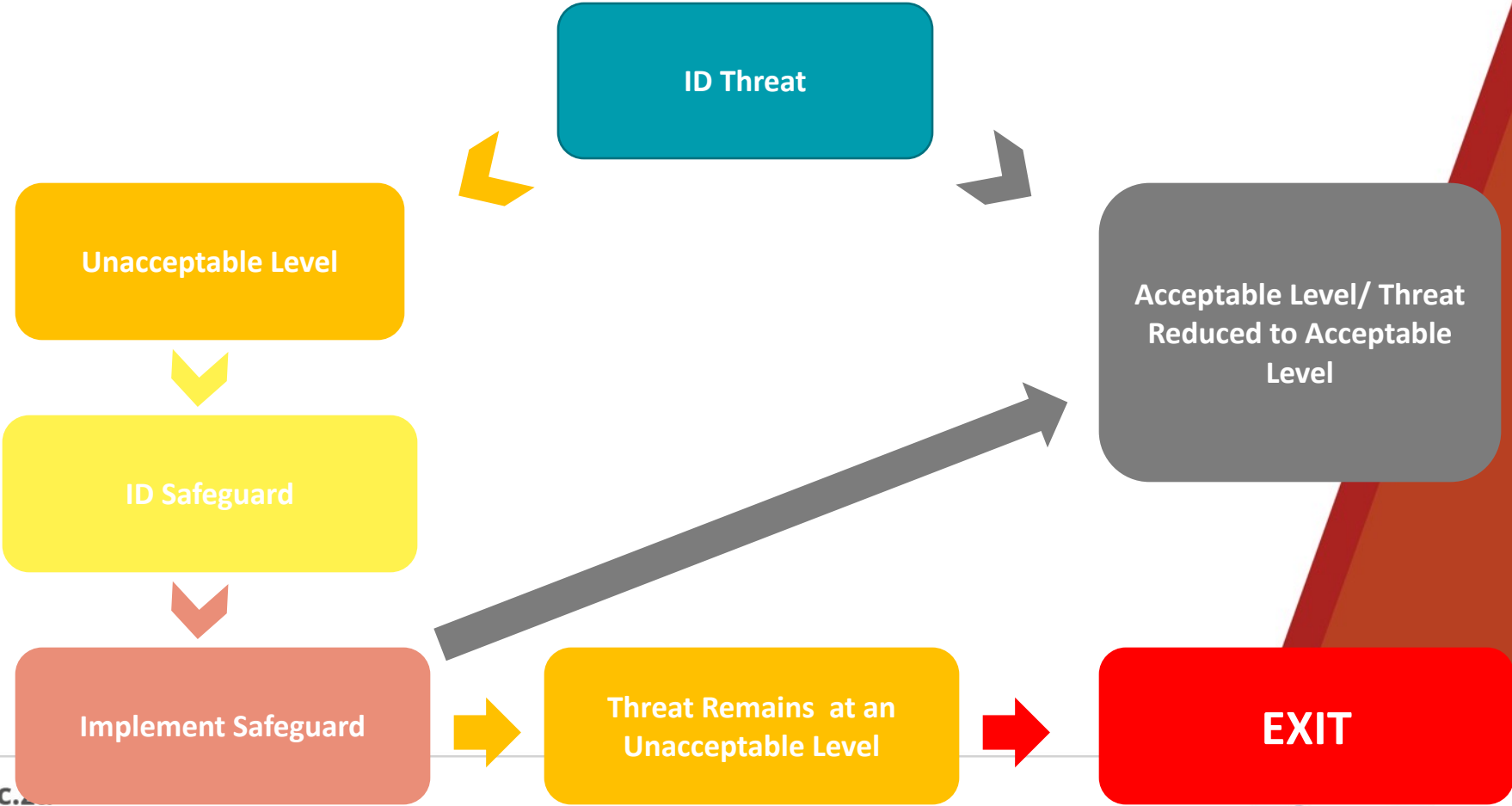
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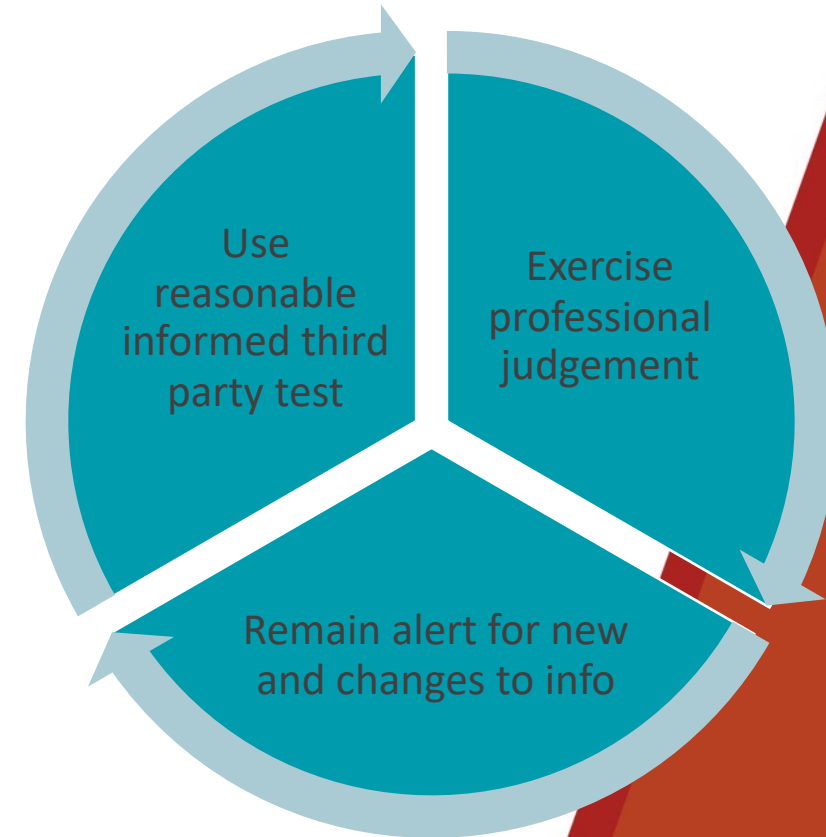
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Threats and Safeguard Decision Flow Chart



Enhanced Conceptual Framework



Examples of Safeguards

Safeguards by the profession, legislation/regulation:

- Educational, Training and experience required to enter profession
- CPD
- Corporate governance, legislation and regulations
- Professional Standards
- Professional monitoring and disciplinary procedures
- External review of work done by RA

The Potjie Pot Method....

Sensitivity – gut feel

Thinking – analyze, logic rules

Values – issues, who is affected, champion/challenge, other's values

Action -

Professional Ethical Choice and Awareness Model



Ethical Sensitivity

- What strikes you?
- Raise your awareness and attention to detail, what is being said and what is left unsaid?
- Consider the people involved
- What is it about the situation that makes you feel uncomfortable?
- Look for your sense of what feels good in this context.
- Consider diversity and your own blind spots
- Widen your perspective and extend your empathetic powers

Ethical Thought Process

- What are the facts?
- What else might I need to find out?
- What do ethical codes & regulations say and are there any legal issues here?
- What does my contract with the client say?
- Who should I consult within the profession?
- Ask the client for their ethical perspective
- If you were a client what would you want from your CA(SA)?

Ethical Motivation and Competing Values

- What are the conflicts inside yourself?
- What are the costs and benefits of a particular course of action for each individual involved?
- Which of your personal and professional values are being challenged and which are being championed?
- What is the impact on the client, your organisation, your professional reputation and other stakeholders?
- Discuss your values with trusted colleagues, peers or mentors

Ethical Follow-Through

- Who do I chose to hold me to account?
- Who will champion me?
- What core values can I feel most secure in?
- What do I need to let the client know?

How will this case/ reflection process influence your practice in the future?

What changes will you make in the way you practice?

What new awareness do you have?

NOCLAR and Reportable Irregularities

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NOCLAR - definition

Acts of omission or commission,
intentional or unintentional,
committed by
a client or
the PA's employing organisation, or
by TCWG, by management or by other
individuals working for or under the direction of
a client or employing organisation
which are contrary to the prevailing laws or
regulations

Per standards – Reasonably expected to know

Laws and regulations generally recognised to have a direct effect on the determination of material amounts and disclosures in the financial statements

Other laws and regulations with no direct effect but compliance with which may be fundamental to the entity's business and operations, or to avoid material penalties

Examples of Laws and Regulations

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

EXCLUDED

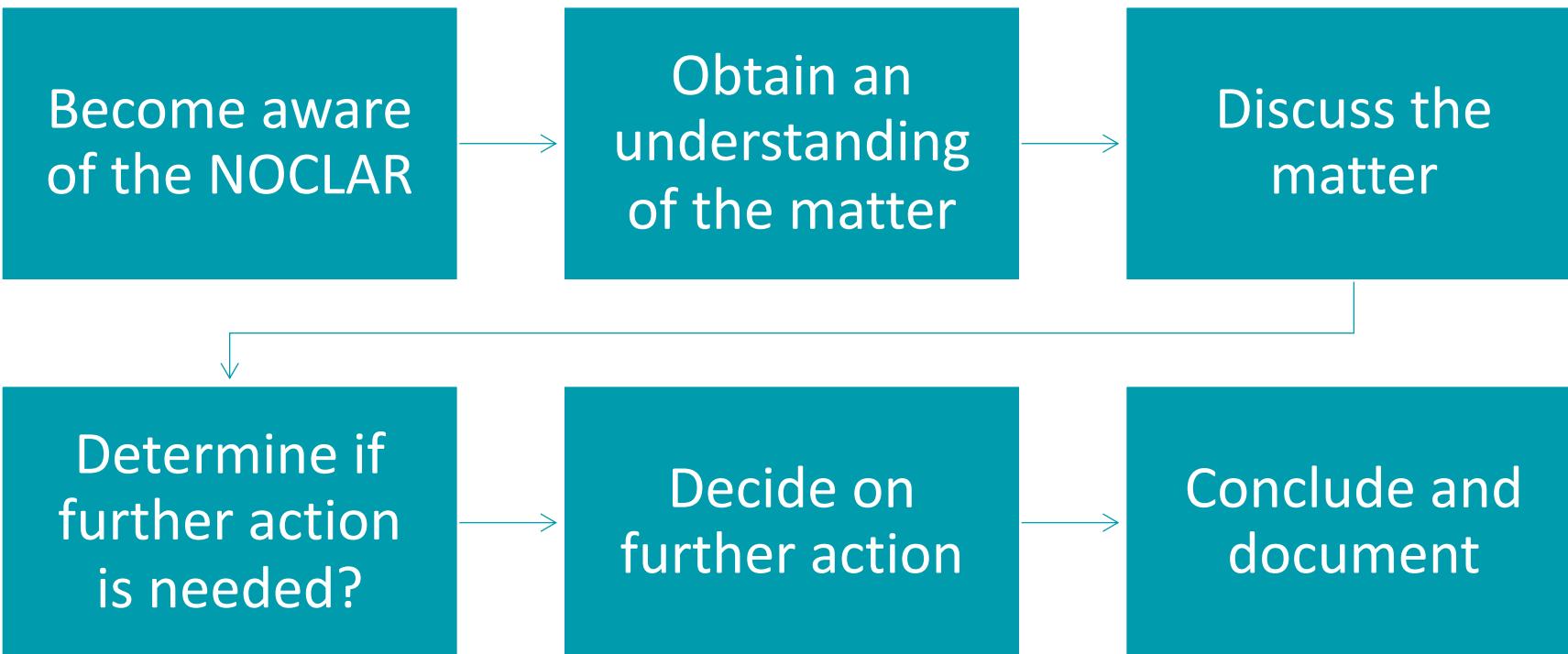
Matters that are clearly inconsequential

Personal misconduct unrelated to the business activities of the client or the employing organisation

NOCLAR other than by the client or the employing organisation, or TCWG, management or other individuals working for or under the direction of the client or the employing organisation

NOCLAR Process/Framework

Exit points??



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What about when you are prohibited to disclose?

Legal privilege

Right to prevent disclosure; applies to communications between an appropriately qualified legal advisor and Client

Must be claimed (and other requirements must be met)

Specific information is privileged; not general knowledge about an event or incident >>> Assess what is privileged

Disclosure of privileged information would be precluded

Also consider that the appropriate people at Client are already taking steps to seek to address the matter ...

Examples of L&Rs that prohibit disclosure

Protection of Information Act 84 of 1982

And others ... (depends on the nature of the information and the specific circumstances of a possible disclosure)

Contractual confidentiality

Freedom to contract, but not contrary to L&Rs

Only arises when PA decides to disclose information despite the absence of a legal obligation to do so

Higher order considerations in Code related to public interest

Contract could allow for disclosure ito the NOCLAR provisions

Such clause protects the client or employer and the PA

In limited circumstances, the “contrary to public policy “ principle could override a confidentiality clause

Determined on a case by case basis ... [remember, PA may decide to consult at any stage]

Reporting to prevent manifest and substantial harm

Examples of Statute – General Protection

Protected Disclosures Act 26 of 2000

Applicable to employees (subject to the requirements of the Act)

Protection is against 'occupational detriment'

The disclosure must be made internally to certain persons, including complying substantially with any internal procedure

The disclosure must be made in good faith

Must relate to any conduct of the employer or any employee of the employer where the information shows or tends to show ...

Can be repeated to an appropriate external party, if

- The disclosure was 1st made internally; and

- The internal party failed to take action

Companies Act, section 159

Protection is immunity from any civil, criminal or administrative liability

Applies to employees and is also linked to the PDA

Also applies to other parties – section 159(4). For example

Shareholders, directors, prescribed officers, company secretary, suppliers of goods or services

Applies to disclosures made to ... – section 159(3). For example

CIPC, Tribunal, Panel, a regulatory authority, the board, a committee of the company, auditor

Must relate to information that shows or tends to show that a company or external company, or a director or prescribed officer of a company acting in that capacity, had ...

section 159(3)(b)

ACTUAL OR POTENTIAL SUBSTANTIAL HARM

Is an act that results in serious adverse consequences to the entity or to investors, creditors, employees or the general public, in financial or non-financial terms

Examples include

- Fraud resulting in significant financial losses
- A breach that endangers the health and safety of ...

More examples

- Bribery for purposes of securing large contracts
- A matter that threatens the entity's license to operate
- An act that poses a systemic risk to the financial markets
- Products that are harmful to public health or safety
- Promoting a scheme to evade taxes

Consider: Nature, cause, circumstances and extent of matter

- Legal and regulatory framework
- The appropriateness and timeliness of the response of management and, where applicable, TCWG
- Urgency of the matter
- The involvement or management or TCWG in the matter
- The likelihood of substantial harm to the interests of the client, investors, creditors, employees or the general public

DOCUMENTATION

In relation to an identified or suspected act of NOCLAR, the PA is encouraged to document

- The matter
- The results of discussions with ...
- How management and, where applicable TCWG, have responded
- Courses of action considered, judgments made and the decisions that were taken
- How the PA is satisfied that he/she has appropriately considered whether further action is needed in the public interest

Reportable Irregularities

Section 45 of the APA

“An individual registered auditor referred to in section 44(1)(a) of an entity that is satisfied or has reason to believe that a reportable irregularity has taken place or is taking place in respect of that entity must, without delay, send a written report to the Regulatory Board” ... [and the remainder of section 45]

- Applies when appointed to perform an “audit”; i.e. any audit or other reasonable assurance engagements
- Excludes any review or other limited assurance engagement L&Rs
- However, includes ISRE 2410 engagement

Reportable Irregularities Quick Refresher

The Criteria for a RI:

An unlawful act or omission; and

Committed by any person responsible for management of an

entity; and

It meets one or a combination of the following:

- Has caused or is likely to cause material financial loss ...;

- Is fraudulent or amounts to theft; or

- Represents a material breach of any fiduciary duty ...

IRBA Guide, Appendix 7 provides 23 examples


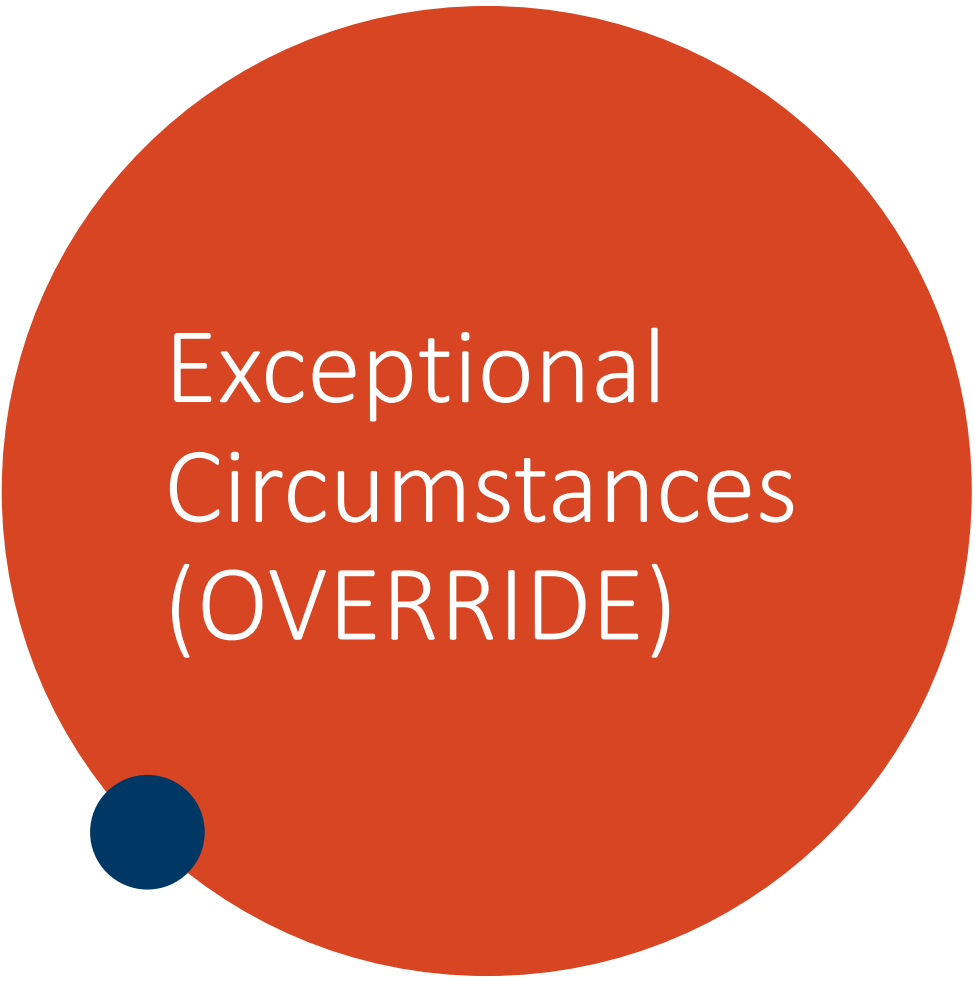
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Exceptional Circumstances (OVERRIDE)

“In exceptional circumstances,
the professional accountant may become aware of actual or intended conduct
that the professional accountant has reason to believe would constitute an
imminent breach of a law or regulation
that would cause substantial harm to investors, creditors, employees or the
general public.
Having considered whether it would be appropriate to discuss the matter with
management or those charged with governance of the entity,
the professional accountant shall exercise professional judgment and may
immediately disclose the matter to an appropriate authority
in order to prevent or mitigate the consequences of such imminent breach of
law or regulation.
Such disclosure will not be considered a breach of the duty of confidentiality
under Section 140 of this Code.”

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The Code....

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More User Friendly – to use

Completely rewritten

Considered easier to use, navigate and **enforce**

Increased focus on compliance with

- Fundamental principles

- Independence

Enhanced Conceptual Framework

- More robust safeguards

- More tightly integrated into sections

Included in the Updated Code

All substantive advances from the last 4 years
Enhancements to Conceptual Framework
Enhanced safeguards
Long Association
Preparing and Presenting Information
New provisions wrt to pressure to breach principles
PAIB vs PAPPs
Professional judgement and professional scepticism
Inducements

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Public Interest Entity

A listed company, and

An entity

Defined by regulation or legislation as a PIE, or
For which the audit is required by regulation or legislation
to be conducted in compliance with the same
independence requirements that apply to the audit of listed
entities

Promulgated by any relevant regulator including IRBA

Other entities set out in para R400.8a and R400.8b

Using the Code

Reduce repetition

Apply part 1 – everyone

Apply other parts as applicable

Scalability, for example

- Audit

- Non Audit

- Audit that is PIE

- Audit that is non PIE

Key Enhancements

Threats that are not acceptable

- Eliminate circumstances causing the threat

- Apply safeguard

- Decline or the specific professional activity/service
(Emphasis if threat cannot be addressed)

Safeguards, RITP and other key concepts clarified

- Safeguards now more clearly aligned to identified threats

New Requirement – Step Back in forming overall conclusions

Inducements

Including Gifts and Hospitality

Clarifications about boundaries,

Prohibitions with intent to improperly influence behaviour

Application of CF when no actual or perceived improper intent

Long Association

Strengthen general provisions

Partner rotation for PIE audits

Companies Act (5 years on, 2 years off)

Currently (Extant)	Revised
7 year time on: KAPs	No change
2 year cooling off: all KAP's	5 year cooling off: EP
	3 year cooling off: EQCR
	2 year cooling off: all other KAPs

Cooling off Restrictions

Continual prohibition on consulting with engagement team or client regarding

Technical, industry specific issues, transactions and events

NEW restrictions

Acting as “client relationship” partner

Undertaking any other role or activity (including Non Assurance services) that would result in individual having significant or frequent interactions with senior management or TCWG or directly influencing the outcome of audit

PAIB provisions affecting PAPPs

Practitioners are in business too....

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Professional Judgement and Professional Skepticism

All PA's – emphasis on obtaining an understanding of facts and circumstances when exercising professional judgement

For auditors and assurance

Compliance with principles supports the exercise of professional skepticism

Safeguards

Safeguards by the profession, legislation/regulation:

- Educational, Training and experience required to enter profession
- CPD
- Corporate governance, legislation and regulations
- Professional Standards
- Professional monitoring and disciplinary procedures
- External review of work done by PA

Code believes that

Need safeguards to increase likelihood of identifying and deterring unethical behaviour

- Effective and well published compliant system

- Explicitly stated duty to report breaches in unethical behaviour

Need to manage conflicts in interest

DISENGAGE.....

Communication

With those charged with governance

Make relevant persons aware of limitations inherent in professional services where appropriate

Confidentiality

Highlight that this includes social environment

No legal privilege

NOCLAR

Disclaimers on email??

Appropriate recipient?

Professional behaviour

Must not adversely affect the good reputation of the profession

Consider marketing and promoting of work

- No exaggerated claims (services, qualifications or experience)

- Don't disparage work of others (references or comparisons)

Multiple firms

- possible but don't mislead

Self Interest Threat Examples

Assurance team member having direct financial interest in client

A firm having undue dependence on total fees from a client

Assurance team having a significant close business relationship with an assurance client

A firm being concerned about the possibility of losing a significant client

Contingent fee arrangement with client

Self Interest Threat Examples

Assurance team member entering into employment negotiations with a client

A PA discovering a significant error when evaluating the results of a previous professional service performed by a member of the PA's firm

Self Review Threat Examples

A firm issuing an assurance report on the effectiveness of a system after designing/implementing it

A firm having prepared the original data used to generate records that are subject to assurance

Assurance team recently been a director/officer of client (position of significant influence)

Can't mark your own homework!!

Advocacy Threat Examples

The firm promoting shares in an audit client

A PA acting as an advocate on behalf of a client in litigation or disputes with third parties

Familiarity Threat Examples

Assurance team member having a close or immediate family member who is a director/officer of client (significant influence)

Director/officer having recently been an engagement partner and in a position of influence

PA accepting gifts or preferential treatment unless trivial

Senior personnel having long association with assurance clients (MAFR)

Intimidation Threat Examples

Threat of dismissal from client engagement

Audit client threatening to withhold non assurance work from firm due to dispute

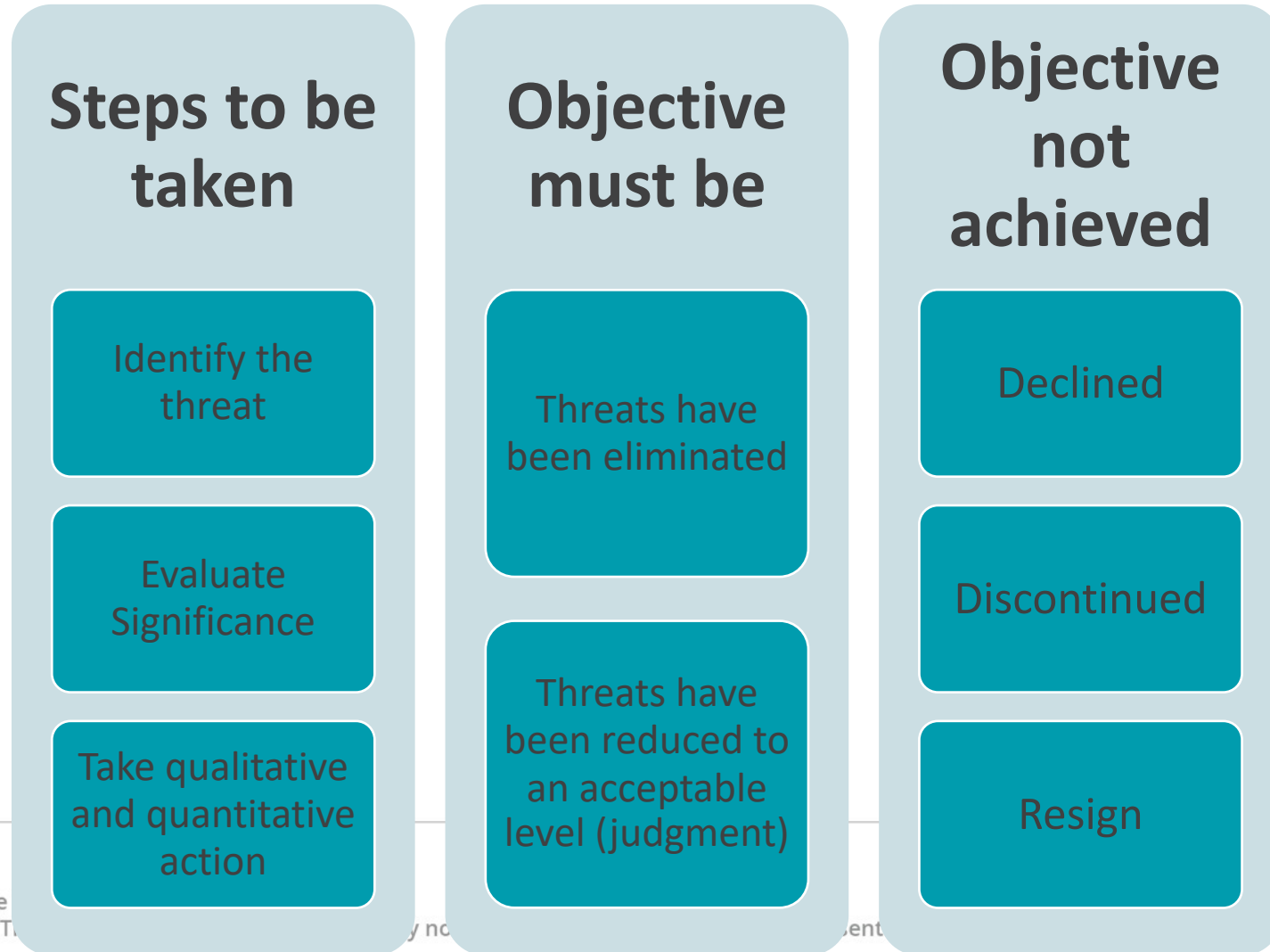
A firm being threatened with litigation

A being pressured to reduce work performed inappropriately to reduce fees

PA feeling pressured to agree to judgement of client employee because they have more expertise

PA promotion threatened if don't agree...

Objective of Safeguards



The reasonable and informed third party (RITP)

The RITP is found in 13 places in the code

Relates to decisions that have been made

Conceptual Framework

Independence

Who is an RITP?

Use the above mentioned tools in your working papers.

The reasonable and informed third party (RITP)

How does that person make a decision? – Think of EQRP.

“Weighing up all the specific facts and circumstances available to the registered auditor at the time, would likely to conclude that the treats would be eliminated or reduced to an acceptable level by the application of the safeguards” (200.10)

Safeguards

Leadership

Policies and procedures (ISQC1)

Documentation

Different partners and peer review

Communication

Training, mentoring counselling

Consulting with independent technical consultants

Disclosing ethical issues with TGWG

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Professional Appointment

- **Client acceptance and continuance**
 - Pre-engagement
 - Make sure you have the skills and resources
 - Timeframes?
- Changes in professional appointment
 - Additional work to existing practitioner?
 - Client refuses to give permission to contact exiting PA, should decline appointment unless exceptional circumstances

Conflicts of interests

- Creates a threat to objectivity
- Assess client base and independence
- Need to identify
 - Nature of relevant interests and relationship between the parties involved, and
 - Nature of the service and implication for relevant parties
- Circumstances can change over time

Second Opinions

- Approach with care

Fees and other Remuneration

- May quote whatever fee that is deemed appropriate
- Must not sacrifice quality of engagement
- Safeguard - communicate with client and assigning appropriate resources
- Contingent fees for non assurance engagements?
- Referral fees and commissions?

Marketing Professional Services

- If concerned – need to consult with regulator

Gifts and Hospitality

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Custody of Client Assets

- A PA shall not assume custody unless permitted to do so by law and if so, in compliance with additional legal duties imposed on PA
- FICA requirements
- Trust monies
- Acting as trustee

Objectivity – all services

- Beyond Assurance

INDEPENDENCE

- Independence
 - of mind
 - in appearance
- Network firms
- Public Interest Entities
 - Section 290.26(a)
- Related entities
- Those charged with governance
- Documentation

INDEPENDENCE

- Engagement period
- Mergers and Acquisitions
- Breach of a Provision of this Section (S290)
- *Management responsibility:*
 - *controlling, leading, directing an entity*
 - *including making significant decisions*
 - *regarding acquisition, deployment and control*
 - *of human, financial, physical and intangible resources*

Considerations

- Financial interests
 - Acting as a trustee
- Loans and Guarantees
- Business Relationships
- Family and personal relationships
 - Significant influence
- Employment with an audit client
- Temporary Staff Assignments

Considerations

- Recent service with an audit client
- Serving as a director/officer of a client
- Long association of senior personnel with Audit client
- Provision of non assurance services to audit clients
 - Management responsibility??
- Valuation services
- Taxation services

Considerations

- Taxation services resolution of tax disputes?
- Internal Audit
- IT System services
- Litigation support services
- Legal services
- Recruiting services
- Corporate finance services

Fees

- Relative size
 - 15% over 2 years
- Fees overdue
 - Expected to require payment before report is issued
- Contingent fees

Other issues

- Compensation and evaluation policies
 - Ie compensation for selling non assurance services
- Gifts and hospitality
- Actual and threatened litigation
- Reports that include a restriction of use and distribution
- **S291 Other assurance engagements**

Where do we need to be?

Effective and ethical leadership

Accountability

Empathy

Teamwork

Continually learning

Creating a healthy culture and environment

Truth to power

Role modelling

Personal Brand



What can we as a profession do to make a difference?

- for our staff
- for our clients
- for our communities
- for our country

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- For our country

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**NEVER FORGET HOW
WILDLY CAPABLE
YOU ARE**



Goalcast

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