

Note about completed slides

- ▶ These completed slides match the April 22, 2024 webinar content
- ▶ I have created a few slides that were not in the webinar, to match some things I said in the course, that I didn't plan to say, or more detail on the topic (P. 227 238-240, 255-256, 261, 282, 301-318, 341-344)
- ▶ I have also included at the end, starting P. 363, slides to match the original handout (not the video handout). This is on topics that were not covered in the webinar due to time limitations

Session advance preparation

- ▶ You may want to read some of the mini cases, to think in advance about them
- ▶ Please think about past ethics issues you have faced, outside of your current employer, to possibly share in the course, you could print them out in advance: *“I once worked for a reinsurer and my boss pressured me to _____. I refused and _____. From this I learned _____”*
- ▶ Near the end of the session, participants will be asked if they have a personal ethics **mantra**, a summary of their ethics, in a few words. Participants may want to think about this in advance
- ▶ It is possible that in the actual session presentation, some material will not be covered due to the actual presentation timing

Note on participation in the session

- ▶ Participation at the session will be via handwritten responses, comments, questions given to those with laptops, to type them in the Chat, include your name because you might win a prize

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 the professional body sponsoring this course accept any legal responsibility for its contents or for any consequences arising from its use.
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Note about electronic material

- ▶ You have the option of **printing the material** and taking notes during the presentation, or **taking electronic notes**
- ▶ 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. Note you will need one device to watch the course on and one device to take notes on

Ethics For OAG Bermuda

STEPHEN PRIDDLE, CPA, CA,
CMA

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PRACTICAL
PD

Welcome to the session

- ▶ Every person, all backgrounds
- ▶ You will notice some blanks ____ in the slides, I will deliver them in an interesting way, and I have changed the order a bit
- ▶ You will get a fully populated slide deck after the session
- ▶ Courses can be boring, so I always inject some humour
- ▶ I am a little random, and may not be what you expect!
- ▶ There will be a 15 minute break about 10:30 AM
- ▶ It is possible that some material will not be covered due to the actual presentation timing, or I will cover some extra material, and I change the material a bit since the handout was printed

Even though
ethics is a very
serious topic...

Special thanks

- ▶ For all of Tracey Pitt's behind the scenes work on this course to make it happen...

All my webinars have an opportunity to win prizes

- ▶ The Top Participant will get a prize
- ▶ There will be a few other prizes, maximum one per person except the Top Participant can double up



YOU WILL
FIND OUT
WHAT THE
PRIZES ARE
LATER

Participation

- ▶ In my regular Zoom webinars, participants use the Chat for responses, comments, questions, about 70 posts per hour for a class your size
- ▶ This was not possible for the session, so please pass handwritten responses, comments, questions to those with laptops, to type them in the Chat **with your name** as fast as possible
- ▶ I have included some past webinar Chat comments which are interesting

You

- ▶ Most of you work for the OAG, but some for the OCG
- ▶ Most have accounting designations, and are registered with CPA Bermuda
- ▶ I admire you, you have important jobs
- ▶ You all obviously have a challenging job, (OAG/OCG), shortage of resources, small country, political pressure
- ▶ I am impressed by the stands that OAG has taken – not afraid to qualify audit reports



Me

- ▶ My courses flow out of my life experience, so I will tell you some of my experience

My career

- ▶ KPMG, 5 years, then primarily CFO roles since, mostly medium-size companies, where I earned all three Canadian professional designations at the time
- ▶ Have worked for some startups, which often result in more ethical stress
- ▶ Some very successful, some less successful

My government experience

- ▶ Many years of Canadian government experience including with the tax authority
- ▶ Industry Canada, Natural Resources Canada, Canada Revenue Agency, AECL (crown), CBC & Canada Post (consulting), School Board & hospital (auditing)

I do speaking/teaching on the side

- ▶ University
- ▶ College
- ▶ Licensing (CPA, CA, CMA, CGA)
- ▶ Professional development (CPA, CA, CMA, CGA)
- ▶ Conferences....
- ▶ I have created over 20 courses which over 28,000 have taken, non-technical, management tips, creative thinking, negotiating and more

I have had, for over 30 years, a side-line authoring cases

- ▶ Of all kinds, about 300
- ▶ You have probably written some of them: undergrad, MBA, CA, CMA, CGA, CPA, ASCA, Big Four firm and more...

At age 20, I became a CGA

- ▶ Yes, **Certified Gluing Assistant** in a federal government office, gluing paper on the evening shift... because I didn't want to go to university...
- ▶ I later became a **Certified General Accountant**...



Personal

- ▶ I live in Ottawa, Canada, the capital
- ▶ I was born in London, England of British parents but left young
- ▶ I spent early years in the Netherlands, before immigrating to Canada
- ▶ My wife and I have 19 children

More

- ▶ I have been to Bermuda about 6 times to speak, I love the place
- ▶ Our CA, CPA son went through the ASCA CA program like some of you, he lives in Halifax
- ▶ His employer owns a lot of things including
- ▶ He and his wife honeymooned in Bermuda



I used to be the CFO of a company at age 19

- ▶ That is “Chief Furniture Officer” of a business
- ▶ Moving furniture every day as the truck driver’s assistant



Ethics

- ▶ My first business ethics decision at age 19...



The driver told me to punch his time card when I get to work

I co-own and sit on the Board of a global aviation software company

Solutions from LWE to de-icing its all here

We have five SUREXX family groups. Scroll → to see the benefits.

...and rest assured we have multiple solutions in each group.

SureFLIGHT

click

SureCAST

click

SurePORTALS

click

SureORDER

Chat

I was the CFO for over 11 years

Change

- ▶ I just stepped down from the CFO position in January, I was also the co-President effectively
- ▶ We decided to hire an actual President, and I can't be his boss (business owners and Board member) and his CFO
- ▶ I will announce my next CFO position shortly

Intro

I think you want

- ▶ Ethics course hours for your PD requirements
- ▶ Ethics training to help you now and in future roles and other employers
- ▶ I was not given any direction on what to cover, or what ethics issues you face, other than sometimes family conflict of interest
- ▶ Therefore, I have made assumptions and plan to cover a range of ethics topics
- ▶ The ethic to comply with professional standards under pressure
- ▶ **Ethical courage**, applicable everywhere, will be emphasized
- ▶ You can learn from the mini-cases, even though you may not face the same situation

How did I start teaching about ethics?

- ▶ I am passionate about ethics and have faced a lot of ethics issues
- ▶ I started covering ethics in my general courses, even though CPAs didn't have to get ethics hours then, and the content was popular
- ▶ I was asked to sit on the CMA Ontario Ad Hoc Ethics Advisory Committee
- ▶ I created some ethics only courses which were very popular
- ▶ I have done quite a lot of in-house ethics courses a bit like this, the last one, 60 Canadian accountants, from a giant French public company

I am a little skeptical of ethics courses

- ▶ When the topic is theory for the course creator and deliverer
- ▶ The content could be excellent, but they have never really been there
- ▶ Where they had to put their family income on the line with lots of dependents, in the cause of ethics
- ▶ I have really been there, and in fact several times
- ▶ Once a President said sign this and give it to the bank, but I couldn't , it was not true. The implication was no one will ever know, we must get through this little financial difficulty. I ended having to choose unemployment, rather than work there, despite five dependents.

Ethics - more

- ▶ Do you believe you were adequately taught ethics at university/college?
- ▶ Can you lose your university degree/college diploma for being unethical?
– normally no, but you can lose your professional designation

Zero in
a recent poll I took

The material

- ▶ I have about 14 hours of ethics content, spread over a number of courses
- ▶ This is a customization of some this material for this audience, it might now flow quite like a standard course..
- ▶ I am aware that some of you have attended one of my six ethics courses, but was not told to skip that material

This will be the boring course

- ▶ PSAB this afternoon, should be a lot more interesting and fun!



Steve, was that a typo, 19 children?

- ▶ No, but I include our children-in-law and grandchildren

The big picture

Ethics is subset of



What is good character?

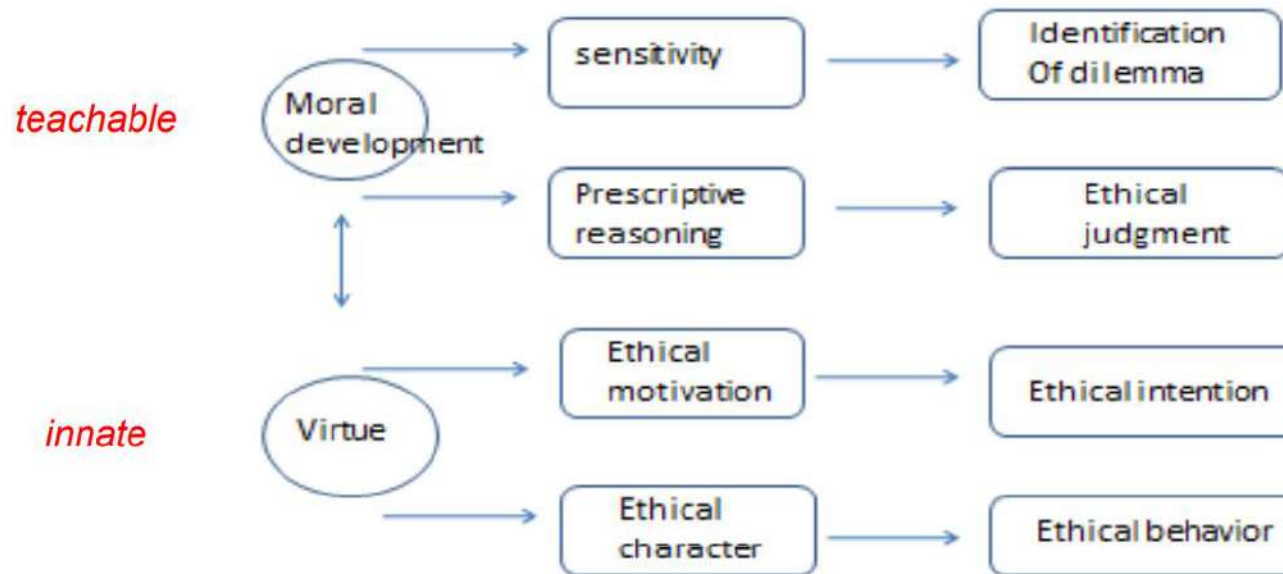
- ▶ It is lots of things...
- ▶ “What you are when no one is looking”
- ▶ Having admirable traits, positive mental and moral qualities:
- ▶ Diligence, honesty, contentment, respect for authority, dependability, punctuality, flexibility, orderliness, forgiveness, self-control, teachableness, patience, reliable, a promise-keeper, honesty, courage, wise, patient, self-control, flexibility, loyalty, leadership, compassion, contentment and more...

We need an ethics model to work
from

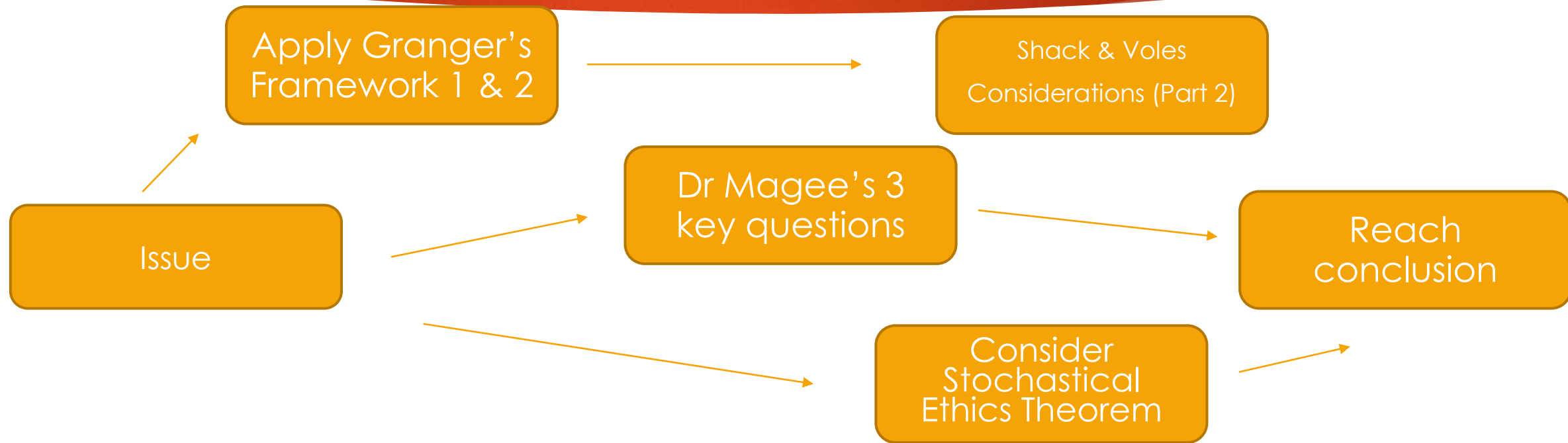
We need an ethics model to work from, here is a famous one

Linda Thorne, "The Role of Virtue in Auditors' Ethical Decision-Making: An Integration of Cognitive-Developmental and Virtue-Ethics Perspectives", Research on Accounting Ethics, no 4 (1998) pp 291-308

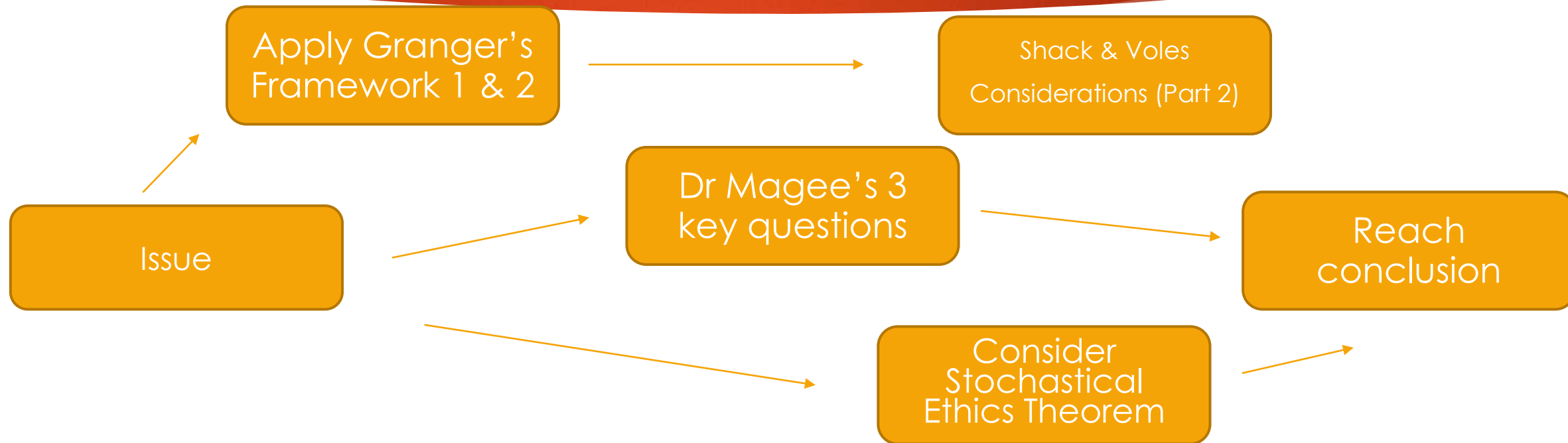
Thorne Model



My ethics decision model



My ethics decision model – I will explain it later



Important

- ▶ “Don’t confuse schooling with education” – said Elon Musk
- ▶ I have created a related quote: Don’t confuse getting more ethics PD hours with being ethical”
- ▶ ***You must practice your ethics, otherwise it is just hours and talk***



I am a world-class expert in

- ▶ Seeing and finding and criticizing the faults of others
- ▶ And so are you!
- ▶ And I am not so good at seeing my faults (looking in the mirror)
- ▶ (My wife helps a lot with this)


Therefore

- ▶ As we look at other's ethical lapses, let us look at ourselves as well in the mirror
- ▶ I don't claim ethical perfection, more on that later

Is ethics in an upward or downward trend in society?

- ▶ Politics
- ▶ Accounting
- ▶ Business
- ▶ Sports
- ▶ Medicine
- ▶ Science
- ▶ School?

What do you think, first
Chat comment gets a prize!



Accountant/auditor
ethics is in the news
again...

PwC Canada hit with \$1 million in fines after 1,200 employees caught cheating on training tests

CEO Nicolas Marcoux acknowledged that the actions could hurt PwC's reputation and said some employees were fired over the roles they played.

By [Josh Rubin](#) Business Reporter
Tue., March 1, 2022 | @2 min. read

[JOIN THE CONVERSATION \(11\)](#)



The Canadian arm of PwC – one of the world's largest accounting and consulting firms – has agreed to pay regulators more than \$1 million after 1,200 employees were caught sharing or receiving answers for internal training tests.

I am sure they have all taken lots of ethics courses...and there was not much at stake

PwC Canada hit with \$1 million in fines after 1,200 employees caught cheating on training tests

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13:16:16 From Mike to Everyone:
And they were just training tests!??!

It is hard to imagine it would be very different at other firms...

Around the world

CFO JOURNAL

KPMG Fined Record \$25 Million in Exam-Cheating Scandal

The fine on the auditing firm's Netherlands unit is the largest ever from the Public Company Accounting Oversight Board

US fines PwC \$7 million for allowing cheating in audit exams in China



By Michelle Toh, CNN

🕒 3 minute read · Published 4:45 AM EST, Fri December 1, 2023





Around the world

PCAOB Imposes \$2 Million in Fines on Deloitte Indonesia and Deloitte Philippines, Bars Firm Leader After Exam Cheating

Quality control deficiencies resulted in widespread answer sharing on internal training tests at both firms; Deloitte Philippines' former National Professional Practice Director directly and substantially contributed to that firm's violations

Even worse in the USA!

MARKETS | FINANCIAL REGULATION

Ernst & Young Fined \$100 Million in Ethics Exam-Cheating Probe

Big Four firm accused of misleading regulators about June 2019 report of testing misconduct



What's happening?

for violating the regulator's rules and quality control standards over widespread answer sharing on
internal training tests.

3

Please complete our Regulator's exams 4 and 5 today. To save you time so you can focus on billable work, the correct answers are posted _____

CPAs cheating on PD hours

- ▶ I am aware of a lot of it going on, from multiple sources

An example

- ▶ I am annoyed about something I have discovered
- ▶ A guy paid me to teach him about ethics in this course!
- ▶ Then he was arrested for defrauding two of his employers, after he attended my ethics session!



This is the guy

Former SFU accountant sentenced 4 years for \$800K fraud

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



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.

Stories

- ▶ I am interested in ethics stories from participants
- ▶ Just have it typed in the Chat, I will give a prize for the first one



Codes

Your Code of Conduct

- ▶ I liked it!
- ▶ It is consistent with Canadian/Bermuda CPA Codes

Sample code of ethics

- We are dedicated to conducting business according to all applicable local and international laws and regulations, including, but not limited to, the U.S. Foreign Corrupt Practices Act, and with the highest professional and ethical standards.
- At Enron, we treat others as we expect to be treated ourselves. We believe in respect for the rights of all individuals and are committed to promoting an environment characterized by dignity and mutual respect for employees, customers, contractors, suppliers, partners, community members and representatives of all levels of Government.



|Code|of Ethics

Reminder

- ▶ An internal Code of Conduct is useless unless it is followed
- ▶ I am sure yours is followed....



Key points

Key point

- ▶ Most people know the rules, but do they have the moral courage or backbone to follow them in tough situations – this is a key point, which I will repeat in different words again in this session



Another key point

- ▶ If your personal ethics before you became an accountant were very different from CPA/OAG/OCG ethics, it will be hard to follow those ethics
- ▶ If your personal ethics before you became an accountant were consistent with CPA/OAG/OCG ethics, it will be easier to follow those ethics

Where do people get their
personal ethics – not just the
Code

**Prize, first to
answer**

Where do people get their personal ethics – not just the Code

For me:

- ▶ Parents/family
- ▶ Faith
- ▶ Examples/mentors
- ▶ What about you?

13:12:23 From Carl to Everyone:
friends/peers

13:12:35 From Natalie to Everyone:
parents, grandparents, faith,

13:12:42 From Marc to Everyone:
Friends

13:14:19 From Julie to Everyone:
I think my ethics came from my parents and my faith background

Where do people get their personal ethics – not just the Code

- ▶ This is a big topic, beyond this course
- ▶ I bet most of you have strong personal ethics, or you would not have achieved, what you have achieved....

A statement

- ▶ A reasonably ethical CEO of mine once said: “at the end of the day you have is your ethics”
- ▶ A good point
- ▶ You don't have a job, but at least you have ethics, and you should be able to get another one
- ▶ A great resume but no ethics is no good



A statement

- ▶ People can take your money, job, freedom, but not your ethics/integrity, if you take a stand
- ▶ A proverb says:
- ▶ *Better a poor person who walks in integrity than one who is crooked in speech and is a fool.*



At the end, I will be asking you if you have a

- ▶ **PERSONAL ETHICS MANTRA OR ETHICS SUMMARY IN A FEW WORDS**
- ▶ Think about this, don't share it until I ask you ...

Ethics decline

An illustration
of ethical decline



Has this ever happened to you that you can recognize it now?

- ▶ Even if you didn't realize it when it was happening...
- ▶ It can happen because others wear you down slowly
- ▶ Or you wear yourself down with progressively larger temptations/failures
- ▶ Another way of saying it is, your conscience got seared



Has this ever happened to you that you can recognize it now, with ethics?

from Chris to everyone: 10:22 AM

yes

from Kelly to everyone: 10:22 AM

yes

from Cindy to everyone: 10:23 AM

unfortunately, yes

from Kelly to everyone: 10:23 AM

But I jumped out!

The truth

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
- ▶ Everyone in the world wants more ethical behaviour from others

Audit

I “forgot” to tell you something

I forgot to tell you

- ▶ I was once contracted to work for the Office of the Auditor-General Canada, for a major audit, when I was at KPMG
- ▶ It was very interesting and eye-opening
- ▶ The OAG Canada has about 800 people now
- ▶ I have been audited by them many times where I worked



Office of the
Auditor General
of Canada

Auditors

- ▶ Who are the best auditors in Canada?
- ▶ I think they are the Auditor-Generals
- ▶ They do a careful job, with more experienced, they aren't just trying make money fast, like an accounting firm, they are more independent

Seconded by
government
accountants

...

09:29:10 From Jack to Everyone:

Agree with comment re auditor general

09:29:39 From Chris to Everyone:

currently audited by them currently

09:29:49 From Susan to Everyone:

based on my audit firm experience I agree with this comment

Ethics and your gut

Your gut

- ▶ Is something that is not addressed in the CPA Code of Ethics, or the OAG Code of Conduct, or any other courses that I have seen
- ▶ Let's explore this topic together

Ethics - that feeling in “your gut”

- ▶ Something immediately bothers you about an order, a statement, a comment, body language, an action, a situation
- ▶ I think this is your **gut warning you**
- ▶ It is like an **immediate reflex**



What is it?

- ▶ You can't put your finger exactly on it
- ▶ It may be your instinct
- ▶ Maybe you could also say it is your smell of the situation
- ▶ "Does it pass the sniff test?" is a famous saying
- ▶ It may be in part a physical feeling
- ▶ If something makes you almost feel sick, pay attention
- ▶ Someone said it is nausea or "that tingly feeling"
- ▶ It is a flash of disapproval or caution?



I have 4 grandchildren in diapers, and I love to help, so I also practice another kind of sniff test a lot!



What is it?

- ▶ It may be your instinct
- ▶ Maybe you could also say it is your smell of the situation
- ▶ “Does it pass the sniff test?” is a famous saying
- ▶ It may be in part a physical feeling
- ▶ If something makes you almost feel sick, pay attention
- ▶ Someone said “that tingly feeling”
- ▶ It is a flash of disapproval or caution?

From Lance to Everyone: I don't think I've ever taken a course from any business instructor that has talked about gut feeling or intuition even though it plays an important role in our every day lives, including our business/work lives.



A new one

- ▶ Someone said it is their “spidey sense”
- ▶ I had to ask for an explanation...
- ▶ “Originally with reference to the fictional **superhero Spider-Man**: a supernatural ability or power to perceive things beyond the normal range of human senses, esp. impending danger.” Oxford English Dictionary



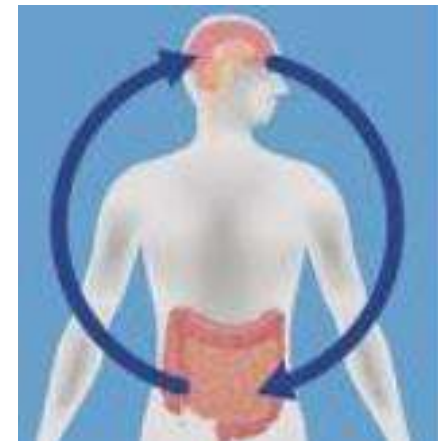
What is it?

- ▶ Some would say your gut is your conscience or your moral compass
- ▶ Or your scruples
- ▶ I partly agree
- ▶ Is it your heart?
- ▶ (There is a big question about where your conscience comes from, but this is beyond the scope of this course)
- ▶ But maybe we can't quite define it, but that is OK
- ▶ Key point: your gut may be more reliable than your brain's analysis



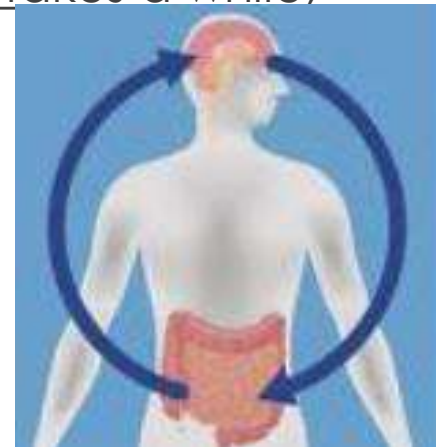
08:51:10 From Jessie to Everyone:

I got good advice once that your gut feeling is God talking to you, so listen.



Not your gut

- ▶ Your gut is not your analysis of the situation
- ▶ Your analysis may result in you rationalizing
- ▶ (Your gut reaction give you no time to rationalize)
- ▶ Your gut does not look at or listen to arguments
- ▶ I think your gut, or your gut reaction is always instant, if it takes a while, then it is not your gut



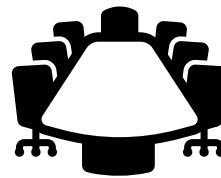
That initial gut feeling is a pivotal point in making the right decisions

- ▶ Look back yourself at gut feelings that hit during past work decisions and assess its helpfulness and accuracy...
- ▶ And maybe some personal situations as well



Ignoring your gut – examples

- ▶ “I ignored my gut in an interview - one of the partners gave me a sketchy vibe. I ignored it -I ended up leaving the company”
- ▶ I have realized, that the worst company and boss I ever worked for, which I had to quit for ethical reasons, **I had a small negative gut feeling, which I ignored, not a big one**
- ▶ **Do you have a story? Ignoring, or listening to it outside OAG/OCG?**



What do you think?

From Lance to Everyone: I agree that your immediate gut feeling is most often right.

From Marc to Everyone: My gut rarely has failed me

Moral
intuition?

From Heather to Stephen Priddle: Women often talk about intuition - it's that feeling you know something's offside, you should pay attention to it, but sometimes you bulldoze over the feeling and then end up regretting it later. Sometimes I feel we go along because it's initially easier.

From Betty to Everyone: Yes, you may have it in your gut that something may not be right but ultimately, it's a choice whether or not to act on that instinct.

09:33:10 From Ben to Everyone:

Currently in middle of an acquisition and integration with new owners. Gut feeling on the parent co was/is not good and that gut feeling now getting fully validated. Glad I went with it.

Ladies, if
your intuition
tells you he
is a creep....

Another crazy story

- ▶ “Many years ago, as an articling student I was working through an audit..... The new executive director was so helpful in trying to track down information but all these red flags kept going off in our heads and in my gut.”
- ▶ “Fast forward 8 years or so, the executive director who was in charge during the period of "missing records" had returned for some period of time and was under investigation for fraud and stealing significant funds from the organization”
- ▶ “Canada wide warrants were issued for their arrest. They had apparently fled the country.... ”

Another crazy story

RCMP-GRC



ROYAL CANADIAN MOUNTED POLICE • GENDARMERIE ROYALE DU CANADA

Wanted / Recherché



Petcharnin (Patty) COWDEN

Sex / Sexe: Female / Femme

Eyes / Yeux: Brown / Bruns

Age / Âge: 37

Hair / Cheveux: Blonde / Blonds

Height / Taille: 5 ft / pieds 3 in / pouces

Weight / Poids: 145 lbs / livres

As far as my research shows, they are still looking for her

Do not approach. / Ne l'abordez pas.

If you have information regarding Patty Cowden's whereabouts contact the Bonnyville RCMP immediately at 780-826-3358 or Crime Stoppers at 1-888-222-8477

Si vous avez des renseignements sur les allées et venues de Patty Cowden, communiquez immédiatement avec la GRC de Bonnyville au 780-826-3358 ou Échec au crime au 1 800 222-8477.

Past polling question result

- ▶ Looking back, have you ever ignored your gut related to ethics and regretted it?
- ▶ Sample size about 100
- ▶ Yes 57%

This is huge for
the profession!

Past polling question result

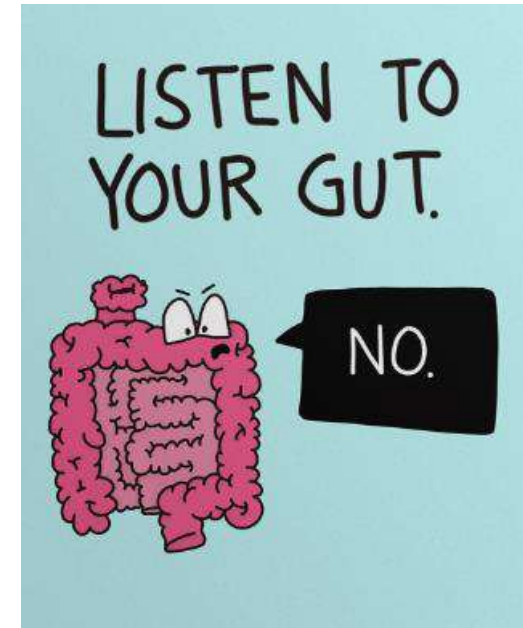
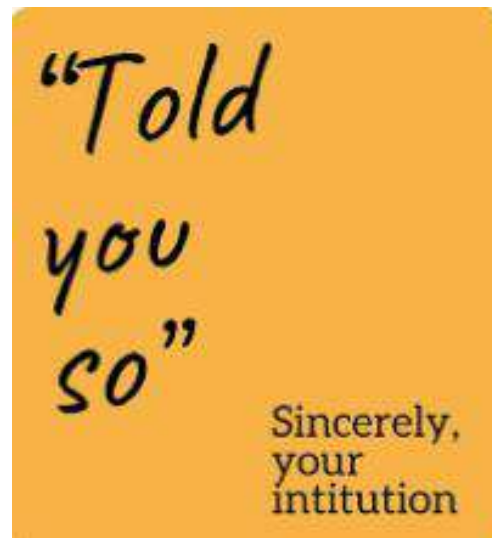
- ▶ Looking back, have you ever ignored your gut related to ethics and regretted it?
- ▶ Sample size about 100
- ▶ Yes 57%

It doesn't necessarily mean they did something unethical....

Perhaps the other 43% listened to their gut and were glad....

Polling question

- ▶ Looking back, have you ever ignored your gut related to ethics and regretted it?
- ▶ Sample size about 100
- ▶ Yes 57%



Regrets

10:30:58 From Kristine To Everyone:

I interviewed for a role at a software company. After my interview they asked me not to contact the recruiter I was working with so they could renegotiate the terms of their placement agreement. My gut told me this was a red flag, but I took the job. I later found out the CFO was using customer funds that should have been held in trust to pay operating expenses. I left the company shortly after.

11:21:38 From D everyone:

Ignored my gut when hiring someone.

16:09:45 From Matt to Everyone: I should have listened to my gut instead of 1 person who said the company I was interviewing with was a good place to work. It really wasn't!!

Listening to gut, positive

POSTED PUBLICLY BY A CPA, AFTER THEY HEARD ME SPEAK ABOUT THIS TOPIC

- ▶ *I was once requested to enter "JE" which was not clear to me. I had a **gut** feeling that I should put "stop" bottom and seek for a professional advice. I did that. I don't go into the details but after a couple of meetings including some key people, I decided to leave. **It was the best decision of my life.***

You don't have a very good gut on ethics

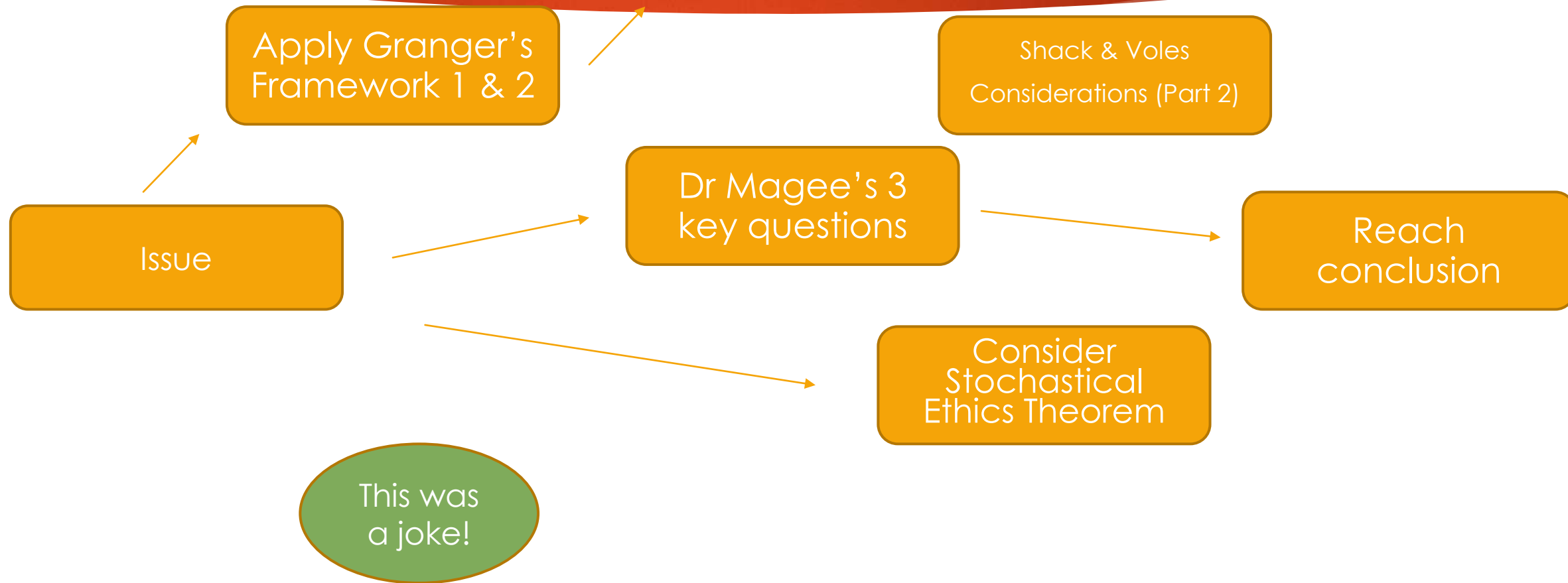
- ▶ If your gut has been clearly wrong many times, i.e. it did not sound the alarm, when it should have, you probably shouldn't rely on it much to help you
- ▶ If a person has no conscience, I am not sure they will have a lot of "ethics gut", for example a sociopath or hardened criminal or lying politician...
- ▶ Your experience is the test over time
- ▶ Hopefully, it can be improved...
- ▶ Maybe this and my other courses can help...

This is gut is related to your investigative gut

- ▶ Experienced accountants often have their gut telling them “there something funny going on here...”
- ▶ Fraud, etc
- ▶ This is also very important

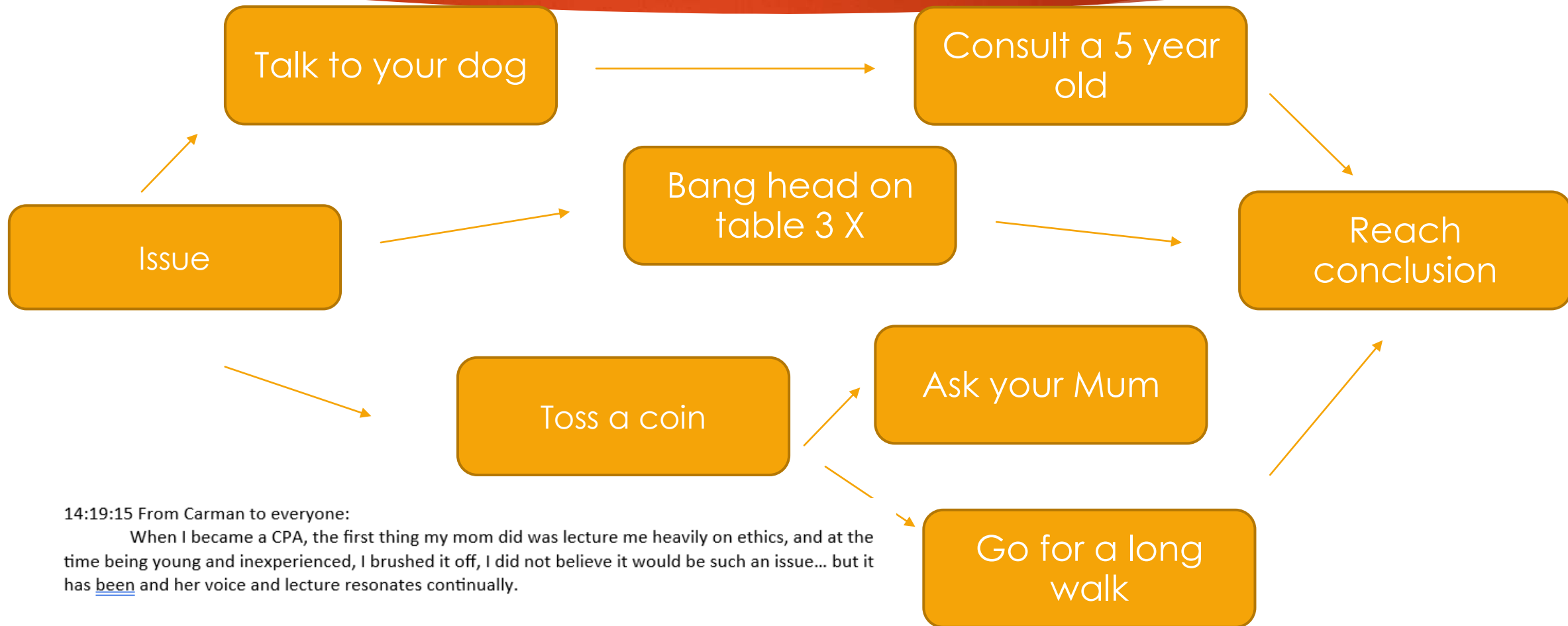
Back to the model

My ethics decision model



This is my model

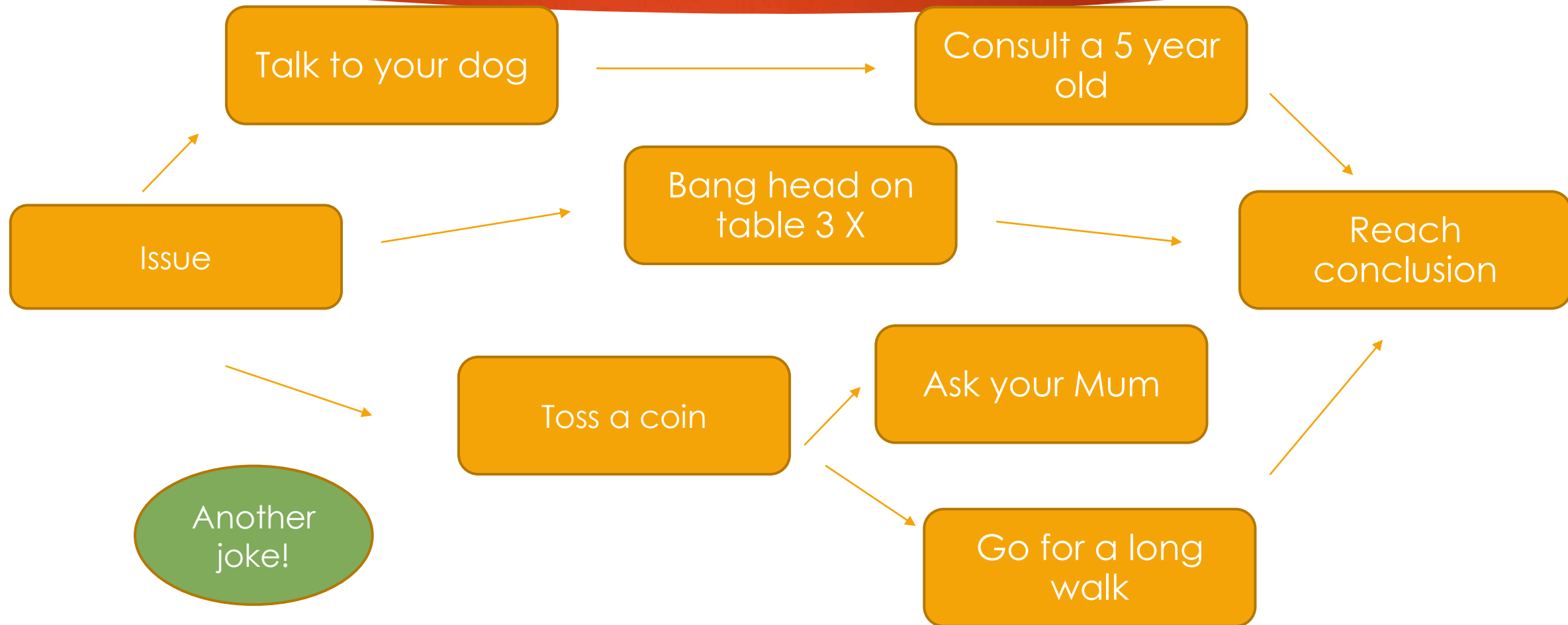
Subject to confidentiality



14:19:15 From Carman to everyone:

When I became a CPA, the first thing my mom did was lecture me heavily on ethics, and at the time being young and inexperienced, I brushed it off, I did not believe it would be such an issue... but it has been and her voice and lecture resonates continually.

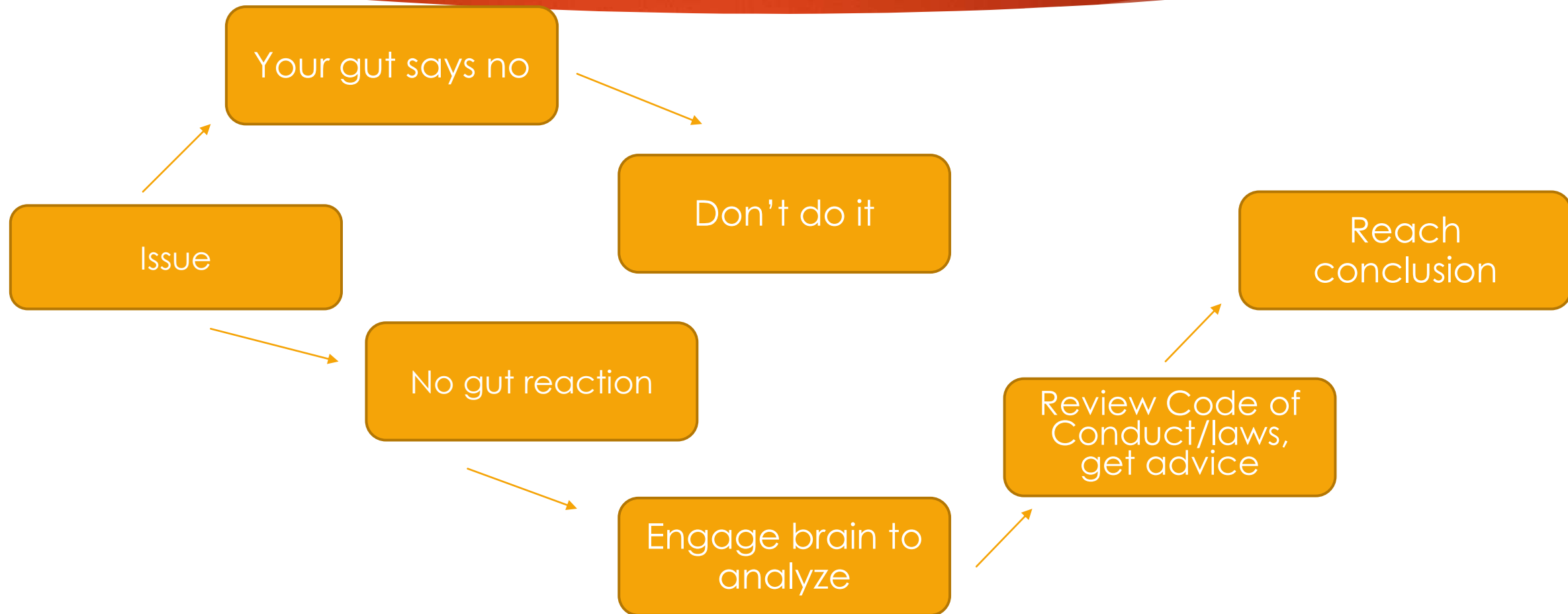
This is my model



My thoughts on this model that I have made up

- ▶ Your gut is best for avoiding bad things
 1. If your gut says no, don't do it
 2. If your gut doesn't say anything, turn to the Code and the laws and analyze, don't assume it is OK
- ▶ I would never say only go with your gut, negative or positive in all situations for everyone

So here is my real model in a flow chart...



Feedback

From Lance to Everyone: You could call the course “ETHICS, TRUST YOUR INTUITION”, we should learn to trust our intuition, and not just a flow chart from a textbook.

From Lisa to Everyone: Trust your gut and follow up

A different gut example

- ▶ Our daughter is asked to go to a sleepover with a family at age 11
- ▶ Something bothered both my wife and I, and we said no you can't go
- ▶ About 18 years later, we learned that an older teenage brother had molested several young girls who had slept over around that time frame...
- ▶ Has this other gut ever saved your/your family from danger?



Think about it

Ethics

- ▶ Make doing the right thing easier, by maintaining strong finances \$ (and reduces temptation!)



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

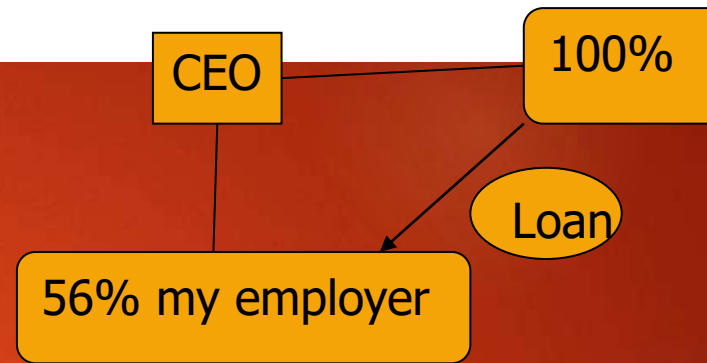


Cases and teaching

Let's go through some mini cases

- ▶ Mixed with more teaching

Ethics case



- ▶ My company borrowed money from a company wholly-owned by my company's controlling shareholder & CEO: *The amount outstanding on this promissory note shall bear interest at a rate of nine per cent (9%) per annum.* (approved by the Board, including independent directors, about two years ago, interest is overdue)

No implications from this in the Note's clauses

- ▶ Instruction from the controlling shareholder & CEO: "Record interest on this loan, compounded daily at 9%, and pay it to my company"
- ▶ Question: How would you handle this, solve it? Think about the layers of issues, not the first issue

Comments

- ▶ Someone said: “Steve, first I need to know my salary...!”
- ▶ Note: the right thing to do is independent of your salary!

Mini case

- ▶ Do this first: explain interest rates, 9% compounded daily is 9.4% per annum, this increases the loan rate, not acceptable – not consistent with agreement, rips off minority shareholders
- ▶ Even if not material, the auditors will be all over this due to the minority interest impact...

Mini case

- ▶ The ethical way to get around the problem: get the Board to approve the revised interest rate on the note:
- ▶ Lesson: the right approvals sometimes deal with the ethical issue, in business and government

In real life the CEO would not go back to the Board and was annoyed at me, but didn't fire me...

You ask

- ▶ Suppose the approval should not have been given?
- ▶ This sometimes happens, we will do a case later on this

Real life situation

- ▶ A person wants to do something unethical in my employer
- ▶ I say no, but if you propose this resolution to the Board of Directors, you could make this legitimate
- ▶ But this is to teach them a lesson, the resolution sounds so ridiculous – so they back off
- ▶ You could sometimes do the same, get their approval and it will be fine, so they back off in embarrassment

The most crooked audit firm of all
time?



ENRON'S COLLAPSE: THE AUDITOR

***ENRON'S COLLAPSE: THE
AUDITOR; Enron's Auditor Says It
Destroyed Documents***

-----S
Andersen Auditor Details Shredding of Enron Papers



ANDERSEN

The Arthur Andersen partner was on his cell phone
when he said,

"Ship the Enron documents to the feds,"

but his Secretary heard,

"Rip the Enron documents to shreds."

It turns out that it was all just a case of bad cellular.



Sprint PCS The clear alternative to cellular

The boss/colleague who is tempted re ethics

- ▶ Sometimes you can reform them, if they are only slightly unethical
- ▶ “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
- ▶ “Let’s always take the ethical ”high road”

A story

- ▶ Owner won't pay royalty agreed to in a court settlement
- ▶ 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



Many have quit jobs after listening to me speak on ethics....an example

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

Any questions?

A question

A question

- ▶ A woman wanted to know what $2+2$ was so she went and asked a _____

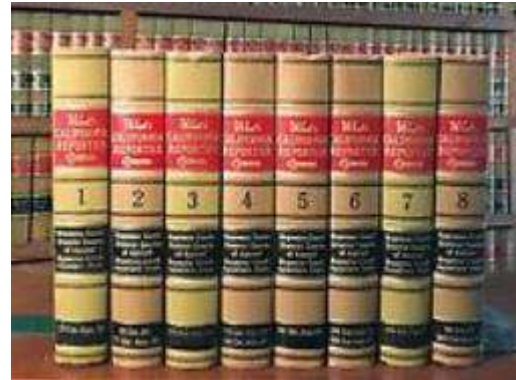
She asked

- ▶ An engineer



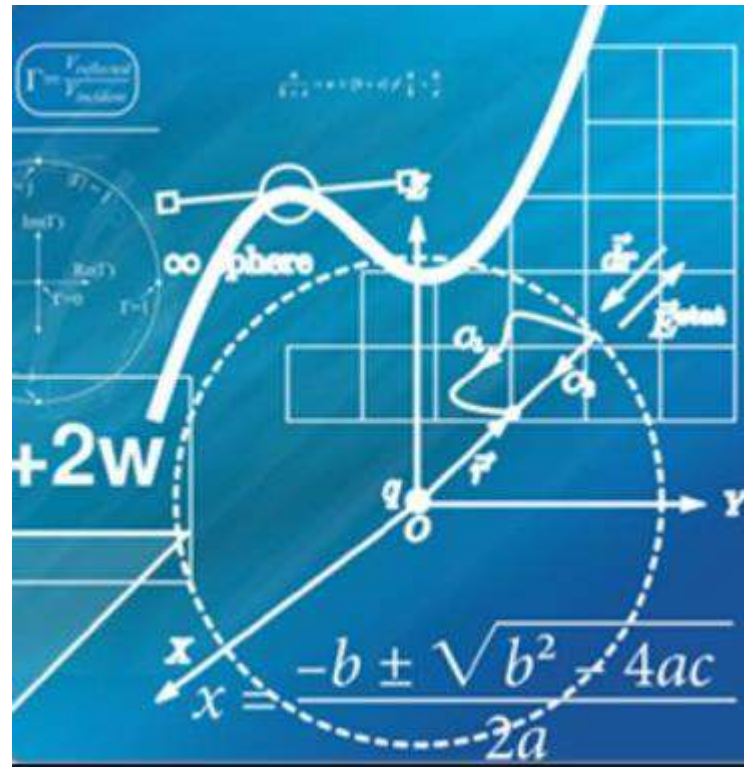
She asked

- ▶ An engineer
- ▶ A lawyer



She asked

- ▶ An engineer
- ▶ A lawyer
- ▶ A statistician



She asked

- ▶ An engineer
- ▶ A lawyer
- ▶ A statistician
- ▶ A humanities student

Humanities and Social Sciences



She asked

- ▶ An engineer
- ▶ A lawyer
- ▶ A statistician
- ▶ A humanities student
- ▶ An Arthur Anderson partner....



Result

Andersen Says Goodbye to Accounting

- ▶ **Andersen**
- ▶ **Arthur Andersen's Fall From Grace Is a Sad Tale of Greed and Miscues**

Arthur Andersen Goes Out of Business

After nearly nine decades, Andersen ends role as auditor of public companies.

By ABC News
December 08, 2009, 10:21 AM

She asked

- ▶ An engineer
- ▶ A lawyer
- ▶ A statistician
- ▶ A humanities student
- ▶ An Arthur Anderson partner....
- ▶ An OAG/OCG Bermuda auditor/accountant...
- ▶ Who said: I have audited $2+2$ under generally accepted audited standards and conclude that that in all material respects it sums to 4



A question

- ▶ A woman wanted to know what $2+2$ was so she went and asked a _____
- ▶ Note: we don't do our reporting with a pre-determined result in mind, although someday, someone will say to you, "I don't like this result, can't it be _____"....
- ▶ We tell it like it is

Ethics courses

- ▶ The other day my wife said “I think politicians should have to take ethics PD hours....”
- ▶ Is anyone willing to second the motion – for all politicians on the world, let’s not pick on one country
- ▶ Some say it wouldn’t change them...

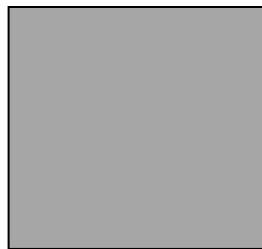
Embarrassing for Canadian OAG team

- ▶ They called our CFO to say “oops, we have lost without trace one our audit bags, full of (sensitive) files from your audit”
- ▶ The government entity I was working with was in the **nuclear** industry, so extra sensitive....



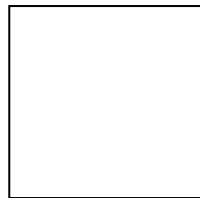
Gray?

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



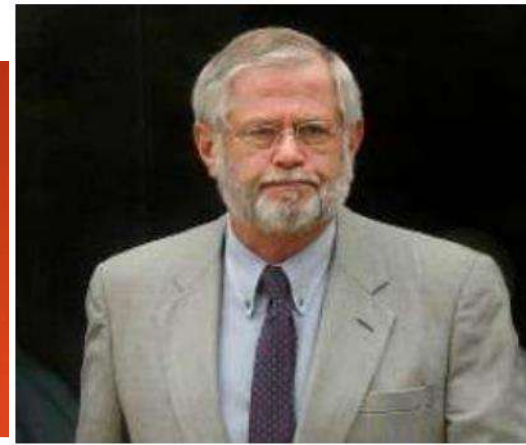
“It’s just a gray area...”

- ▶ No, ultimately, if it looks gray, it needs to be pushed into one of these boxes for your own decision:



“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



Scrushy's
CFO Beam went
to jail

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

Note

- ▶ A lot of unethical behaviour seems to come from over-bearing, no one dares to question, founding CEOs of companies
- ▶ I have seen this myself...
- ▶ The government equivalent is some politicians and founding CEOs of agencies

Question

- ▶ Does saying, “I was just following my boss’ orders”, avoid ethical problems?
- ▶ Answer: no!
- ▶ Nor in the world of war crimes

Nuremberg trials 1945-46 of Nazi leaders for war crimes



I was just following Hitler's orders,
I am not responsible



Conclusion at Nuremburg

- ▶ “Superior orders, even to a soldier, cannot be considered in mitigation where crimes as shocking and extensive have been committed consciously, ruthlessly and without military excuse or justification”

The answer



Or our world

- ▶ You are responsible for your conduct...

Awkward...

Scenario

- ▶ A Canadian CPA is in charge of the **Provincial Land Registry Office** audit for the first time, working for the Provincial Office of The Auditor General and has a rare family name
- ▶ CPA has noted numerous internal control weaknesses, which they are delighted in finding, because the Auditor's Internal Control Weakness Report, required by status for the agency, will look really good to the boss, it is already 11 pages long
- ▶ The day before the Report is issued, CPA has dinner with his parents who are visiting and who have the same unusual family name
- ▶ When they ask CPA what has been keeping CPA busy, CPA mentions the **Provincial Land Registry Office** audit
- ▶ The parents said: "have you seen our re-zoning file? Perhaps you can get them to speed it up?"
- ▶ Required: What should CPA do/not do?

Comments

- ▶ A potentially difficult situation
- ▶ Asking the Office to speed up Mum and Dad's file would compromise audit independence and likely be inappropriate
- ▶ Delivering a heavy Internal Control Weakness Report under CPA's family name, could result in the Office slowing down Mum and Dad's file in revenge
- ▶ To hold back on the Internal Control Weakness Report for possible family gain would also be unethical



Right versus wrong

What is the correct question?

- ▶ “What are the rules on this?” or
- ▶ What is right and what is wrong here?
- ▶ I think we need to ask both, and step back from the rules alone
- ▶ By rules I mean the Code, the relevant laws, the contract, etc

14:22:18 From Carl to Everyone:

right and wrong is the moral question, rules are written by people and open to interpretation

What is the correct question?

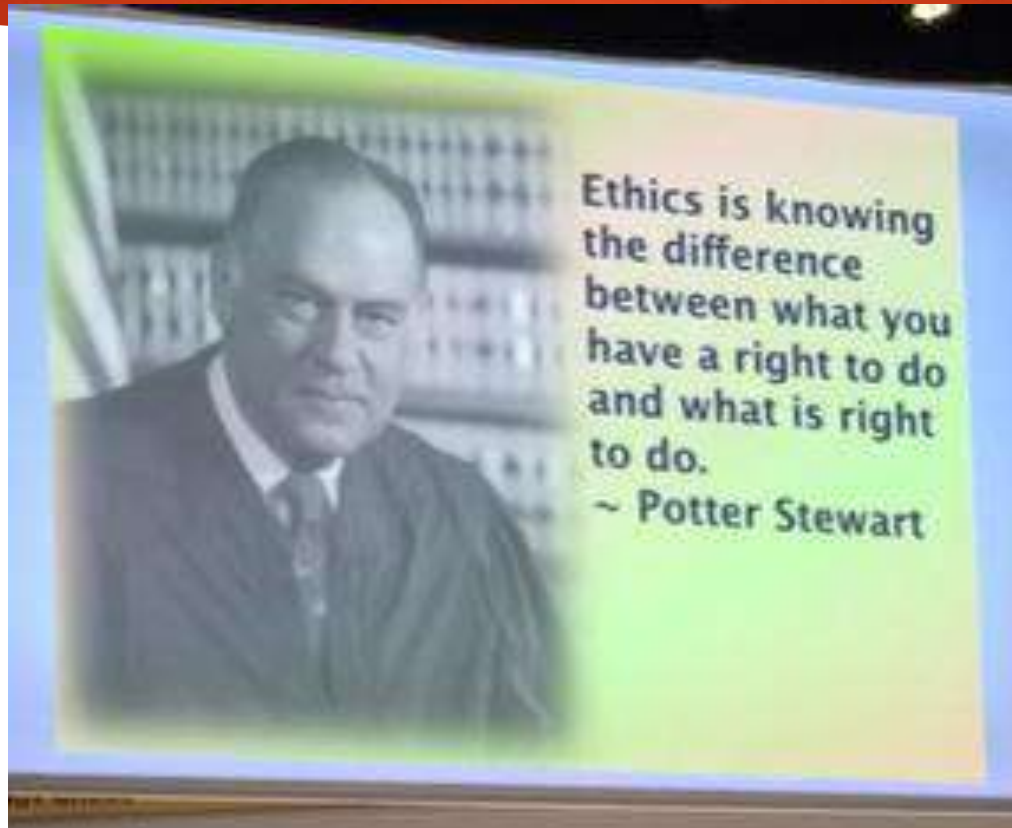
- ▶ “What are the rules on this?” or
- ▶ What is right and what is wrong here?
- ▶ I think we need to ask both, and step back from the rules alone
- ▶ By rules I mean the Code, the relevant laws, the contract, etc



Another way of saying it

- ▶ There is lots of behaviour in business, which does not break any laws, nor the Code, but which we would all find objectionable if it was done to us
- ▶ It is also against our conscience
- ▶ "Ethics are more important than laws." - Wynton Marsalis.
- ▶ I won't get into the huge philosophical question of where right and wrong come from
- ▶ But I would say if the sense of right and wrong just come from ourselves rather than outside, we have the Hitler problem, he thought he was doing right

Ethics - business



A story



- ▶ A man I know indirectly is a partner in a two person Veterinarian business
- ▶ He get seriously ill and takes time off because he can't work, and to recover
- ▶ As a year approaches, his partner counsels him: "take your time, don't rush coming back, make sure you get well"
- ▶ He comes back to work, after a little more than a year

A story

- ▶ Partner tells him: “under Clause X of the partnership agreement, an absence from active participation in the business of more than one year means that I have automatically acquired your partnership interest and furthermore, under our Non-Compete agreement, you are forbidden from practicing Veterinary medicine within 50 km of the office, for a period of two years...”
- ▶ A lawyer would say the Partner did absolutely nothing legally wrong
- ▶ You and I and just about anybody would say that **stinks** and is fundamentally deceitful and immoral....

Case



- ▶ Rollon Construction, owned by Sam Rollon does residential construction projects (I know him slightly in real life, name changed)
- ▶ Sam informs Franco, a home framing business owner, that he will be doing a large development project in a certain town starting September, and to start getting his team ready because Franco will get the framing contract
- ▶ Franco starts hiring and sourcing supplies
- ▶ Then Sam tells Franco the framer, “I have decided to give the contract to someone else...”
- ▶ What do you think of this?

Case - analysis

- ▶ There wasn't even a verbal contract between the two, comprising offer/acceptance/consideration that is legally binding
- ▶ Therefore, there is absolutely nothing legally or contractually wrong with this
- ▶ Franco is furious, and any unbiased observer would say this also



Case - analysis

- ▶ Who would want to do business with this guy?
- ▶ Most would say Sam created a moral obligation, even if not legally required, a handshake commitment
- ▶ I couldn't work for or with a guy like Sam, even though no legal issue, could you?



More examples

- ▶ There is nothing stopping us from doing that in the contract, but is it right?”
- ▶ “There is no rule against this, but should we do this?”
- ▶ “Under their Employment Agreement we can do _____, but is it right?”
- ▶ The laws allow this, but should we do it?
- ▶ Actually, this skirts the conflict of interest rules, but should I?
- ▶ “I shook hands on it, but I didn’t sign anything, therefore I can...”



A way to broach the issue of what is right versus the rules

- ▶ *"I know there is no rule against it, but it feels wrong to me. Can we talk about it?"*
- ▶ CPA Magazine, November 2016, Karen Wensley

Interesting quote

- ▶ “In law, a person is guilty when he violates the rights of another. In ethics he is guilty if he only thinks of doing so.”
- ▶ - Immanuel Kant.
- ▶ Do you have a good ethics quote to share?

Jokes on junior auditors

- ▶ I have created or collected about 75 of them

“There is a high risk of fraud on this audit”



“Your job is to discretely look for employees with very expensive clothes and document your findings”



You ask if I play ice hockey, since I am Canadian

- ▶ Of course, I play three times a week and have a game, one hour after this is over
- ▶ I have also built a backyard hockey rink for about 31 years....



About 90 tons of water!



Auditors are like referees/umpires....



Referees/umpires and auditors

- ▶ Have an important job
- ▶ Have a pressure job
- ▶ Are not paid well
- ▶ Must be independent
- ▶ Must make fast decisions, using professional judgement, versus a set of criteria/rules
- ▶ Are never noticed if they do a good job
- ▶ But they draw a lot of attention if they make a mistake



Confidentiality challenges

Let's review the rule

Confidentiality –Canada/Bermumda except Quebec

- ▶ **Rule 208.1**
- ▶ A member or firm shall not disclose any confidential information concerning the affairs of any client, former client, employer or former employer except when:
 - ▶ (a) properly acting in the course of carrying out professional duties;
 - ▶ (b) such information should properly be disclosed for purposes of Rules 101, 211 or 302;
 - ▶ (c) such information is required to be disclosed by order of lawful authority or, in the proper exercise of its duties, by CPA Ontario;
 - ▶ (d) justified in order to defend the member, firm or any associates or employees of the member or firm, against any lawsuit or other legal proceeding or against alleged professional misconduct or in any legal proceeding for recovery of unpaid professional fees and disbursements, but only to the extent necessary for such purpose; or
 - ▶ (e) the client, former client, employer or former employer, as the case may be, has provided consent to such disclosure.

Story from a past participant

- ▶ “My firm was engaged to complete the T5013s for a limited partnership. Previously the work had been completed by another accounting firm. As I’m reviewing the completed file, I note that over \$1.3 million was raised but now there was barely any money in the partnership. I asked my manager where the money went. She didn’t know.”
- ▶ “After investigating, we found that the promoter had used all the money personally for her and her immediate family. There was nothing left in the accounts. “

13:48:44 From Mark to everyone:
anonymous tip to police

13:48:21 From Diane to everyone:
Encourage them to come clean to investors.

13:48:44 From Grant to everyone:
I would report the information to the other partners if any.

13:50:33 From Rasa to everyone:
LP agreement should spell out reporting requirements to the investors, look at the agreement for remediation alternatives.

Remember
CPA
Confidentiality!

Story from a past participant

- ▶ “My firm was engaged to complete the T5013s for a limited partnership. Previously the work had been completed by another accounting firm. As I’m reviewing the completed file, I note that over \$1.3 million was raised but now there was barely any money in the partnership. I asked my manager where the money went. She didn’t know.”
- ▶ “After investigating, we found that the promoter had used all the money personally for her and her immediate family. There was nothing left in the accounts.” I looked at the list of investors:

<u>Date</u>	<u>Investor</u>	<u>Amount</u>
04-Feb-23	2435444 Canada Inc.	\$ 200,000.00
05-Feb-23	Marilee Clarm	\$ 156,000.00
08-Feb-23	Jay Clarm	\$ 156,000.00
11-Feb-23	R. Densmin	\$ 24,000.00
15-Feb-23	Doug Ford	\$ 350,000.00
16-Feb-23	C. Ffoetti	\$ 71,500.00
18-Feb-23	Cole Inc	\$ 23,000.00

My aunt!

Uncle Jay!

My high school friend



This is a real example of

- ▶ Conflicts between personal interest and one's duty as an auditor

Story from a past participant

- ▶ “I called the CPA asking for advice on the matter. Their response was, under the rules of professional conduct **I could not disclose the criminal activity**. They said they would hold the information in my file for the discipline committee.”
- ▶ “I felt sick but was bound by the professional rules of conduct.”
- ▶ “I withdrew from the engagement and never completed the assignment.”

Added by the CPA later

The General partner was eventually charged by the securities commission on another investment scheme. Interesting that I was never contacted by their investigating team.

The cost to me was we were never paid for our services.

Everyone will experience at sometime in their career an ethics issue. Will they recognize it?
What price are they willing to pay.



When an ethics
challenge comes up

Ethics – some questions

- ▶ Consider your reputation/reputation of profession
- ▶ Would you be proud of your actions?
- ▶ Think about your whole career, not just the moment
- ▶ Would you tell your son/daughter to do it?

Ethics - pragmatically

- ▶ Make your ethical standards clear to all
- ▶ Then they will respect you

Key
CPA
ethics
rule

CPA Ethics - ACPA's Code of Ethics
205. **Take no action that would constitute a conflict of interest.**
a. A conflict of interest exists when a CPA's personal or financial interest in a matter may be affected by the performance of professional services.
b. A conflict of interest also exists when a CPA's performance of professional services may be affected by the CPA's personal or financial interest in a matter.
c. A conflict of interest also exists when a CPA's performance of professional services may be affected by the CPA's relationship with a client or other party.



Key rule, Bermuda/Canada except Quebec

CPA Code of Professional Conduct

205 False or misleading documents and oral representations

RULE:

A member or firm shall not

- (a) sign or associate with any letter, report, statement, representation or financial statement which the member or firm knows, or should know, is false or misleading, whether or not the signing or association is subject to a disclaimer of responsibility, nor*
- (b) make or associate with any oral report, statement or representation which the member or firm knows, or should know, is false or misleading.*

Excerpt from a past employment contract

Code of Ethics:

The Company understands that the Employee is bound to follow the Code of Ethics and Professional Conduct for Ontario Chartered Accountants, as amended from time to time.

<http://www.icao.on.ca/resources/membershandbook/1011page2635.pdf>

What to do under pressure

- ▶ Play dumb (may help you get around a problem - won't help in court/disciplinary proceedings – example later)
- ▶ 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@company.com>]

Sent: November-08-19 4:27 PM

To: David Fraud <CEO@company.com>

Subject: Your request

David,

This is to confirm that at 10 AM in the large headquarters meeting room, you requested me to falsify the November 502 report to the stock exchange, so they won't know that the company_____

Stephen Priddle

The correct invoice

INVOICE

Harkom Corporation
1 Hamilton Drive
Canada

BILL TO
Asia Imports Limited

INVOICE # 101112
INVOICE DATE 30/11/2018

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

They want this

INVOICE

Harkom Corporation
1 Hamilton Drive
Canada

BILL TO
Asia Imports Limited

INVOICE # 101112
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DESCRIPTION	AMOUNT
One Fiber Optic Multiplier XG442 Unit	10,000.00
TOTAL	\$ 10,000.00

A government interview and ethics

A government interview and ethics

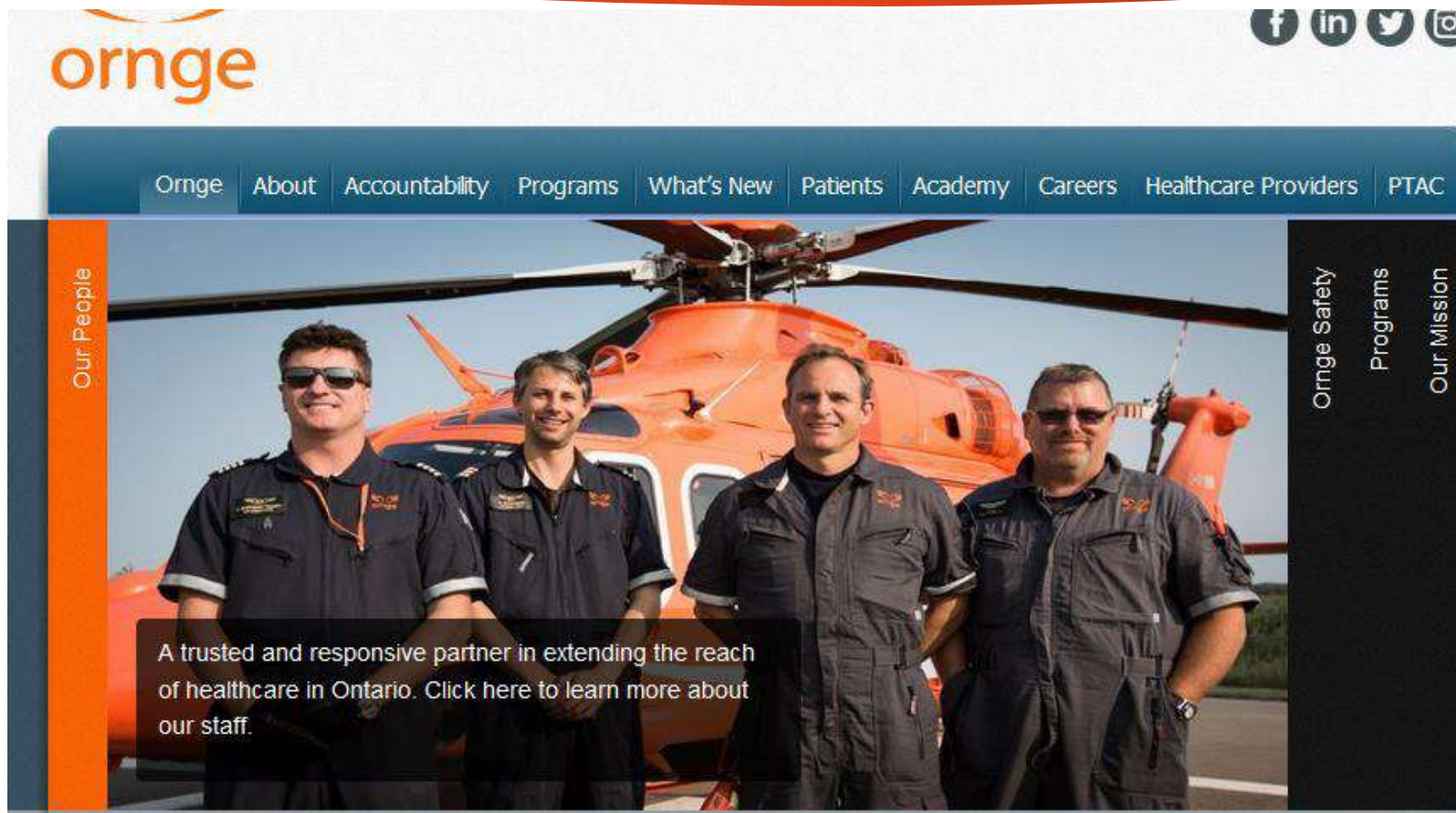
- ▶ Job interview question: “the Deputy Minister gets a bonus for spending less than X on _____. Would you book costs in the incorrect account, to ensure the DM gets their bonus?”
- ▶ His answer: No, I wouldn't
- ▶ Result: He did not get the job
- ▶ Conclusion: He is still not sure what they were looking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

Another one

A CFO job interview – a man I know

- ▶ At the interview, they couldn't give clear answers and some things were 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



Read more:

[OPP says ORNGE millions flowed back to Chris Mazza company but no charges will be laid](#)

[ORNGE founder Chris Mazza used air ambulance expertise for own business interests](#)

ent as the head of the province's air ambulance service. (RENE

Easier said than done

- ▶ All this talk about ethics, is easier said than done
- ▶ Easy to talk about in a webinar, but hard to practice
- ▶ **You gain confidence when you push back successfully on an ethical challenge, that you can handle future ones...**



Audit compromise

A thought

- ▶ For 30 years plus we have heard, audits are obsolete, need to change with the times, are not needed, are not effective, etc.
- ▶ There is some truth to this, but if public companies/governments were not audited, the amount of cheating that would take place, would be incredible
- ▶ Comments?

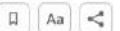
Have the courage and determination
to follow the professional standards
always

Audit compromise comment

- ▶ There are never ending audit **failures**, high profile as well as small
- ▶ I can't think of any where there was a **failure** of audit procedures to detect a problem
- ▶ They are basically always **bad, deliberate decisions** by audit leadership
- ▶ We are all **embarrassed** by them, even though we were not involved

By Huw Jones

October 12, 2023 4:00 AM EDT · Updated 2 months ago



The KPMG logo is seen at their offices at Canary Wharf financial district in London, Britain, March 3, 2015. REUTERS/Reshant Khasse/Files Photo Discovers/Unsplash/Getty Images

LONDON, Oct. 12 (Reuters) - Britain's accounting regulator on Thursday fined KPMG a record 21 million pounds (\$26 million) for a "textbook failure" in audits of Carillion, the builder that imploded in 2018 and prompted a root and branch review of auditing standards.

Ethics and professional standards ignored...AUDIT result

SINO-FOREST AUDIT

The OSC alleged that E&Y failed to adequately review or question documentation related to Sino-Forest's ownership of standing timber reserves the company held in China.

Ethics and professional standards ignored...

The OSC alleged that E&Y failed to adequately review or question documentation related to Sino-Forest's ownership of standing timber reserves the company held in China.

The regulator said an internal e-mail between members of E&Y's audit team shows staff were asking questions about site visits, which were done along with third-party forestry consultants Povry Forest Interest Ltd., hired by Sino-Forest.

According to the OSC, one member of the audit team asked in an e-mail, "how do we know that the trees that Poyry is inspecting (where we attend) are actually trees owned by the company? E.g. could they show us trees anywhere and we would not know the difference?"

Ethics and professional standards ignored...AUDIT result

Auditors pay Sino-Forest shareholders \$117M

NEWS Dec 04, 2012



The OSC alleged that E&Y failed to adequately review or question documentation related to Sino-Forest's ownership of standing timber reserves the company held in China.

Story from a past participant

- ▶ “I was recruited to join a national firm’s small-town office from a Big Four firm.”
- ▶ “The first audit was the local Cooperative, where our audit procedures determined there was \$1 million dollars in uncollectable receivables.”
- ▶ “Management wanted to only recognize \$30,000 in bad debts”
- ▶ “I proposed a denial of opinion”
- ▶ “The partner said the opinion needed to be changed to a clean opinion **since** the cooperative paid the firm **a large fee**, prior to even reviewing the file. I responded that head office should review the file. **He said if I called head office I would be fired.** My wife was expecting a baby, we did not have much savings.”
- ▶ “I called head office”

Story from another participant today

- ▶ “The head office appointed the local office to review the file. They liked the fee, agreed with management, and raised the bad debt to \$40,000. At the annual meeting, the members challenged the bad debt expense. Management raised the bad debt expense to \$75,000.”
- ▶ “Six months later they wrote off an additional \$925,000 and were put into receivership by the Royal Bank”
- ▶ “I started my firm March 27, _____ the date I was fired, and I still operate it today”

Comments

- ▶ Fantastic to stand up to the firm, when young, in first job, with a tough family situation
- ▶ A motivation to practice on his own, ethically...I have heard of that from others as well

15:20:30 From Mark to Everyone: After the stress of public accounting was able to move on and open my own firm, where i am now focusing mainly on consulting and I love it!

Comments

13:19:34 From Marlene to everyone:
Great job in standing up.

13:55:05 From Georgina to everyone:
Self preservation - he would go down with this.

13:20:05 From Carl to everyone:
Glad to hear but sadly firms won't change their behaviour because provincial bodies leave them alone.

Comments from the case contributor later



First hint of a problem. The previous year 28 hours had been spent auditing prepaids valued at \$28,000 vs 12 hours on receivables valued at \$4 million.

I know this
amazing guy,
ethical and
successful

Similar for me, but smaller

- ▶ When I was at KPMG, I flatly refused to sign on two different sections of files, because I thought they were wrong unless changed
- ▶ One was the plausibility of a gross profit % in a review engagement, and one was public company lease disclosures
- ▶ This was not taken to kindly, but I was right in the end

“Phantom ticker”

- ▶ Do you know what this meant in the old days in audit?
- ▶ A person who would hand write in the audit file, beside a tick mark:
 -  Agreed to supporting invoice
 -  Agreed to journal entry
- ▶ But they actually didn't do what the audit tick mark said they did, so they were called “phantom tickers”
- ▶ I know one who became a partner, his one review of one of my files had no questions, extremely rare...

Interesting comment

13:18:25 From Lorne to Stephen Priddle (Privately):

some partners clicked "reviewed" for an empty template file that had another client's company name on the top, file was mostly empty as it was there just as a template but work not done yet.

I would call this a
phantom clicker!

Funding applications

Scenario

- ▶ We want government funding for a new university grad hire
- ▶ In a rush to get them working for us, we extend an offer which is accepted
- ▶ The government funding program says it doesn't apply if you have already hired the new grad
- ▶ A colleague says "just lay him off, apply for the funding and then re-hire him after the funding is approved"
- ▶ How would you respond? What does your gut say? Is there a solution?

Analysis

- ▶ It smells bad to me, due to the form of the documents, my gut is saying this
- ▶ These programs are subject to detailed audit
- ▶ Ask the government funding agency what they would do for our situation explaining the rush
- ▶ Or footnote the actual facts in the funding request to let them decide (full disclosure)
- ▶ But I would not do it

Another option

- ▶ Write a fake article to scare the colleague
- ▶ I have done something like this in real life to scare a colleague on ethics in another context, here is how it would work here...

www.provincialnews.com/fraud

Provincial government auditors uncover hiring fraud

Investigators for the provincial government have uncovered several cases of situations where employers tried to claim money to fund new hires, but the hires were already in place. The government levied fines up to \$20,000 on the employers.....

Note

- ▶ You may have seen this kind of thing from the other side...

Advice?

- ▶ I have had the company lawyer say just put fake addresses for employees in a certain province, so that some provincial funding would be received
- ▶ No, that is fraud....

Obviously, we need a lawyer joke

Question: Did you hear about the group of terrorists that kidnapped 4,000 lawyers attending a convention?

Answer: Yes, they threatened the government that they would release one every hour if their demands were not met

Question

- ▶ Do you think lawyers are less ethical than accountants...?

Proof

- ▶ CPA Quebec, 45,000 members and students, **14 disciplinary notices**, Jan 1-May 22, 2020 .031%
- ▶ Law Society of Upper Canada (Ontario), about 50,000 members, **181 disciplinary notices**, Jan 1-May 22, 2020 .362%
- ▶ 11.6 more times conduct/ethical issues!



Playing dumb and
creativity applied

Case



- ▶ 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?

Analysis



- ▶ Play dumb: To Board chair: did your assistant miss this?
- ▶ Did the Board just amend her comp package without telling me?
- ▶ You could charge the amount to loan CEO

Note

- ▶ “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....

Recommendation



- ▶ Ultimately, can't sign. Don't break company policy

Creative solution



- ▶ He prepared his own fake policy-breaking claim
- ▶ She refused it
- ▶ He reminded her of her claim
- ▶ She tore it up
- ▶ 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.

Notes

- ▶ 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...in case she approved my claim...

Tip

- ▶ I tell all my staff, no matter what level, that if they are uncomfortable with any instructions from anyone, they can disregard them until they talk to me
- ▶ This empowers people at all levels, including those who may not understand some complexities, to get help/support from me, especially if something bothers their gut
- ▶ This protects me from getting in trouble if one of my team got pushed on something bad, behind my back, by a more senior person

Lessons from tests

- ▶ “In school you are given the lesson and then there is a test. In life, you are tested first and learn the lesson after.” Source unknown
- ▶ We learn a lot from our ethics tests (and other tests in life)

Someone wrote to me recently

- ▶ After watching one of my video courses
- ▶ “Research has shown people retain information/knowledge more if told in story form”
- ▶ I think that is in part, why my courses are popular, as well as humour and practicality

Recent comment from a course participant

- ▶ “Ethics issues sound so clear in the classroom, but in real life they are incredibly stressful!”
- ▶ I agree, I have been hugely stressed at times on ethical issues in my career
- ▶ Maybe I am partly bald, due to ethics issues in my career, or is it genetic?

More advice

Have you ever tried to stop on a water slide?



Ethics – good to think about the precedent and next time, and bigger \$...- the slippery slope, hard to get back up

LONGTAIL WATER PARK



A profound quote

- ▶ “We do not err because truth is difficult to see. It is visible at a glance. We err because this is more comfortable.” Alexander Solzhenitsyn

My paraphrase:

- ▶ We don't get into ethics trouble because we missed the problem. Our gut told us about it right away. Then we went along with it, because that was easier than taking a stand.

Joke

- ▶ **Question: What did the ethics teacher say to the art teacher?**
- ▶ **Answer: You have to draw the line somewhere**



A good comment, just after resignation

- ▶ “I just faced and am living through making a choice for my ethics. It’s scary with no income coming in **but I can sleep at night**”
- ▶ We all want to sleep well at night
- ▶ **His gut is probably no longer bothering him**

Fascinating comment in an ethics course I taught recently

- “Very informative for me as a **non-accountant** who is trying to keep the accountants honest!”
- (Usually it is the accountant trying to keep the others honest!)



Hiring ethical people

Ethics and those under you

- ▶ **Theodore Roosevelt, US President 1901-1909**
- ▶ During his time as a rancher, Theodore Roosevelt and one of his cowpunchers lassoed a maverick steer, lit a fire, and prepared the branding irons. The part of the range they were on was claimed by Gregor Lang, one of Roosevelt's neighbors. According to the convention in ranching, the steer therefore belonged to Lang. As his cowboy applied the brand, Roosevelt said, "Wait, it should be Lang's brand."
- ▶ "That's all right, boss," said the cowboy.
- ▶ "But you're putting on my brand," Roosevelt said.
- ▶ "That's right," said the man.
- ▶ "Drop that iron," Roosevelt demanded, "and get back to the ranch and get out. I don't need you anymore. **A man who will steal for me will steal from me.**"



Chat question: is silence/keeping quiet unethical?

- ▶ I would say it can be
- ▶ Here is a situation where I decided not to keep quiet about ethics, even though I had no legal or Code obligation to do what I did and it was risky in terms of possibly getting fired...
- ▶ I was a CFO
- ▶ I felt the CEO of a private company was treating the Board like **mushrooms**

A CEO was treating the Board like mushrooms



Keeping them in the dark, feeding them manure

What I did

- ▶ I felt the CEO of a private company was treating the Board like **mushrooms, i.e. keeping them in the dark and misleading them**
- ▶ I decided the Board should be informed, even though the CEO would not like it
- ▶ I didn't want to go behind the CEO's back to do this, I don't like going behind people's backs
- ▶ So I did it in front of her, by an email she was copied on
- ▶ Immediately, all the independent Board members quit, I remember one thanked me later and referred me two jobs

The CEO was not happy,
but didn't fire me...

Discussion topic

- ▶ How to interview a candidate to see if they are ethical
- ▶ Some would say, just ask them if they are ethical
- ▶ And they will likely answer they are ethical if they are unethical, and you will have learned nothing
- ▶ Saying "convince me you are ethical" is a little better"
- ▶ Do you just trust your gut based on appearance, body language, etc?
- ▶ I am not sure...appearances can be deceptive, more on that later
- ▶ I want you to brainstorm ways to ensure you only hire ethical candidates, in your groups

Virtual interviews mean body language is harder to pick up.

Do you have any thoughts?

Responses

10:18:27 From Johanna To everyone:
Situational questions

Have you ever been in a questionable ethical situation? Discuss how it was handled.

If I ask you to double bill some clients, how would you handle the situation?

Transition from private to regulated work changes how owners handle paperwork.

10:18:50 From Ian everyone:

Before they come into the room, leave something confidential like or something about the position they are applying for, or an access card, on the table in the waiting room, and see what they do.

Maybe take them out for lunch after the interview and see how they treat the restaurant staff

Talk to everyone in your group that interacts with the candidate and see how they treated the receptionist.

Provide weird ethical questions

What about this idea?

- ▶ Please spell “ethics”
- ▶ If they can't spell it, don't hire them, they are definitely questionable

Different kinds of responses

This assumes a CPA.....

11:11:31 From Corina To Everyone:

Our group came up with the following q's for interviewee / ideas for interview:

- Ask if you are aware of the code of ethics?
- Ask a q about filing a tax return that is due and there is a fire or incident happening outside then will you go out and help?
- Did you do your assignments on time or were they handed in on time on a regular basis?
- In a situation where your company is bidding on a contract, but it will cost a bit of an extra fee to get the contract. Would they be comfortable with this?
- Overall, from the interview getting a sense of their characters. Look for indicators from responses of whether the individual is trustworthy. What are your goals – what is the answer.



What do you think?

10:48:01 From Brent to Everyone: Rely on the HR professionals to do your hiring.

More

10:57:29 From Bakhtawar To Everyone:

Ask for direct examples, observe quick reaction, body language.

10:57:25 From Sim to Everyone:

Ask them for an example for a time when you were asked to do something you felt uncomfortable about and what did you do?



Gut

10:57:46 From Terri to Everyone:

Give them a scenario and see how they respond. How does my gut feel? are they believable? Provide a real-life situation that you experienced? Ask them how they would have dealt with? Does it correspond with your feeling? Is their conscious or unconscious bias? Formulate a 5 or 10 question quiz and see how they fare.

10:56:11 From James to Everyone:

Have you ever been in a situation where you did what you felt was right, but it impacted you negatively?

Would you take advantage of a government program even if it didn't need it (i.e. COVID programs)

How would you approach a situation where ethics may come in to play? Walk us through your thought process,

Some other ideas from me

- ▶ “Look, we can only hire if you add in your resume that you have experience with the Peachtree system, according to my boss. I know you don’t, but I want to hire you”
- ▶ “Give me two ways you could trick an auditor who may be looking at our _____”
- ▶ “We cook the books here, are you a good at that? Give me past career examples that demonstrate that you are good at this”
- ▶ And when they try to walk out or give a good answer congratulate them...

I have never actually done this, but I am thinking about it...



Some other ideas from me

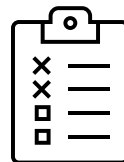
- ▶ “Look, we can only hire if you add in your resume that you have experience with the Peachtree system, according to my boss. I know you don’t, but I want to hire you”
- ▶ “Give me two ways you could trick a tax auditor who may be looking at our _____”
- ▶ “We cook the books here, are you a good at that? Give me past career examples that demonstrate that you are good at this”
- ▶ And when they give you a “good answer” congratulate them...

My problem: From googling me, they will know I speak on ethics, and will realize it is a test...



Another strategy

- ▶ Ask them “have you ever been unethical – any context?”
- ▶ How will an unethical person answer?
- ▶ Probably by dismissing the question, admitting no flaws, claiming to be perfectly ethical....
- ▶ An ethical person who is really honest will probably admit something
- ▶ I have dropped some of my ethical failings into a few of my courses including this one



More

- ▶ Consider their employment history, types of employer can be an indication
- ▶ Check their social media history, do a criminal record check
- ▶ Also, check their references



Several past participants said

- ▶ **“A man who will steal for me will steal from me”** was one of their favourite lines from the course...

What is this?

- ▶ An ancient Aztec battle weapon?
- ▶ A musical instrument?
- ▶ No, a trumpet squash, or trumpetta
- ▶ They taste good and last a long time...
- ▶ New thought, this is not a hidden political message (USA)





A different kind of
stealing



The video link

- ▶ [Funny boss stealing idea video](#)

Stealing

- ▶ I think we could all agree that stealing is wrong and Bermuda's laws agree
- ▶ But what about stealing by taking other's ideas at work, and presenting them as one's own , or not giving credit, where credit is due?
- ▶ Your boss presents your idea as their idea in the organization

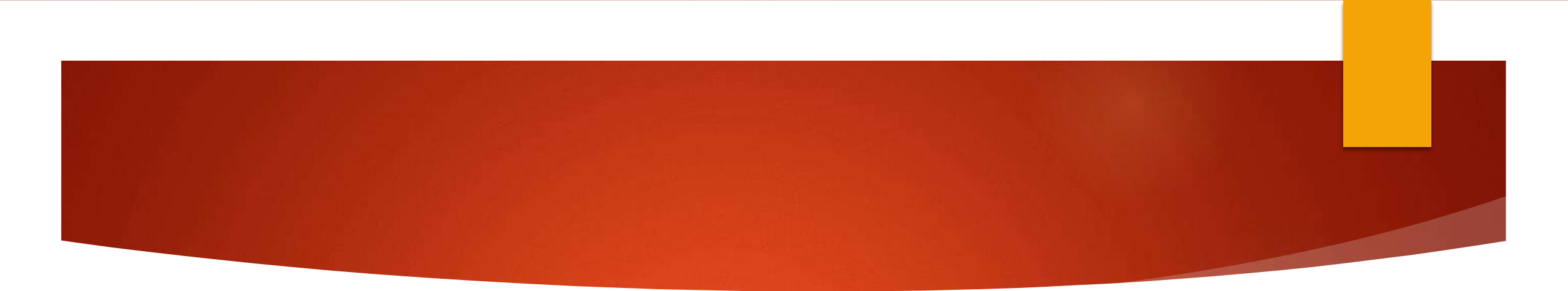
Comments

- 14:39:41 From Faranak to Everyone:
Should be and sadly happens often
- 14:40:13 From Natasha to Everyone:
luckily no - I work with good people
- 14:40:46 From martine to Everyone:
Sometimes that's called planting a seed and
it's a win if your idea gets advanced...annoying but a necessary evil
- 14:40:58 From John to Everyone:
There could be reasons that it was presented as his own
- 14:41:03 From Vanessa to Everyone:
uvj5t8iol;. 23.
- 14:41:15 From romig to Everyone:
Yes, I think it is very important to give
credit where due, it fosters respect and trust

Please don't
ever do it, it
is unethical!





- 
- ▶ A man in a hot air balloon realized he was lost so he reduced altitude and spotted a woman below. He descended a bit more and shouted, "Excuse me, I promised some politicians I would meet them an hour ago, but I don't know where I am?" The woman below says, "You are in a hot air balloon, hovering about 100 feet above the ground and are at 40 degrees north latitude and 59 degrees west longitude, " "You must be Bermuda government accountant," said the balloonist. "I am" replied the woman. "how did you know?" Well answered the balloonist, everything you told me is technically correct, but useless! I have no idea what to make of your information,. The fact is, I am still lost. Frankly, you have not been much help so far. The woman below responded, "You must senior bureaucrat with the Bermuda government." "I am" replied the balloonist, "but how did you know?" "Well", said the woman, "you don't know where you are, or where you're going. You have risen to where you are due to a large quantity of hot air. You made promises to politicians), which you had no idea how to keep, and you expect me to solve your problems. The fact is you are in exactly the same position before we met, but now somehow it's my fault."

Quotes

- ▶ “Ethical decisions ensure that everyone’s best interests are protected. When in doubt, don’t.”
- ▶ -Harvey Mackay.
- ▶ “The truth of the matter is that you always know the right thing to do. The hard part is doing it.”
- ▶ - Gen. H. Norman Schwarzkopf

I am fortunate

- ▶ I never, ever, heard or heard of my parents tell a lie, even a white lie
- ▶ Honesty was modeled



More audit humour

A farmer was in a field with an auditor





AUDITOR

What color is my horse?






What color is my horse?



**What colour was it
last year?**



What color is my horse?



Tell me management's representations
as to the colour, and I will audit
those representations

A man in a pink shirt and hat asks a man in a white shirt about a horse's color. The scene is set in a vast, golden field under a cloudy sky. An inset image shows a dark horse rearing up in a green field.

What color is my horse?

I don't know, you tell me, it's your horse..




What color is my horse?



I need to get documentation
for the horse's colour...



What color is my horse?



Wash it first, and then I will
issue an opinion on the colour



What color is my horse?



It's immaterial



What color is my horse?



**First, prove it is
your horse**



What color is my horse?



Brown



What color is my horse?



Brown, on this side

Blackmail and ethics

Blackmail & ethics

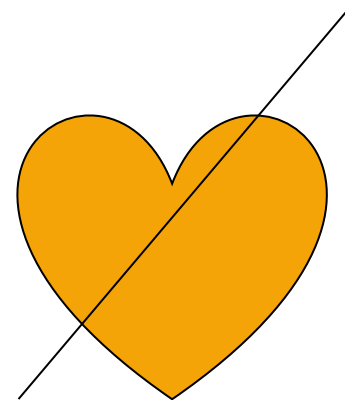
- ▶ I would suggest that you want to avoid a situation where others can blackmail you to push you to be unethical
- ▶ Troublesome areas: gambling, marriage, drugs, financial difficulty
- ▶ Or doing some unethical things which they could report you for, then they push you to do more unethical things
- ▶ There is also a kind of self blackmail, via drug addiction
- ▶ A recent CPA Ontario ethics hearing I attended
- ▶ CPA was losing CPA for stealing \$3M from their employer, due to a drug habit...she had also gone to jail

14:48:51 From Faranak to Everyone:

If you don't do anything wrong, you wouldn't have to worry about blackmail

Are there good people and bad people 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 **But the line dividing good and evil cuts through the heart of every human being**” (Solzhenitsyn)



Suggestion

- ▶ Let's all evaluate our own hearts...

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 paid it back)
- ▶ This was when I was young and foolish, I reformed shortly after, it is a long story...

A course teaches the following are needed for fraud to take place

- ▶ Opportunity
- ▶ Incentive
- ▶ Rationale
- ▶ (one might add: the idea that no one will ever find out about it)
- ▶ But I would say **if you have strong ethics, it does not matter!**



Mini case with lessons

Case

- ▶ I must sign a document for the bank, on the receivables at May 31 that will be borrowed against 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. Be extra careful when you sign things

This is basically from my
career experience...

A recent personal ethical issue

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

- ▶ I did full disclosure to take away the ethical issue...They said "don't worry sir"



More points

Recent unethical conduct

- ▶ By a CPA, against me...
- ▶ They copied most of my best-selling course (**Practical Tips for Controllers CFOs**), word-for-word, story-for-story, slide-for-slide, and started selling at triple the normal price
- ▶ I went after them successfully as I own the copyright and I was able to get them to stop and pay their profits, partner profits and damages to me
- ▶ It was interesting that they did not copy the ethics part of the course!

Ethics

- ▶ Taking a stand is not easy, the human side is a huge issue
- ▶ Easier if you are 64 years old and your retirement savings are set
- ▶ Big 4 accounting firm partner's email to me, after resigning a position due to ethics: "we wish there were more CFOs like you" – they resigned as auditors...
- ▶ (They got me my next job...)

A really crooked accountant

- ▶ My career paralleled this guy's
- ▶ We both were planning to become CAs
- ▶ He was at PWC, I was at KPMG in Ontario
- ▶ I passed
- ▶ He failed
- ▶ He now lives near Kingston, Ontario
- ▶ Here is his home:

Here is his home:



- ▶ Here is his home





Paul Bernardo

Serial Killer

Paul Kenneth Bernardo, also known as Paul Jason Teale, is a Canadian serial killer and rapist, known for the highly publicized sexual assaults and murders he committed with his wife Karla Homolka and ... [Wikipedia](#)

Born: August 27, 1964

Toronto, Canada

Nationality: Canadian

Spouse: Karla Homolka (m. 1991–1994)

Parents: Kenneth Bernardo, Marilyn Bernardo

Convictions: Murder, Sexual assault

Education: University of Toronto Scarborough, University of Toronto, Sir Wilfrid Laurier Collegiate Institute

Probably the
most notorious
murderer in
Canadian
history

Ethics - comments



- ▶ “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....

Winning in the end

- ▶ I think you basically never win in the end with lack of ethics, with rare exceptions
- ▶ The companies that I have worked that were less ethical and I left, have never done well... they don't win in the end
- ▶ Receivership, never making profits, in limbo etc.
- ▶ One of my most ethical former employers, I received \$56K of dividends from last year, small shareholdings plus \$7K today, just got the email!

“Do as you would be done by” and ethics

- ▶ If everybody practiced this, there would be no ethics problems
- ▶ The most unethical person in the world doesn't want to be cheated by others
- ▶ No one wants to be treated unethically by others, so don't do it to anyone else
- ▶ Another way of saying it is “love your neighbour as yourself”

Let's be consistent – don't lie to:

- ▶ The boss
- ▶ The shareholders
- ▶ The regulators
- ▶ The bank
- ▶ CRA
- ▶ Customers
- ▶ Suppliers
- ▶ Spouse
- ▶ Kids
- ▶ Friends
- ▶ Neighbors, etc

A recent personal challenge

- ▶ I have to be careful what I say due to confidentiality
- ▶ I was approached to do some “work” through a third party you would all know, for a huge company that you all know the name of
- ▶ This company is one of the most criminal companies of all time, based on well-known public information
- ▶ I believe the company has not ceased this
- ▶ I decided to decline, although a high profile assignment

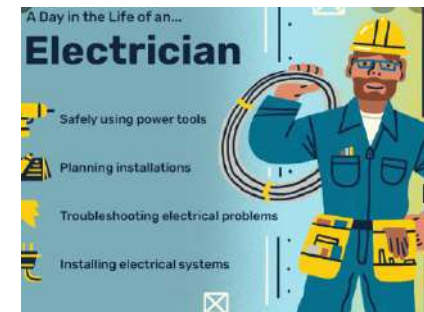
Some good quotes

“Our very lives depend on the ethics of strangers....”

▶ - Bill Moyer

“Your reputation is more important than your pay check, and your integrity is worth more than your career.”

▶ - Ryan Freitas



What is your ethics “mantra”?

- ▶ Someone once said in one of my courses: “Honesty is not the best policy”
- ▶ I was concerned!
- ▶ Then they said: “It is the only policy”
- ▶ All together: **Honest is not the best policy, it is the only policy**
- ▶ This is obviously their mantra
- ▶ I have used the following mantra for years, especially when advising others: **Just do the right thing and don't worry**

Who are the most crooked accountants in Canada over the last 20 years or so?

- ▶ (One person immediately answered: a certain Big Four firm)
- ▶ I can say this with full confidence, substantiated and true
- ▶ There are very, very large amounts of money involved
- ▶ Huge accounting mis-statements
- ▶ Which to a certain extent, impact you and I..

Who are the most crooked accountants in Canada over the last 20 years or so?

- ▶ Hint 1: They don't work in businesses or the NFP sector, or even for accounting firms

Who are the most crooked accountants in Canada over the last 20 years or so?

- ▶ Hint 1: They don't work in businesses or the NFP sector, or even for accounting firms

From Chris to everyone: 11:44 AM

Phew...I was worried

Who are the most crooked accountants in Canada over the last 20 years or so?

- ▶ Hint 1: They don't work in businesses or the NFP sector, or even for accounting firms
- ▶ Hint 2: Arguably, it's their bosses pushing them who are even more crooked! But they should resist!
- ▶ Hint 3: The witness against them is the provincial Auditor-Generals
- ▶ Answer: Senior government accountants, mostly provincial

So

- ▶ Let's take a tour of Canada's 10 provinces to meet them, west to east...

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 to 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, the auditor said Thursday.

BC



OFFICE OF THE
Auditor General
of British Columbia

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of the Province of British Columbia

Qualified Opinion

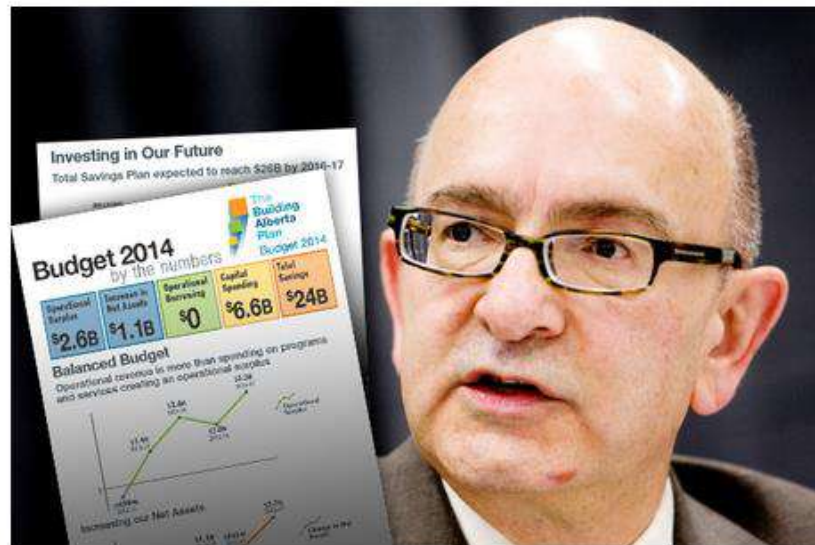
Alberta

Provincial budget fails to meet accounting standards: Auditor general

BY DARCY HENTON, CALGARY HERALD APRIL 23, 2014

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

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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.

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.



Ontario

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.



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.

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)

PEI (City)

Auditors cast doubt on accuracy of Charlottetown's financial figures



Firm cites lack of inventory count, says it can't confirm value of surplus reported by city



[Kerry Campbell](#) · CBC News · Posted: Jan 25, 2019 9:00 PM AT | Last Updated: January 25, 2019



Newfoundland

Update: Government not hiding anything: Dunderdale



Steve Bartlett
Published on January 26, 2012

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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



Nova Scotia

- ▶ I could not find anything!

Some I got from CPAs who watched the course video

- ▶ *illegitimi non carberendum*
- ▶ Oh, this is Latin
- ▶ It means: “Never let them grind you down”
- ▶ “You reap what you sow”
- ▶ “Set an example for others by your ethical conduct”
- ▶ “Right is might”

Some I got from CPAs who watched the course video

- ▶ « What would Keanu do »
- ▶ “Would my mother be proud of me?”
- ▶ “Do unto others what you would have them do unto you”
- ▶ “If it doesn't feel right, it's because it isn't”
- ▶ “Do the right thing and sleep well at night”
- ▶ “Stay accountable and true to yourself”

What is your ethics “mantra”?

- ▶ Share yours, that you have had for a while...
- ▶ Or that that you made up right now
- ▶ It could be a quote from someone, it doesn't matter

**Prize, for
my
favourite**

Government procurement and ethics

- ▶ And conflicts of interest are big issues

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  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 ADMTo my complete surprise ...personally called me and offered me the job of my former supervisor”**

How about some good lines when they push you on ethics?

- ▶ Snappy, powerful, humourous, whatever, make suggestions...
- ▶ In the biggest squeezes in your life, you need these!

But first the things they might say

- ▶ The Minister says
- ▶ The CPA rules don't apply to me, they are for you
- ▶ ___ says this must go through
- ▶ Those accounting rules don't make sense
- ▶ Etc...

15:25:35 From Fernando to everyone:
"I thought it was optional" from a fellow CPA director.

Provocative lines to use in an ethical dispute

14:03:29 From Fernando everyone:

I have often had to explain to higher ups that "as a CPA I can't get behind this and do not feel comfortable doing this entry etc."

15:26:16 From Ahmed everyone:

I like to sleep at night.

Provocative lines to use in an ethical dispute

- ▶ This will one day become known....
- ▶ I have professional ethics to follow, but you hopefully have some personal ethics, even if you don't have professional ethics
- ▶ Do you want to go down in history as....
- ▶ Tell your lawyer to call my lawyer
- ▶ We need to look at the long run...not this current situation

Provocative lines to use in an ethical dispute

- ▶ Here is my resignation letter
- ▶ I just started my job hunt an hour ago
- ▶ I think this is crossing the line
- ▶ I think I am a valuable employee, do you want lose me?

Provocative lines to use in an ethical dispute

- ▶ Do you have a good defence lawyer?
- ▶ Does your profession have any codified ethics (engineer, doctor, etc)?
How would it assess this?
- ▶ What would the Board think?
- ▶ What would your mother think?
- ▶ What would the public think about this, if it all came out?

Provocative lines to use in an ethical dispute

- ▶ Would you like to be an ex-CPA, because this will get you disbarred
- ▶ Your fine will be at least six figures, do you have that kind of money?
- ▶ The government will probably call an inquiry into this
- ▶ This will never fool the auditors

Provocative lines to use in an ethical dispute

- ▶ I think you need to hire someone else to do this
- ▶ Sure I will do that, but I will label the entry **FRAUD**
- ▶ Can you read CPA Rule 205 (Quebec 34) to me
- ▶ Can I review the company's code of ethics with you
- ▶ Let me read you this law to you
- ▶ How will you explain this to ___?
- ▶ Does this not bother your conscience? Do you have a conscience? Or has it been seared by repeated lapses?
- ▶ You could do a gofundme for you defence costs



A powerful one

- ▶ You would look good in orange, but not me
- ▶ I promise to visit you in prison every couple of years



A good name

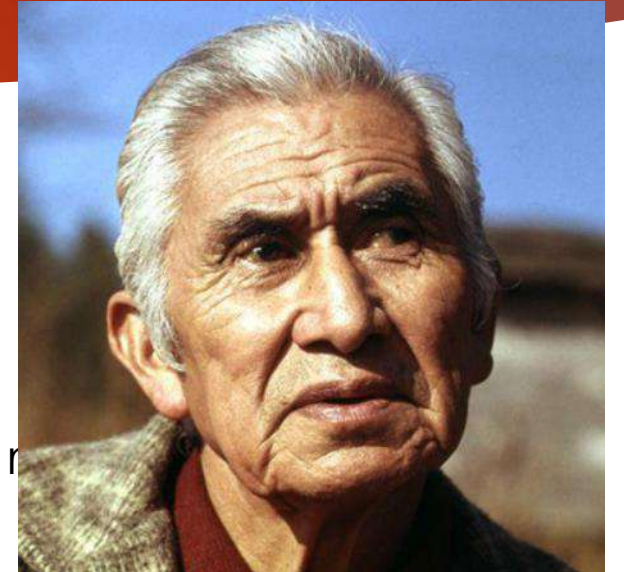
- ▶ A proverb says: A **good name** *is to be chosen rather than great riches*
- ▶ Ethics gives you a **good name**, or at least among the right people
- ▶ You want a **good name**
- ▶ Some people who have taken courses with me have less money due to ethical decisions, but have a **good name**

Another case

- ▶ You recognize there is an opportunity to take \$1.5 million from your employer and you are certain you can cover your tracks, so no one will ever know
- ▶ What do you do?

Good quotes

- ▶ Chief Dan George "the truth is a few words"
- ▶ When people are lying, it is almost always a long story...
- ▶ Although not all long stories are lies...
- ▶ "Never let your sense of morals get in the way of doing what's right"
- ▶ - Isaac Asimov.



Challenge

- ▶ Do not ignore your gut when things come up
- ▶ But there is more than just your gut, you have a brain
- ▶ Think, ponder, strategize when facing ethical issues



An aside

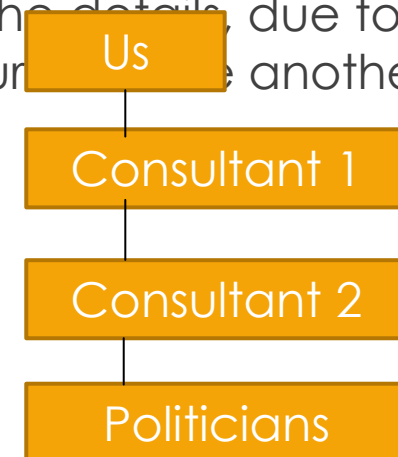
- ▶ Can Chat-GPT help with ethics dilemmas?

ChatGPT
by AI-PRO

I put the following scenario in Chat-
GPT

Scenario

- ▶ You work for a very large, engineering contractor Your VP, Overseas Sales says to you:
- ▶ “We are paying a consultant to help us get the government contract in such and such a country”
- ▶ “We have given them USD \$800,000 in cash and have told them that they are free to do whatever is necessary to win the contract, and we don’t want to know the details and in fact we can’t know the details due to the confidentiality clause in our agreement. They in turn pay another consultant or agent with more connections to assist”
- ▶ What do you think?



How did Chat-GPT answer this?



This situation raises red flags for potential bribery and unethical behavior. As an employee, you have an ethical responsibility to report this to your company's legal or compliance department, or a designated whistleblower hotline. Failure to report this conduct could result in severe legal and reputational consequences for both the company and the individuals involved.

In another test, Chat-GPT talked about its "gut feel" on ethics

Of course, we never totally trust Chat-GPT, we always apply professional judgement...

Quote

- ▶ **“Our lives begin and end the day we remain silent about things that really matter.”**
- ▶ Dr. Martin Luther King Jr.
- ▶ Could apply to lots of things and probably applies here





Another reminder to listen
to me

This accountant took two hours of CPA ethics with me!

This accountant took two hours of CPA ethics with me!

This accountant took two hours of CPA ethics with me!

Halifax accountant charged in \$1.5-million fraud against Homburg

Jamie Stacey considering representing himself after parting ways with lawyer

Steve Bruce | Posted: Jan. 26, 2022, 5:35 p.m. | Updated: Jan. 27, 2022, 11:31 a.m. | 5 Min Read



Halifax accountant Jamie Stacey, shown in a photo posted on Facebook, is accused of defrauding businessman Richard Homburg of almost \$1.5 million over a three-year period between June 2017 and June 2020. - Facebook

Please listen to me

- ▶ Our oldest son was involved in the investigation with the CPA Nova Scotia Ethics Committee
- ▶ I don't want any of you to get charged for anything...!
- ▶ Taking ethics courses **doesn't** make you ethical
- ▶ Maybe he was taking the course, to find out ways around being ethical
- ▶ Maybe I should have him as a guest speaker, after he gets out of jail...

This accountant took a two hour CPA ethics course with me

Halifax accountant charged in \$1.5-million fraud against Homburg

Jamie Stacey considering representing himself after parting ways with lawyer

Steve Bruce | Posted: Jan. 26, 2022, 5:35 p.m. | Updated: Jan. 27, 2022, 11:31 a.m. | 5 Min Read



Notice regarding Interim Suspension of Jamie Stacey.

November 3, 2020

The Investigation Panel of CPA Nova Scotia hereby gives notice that pursuant to s. 84(1) of the *Chartered Professional Accountants Act*, an interim suspension has been placed on the registration of Jamie Stacey, pending further decision of the Investigation Panel or the Hearing Panel.



He was guilty

Halifax accountant pleads guilty to defrauding Homburg of \$1.5 million

Jamie Stacey transferred Windmark Holdings Ltd. funds to his own account
A Halifax accountant has admitted defrauding businessman Richard Homburg of ...

Some closing thoughts

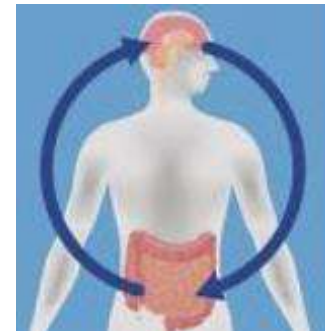
Gut feelings are guardian angels.

Experience taught me to listen to your gut, no matter how good something sounds on paper.

Donald Trump

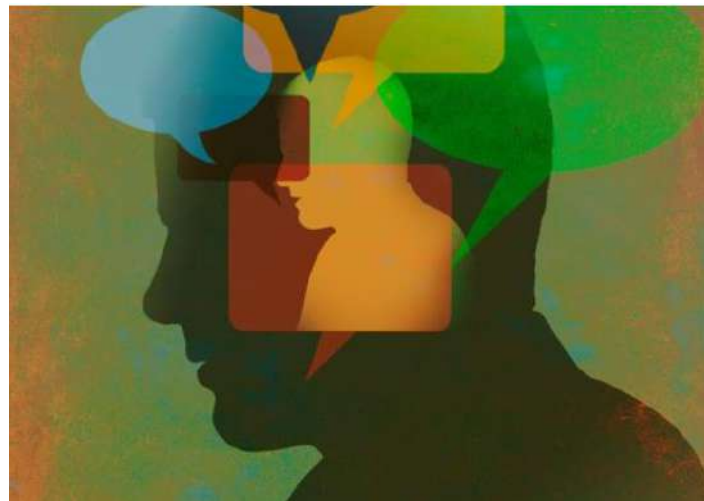
Challenge

- ▶ Do not ignore your gut when things come up
- ▶ But there is more than just your gut, you have a brain
- ▶ Think, ponder, strategize when facing ethical issues



Another thought

- ▶ “Don’t let the noise of other opinions drown out your inner voice”
- ▶ Your inner voice is probably your gut...



We stop for a short announcement

The ethical accountant t-shirts on sale
from my web store, this week only



The ethical accountant t-shirts on sale from my web store, this week only

- ▶ Regularly \$69.99
- ▶ On sale for \$18.00 this week
- ▶ White shirts only
- ▶ All sizes, free shipping to Bermuda



I am kidding

- ▶ I have no store, no shirts, no merchandise....


Top participant

- ▶ To be selected later

Other courses

- ▶ I have about 20 other courses, all available with CPA Bermuda as videos and very occasionally webinars, if you are interested
- ▶ **Practical Tips for Government Accountants**, 7 hours, may be of most interest, about 30 minutes of overlap with this course

Closing comments

- ▶ Thanks for taking this course
- ▶ **You will be sent the fully populated slide deck by tonight**
- ▶ Email me to pick my brain or feedback spriddle@bell.net
- ▶ We could do LinkedIn if you want 

PRACTICAL

PD

EXTRAS

- ▶ Here is some content, in the original webinar handout, that was not covered due to time limitations

A different gut example

- ▶ My 3 boys and I are walking along a train track
- ▶ We were about to walk across this train bridge, (which is a bit foolish)
- ▶ But my gut said _____, so we stopped
- ▶ And almost immediately a fast train crossed the bridge



STOP

- ▶ What is the big, underlying issue I have not touched?
- ▶ The best way approach to ethics is to avoid the ethics challenges!
- ▶ Not by closing your eyes
- ▶ But by avoiding the jobs with the really bad challenges, although perhaps not all challenges

Ethics - avoidance



- ▶ Taking a new job and then finding out the boss/the co. 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

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

In the interview

- ▶ What do you say?
- ▶ You bring up ethics, without hitting them over the head with it....
- ▶ Examples: do you pay bribes....?
- ▶ Sometimes they will bring up ethics...

Question

- ▶ Could some of the ethics situations you faced have been avoided by more advance research and interview discussions?

A guy I met said he took his first job in a certain industry, working for a what turned out to be a well-known industry scoundrel....he said if he researched like I suggested, it would have saved him years of problems...

Once upon a time

- ▶ An accountant who worked for told me a lie, that I knew for sure was a lie related to her work for me
- ▶ The accountant had an engineering background, and was not a CPA
- ▶ I had not hired the accountant, I inherited her
- ▶ It was the first time I had been in this situation
- ▶ **What would you do if one of your subordinates told you a lie?**

My analysis

- ▶ Definitely need to discuss it with them, call them out, but I don't think it will change my decision
- ▶ They can do it again, and make it worse
- ▶ I can't work with them, if I can't trust them, it is over, they are unethical
- ▶ I really wanted to fire her as soon as she could be replaced
- ▶ The CEO worked hard to dissuade me
- ▶ She got another job shortly after, which solved our dilemma

Another thought:
Check engineer ethics rules

Outward appearance

- ▶ Many unethical people have looked very good on the outside
- ▶ Appeared well-dressed, responsible, strong on family and charity
- ▶ They are often trying harder than ethical people to please people and look good
- ▶ This reminds me of a story in our family, with a related lesson

My wife and daughter pick strawberries



The Priddle kitchen



My wife or daughter, used salt instead of sugar!



My wife or daughter, used salt instead of sugar!

I could add politicians also...



Result, the jam looked very good on the outside, but tasted terrible and was uneatable,

Like the accountant or business person who looks good on the outside but is very unethical inside

Scenario

- ▶ Reporting to you is an employee, a single parent with 3 dependents, who just cannot do the required work for various reasons.
- ▶ You have determined that it is not possible to re-train or re-assign the employee to other work.
- ▶ You know that it will be difficult for them to find alternative employment if they do not work for you
- ▶ What should you do?

Analysis

- ▶ No specific ethics or rules involved!
- A tough personal decision, my gut is distressed by the trouble they may face
- It would possibly be unethical to keep them, due to compassionate reasons, that the employer does not support
- Consider your obligation to your employer - the employer's objective is use money efficiently, not help the needy
- Try to get them a decent severance package
- As well as career counselling, transition service
- After you terminate them, help them personally

I have faced a situation a little like this

- ▶ Similar, but a single Mum with one son, who had worked for me
- ▶ Then her boss let her go
- ▶ I decided to contact her to offer her support
- ▶ With my wife of course
- ▶ We became connected, we encouraged her and took her son on outings to give her a break
- ▶ Her Mum taught my wife some great Indian cooking recipes
- ▶ Later, she gifted us all her kids stuff, we were expecting our first child
- ▶ We are still “encouraging” her, about 32 years later.....



Ethics may do you more good than you realize

- ▶ Years later I learned the head of the largest venture capital firm in Canada, on our Board said to my CEO: “I really like Steve, there are so many CFOs in the startup world who can’t be trusted...”
- ▶ I had no idea about this
- ▶ He was a big supporter of me, and later tried to hire me when he became a CEO

Some of ethics relates to peer pressure

- ▶ Pressure from bosses and colleagues to do the wrong thing, especially when certain practices are pervasive
- ▶ Peer pressure doesn't just impact teenagers
- ▶ I have memories of succumbing to peer pressure as a teen and other times standing up to it
- ▶ You probably do as well

He wins in the end

- ▶ A guy I know resigned a job for ethics, a difficult situation, a crooked employer who pretended the opposite
- ▶ After joining a new employer he enjoyed legitimately cutting his former employer from being a supplier

He wins in the end

- ▶ A Winnipeg accountant I know was fired by a furniture store for refusing to hide inventory
- ▶ They later go bankrupt



The screenshot shows the top portion of a news article on The Free Press website. The header includes the newspaper's name 'The Free Press' with a '150 YEARS' anniversary logo, and navigation links for 'LOG IN' and 'CREATE ACC'. Below the header is a menu of sections: 'SECTIONS', 'CIVIC ELECTION', 'LOCAL', 'ARTS & LIFE', 'BUSINESS', 'SPORTS', 'OPINION', 'E-EDITION', 'HOMES', and 'CLASSIFI'. The breadcrumb trail reads 'Home > Business > Penthouse Furniture padlocks its doors'. The main headline is 'Penthouse Furniture padlocks its doors', followed by a sub-headline 'Customers left searching for their purchases searching for bought goods'. The byline identifies the authors as 'Larry Kusch and Murray McNeill' and the post date as '1:00 AM CST Thursday, Dec. 11, 2008'. A small profile picture of Larry Kusch is visible to the left of the byline.

The Free Press 150 YEARS

LOG IN CREATE ACC

SECTIONS CIVIC ELECTION LOCAL ARTS & LIFE BUSINESS SPORTS OPINION E-EDITION HOMES CLASSIFI

Home > Business > Penthouse Furniture padlocks its doors

Penthouse Furniture padlocks its doors

Customers left searching for their purchases
searching for bought goods

By: [Larry Kusch](#) and Murray McNeill
Posted: 1:00 AM CST Thursday, Dec. 11, 2008

Will the auditors always back you on ethics?

- ▶ Usually, the auditors will back you on an ethics issue if you are with the auditee
- ▶ Once a Big Four firm resigned from the audit, after I resigned as CFO, due to ethics issues, they also had enough with the client
- ▶ But have the auditors ever not backed you on an ethics issue?
- ▶ Once a Big Four firm wouldn't back me in a fight with my CFO on the accounting for a transaction, I was very disappointed
- ▶ I have heard this from one attendee, with respect to related party transactions. The auditors backed the client by allowing non-disclosure of something sensitive that should have been disclosed per the Handbook
- ▶ Sometimes their desire to keep the client happy may override professionalism
- ▶ But this won't happen with the OAG and the OCG!

OAG
Bermuda
will always
back you

13:35:47 From Carl to Everyone:
who signs their cheques?

Two topics that are ethics related, to make you/me uncomfortable

- ▶ Different angles on ethics, lest we are getting smug on ethics....

When the boss is looking/not looking

- ▶ We all know people who are especially good and showing off in front of the boss, but actually are terrible when the boss is not looking



Video link

- ▶ [Funny when the boss is not there video](#)

When the boss is looking/not looking

- ▶ We all know people who are especially good and showing off in front of the boss, but actually are terrible when the boss is not looking
- ▶ You could call them eye-pleasers or....
- ▶ What would you call them?
- ▶ I think this is a personal ethics topic actually
- ▶ What do you think?
- ▶ Do you have an interesting example?

When the boss is not looking/not looking

- ▶ We all do at least a bit of this...
- ▶ Working at home complicates this...

Have you ever called a CPA (or legacy designation) ethics advisor?

- ▶ Or legacy advisor
- ▶ Polling question
- ▶ 15% in a recent course



Have you ever called a CPA ethics advisor?

- ▶ I have, many times
- ▶ To ensure I was doing the right thing at work
- ▶ To ensure I say the right thing in courses...



Can I testify in court against a former employer?

- ▶ A former colleague was suing our former employer for constructive dismissal
- ▶ I was no longer with the company and they had not been nice to me, and I felt he had a good case
- ▶ He said “can you help testify in court to help me”
- ▶ I said “sure!”
- ▶ But then my gut said I had better check on professional issues
- ▶ Do you think there are professional issues?



What I found out from the advisor

- ▶ The issue is Rule 208.1/48 Quebec, confidentiality
- ▶ **I would have to get the former employer's approval to say things in court, if they considered them confidential...**
- ▶ They would likely try to bar me saying anything that would hurt their case...
- ▶ So this would mean I would be a useless witness
- ▶ I told my colleague, "I don't think I would be useful"
- ▶ He ended up dropping the case
- ▶ I know legal fees were huge on both sides

This does not fall under 208.1 "such information is required to be disclosed by order of lawful authority"

Many CPAs have woken up after hearing this

- ▶ To the fact that their gut was working but they didn't realize it at the time
- ▶ “The course me realize that when I have resigned from a job, the main reasons were values and management style, after listening to this course I also realize that my gut was also telling me that I was not comfortable with few ethics situations...”