ETHICS FOR GOVERNMENT ACCOUNTANTS

- At the beginning is the handout for watching the course, then fully completed slides are found starting on P. 84 in this course material (the PDF viewer has the slide numbers), then the course Cheat Sheet
- It is suggested that you don't look at the completed slides while watching the video. If you do, punch lines are spoiled, it would be like watching a movie with the script in hand. Also, you may not do self-reflection on mini-cases, because the answers are right there!
- You may only want to take personal application notes while watching the course, not course content notes. But it is up to you…

COURSE INFORMATION

- This course deals with complex matters and may not apply to particular facts and circumstances. For these reasons, the course material should not be relied upon as a substitute for specialized professional advice in connection with any particular matter. Although the course material has been carefully prepared, neither Stephen Priddle or any sponsoring or registering body accept any legal responsibility for its contents or for any consequences arising from its use.
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ETHICS FOR GOVERNMENT ACCOUNTANTS

www.practicalpd.com

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President,
Practical PD, Courses For Accountants

spriddle@bell.net

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PRACTICAL PD

Note about electronic material

- You have the option of **printing the material** and taking notes during the video, or **taking electronic notes**
- **Printing** means you don't have to have two devices in use during the video
- If you print, we suggest you make sure you print the material large enough to take notes on it
- We **cannot provide conclusive instructions on how to take electronic notes** in the pdf file on each registrant's device, because of the wide ranges of combinations of pdf software that registrants may have, in addition to platforms, i.e. MAC or PC, tablet, etc.

Introduction

- This is the ethics section that was formerly in my popular course, **Practical Tips for Government Accountants** until Sept 1, 2023
- CPA Quebec asked for it to be removed on Sept 1, 2023, because their system could not handle courses that were partially ethics
- You may want to take this 6 hour video course as well, (content coverage follows this slide)

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- To help you in real-life in the area of ethics, covering selected, practical topics

Course coverage

- A story with a lesson
- Some of my ethics background
- Ethics and government bidding
- Who are the most unethical accountants in Canada?
- No pre-determining results
- The prevalence of resignation for ethical reasons among CPAs

Course coverage

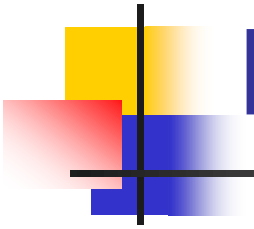
- A key rule of professional conduct
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- Reforming colleagues
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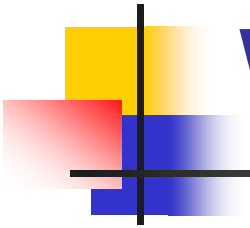
Introduction

- Private sector seminar background
- I have never worked as an_____ _____!
- One day in Toronto…
- I promise you that this will be _____
- The fully complete slides start on P. 83 of the course material, but as stated on the first page, we don't recommend you have them when you watch the video



Note

- I want you to see me…



Watch this any way you want

All my live seminars/webinars have an opportunity to win prizes

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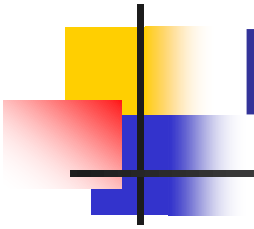
BUT, send me an email with:



- example of how you plan to apply a tip
- another tip idea
- useful feedback
- clean relevant joke

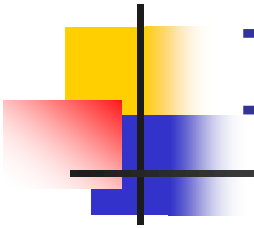
and you will enter a draw for a prize

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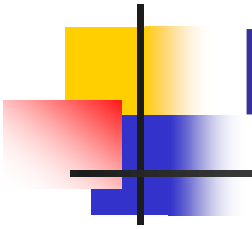


Notes

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- Take breaks whenever you want, (refreshments not provided!)

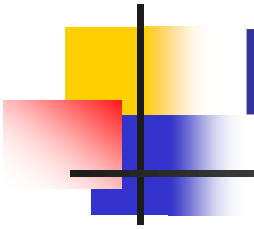


Introduction - me



My background

- We have probably met before…



My background

- I have faced similar issues
- I have faced completely different issues

My experience

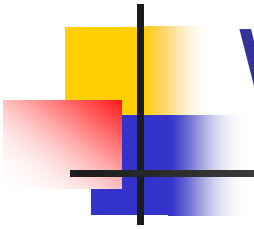
- In the past: Industry Canada, Natural Resources Canada, Auditor-General Canada, Canada Revenue Agency, AECL (crown), CBC & Canada Post (consulting)

Also

- 23 of last 24 years as a corporate CFO in private sector, one year as Controller
- Currently VP, Finance & CFO, co-owner and Board member of an aviation systems company

By the way,

- I have advocated for a public sector stream for professional accountants…
- The CPA program has the audit & assurance, management accounting, finance, tax specialties, why not add public sector?



Where am I?

Ethics - intro

- A story with a lesson
- He tarnished your _____
- Did you lose money due to that accounting fraud?

Let's talk about ethics

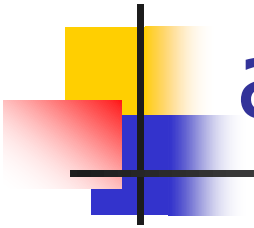
- I have faced a large number issues
- I am passionate on the topic
- I used to sit on the CMA Ontario Ad Hoc Ethics Advisory Committee
- I speak regularly on ethics
- The public wants the government to be ethical

Let's talk about ethics

- My first business ethics decision at age 19…

Ethics – government bidding

Who are the most unethical accountants in Canada?



No crooked accounting…!

- A woman wanted to know what 2+2 was so she went and asked a _____
- Reminder: we don't _____
- _____

Someone I know who interviewed in the public sector

- Job interview question: "the DM gets a bonus for spending less than X on _____. Would you book costs in the incorrect account, to ensure the DM gets their bonus?"
- His answer: _____
- Result: _____
- Conclusion:_____

Ethics

- Were you taught ethics at university/college?
- Can you lose your _____
- _____ for being unethical in the business world, after graduation?

Ethics - intro

- Ethics is often an issue in the public sector
- Have you ever faced an ethical issue in government? _____
- About ___of private sector Controllers & CFOs have had to resign a position due to ethics, based on my survey

Assumption

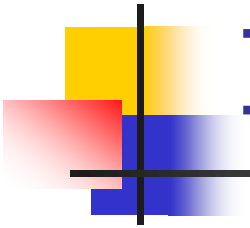
- You have likely had other ethics training, I am going to generally assume you know what is unethical, and what is not allowed in the your level of government
- There are is also the CPA Rules of Professional Conduct, for CPA's

Rules of Professional Conduct

26. The CPA must not prepare, produce or sign declarations, letters, certifications, opinions, reports, presentations, financial statements, opinions or any other statement or document, out of convenience or when he knows or should know:

1° either that they contain false or misleading information;
2° either that they omit or conceal information the omission or concealment of which is likely to induce in error;
3° either that they contain information not in compliance with laws, rules of the art or standards applicable.

In the same way, he must not associate himself with such statements or documents.



Important

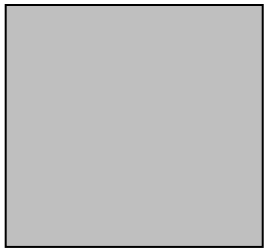
- Something can violate 205/26, but not break any _____…
- Example: _____

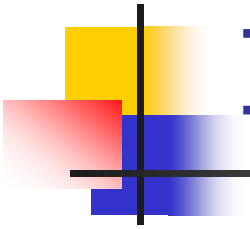
The truth is important

- If you tell the _____, you don't have to remember what you said
- We can all be tempted to lie at time, but no one likes to be _____

Put CPA Ethics up on the wall, in case of ethics challenges…?

Some might say, “it’s just a gray area…”





It’s just a gray area

- Name of a seminar by a CFO who got out of jail: *The gradual slippage from "it’s a _____ area to what were we _____?”*
- Little matters become _ matters, little compromises become _ compromises

Ethics - pressure

- In a situation, think about being in _____or _____ or _____

Ethics – some advice

- What is the _____?

  _____
- Is it ____? (Consult a _____)
- Is it fair?
- What would people _____?
- What is the impact on _____?

What to do under pressure

- Play _____
- Tell them to put it in _____
- Suppose they refuse? _____
- Explain the situation in another _____

The boss/colleague who is tempted

- Sometimes you can _____ them
- "This is why we can't do this and these are all the _____ of doing what you suggested"
- "You will never ___ in the end, going this way", eventually, people will _____ ___/the _____ will catch it"
- "Let's always take the ethical "_____"

A story

- Owner won't pay court settlement mandated royalty
- CFO keeps insisting it be paid
- The owner throws _____
- Owner finally says, "I ___ and _____ you because of your _____, I will pay it!
- Deep down, they know it is best to be surrounded ____ people

Confession

- A long time ago, I was not that ethical
- One day, I ….



Ethics - pragmatically

- Keep a _____ of all events
- Be very careful before going _____
- Huge personal and career implications of taking a stand
- You may have to _____

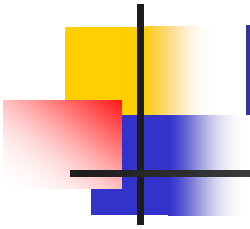
Ethics – your organization

- Have you ever called your _____ line?

Later

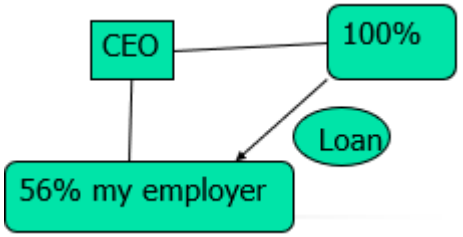
- A story of a friend of mine once called the Federal whistleblower line of the time…

Let us work through some real life cases

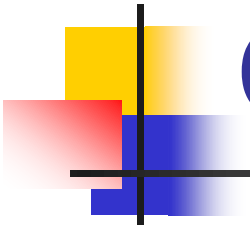


- That will have important lessons

Real life mini case #1



- The CEO wants me to record and pay interest on a loan from his company, at a rate that is higher than the board-approved loan agreement specifies
- What should I do?
- Solution: _____
- Lesson: _____



Question

- Does saying, “I was just following my boss’ orders”, avoid ethical problems?
- Answer: ___

It is tough when you are young and starting your career

- Versus 64 years old and your pension is set

Real life mini case #2

- I must sign a document for the bank, on the receivables at May 31 that will be margined for loan purposes with the bank at 75%
- CEO wants to include receivables for which credit notes have been issued since May 31. Bank agreement doesn't discuss the treatment of credit notes.
- What should I do?
- Solution: _____
- Lesson:_____

A recent personal ethical issue

- I am in a store and I accidentally break some merchandise!
- What should I do?

Real life mini case #3

- The CFO and I (the Controller) disagree on revenue recognition on a contract that is coming up, he wants to recognize revenue three times on the same deal.
- What should I do?
- Solution: _____
- Lesson: _____

Real life mini case #4



- The CEO claims medical expenses not covered in her comp package, Chair of the Board has approved this, cheque is in the CFO's in-basket, CEO has signed it, waiting for 2nd signature
- What should the CFO do?
- Solution: _____
- Lesson: _____

Note

- Playing dumb allows the possibly unethical person to be beat a graceful retreat, rather than getting defensive and fighting you….

Notes

- To protect myself in a case like this, I would send an email to a colleague beforehand, saying _____

It goes without saying, don't accept bribes

- A bribe offer where I once worked in the federal government

Note

- The problem is not being unable to recognize what is unethical, but recognizing it and not having enough "_____" to say no! _____

Internal audit – public sector ethics dilemma

- Internal auditor finds suspicious actions related to research grant surpluses
- Was told _____, effectively an audit scope limitation
- Complained to Audit Committee Chair who _____
- Ended up having to ___

Internal audit

- Sometimes, internal auditors take this course
- A perspective on internal audit

Internal audit

- Internal audit in a crown corp I worked for was a 2-3 year assignment for an employee, and then they were back to their old job
- This was valuable experience for them and they did good work
- But they were all afraid to ____important company executives with tough reports, because it would hurt _____

Internal audit

- Solution: _____

Ethics - ideas

- Taking a new job and then finding out the boss or the unit is ____ is not good
- Tips:

1. _____ the org/people first

2. Make your _____known in the interview _____

- May limit your possible jobs, but …
- Suppose the leadership changes?

Are you willing to…

Interview line

- You will get rich, we will _____ your stock options

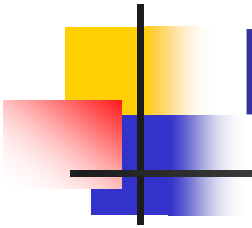
Interview for CFO job of US public company

What is important to you?



Public sector job interview – a man I know – CFO position

- They couldn't give clear answers about the organization's activities and everything was strange
- His "gut" told don't work there….
- He told them "I think you will have to hire someone else, I am not the right guy for the job"
- The organization was ……_____

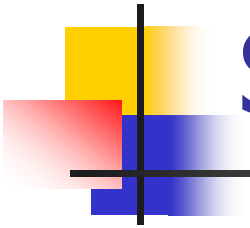


My ethics research failure

Ethics - comments

- "A person without ethics is a _____ beast loosed upon the world"
- My belief and experience:
- Integrity = _____ (in the long run)

Public sector procurement ethics story – a friend



Sidelight

- I am annoyed about something I recently discovered
- A guy paid me to teach him about ethics in a course like this

Are there good accountants and unethical accountants out there?

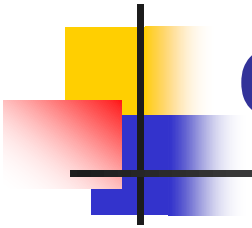
Note

- Only about _____in total have been very ethically challenged ...I just had a lot of stories on them in this part of the session
- I also change jobs much less frequently than it might sound…

Sharing

- Would you like to share a government ethics issue you once faced, write it up …”once upon a time”….
- Send me an email, you qualify for the prize draw

People ask about my other courses



More courses: ethics

- **Ethics – More Than Just The Code of Conduct,** 2 hours
- **Ethics that Feeling in Your Gut**, 2 hours
- **Build Your Ethical Muscles** 2 hours
- **Ethics – Where The Rubber Meets The Road**, 2 hours
- **Ethics, Use As Prescribed & Directed**, 2 hours
- **Ethics, Don't Leave Home Without Them**, 2 hours
- **Ethics, Some Different Angles**, 1 hour (about 2o minute overlap with this course)
- **Ethics for Government Accountants**, 1 hour (about 10 minute overlap with this course)

My other courses

The business version Practical Tips for Not-For-Profit Leaders

Practical Tips for Controllers & CFOs, 8 hours, over 11,000 seller

The government accountants' version:

Practical Tips for Government Accountants, 6 hours

My other courses

Practical Financial Negotiation Tips 4 hours

Ten Practical Topics for Financial Leaders, 4 hours

Practical Work Smarts for All, 2 hours

Practical Tips To Get Through a Cash Crisis, 2.5 hours

More

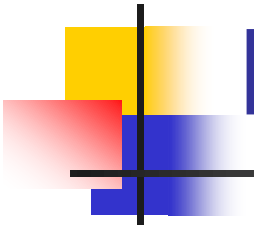
Practical Tips to Improve Your Internal Financial Reporting 1.5 hours

Elevate Your Career With More Strategic Thinking, 2 hours

More

Contract Review Tips for Accountants 1 hour
Practical Foreign Exchange Management, 1 hour
Sharpen Your Business Loan Negotiating Skills, 2 hours

We have added many more courses…



Note

- For full course information in English, see **www.practicalpd.com**

Closing

- Were you bored?
- You can request get filled in slides by email to spriddle@bell.net
- I do LinkedIn
- Please complete course evaluations

PRACTICAL PD

ETHICS FOR GOVERNMENT ACCOUNTANTS - IT IS ALWAYS THE POLITICIAN'S FAULT

www.practicalpd.com

Stephen Priddle, CPA, CA, CMA
President,
Practical PD, Courses For Accountants

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VP, Finance & CFO & Secretary
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Course

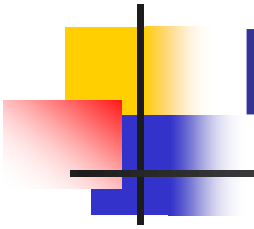
- **Practical Tips for Government Accountants** from which this course comes from

Topics in the 6 hour course

1. Creative thinking for accountants
2. Practical technology tips
3. The faster close
4. Some different management & leadership tips
5. Improving financial reporting
6. KPIs

Topics in the 6 hour course

1. More management & leadership tips
2. Dealing with contracts and lawyers
3. Critical steps when you change jobs
4. Some financial modelling keys
5. Quantitative finance function measurement
6. Interviewing – some tips
7. Negotiating tips
8. Trouble spots for financial leaders



Note

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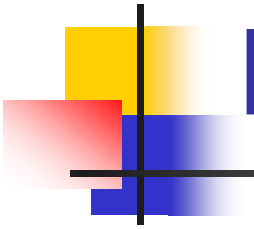
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- example of how you plan to apply a tip
- another tip idea
- useful feedback
- clean relevant joke

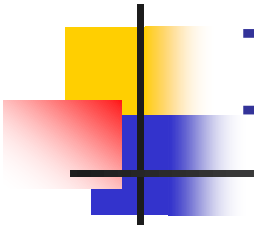
and you will enter a draw for a prize

spriddle@bell.net



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Introduction - me

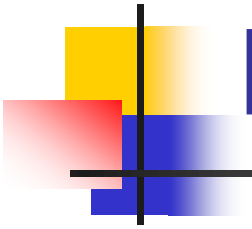
At age 20, I was a CGA, working in the federal gov't

- Yes, Chief Gluing Assistant in the federal government, gluing paper on the evening shift… because I didn't want to go to university…



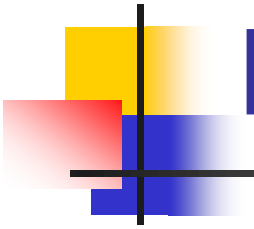
I advise Canadian and world leaders

- Trudeau, Trump, Ford, Harper, Chretien, Obama, Gorbachev and more
- What I mean is I send them unsolicited advice
- Unfortunately, none have listened to the advice, or even responded to thank me…



My background

- We have probably met before…



My background

- I have faced similar issues
- I have faced completely different issues

My experience

- In the past: Industry Canada, Natural Resources Canada, Auditor-General Canada, Canada Revenue Agency, AECL (crown), CBC & Canada Post (consulting)

Also

- 23 of last 24 years as a corporate CFO in private sector, one year as Controller
- Currently VP, Finance & CFO, co-owner and Board member of an aviation systems company

By the way, I:

- Have written and sold, many, carefully researched public sector cases, and other cases
- You may have written some…

Strategic Leadership Program

Board Report

Seniors' Care Inc.

CPA

Mock Common Final Examination
Day 2 Case - Company
(Booklet #1 – Case)

Examination Details

The examination consists of:

Booklet #1 – Case (this booklet)
Booklet #2 – Rough notes

The case is developed to be four (4) hours. Candidates are allowed **five (5) hours** to respond.

The case should **not** be answered using Surpass (*SecureClient*). Please use Word and Excel to complete your response.

Answers or part answers will not be evaluated if they are recorded on anything other than Word or Excel.

The CPA Canada Handbooks and the Income Tax Act are available during the exam via Knotia

COPY OR SHARE

By the way,

- I have advocated for a public sector stream for professional accountants…
- The CPA program has the audit & assurance, management accounting, finance, tax specialties, why not add public sector?

Where am I?

- I am at home in Ottawa, 9 km from



New CPA rule

- New CPA rule… $48 fine if you look at a work email during the session…

Ethics - intro

- A story with a lesson
- He tarnished your reputation
- Did you lose money due to that fraud?
- (Enron's market cap went from $70 billion to $200 million)





$100

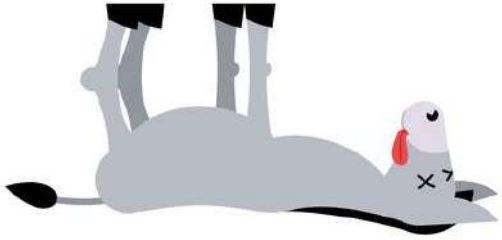


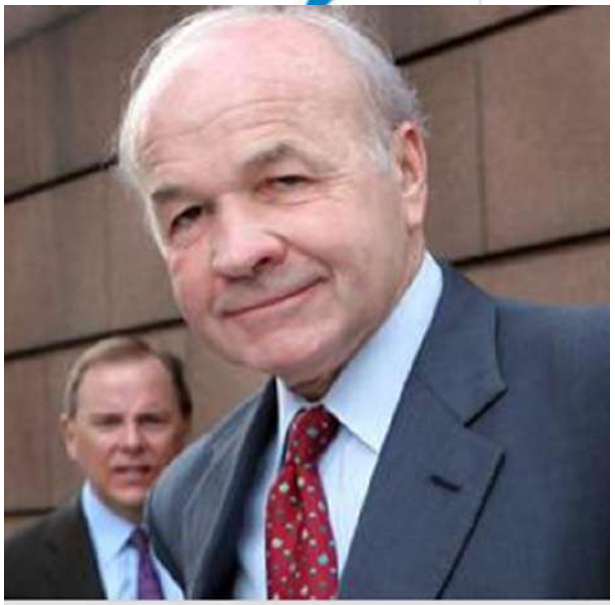
$898





KENNY





The dead donkey raffle

There are no accounting issues, no trading issues, no reserve issues, no previously unknown problem issues. I think I can honestly say that the company is probably in the strongest and best shape that it has probably ever been in.

—Kenneth Lay answering an analyst's question on August 14, 2001.[87]

ENRON WAS BANKRUPT 109 DAYS LATER!
THE LARGEST IN US HISTORY!

Ken Lay, Enron founder & CEO

- What happened to him, what is the lesson?

Ken Lay, Enron founder & CEO

- Arrested
- Charged
- Tried
- Convicted
- Dropped dead
- Lesson?

Ken Lay is not dead - in Paraguay



The only Canadian who went to jail for Enron crimes

In a letter to a U.S. probation officer, a copy of which was filed in court, Mr. Delainey acknowledged that his rapid rise through the Enron ranks had become "intoxicating," and that by 2001 he participated in financial manipulations that he knew were wrong.

- I knew someone who knew him…
- He later said:

"At the end of the day, I lacked the courage to stand up and do the right thing," he wrote.

Let's talk about ethics

- I have faced a large number issues
- I am passionate on the topic
- I used to sit on the CMA Ontario Ad Hoc Ethics Advisory Committee
- I speak regularly on ethics
- The public wants the government to be ethical

Let's talk about ethics

- My first business ethics decision at age 19…



Let's talk about ethics

- I have faced a large number issues
- I am passionate on the topic
- I used to sit on the CMA Ontario Ad Hoc Ethics Advisory Committee
- I speak regularly on ethics
- The public wants the government to be ethical

Ethics – government bidding

- My brother's company puts in a small bid to the federal government for some construction work
- A deposit cheque is required and submitted with the bid
- We are convinced our bid will win

What happened

- The government responds “you didn’t provide a deposit cheque, your bid doesn’t qualify, we have awarded the contract to someone else”
- A few weeks later they say, “Oh we found your cheque”
- We are convinced that someone wanted their friend to win the bid…

Who are the most unethical accountants in Canada?

- Hint 1: they work for the government
- Hint 2: arguably, it's their bosses pushing them! But they should resist!
- Hint 3: the witness against them is the provincial Auditor-Generals

Newfoundland

Update: Government not hiding anything: Dunderdale



Steve Bartlett
Published on January 26, 2012

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17 Comment Send to a friend Pr

Acting auditor general concerned about being denied information from departments

Premier Kathy Dunderdale responded forcefully to the province's acting Auditor General this afternoon, saying they are not hiding anything inappropriately.

In acting Auditor General Wayne Loveys' report released Wednesday, he said his office couldn't get documents needed to audit the province's infrastructure spending choices.



Acting auditor general Wayne Loveys — File photo

porter
flying refined
Flights from
Timmins to Windsor!
One-way sale fares from

New Brunswick

Auditor-General Kim MacPherson delivered a scathing critique of the government's 2014-15 public accounts, its final calculation of the province's fiscal position for that year.

- **Kim MacPherson slams Gallant government's financial accounting**
- **Deficit lower than expected, province says**

The books show a $388.6 million deficit, but MacPherson says she can't sign off on that number because the province rejected her advice to use public-sector accounting standards for defined-benefit pension plans.



Finance Minister Roger Melanson (CBC)

BC

B.C. government not following its own accounting laws: auditor general

THE CANADIAN PRESS
AUGUST 8, 2013 11:41 AM

Email Print



B.C. auditor general Russ Jones noted that the government paid $6.4 million t defend ex-ministerial assistants Dave Basi and Bob Virk from 2005 to 2010.
Photograph By Handout

VANCOUVER - Recently updated financial reporting rules have failed to convince the British Columbia government to bring its practices in line with standard accounting principles, despite the auditor general's claim the province's most recent financial report was off by nearly $3 billion and the government should have reported a surplus, not a deficit, th auditor said Thursday.

Saskatchewan

Auditor scolds Saskatchewan over 'pervasive' accounting errors

First time a Saskatchewan auditor has issued an adverse opinion

The Canadian Press Posted: Dec 04, 2013 5:58 PM CT | Last Updated: Dec 04, 2013 5:58 PM CT

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Saskatchewan's auditor has issued an adverse opinion on the government's general revenue fund financial statements because of what she calls "pervasive" accounting errors.



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Errors?

Saskatchewan

In a 2013 special report, Saskatchewan's then auditor, Bonnie Lysyk, said if proper accounting standards had been followed, the province would have presented deficit budgets in nine out of the previous 10 years, despite government claims to have balanced the books each year.

Quebec

Qualification and Comments in the Independent Auditor's Report (cont.)

- According to our estimate as at March 31, 2014
  - understatement of the annual deficit of $439M
  - and understatement of the net debt and accumulated deficits of $8.5B.

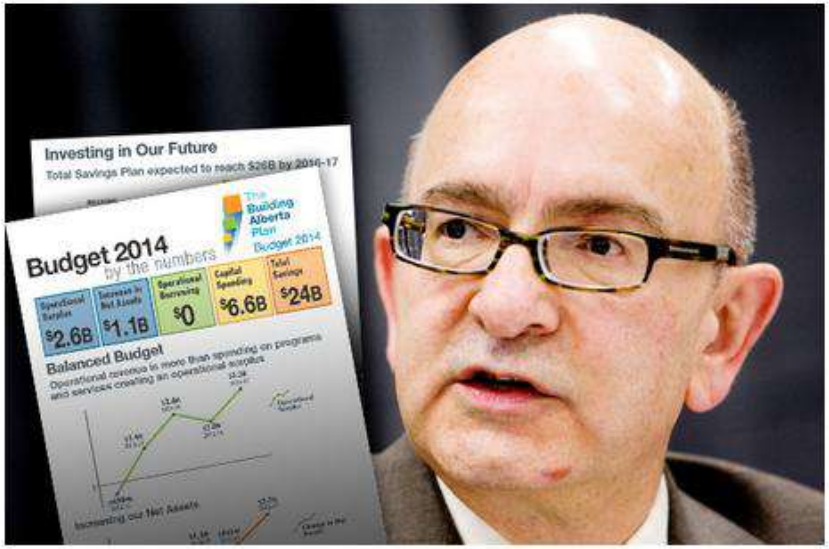
Alberta

Provincial budget fails to meet accounting standards: Auditor general

BY DARCY HENTON, CALGARY HERALD APRIL 23, 2014

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STORY PHOTOS (1)



Auditor General Merwan Saher says the provincial budget fails to meet general accounting standards.

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- Download the Herald's iPhone app

In scathing pre-election report, Ontario auditor general says deficit is $11.7B, not $6.7B

The accounting disagreement stems from a longstanding dispute over whether around $11 billion in the OPSEU and the Ontario Teachers' pension plans can be counted toward the bottom line.

Manitoba

Auditor general slams changes to Manitoba government's accounting practices

Public accounts peg deficit at $695M, but Norm Ricard says it's actually lower

Kristin Annable · CBC News · Posted: Sep 28, 2018 8:15 AM CT | Last Updated: September 28, 2018



Manitoba

Auditor general slams changes to Manitoba government's accounting practices

For the first time since 2007, Ricard offered a qualified opinion of the statement — meaning there are "significant concerns" about the government's compliance with generally accepted accounting principles.



The USA



Comptroller General
of the United States

United States Government Accountability Office
Washington, DC 20548

MEDIA ADVISORY

GAO: U.S. Financial Statements Receive Disclaimer of Opinion

Government Accountability Office (GAO) is prevented from expressing an opinion on the consolidated financial statements of the U.S. government due to a number of material weaknesses related to financial systems, fundamental recordkeeping, and financial reporting.

The USA



GAO

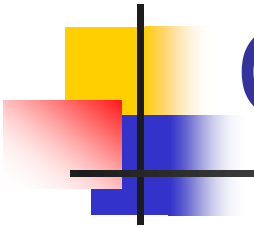
Comptroller General of the United States

United States Government Accountability Office
Washington, DC 20548

MEDIA ADVISORY

GAO: U.S. Financial Statements Receive Disclaimer of Opinion For 10th Straight Year

Government Accountability Office (GAO) is prevented from expressing an opinion on the consolidated financial statements of the U.S. government due to a number of material weaknesses related to financial systems, fundamental recordkeeping, and financial reporting.



Comments

- I have seen this myself
- I know this is not your world…but it may be one day…

No crooked accounting…!

- A woman wanted to know what 2+2 was so she went and asked a _____
- Reminder: we don't pre-determine the results of our financial reports…or other analyses

Someone I know who interviewed in the public sector

- Job interview question: "the DM gets a bonus for spending less than X on ____. Would you book costs in the incorrect account, to ensure the DM gets their bonus?"
- His answer: No, I wouldn't
- Result: He did not get the job
- Conclusion: He is still not sure what they were looking for – an ethical person or a crooked accountant…

Ethics

- Were you taught ethics at university?
- Can you lose your university degree/college diploma for being unethical in the business world after graduation? Generally no, but you can lose your CPA…

Ethics - intro

- Ethics is often an issue in the public sector
- Have you ever faced an ethical issue in government? A large proportion who I surveyed have
- About 15% of private sector accountants have had to resign a position/drop a client due to ethics, based on my survey

Assumption

- You have likely had other ethics training, I am going to generally assume you know what is unethical, and what is not allowed in the your level of government
- There are is also the CPA Rules of Professional Conduct, for CPA's

Rule of Professional Conduct

26. The CPA must not prepare, produce or sign declarations, letters, certifications, opinions, reports, presentations, financial statements, opinions or any other statement or document, out of convenience or when he knows or should know:

1° either that they contain false or misleading information;
2° either that they omit or conceal information the omission or concealment of which is likely to induce in error;
3° either that they contain information not in compliance with laws, rules of the art or standards applicable.

In the same way, he must not associate himself with such statements or documents.

Important

- Something can violate 205/26, but not break any law of Canada…
- Example: you give some false budget numbers to a colleague, this likely does not break any law in Canada - but is CPA unethical…

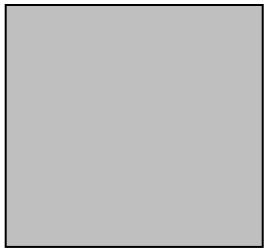
The truth is important

- If you tell the truth, you don't have to remember what you said
- We can all be tempted to lie at time, but no one likes to be lied to

Put CPA Ethics up on the wall, in case of ethics challenges…?

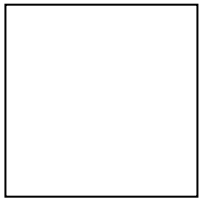


Some might say, “it’s just a gray area…”



“It’s just a gray area…”

- No, ultimately, if it looks gray, it needs to be pushed into one of these boxes for you:





It's just a gray area

- Name of a seminar by a CFO who got out of jail: *The gradual slippage from "it's just a gray area to what were we thinking?"*
- Little matters become big matters, little compromises become big compromises


SOUTH





BAU 2: Example 5: Richard Scrushy



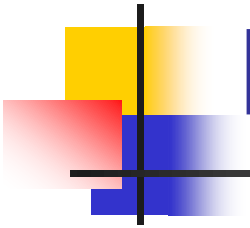
- **Jail:** U.S. Penitentiary in Beaumont, Texas
- **Release Date:** June 8, 2013
- **Crime:** Former HealthSouth Chairman and Chief Executive Richard Scrushy, 56, was found guilty of bribery and mail fraud for his participation in a scheme to pay $500,000 bribes in return for a spot on a state regulatory panel.
- **Prisoner Number:** 24463-001

Ethics - pressure

- In a situation, think about being in court or at the disciplinary hearing or in the news







Ethics – some advice

- What is the intent? Can the intent be achieved ethically? (Example later)
- Is it illegal? (Consult a lawyer)
- Is it fair?
- What would people think?
- What is the impact on the various stakeholders?

What to do under pressure

- Play dumb (may help you get around a problem, won't help in court/disciplinary proceedings) - examples to follow
- Tell them to put it in writing
- Suppose they refuse? Send them an email to confirm the instructions
- Explain the situation in another way

From: Stephen Priddle [mailto:spriddle@government.ca]
Sent: November-08-19 4:27 PM
To: David Fraud <deputyminister@government.ca>
Subject: Your request

David,

This is to confirm that at 10 AM in the large meeting room at 101 Athabasca St, you requested me to falsify the October 502 report to the Minister to conceal the spending on your trip to Hawaii at taxpayer expense.

Stephen Priddle

INVOICE

Harkom Corporation

1 Hamilton Drive

Canada

BILL TO

Asia Imports Limited

Asia

INVOICE # 101112

INVOICE DATE 30/11/2018

DESCRIPTION	AMOUNT
One Fiber Optic Multiplier XG442 Unit	100,000.00
TOTAL	**$ 100,000.00**

INVOICE

Harkom Corporation
1 Hamilton Drive
Canada

BILL TO
Asia Imports Limited

Asia

INVOICE # 101112
INVOICE DATE 30/11/2018

DESCRIPTION	AMOUNT
One Fiber Optic Multiplier XG442 Unit	10,000.00
TOTAL	**$ 10,000.00**

The boss/colleague who is tempted

- Sometimes you can reform them
- "This is why we can't do this and these are all the implications of doing what you suggested"
- "You will never win in the end, going this way", eventually, people will find out/the auditors/Internal audit will catch it"
- "Let's always take the ethical "high road"

A story



- Owner won't pay court settlei mandated royalty
- CFO keeps insisting it be paid
- The owner throws a pencil at the CFO!
- Owner finally says, "I hate you and love you because of your honesty, I will pay it!
- Deep down, they know it is best to be surrounded honest people

Confession



- A long time ago, I was not that ethical
- One day, I "stole" a short long distance call from my government employer!
- I would never steal goods from a store, but I rationalized it somehow
- (I later paid it back)
- This was when I was young and foolish, I reformed shortly after, it is a long story…

Ethics - pragmatically

- Keep a chronology of all events
- Be very careful before going above your boss to their boss
- Huge personal and career implications of taking a stand
- You may have to resign

Ethics – your organization

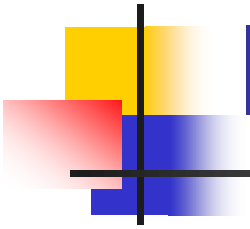
- Have you ever called your whistleblower line?



Later

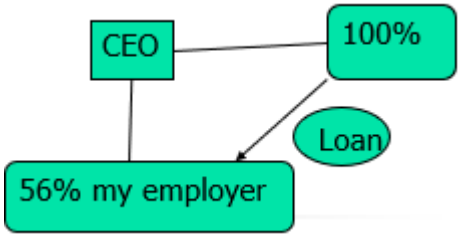
- A story of a friend of mine once called the Federal whistleblower line of the time…

Let us work through some real life cases

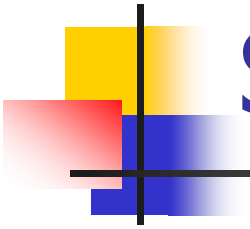


- That will have important lessons

Real life mini case #1



- The CEO wants me to record and pay interest on a loan from his company, at a rate that is higher than the board-approved loan agreement specifies
- What should I do?



Someone responded…

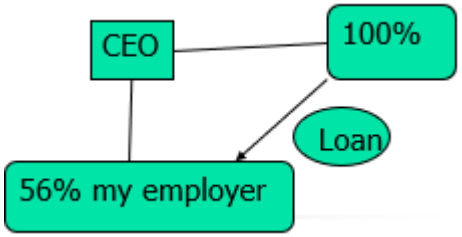
- Steve you need to tell me my **salary** first!
- (the right thing to do is independent of your salary!)

Ethics - what do you do?

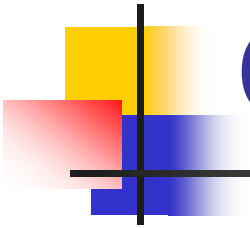
- Call 911?
- Call CPA ethics advisor?
- Call the auditors?
- Call the whistleblower line?
- Call the shareholders?
- Call the bank?
- Call your lawyer?
- Other?



Real life mini case #1



- The CEO wants me to record and pay interest on a loan from his company, at a rate that is higher than the board-approved loan agreement specifies
- What should I do?
- Solution: Play dumb, this seems to be the wrong rate. I cannot, the agreement specifies the rate. However, if the Board approves an amendment to the agreement, I can.
- Lesson: Appropriate approvals sometimes remove ethical problems and illegal activity

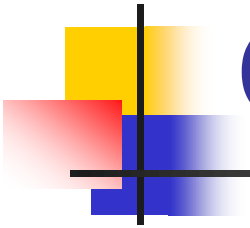


Question

- Steve, sometimes in government, people approve things they shouldn’t
- Answer: wait for mini case #4

Note

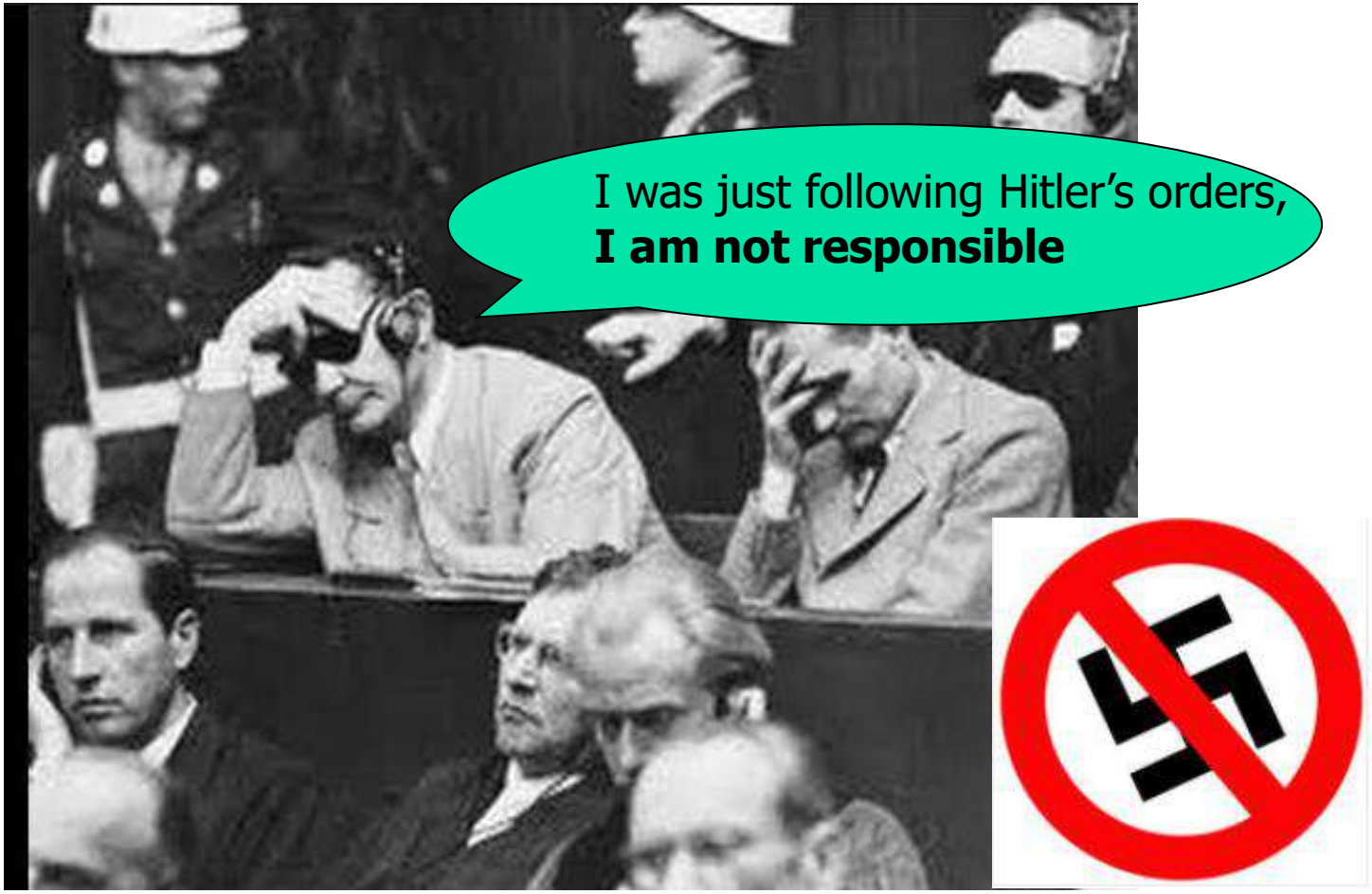
- You have to consider the CEO's attitude after this incident
- Does this indicate he is fundamentally pretty unethical, are there are going to be lots more challenges, and perhaps unethical things you don't know about will come out and embarrass you?
- Should you be looking for another job?



Question

- Does saying, “I was just following my boss’ orders”, avoid ethical problems?
- Answer: no!

Nuremberg trials 1945-46 of Nazi leaders for war crimes



The answer

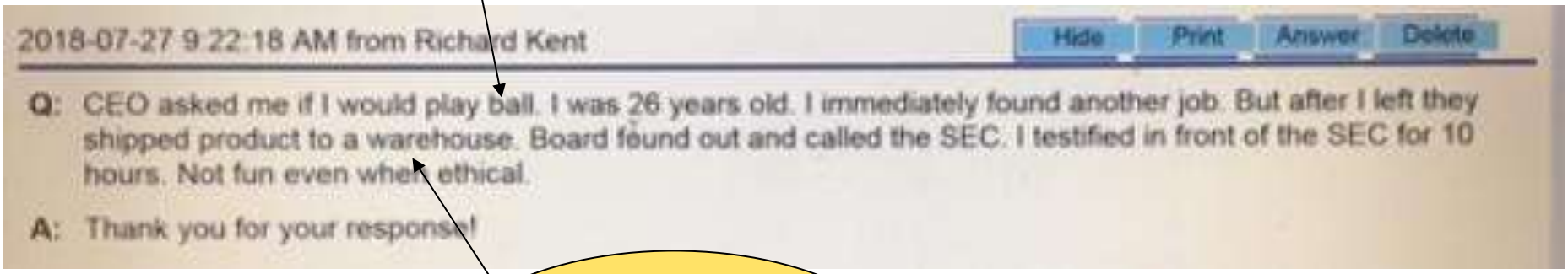


It is tough when you are young and starting your career

- Versus 64 years old and your pension is set

Ethics [illegible] young

- On-line [illegible] attendee comment, San Francisco:



DO SOMETHING UNETHICAL

CAN'T RECORD REVENUE SHIPPING TO YOUR OWN WAREHOUSE

Real life mini case #2

- I must sign a document for the bank, on the receivables at May 31 that will be margined for loan purposes with the bank at 75%
- CEO wants to include receivables for which credit notes have been issued since May 31. Bank agreement doesn't discuss the treatment of credit notes
- What should I do?
- Solution: Probably mis-leading, therefore unethical, receivables don't really exist for all intents & purposes. Therefore cannot, unless CEO allows me to **disclose** this situation in a note
- Lesson: Full disclosure sometimes takes away the ethical dilemma, the communication is no longer misleading

A recent personal ethical issue

- I am in a store and I accidentally break some merchandise!

A recent personal ethical issue

- I am in a store and I accidentally break some merchandise!



Real life mini case #3

- The CFO and I (the Controller) disagree on revenue recognition on a contract that is coming up, he wants to recognize revenue three times on the same deal.
- What should I do?
- Solution: _____
- Lesson: _____

Real life mini case #3







- The CFO and I (the contro e on revenue recognition on that is comin e wants to recognize rev hree times on the same deal
- What shou do?
- Solution: _____
- Lesson: _____

Real life mini case #3

- The CFO and I (the controller) disagree on revenue recognition on a contract that is coming up, he wants to recognize revenue three times on the same deal
- What should I do?
- Solution: Can't, S. 3400 of Handbook, Got CEO involved to help. Agreed to let auditors settle the argument.
- Lesson: Get someone else involved. Third parties like auditors may help to settle ethical dispute.

Real life mini case #4



- The CEO claims medical expenses not covered in her comp package, Chair of the Board has approved this, cheque is in the CFO's in-basket, CEO has signed it, waiting for 2nd signature
- What should the CFO do?
- Creative solution: He prepared his own fake policy-breaking claim, which she refused, CEO's hypocrisy revealed, she realized she was being unethical, problem solved without a word.
- Lesson: Sometimes there is a creative solution, although there are risks.

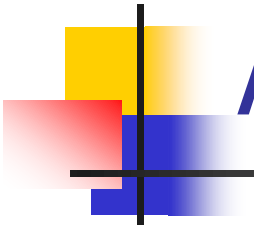
“Hold on a second, I just have to make a phone call….”

- You start calling your whistleblower line!


1-800-WHISTLE

Note

- Playing dumb allows the possibly unethical person to be beat a graceful retreat, rather than getting defensive and fighting you….



Also

- To protect myself in a case like this, I would send an email to a colleague beforehand, saying my expense claim is not real, it is a test…

It goes without saying, don't accept bribes

- A bribe offer where I once worked in the federal government

Bribe request I heard about recently (seminar attendee)

- *"It will take several months for your company to get government approval, by the way I would like my son to study at university in Canada, this is what the tuition fees cost"*
- Response from Canadian company: "we can wait"

Note

- The problem is not being unable to recognize what is unethical, but recognizing it and not having enough "backbone" to say no! (that is the moral courage)



Internal audit – public sector ethics dilemma

- Internal auditor finds suspicious actions related to research grant surpluses
- Was told not to ask questions, effectively an audit scope limitation
- Complained to Audit Committee Chair who was rude and also said "don't ask those questions"
- Ended up having to quit

Internal audit

- Sometimes, internal auditors take this course
- A perspective on internal audit

Internal audit

- Internal audit in a crown corp I worked for was a 2-3 year assignment for an employee, and then they were back to their old job
- This was valuable experience for them and they did good work
- But they were all afraid to tick off important company executives with tough reports, because it would hurt their career in the organization…

Internal audit

- Solution: internal audit hired from outside and only work in internal audit…then leave the company…

Ethics - ideas



- Taking a new job and then finding out the boss or the unit is crooked is not good
- Tips:

1. Research the org/people first

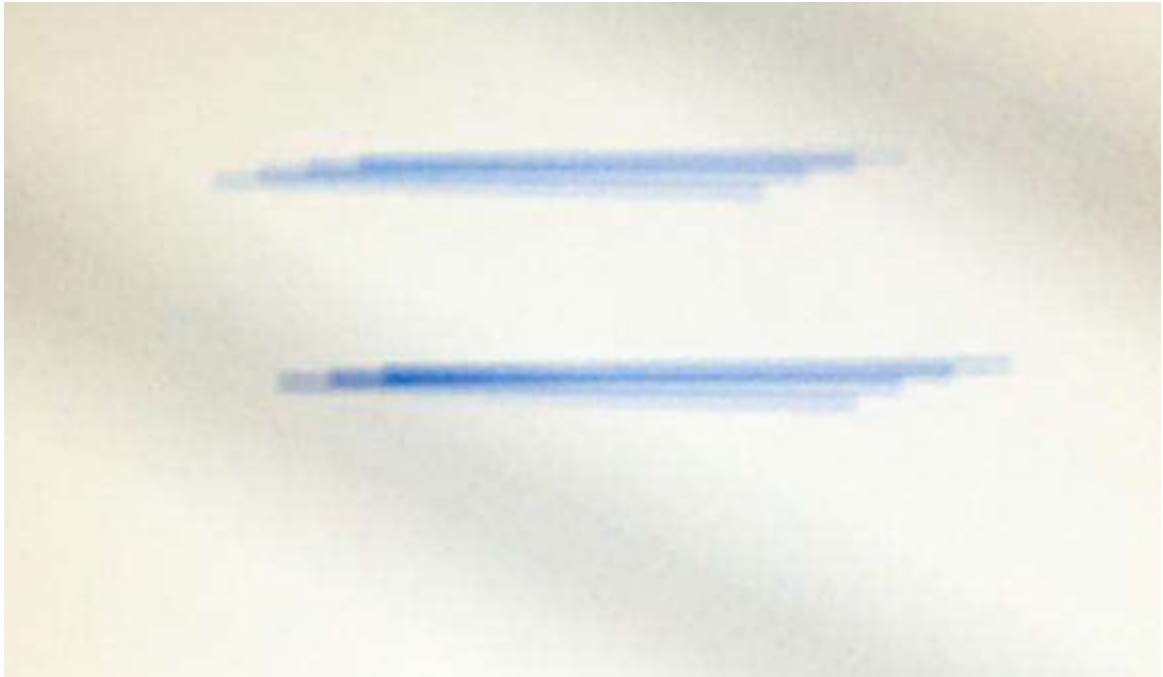
2. Make your ethical approach known in the interview avoid crooked employers, bosses

- May limit your possible jobs, but …
- Suppose the leadership changes?

Research

- Google
- Your connections….
- www.ratemyemployer.com
- www.glassdoor.com
- Former employees

Are you willing to…



Are you willing to…



Interview line – public company

- You will get rich, we will backdate your stock options



The Criminal Implications Of Backdating Stock Options

More than one hundred companies have been implicated in the recent federal inquiry into stock options backdating.[1] In July and August 2006, criminal charges were filed against executives from

Interview for CFO job of US public company

What is important to you?



Interview for CFO job of US public company

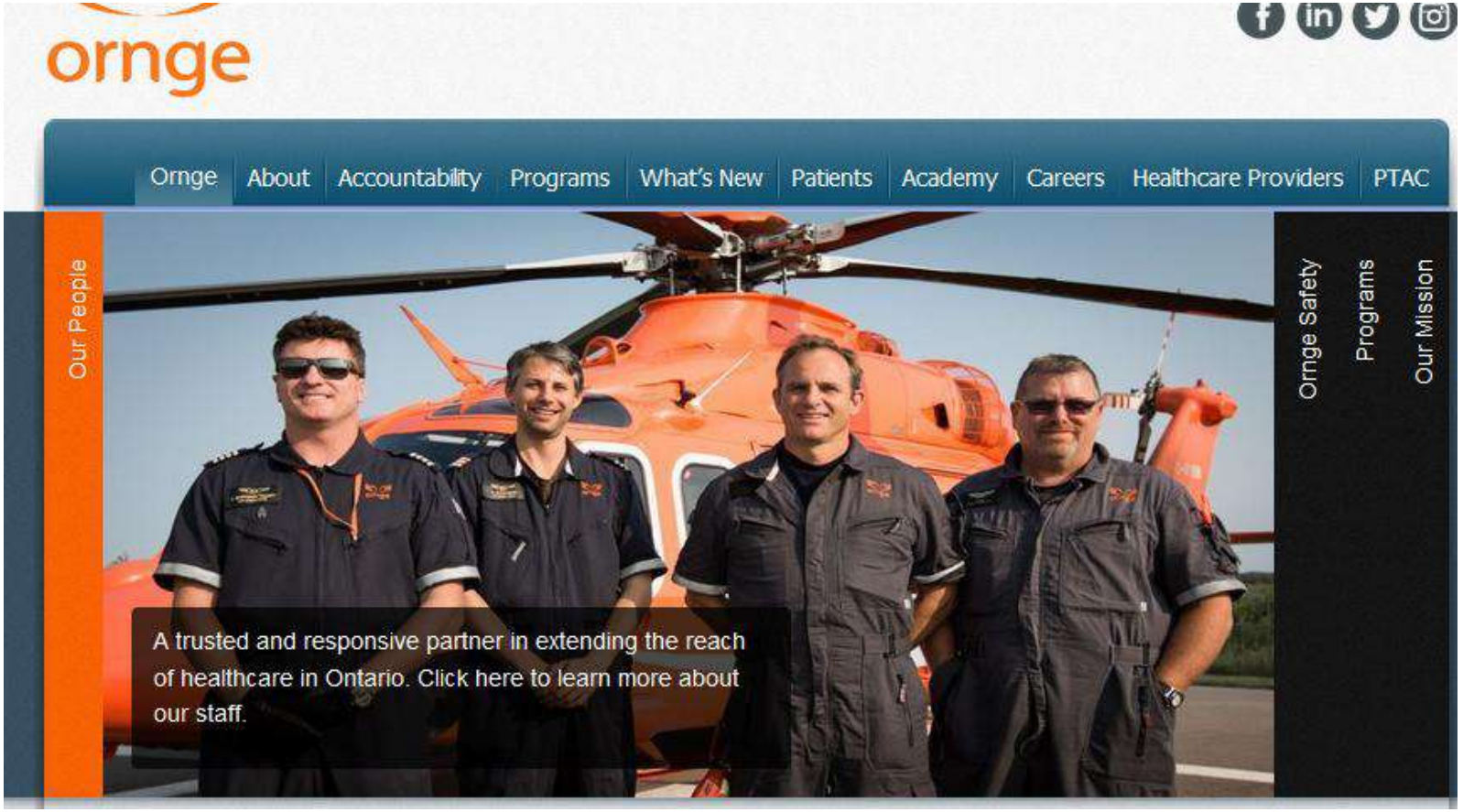
That could be a problem…



Public sector job interview – a man I know – CFO position

- They couldn't give clear answers about the organization's activities and everything was strange
- His "gut" told don't work there….
- He told them "I think you will have to hire someone else, I am not the right guy for the job"
- The organization was ……**Air Ornge**

The organization – before the scandal blew up



Ornge scandal: Ex-CEO Chris Mazza should be in jail, not ER, says MPP

Chris Mazza was fired as head of ORNGE, Ontario's air ambulance service after he set up spinoff companies being probed by police



Chris Mazza went on medical leave in 2011 before he was fired by the Liberal government as the head of the province's air ambulance service. (RENE JOHNSTON / TORONTO STAR FILE PHOTO)

New course

- **Ethics – That Feeling In Your Gut**
- This course considers the crucial role of your "gut" in ethical decision-making and includes a provocative discussion of ethical issues in accounting, tax and business. The presenter shares personal and other experiences with ethically challenging situations and their resolution. **2 hour video,**

53% of CPAs in my surveys regretted not listening to their gut…

My ethics research failure

- I found a **best-selling business book** partially about my unethical CEO in the public library, after I quit the job for ethical reasons
- If I had read the book before the interview, I would have never taken the job. What was written suggests he wasn't very ethical

Ex-CEO of mine in book

- "M reached millionaire status by the time he was twenty-five"
- "He became the CEO's hatchet man…"
- "More than the CEO himself, the person people feared at __ was M"
- "M comes across as the true villain in the company"
- "M stabbed her in the back… M was a loyal henchman"

From recent customer quotes from the Internet about him and the company I used to worked for

- Ethics – "he was caught illegally using ____"
- "A narcissistic man …he's paranoid …"
- "They have created a website called companyname**sucks.com"**

Ethics - comments



- "A person without ethics is a wild beast loosed upon the world"
- My belief and experience:
- Integrity = success (in the long run)

Public sector procurement ethics story – a friend

- "I was given the responsibility for a -- project" (federal government)
- "My project evaluation team selected a small company … This decision was a great disappointment to three of the largest -- companies in Canada"
- "These three companies….formed an unprecedented consortium"

Procurement ethics

- "The consortium's proposal for the second phase was quite deficient in its technical aspects. Furthermore, their proposed cost was (way higher)"
- "My boss repeatedly gave the hint that I ought to follow the instruction given *(that consortium should win for political reasons)* I had no choice but to bring these distinctive differences to the attention of the --"

Procurement ethics

- “My big boss asked my supervisor to inform me that “he wants blood on the floor.”
- “Shortly afterwards, my big boss decreed that my Section would be closed and I got the notice to be transferred out of my job”

Procurement ethics

- "I went to talk to the lawyers of the Public Service Commission" (Whistleblower line of the time)



- "After listening to what I told them in terms of what I went through, they were all too eager to take on my case in defending my rights"

Procurement ethics

- "Four years later my former big boss retired, and my former supervisor assumed his job."
- "Very soon, I was really surprised to hear that my former supervisor was dismissed because of a sexual harassment allegation"
- **"The ADM ….To my complete surprise …personally called me and offered me the job of my former supervisor"**

Sidelight

- I am annoyed about something I recently discovered
- A guy paid me to teach him about ethics in a course like this
- Then he was **arrested for defrauding** two of his employers, including a government body, while he attended the course
- He was sentenced to four years prison



Former SFU accountant sentenced 4 years for $800K fraud

Siamak Saidi admitted to defrauding both SFU Faculty of Science and Cultus Lake Park Board

CBC News Posted: May 02, 2014 6:40 AM PT | Last Updated: May 03, 2014 10:11 AM PT

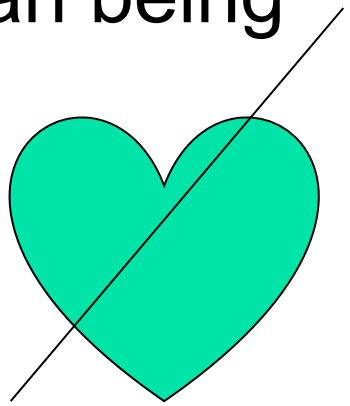


Siamak Saidi worked for SFU for less than two years, but in that time the chartered accountant was able to steal more than $800,000 from the Faculty of Science.

Are there good accountants and unethical accountants out there?

Are there good accountants and unethical accountants out there?

- "If only there were evil people somewhere insidiously committing evil deeds, and it were necessary only to separate them from the rest of us and destroy them. But the line dividing good and evil cuts through the heart of every human being" (Solzhenitsyn)



A recent seminar attendee

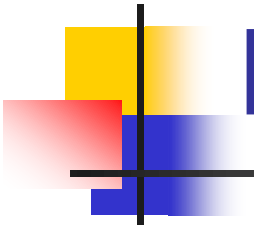
Hello Stephen,

Seminar was great! Full of good tips and made me in fact thinking quitting my job…

(public sector employee talking about ethics)

Another e-mail to me

- *"I quit my job on January 13, because I had a professional obligation to quit as required by the CPA Code or Professional Conduct ..the course that I took with you this fall helped me make this very hard decision."*



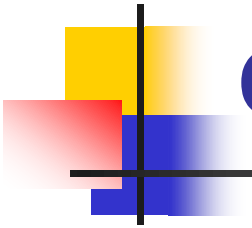
Note

- Only about 3 years of my career in total have been very ethically challenged ...I just had a lot of stories on them in this part of the session
- I also change jobs much less frequently than it might sound…

Sharing

- Would you like to share a government ethics issue you once faced, write it up …”once upon a time”….
- Send me an email, you qualify for the prize draw

People ask about my other courses



More courses: ethics

- **Ethics – More Than Just The Code of Conduct,** 2 hours
- **Ethics that Feeling in Your Gut**, 2 hours
- **Build Your Ethical Muscles** 2 hours
- **Ethics – Where The Rubber Meets The Road**, 2 hours
- **Ethics, Use As Prescribed & Directed**, 2 hours
- **Ethics, Don't Leave Home Without Them**, 2 hours
- **Ethics, Some Different Angles**, 1 hour (about 2o minute overlap with this course)
- **Ethics for Government Accountants**, 1 hour (about 10 minute overlap with this course)

My other courses

The business version Practical Tips for Not-For-Profit Leaders

Practical Tips for Controllers & CFOs, 8 hours, over 11,000 seller

The government accountants' version:

Practical Tips for Government Accountants, 6 hours

My other courses

Practical Financial Negotiation Tips 4 hours

Ten Practical Topics for Financial Leaders, 4 hours

Practical Work Smarts for All, 2 hours

Practical Tips To Get Through a Cash Crisis, 2.5 hours

More

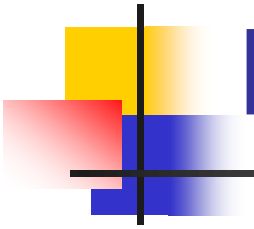
Practical Tips to Improve Your Internal Financial Reporting 1.5 hours

Elevate Your Career With More Strategic Thinking, 2 hours

More

Contract Review Tips for Accountants 1 hour
Practical Foreign Exchange Management, 1 hour
Sharpen Your Business Loan Negotiating Skills, 2 hours

And we have added many more courses



Note

- For full course information in English, see **www.practicalpd.com**

Closing

- Was the video boring?
- Thanks for listening

PRACTICAL PD

ETHICS FOR GOVERNMENT ACCOUNTANTS – COURSE CHEAT SHEET

Note a stand alone, best used after taking the course, **Ethics For Government Accountants**, which contains the full explanations. The course was created and taught by Stephen Priddle, www.practicalpd.com

General

Well known ethics scandals, tarnish our reputation and they don't end well for the perpetrators, example Enron
One person said they got into ethical problems partly because of the intoxicating rise at Enron, but they lacked courage to say no
Government accountants are often unethical in preparing provincial government financials under pressure from politicians about the deficit
Reminder: we don't pre-determine the results of our financial reports…or other analyses
Many of us were not taught ethics at university?
Can you lose your university degree/college diploma for being unethical in the business world after graduation? Generally no, but you can lose your CPA…
About 15% of CPAs in the private sector, have resigned a position or dropped a client for ethical reasons and many government accountants surveyed have faced issues
You know what is unethical, and what is not allowed in the your level of government
Be careful not to rationalize on ethics
Make doing the right thing easier, by maintaining strong personal finances $ (and reduces temptation!)
In a situation, think about being in court or at the disciplinary hearing or in the news
"A person without ethics is a wild beast loosed upon the world"
If you don't have integrity in one area, you don't have integrity
My belief and experience:
Integrity = success (in the long run)
Proverb: He who walks in integrity, walks securely…
Doing the right thing to do is independent of your salary!
If you tell the truth, you don't have to remember what you said
We can all be tempted to lie at time, but no one likes to be lied to
Some might say, "it's just a gray area…"
No, ultimately, if it looks gray, it needs to be pushed into the black or the white box for you
Deep down, they know it is best to be surrounded honest people
The problem is not being unable to recognize what is unethical, but recognizing it and not having enough "backbone" to say no!
There are all kinds of ethically difficult business situations we all might face, not CPA ethics per se
Always difficult, but easier if you are later in your career, rather than early
Sometimes its lots of and lots of little ethical issues, not the really big one…but be careful on compromising on small things, they may get you on bigger ones later
Little matters become big matters, little compromises become big compromises

Does saying, "I was just following my boss' orders", avoid ethical problems?

Answer: no!

Not in CPA ethics or war crimes

A perspective on internal audit

Internal audit in a crown corp I worked for was a 2-3 year assignment for an employee, and then they were back to their old job

This was valuable experience for them and they did good work

But they were all afraid to tick off important company executives with tough reports, because it would hurt their career in the organization…

Solution: internal audit hired from outside and only work in internal audit…then leave the company…

Key rule 26

Something can violate 26, but not break any law…

Ultimately the rule is about lying

We can all be tempted to lie, but no one likes being lied to!

Watch out for misleading, not just false

Put it on the wall in your office along with the whistleblower number

Are there good accountants and unethical accountants out there?

"If only there were evil people somewhere insidiously committing evil deeds, and it were necessary only to separate them from the rest of us and destroy them. But the line dividing good and evil cuts through the heart of every human being" (Solzhenitsyn)

The boss/colleague who is tempted

Sometimes you can reform them

"This is why we can't do this and these are all the implications of doing what you suggested"

"You will never win in the end, going this way", eventually, people will find out, the auditors/internal auditors will catch it"

"Let's always take the ethical "high road"

Learnings from Controller shareholder jacking up interest beyond contractual rate to his company

Politely explain why it is wrong and play dumb

The auditors will uncover and complain about the problem

The ethical way to get around the problem: get the Board to approve the revised interest rate on the note

The right approvals sometimes take away ethical issues

- You have to consider the CEO's attitude after this incident
- Does this indicate he is fundamentally pretty unethical, are there are going to be lots

In ethical battles

What is the intent? (can it be achieved ethically?)
Is it illegal? (Consult a lawyer)
Is it fair?
What would people think?
Does anyone get hurt?
What is the impact on the various stakeholders?

- Play dumb (may help you get around a problem, won't help in court/disciplinary proceedings) - examples to follow

"Playing dumb" allows the person not be embarrassed about their error possibly unethical person or to be beat a graceful retreat, rather than getting defensive and fighting you if they were in fact unethical....
Tell them to put it in writing
Suppose they refuse? Send them an email to confirm the instructions
Explain the situation in another way
Keep a chronology of all events
Be very careful before going above your boss

- Huge personal and career implications of taking a stand
- You may need to call the whistleblower
- You may have to resign

Avoiding ethical problems

It is best to avoid unethical employers, leaders, bosses
If you get stuck in unethical situation, none of your options are good:

- Go to jail
- Lose your CPA
- Quit and then you have some awkward issues
- Keep working there and maybe you never get caught, but your conscience bothers you....

Research the org/people/boss/owner first

- Ask Uncle Google
- Your connections....
- www.ratemyemployer.com
- www.glassdoor.com
- Former employees

In the interview, you bring up ethics, without hitting them over the head with it....

Sometimes they disclose their lack of ethics in the interview

Listen to your gut if it warns you in a job interview or other situation (see our course, Ethics That Feeling In Your Gut)