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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- PRACTICAL PD COURSES www.practicalpd.com
-

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
- Upon request to course instructor spriddle@bell.net, you will be sent a fully completed and populated slide deck on completion of the video

Ethics - Use As Directed and Prescribed

STEPHEN PRIDDLE, CPA, CA, CMA

PRACTICAL PD

Introduction

- We will be together for a couple of hours to talk about ethics
- All are welcome, CPAs, non-CPAs
- We will be joined by quite a few **past webinar participants**!
- I put more words on the screen than most …

Introduction

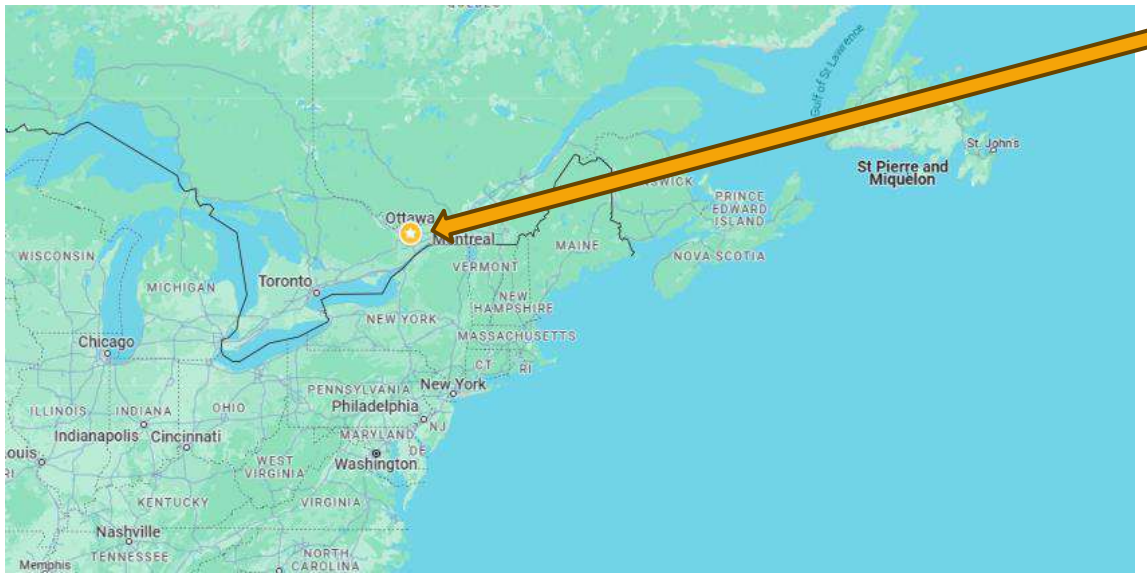
- There will be some random, off the wall stuff from me, we don't want this course to be boring!
- You are allowed to disagree with me on issues in the course, to dialogue, send me an email

In webinars, we do some

- Get to know each other questions
- I will share a couple here

Personal - random

- I have lived in _____ most of my life, arriving at 3 ½ years old with a strong _____ accent - which I lost
- I am extremely ____
- I am very ____



An unethical thing a lot of people are doing these days

- Story: I race a guy for a long-time on a bike path, I am very competitive, but I can't get ahead of him
- Then I realize he had _____

I co-own and am CFO of a global aviation software company

We have taken winter aviation from

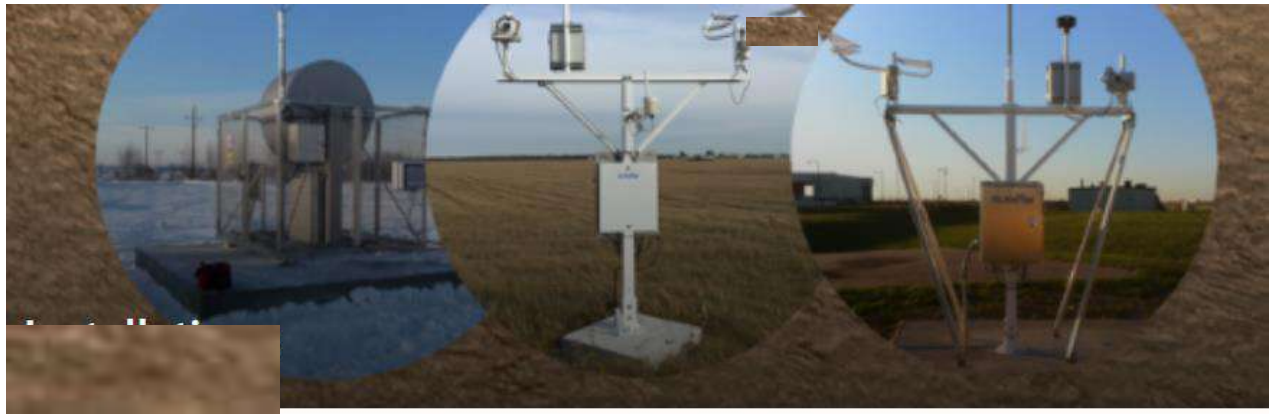
- Pilots roughly estimating snow conditions impacting flying, and looking at paper tables for critical anti-icing decisions…

TABLE 2: HOLDOVER TIMES FOR SAE TYPE I FLUID ON CRITICAL AIRCRAFT SURFACES COMPOSED PREDOMINANTLY OF ALUMINUM

Outside Air Temperature[1,2]	Freezing Fog, Freezing Mist[3], or Ice Crystals[4]	Very Light Snow, Snow Grains or Snow Pellets[5,6,7]	Light Snow, Snow Grains or Snow Pellets[5,6,7]	Moderate Snow, Snow Grains or Snow Pellets[5,7]	Freezing Drizzle[8]	Light Freezing Rain	Rain on Cold-Soaked Wing[9]	Other[10]
-3 °C and above (27 °F and above)	0:11 - 0:17	0:18 - 0:22	0:11 - 0:18	0:06 - 0:11	0:09 - 0:13	0:02 - 0:05	0:02 - 0:05	
below -3 to -6 °C (below 27 to 21 °F)	0:08 - 0:13	0:14 - 0:17	0:08 - 0:14	0:05 - 0:08	0:05 - 0:09	0:02 - 0:05	CAUTION: No holdover time guidelines exist	
below -6 to -10 °C (below 21 to 14 °F)	0:06 - 0:10	0:11 - 0:13	0:06 - 0:11	0:04 - 0:06	0:04 - 0:07	0:02 - 0:05		
below -10 °C (below 14 °F)	0:05 - 0:09	0:07 - 0:08	0:04 - 0:07	0:02 - 0:04				

To precise snow measurement that no one else in the world has

To output via a sophisticated app linked to unique weather equipment, all approved by the world's regulators. Result: less flight delays & cancellations, environmental benefits, greater safety



Course purpose

- To discuss a variety of ethics issues and experiences
- To inspire CPAs in their ethical struggles
- To debate the Code a little
- To develop skills, lines, etc, to help ethical battles
- To be encouraged that others have gone through what you have

My ethics courses

- I have about 11 hours of existing ethics content, in 6 courses, some all ethics, some partially ethics
- However, I keep gaining more experience, getting new ideas, receiving feedback, getting asked different questions, so I created this course
- If I had created all the courses at once, I would have divided up the content differently, but the ideas came over time

Course coverage

- Introduction
- Lessons from assurance compromises
- The President who defies the tax rules

L1

- Should there be second chances on ethics?
- Implications of the sudden resignation
- Confidentiality challenges
- Conscience versus confidentiality
- Ethics and more junior positions

L2

Course coverage

- Should you secretly tape the ethics meeting?
- A marriage and ethics illustration
- In-depth case
- Ethics and the award winner
- Do you love your job (too much)?
- Provocative lines for ethics disputes
- Maintaining your good name

L3

L4

It will be possible that I step on

- _____
- Or maybe even _____

Because ethics courses can be

- Uncomfortable
- For attendees
- And for the instructor
- _____
- _____
- _____

Type “audit” in the chat if you have ever worked in audit

The audit compromise

Background

- I meet a guy at a floor hockey event, a soon to be CA student, we connect
- Still in touch, married a daughter of a someone we know
- He shared this ethics story with me recently

Working for medium-size CPA firm

- He was doing work for the client of another office of the firm, he doesn't have any contact with the partner or manager
- The firm has a regional director of professional standards
- The client had inventory _____at a customer location
- The manager told him to book a journal _____
- What would you do in this situation?

Working for medium-size CPA firm

- Confirm who has _____
- They are likely trying to _____, or reduce year-end inventory for another purpose
- Check if is it _____, it doesn't sound like it is
- Otherwise, _____
- Who to go to resolve the dispute?
- Start with _____

What he actually did

Another story

- “There was a Senior Manager with a bit of a reputation for being not a great guy, including some *rumours* of previous sexual harassment issues and various back stabbings. Our office did a number of Investment Funds audits”

Story

- “There was a Senior Manager with a bit of a reputation for being not a great guy, including some *rumours* of previous sexual harassment issues and various back stabbings. Our office did a number of Investment Funds audits”
- “There was a Fund audit that wasn’t going well that year – getting very close to the reporting deadline and the audit was not close to being finished. I heard him berating and belittling the primary Manager on the job because the audit was going so poorly. He had been applying a lot of pressure to her (relatively publicly), but this was the worst I had overheard. “
- “From my understanding the issue was on the Client’s end as they were not sending support and what they did send made no sense – didn’t seem to matter to him as he (and likely the Partner) just wanted the audit finished and signed off. The Fund ended up missing the reporting deadline because the audit was not finished. “

Story – what happened in the end

Comments

- I certainly remember the incredible _____
- (This prepared me for various _____ later in my career, positively)
- An unethical person got ____
- You don't **win** in the end by being unethical, lots of stories on this topic in this and my other ethics courses

Talking about auditing

- Have you ever been audited for your PD hours, by your professional body?

My audit days – strange story

- A certain client in the agricultural world seemed sketchy for various reasons
- Then _____

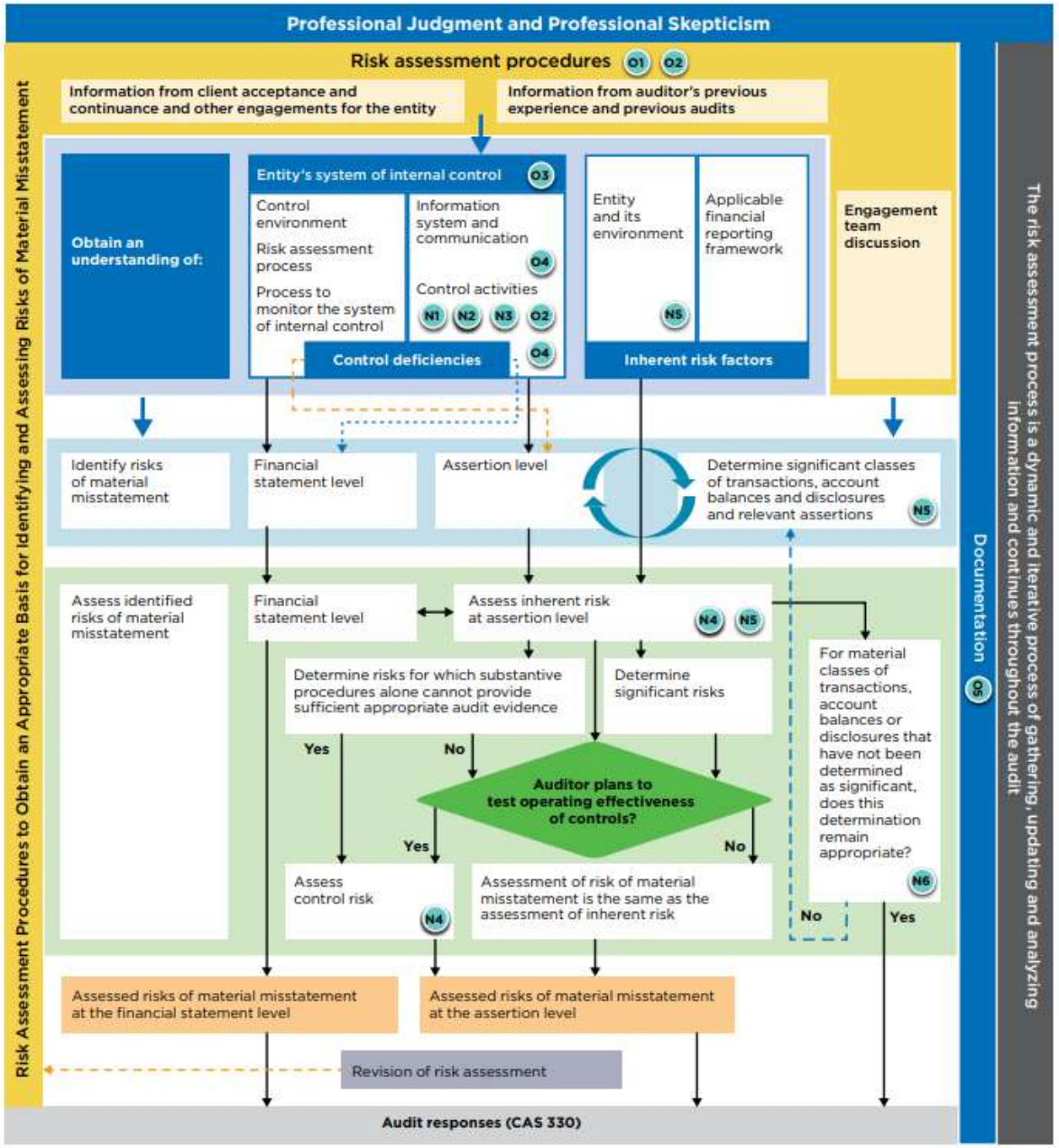
CPA CAS 315

LET'S REVIEW CPA CAS 315 ON AUDITING

- Identifying and assessing the risks of material misstatement

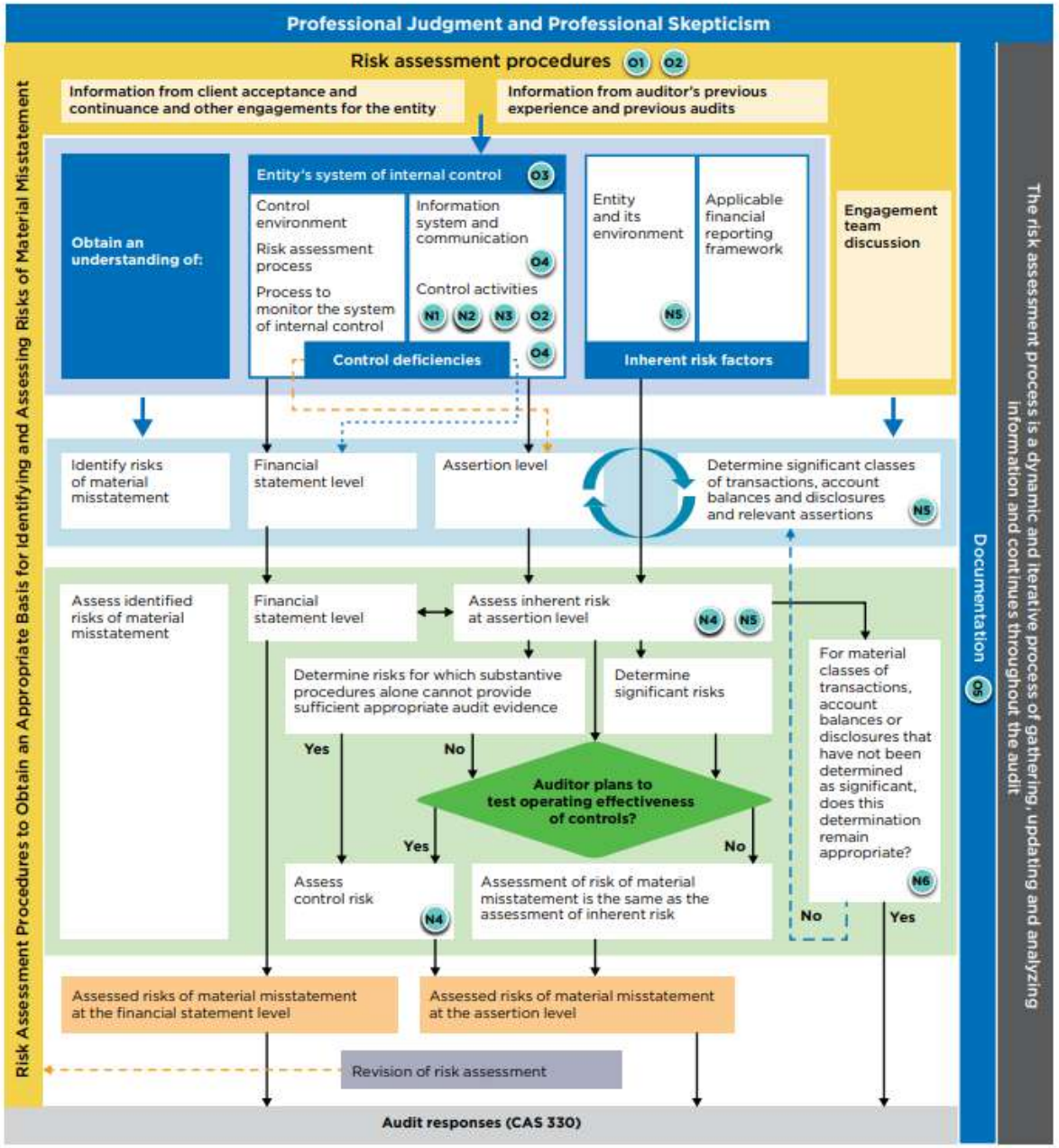
Overview of the Risk Identification and Assessment Process in CAS 315

FIGURE 1:[3, 4] OVERVIEW OF THE RISK IDENTIFICATION AND ASSESSMENT PROCESS IN CAS 315



Overview of the Risk Identification and Assessment Process in CAS 315

FIGURE 1:[3, 4] OVERVIEW OF THE RISK IDENTIFICATION AND ASSESSMENT PROCESS IN CAS 315



I need to add some boxes to the model

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 is expecting a baby, we did not have much savings.”

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- “I _____”

Story from another participant today

- “The head office _____
- “Six months later they wrote off an additional $925,000 and were put into ____ by the Royal Bank”
- “I started my firm March 27,____ the date _____

Comments

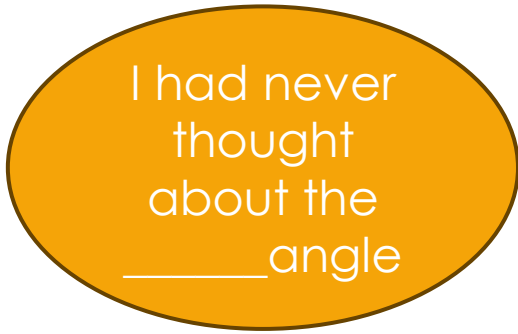
- Fees versus _____
- Fantastic to stand up to the firm, when _____
- A motivation to _____, ethically…

Another audit story

- "Client had obsolete inventory (millions), they had a review engagement, with a LOC from the bank of a large amount (tens of millions), not so profitable, and the partner refused to convince the owner to write off the obsolete inventory."
- "I **refused** to _____

Lessons

- “I learned a big lesson, _____



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 _____by firm leadership
- We are all **embarrassed** by them, even though we are not involved and may not be auditors, as professional accountants

“Phantom ticker”

- Do you know what this meant in the old days in firms?

A longer mini-case with many facets

Scenario

- CPA works for a privately-held company as CFO. The President (CPA'S boss) is a majority shareholder and is Board Chair which is comprised of 4 other shareholders. Together the Board holds more than 90% of the company's shares.
- One part of their business is a restaurant that pays out tips to staff (front of house and kitchen). Some tips are paid out through payroll however the majority are paid by cash directly to employees.
- The 2022 FCA ruling Ristorante a Mano v The Queen stated that if tips are considered direct meaning paid out to each employee at the end of each day, then no CPP or EI. If they do not meet these strict criteria then, they are considered indirect, and the employer must withhold CPP and EI.

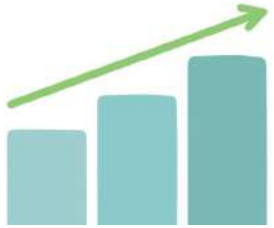
Scenario

- After much back and forth, with the Chef and Restaurant GM and the President, the President over-ruled the CPA's strong recommendation that all tips should be paid out at end of each day and comply with CRA rules to be considered direct. In addition, he refused to have the tips paid out through payroll citing fears of losing staff in a tight labour market.
- The President has put it in writing that he dismisses the CPAs recommendation and CRA rules and personally takes responsibility for any future CRA audits etc and financial penalties, which, depending on how many years back could be in excess of $300K. Board members are not aware of the situation. Company has a review engagement each year.
- What do you think, consider CPA perspective in the case, but also others?

Comments

Fact analysis

- President seems _____
- There is already liability or contingent liability for the amounts owing in the $300K range and it is growing
- Not sure if this is material _____
- It is not clear who the written undertaking is intended to persuade or protect _____
- Get a ____ view on the undertaking



CPA perspective

- CPA should be very concerned
- President is clearly a fairly unethical person
- The company liability could possibly be taken care of if _____
- **CPA can't honestly** _____

Accounting firm

- If they are **reasonably savvy about the restaurant industry**, they should be _____

The note

- **Note 5. Contingent Liability** – _____

Accounting firm

Analysis – Board perspective

Conclusion

More

- CPA should consider putting this on their LinkedIn profile _____

The person who submitted the case

- Was actually looking for guidance from me and a bunch of smart CPAs, they asked for it be covered in this webinar they attended
- The person had not decided what to do, and liked the advice given and the way I worked through the different perspectives, and decided to _____

Personal experience

- As a CRA tax auditor years ago, during university, I _____

Government of Canada | Gouvernement du Canada

Lesson 2

Interlude

The strange account

- Someone I met, was hired by a company and in their first week noticed a strange account in the trial balance during their initial review

Second chances on ethics?

Scenario

- Your employer needs a partner for a significant business venture
- You are a CPA, with a non-accounting role, as VP, Business Development
- You and your team have identified that Kanma Inc. in your industry would be good and the owner, Z. Jans is interested
- You ask one of your staff to investigate the owner a little bit and they find that Zans spent 11 years in jail, over 30 years ago, for offences related to helping a drug dealer and they were permanently disbarred from the law profession at that time
- What would you do, what is your decision on partnering?

Some responses

Their perspective seems to be

- Once a crook, always a _____
- He could be _____ to deal with and integrity is very important in business
- It could _____ our business
- _____

On the other hand

- This partnership could be valuable for your employer
- Big question: do you believe in _____for people with regards to ethics?

On the other hand

- This was 30 years ago, it seems nothing has shown up since
- Do some more _____since his release from jail, (perhaps by a paid professional investigator
- What would be the two key, blunt questions to ask them, if they have been found to be publicly "clean" since leaving jail?
- _____?"
- _____?

Back story and real life

- Almost word for word a true story, from the other day
- From _____
- She did believe in _____and his answer to the key questions were good, something like:
- _____
- She will likely _____

Aside

Dumbest comment by an accounting firm (Big Four) multiple times in their Tax Tips

“_____”

- Wait: you never _____
- Obviously, you cannot say on a tax return, _____

The investigation

Story

- My controller was looking for a person for a senior clerk role
- She has picked a candidate, but wants to run the proposed hire past me
- I delve into ethics with them
- (Interviewing accountants to effectively find out if they are ethical is covered in my course **Ethics – That Feeling In Your Gut**)
- She says that she worked for a certain company that has a bunch of ethical trouble, she was disgusted with the actions of one CPA there and she had one good solution to ethics challenges, which I will share later

Story continued

- I google the story, and _____
- I later follow up with her about it, and she said that a CPA ethics investigator _____as part of their investigation
- On LinkedIn, this CPA seems to have been _____
- Comment: Public lack of ethics could lead _____

The sudden resignation

I was surprised

- That when I abruptly resigned a job due to ethics, the Board didn't _____
- A _____by a senior finance person, should always be a concern to a wise Board
- Have you have heard of a Board enquiring about this kind of thing?
- It is quite possible that the unethical President lied to them by saying something like: "_____"
- Lesson pointer: if you are ever on a Board or in a senior finance position and there is an abrupt departure by a key finance person, _____

Story in my course

Ethics – Some Different Angles

More thoughts

- These days you can probably tell from LinkedIn, if they were taking another job, or perhaps choosing unemployment due to ethics….
- In retrospect, I should have also _____

The coffee shop

The coffee shop story

- "CFO of large Canadian public co asked me to revise inventory reserve for prior year when we found inventory _____."
- "This was one request from this, the new CFO of a **coffee chain we all know well.** "
- "In the end I resigned from the company due to other unethical requests and practices."
- Observations from me: _____

Did you notice anything?

- Yes, I did _____..

A famous investment scam

A huge Alberta scandal

- "Donald Cormie, was a Harvard trained lawyer that was involved drafting an Investment Act in the 80's in Alberta"
- "He **violated** that act with his **Principal Group** of companies with a billion in assets in late 1980s. The Alberta government ended up compensating 67,000 investors."
- "I was an audit student and **caught in the fraud myself** with my first RRSP investment."
- "My employer at the time was **Arthur Andersen** and we played a role in tracking the fraud in the Code Inquiry. I disclosed my loss to the partner, and he allowed me to still join the team."

In 1987, Edmonton-based Principal Group Ltd. filed for bankruptcy, owing 67,000 investors about $468 million.

Pay Yourself First: Donald Cormie and the Collapse of the Principal Group of Companies Paperback - 1993
by Smith, Wendy

Comments

- That is cool, investigating a fraud, where you had ____
- Not surprised a lawyer did this, a lawyer joke will come later!
- It cost the founder Comrie a lot, lack of ethics does not end well

Stories

- In webinars, I solicit interesting ethics stories from participants
- In the video, I also encourage the submission of stories to spriddle@bell.net, **and remember the lucky draw**

Confidentiality challenges

Let’s review the rules

Confidentiality – all Canada 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 or302;
  - (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.

Confidentiality - Quebec

- Rule, effective May 9, 2024

39

The CPA is bound by professional secrecy and he cannot disclose the information of confidential nature which comes to its attention in the exercise of his profession, unless he is authorized to do so by his client or by an express provision of the law. The CPA must also do proof of discretion with regard to any information concerning its clients, whether such information is or not protected by professional secrecy

Story mostly from a 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. "

Story mostly from a participant

- “I called the CPA asking for advice on the matter. Their response was, under the rules of professional conduct **I could** _____

Observation

- Confidentiality often has strange consequences
- If your family members was about to lose **$4 million** and breaking confidentiality could possibly preserve it, could you???

Observation

- Confidentiality often has strange consequences
- If your family members was about to lose **$4 million** and breaking confidentiality could possibly preserve it, would you_____???
- Your family members could later _____

Conscience versus the Code

- Could our consciences ever end up colliding with the Code?
- I can see conscience and work requests/rules being more likely to happen in medicine, military, police or law…..than accounting
- But if this happens, what over-rides for you, conscience or the Code?

My lawyer friend

- I know a guy reasonably well, who had to leave criminal law due to conscience reasons
- He was not comfortable with:
- _____
- Would you be?
- That is one of the many reasons, I am not a lawyer…

Related to this

- For me, I would never take an **advocacy** type role unless I believe in it, consistent with conscience….

Advocacy example

- A recent case, my brother is on the Board of a kids' camp
- Their business interruption insurance, infectious disease clause allows a claim, as there was COVID-19 within 5 km of the camp
- The insurer makes an offer, calculated by the **forensic practice** of an accounting firm , my brother asks me to look at it
- The offer _____
- With a clear conscience, and for a good cause, I built an argument for a larger claim, which they _____
- I would <u>not</u> have advocated if I didn't believe in the higher claim, and I don't charge for this kind of thing for a good charity

Another scenario

- You are in public accounting, a sole practitioner, not in Quebec
- A foreign company requests help with Canadian filings, after confirming that you are required to follow client confidentiality
- They were buying a 2 acre piece of land in one of Canada's largest cities
- During the course of your work, you happen upon a document that they didn't intend to give you. You translate it from the foreign language via google translate. It reveals that the company is a front for _____
- It seemed to reveal a plan to _____

Discussion

- This is a mind-stretching situation, I am not suggesting anyone is likely to face it
- What would you do, I would like your thoughts?

My analysis

Most people miss this elephant and another one

But how about doing something for the greater good?

Other comments

- In another of my ethics courses, I share a true story, where someone I met, figured out their client was likely a terrorist, and was able to report this to the RCMP with permission of the ethics advisor of the province, but they didn't provide any more facts than terrorist suspicion (**Ethics – More Than Just The Code of Conduct** is the course)

If you were a Quebec CPA, before May 9, 2024

- There was an exemption:

Another option, quickly transfer your CPA membership, but you might have needed to move to Quebec

48.1. A member who, pursuant to the third paragraph of section 60.4 of the Professional Code (chapter C-26), communicates information protected by professional secrecy to prevent an act of violence shall:

(1) communicate the information without delay to the person exposed to the danger or that person's representative, and to the persons who can come to that person's aid;

(2) use a method of communication that ensures the confidentiality of the information under the circumstances; and

(3) enter the following information in the client's record as soon as possible:

(*a*) the purpose of the communication;

(*b*) the date on which the information was communicated;

(*c*) the method of communication used;

(*d*) the name of all persons to whom the information was communicated; and

(*e*) the reasons for the decision to communicate the information.

Conclusions

- Confidentiality can put CPAs in difficult ethics situations

Since we are talking about the police

Once I was chased and pulled over by the police!

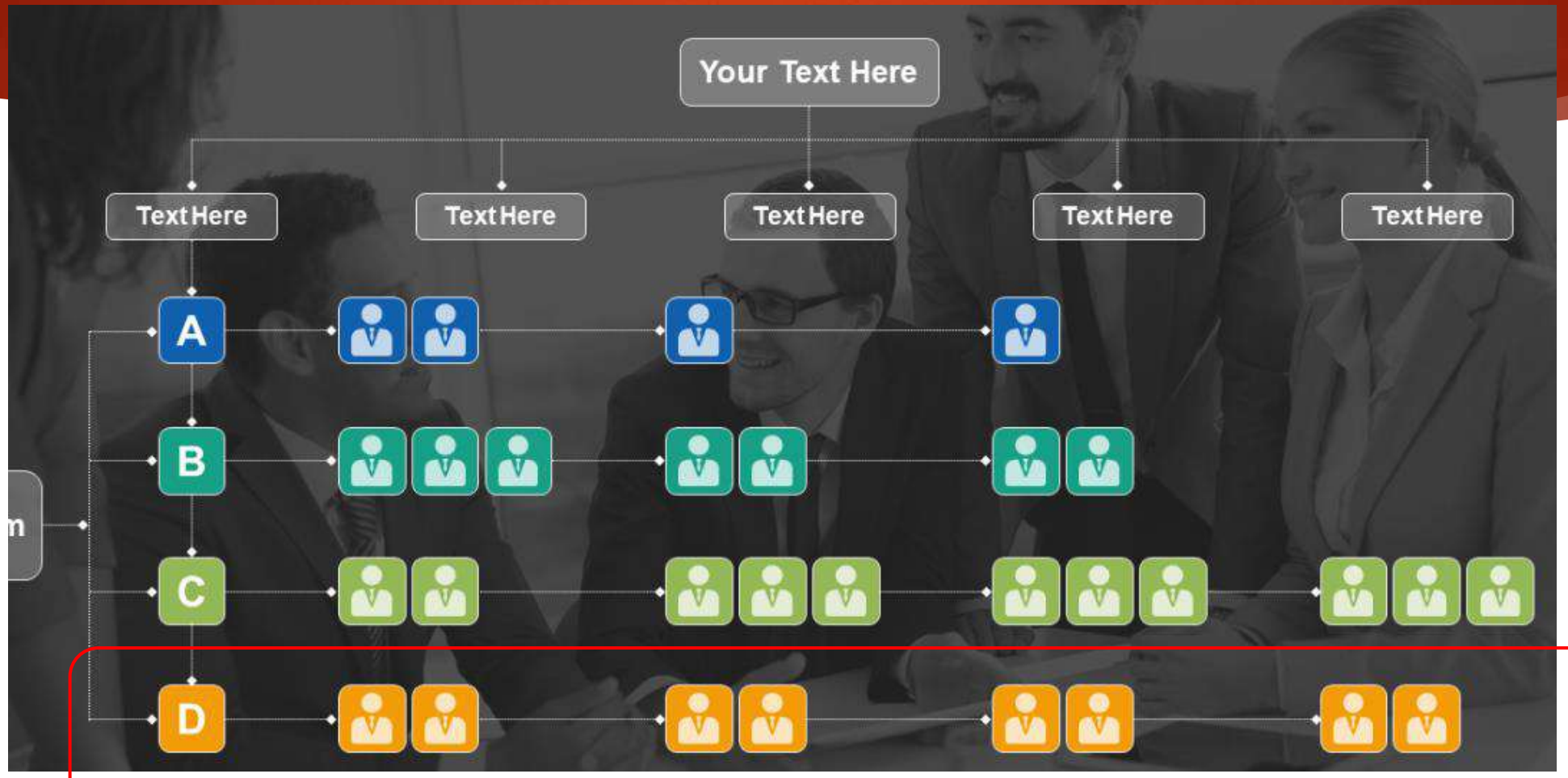
Back to confidentiality

Question

- Should our profession revise the confidentiality rule?
- What do you think?

How could it be revised?

Ethics and more junior positions


Your Text Here
Text Here
Text Here
Text Here
Text Here
Text Here
A
B
C
D

Ethics and more junior positions

I HAVE TENDED TO FOCUS ON ETHICS FOR SENIOR ROLES LIKE CONTROLLER OR CFO, BUT ALL LEVELS OF CPAS AS WELL AS NON-CPAS FACE ETHICS ISSUES

IT MAY BE HARDER AT THE LOWER LEVEL ALTHOUGH THE ISSUES MAY BE SMALLER

THEY DON'T PERSONALLY KNOW THE PRESIDENT/CEO/BOARD/ OWNER

THEY HAVE LESS PERSONAL FINANCIAL RESOURCES

THEY ARE LIKELY FURTHER FROM RETIREMENT

Ethics and more junior positions

- The clerk who ran into the ethics situation in an earlier story said she immediately went on ____)
- A few extra tips:
- Have courage to think of the _____
- You have more time to _____ than old CPAs!
- Find a _____outside the organization to help/advise, but be careful with confidentiality

Lesson 3

More webinar “get to know you” question

Policing the marketing dept

Something I have to police

- I often speak at conferences and events
- About 50% of the time, I find that the marketing department putting together the brochure/website advertisement writes a _____
- Therefore, I put in my contracts, that I get to review all material before it goes public

www.acfecalgary.com

FEATURED PRESENTERS

STEPHEN PRIDDLE
CPA, CA, CMA

DON YOUNG KC,
YOUNG LAW

CST. MICHELLE
GRENIER

AGENDA

False & misleading and our profession

- I am sure I have seen an ad saying CPAs are _____or something like that, but I can't find the ad
- I would say this seems to be _____
- Only CPAs who graduated in the last 4 years or so, have done a tiny bit of _____training, a newer field, all others have not
- Are you trained in this?
- I have been skeptical of almost all marketing done for the CPA profession, it usually corny or barely true?

Get the unethical back

Get the unethical back

- The little boy was sent by his mother to buy a $1.65 cent loaf of bread.
- While the baker was putting the bread into a bag, the boy noticed that the loaf looked rather small. "Isn't that a small loaf of bread for $1.65?"

Get the unethical back

- The little boy was sent by his mother to buy a $1.65 cent loaf of bread.
- While the baker was putting the bread into a bag, the boy noticed that the loaf looked rather small. "Isn't that a small loaf of bread for $1.65?"
- _____," replied the baker. The boy put $1.50 on the counter. "You're 15 cents short," said the baker.
- "That's right, " replied the boy. "You'll have _____. Goodbye."

Strange emails from CPAs

I sometimes get strange emails from CPAs who watch my videos

A dilemma

Scenario

- CPA works for a private company as Controller
- Their boss, the CFO are pressuring CPA to book an unsupported entry that increase revenue materially
- CPA has refused so far
- The CFO has booked what they call a "showdown" meeting to talk with CPA about the issue, and said the CEO and the General Counsel of the company will be there
- Situation: CPA is not intimidated and plans to stand firm, but has just thought it would be very valuable to have a recording of the meeting

Would you do it?

- And what are the issues?

Is it legal?

- Note that this is not intercepting and recording a phone conversation without telling anybody else involve, that is a big no-no
- My understanding is that _____

Is it morally acceptable?

For me

- I would _____

How should CPA protect self?

- CPA should definitely _____
- Send an email to those at the meeting _____

I know you are sleepy…

Awkward

Have you ever had to be?

- Around a colleague/colleagues you know are going to be getting the axe soon, and you know but can't tell them…and it is not your decision
- This is very awkward and stressful and has happened too many times in my career
- I feel: let's _____

Marriage and relationships and an ethics extension

A man to be admired?

- Many times, over the years, my father extolled the character of a man my family knew, an accountant as a ROLE model
- He never held a designation and would not have been considered successful, probably more of a _____
- The reason my father extolled him is he_____
- This tells you something about Dad's values

The accident

- A friend and current hockey teammate was motorcycling with his wife, each on their own machine
- She hit gravel, wiped out and was badly injured
- When the doctor announced to them, that she was going to _____ he confessed that his first thought was: "I didn't sign up for this…"
- Then he said remembered he did _____
- So did mine_____

The CPA extension

- When I signed up to be an accountant, I thought I signed up to do business, accounting, tax, etc, I didn't really think I signed up _____
- But actually I did sign up for this,_____..,

Where do ethics come from?

Where do ethics come from?

- A philosopher in the early 20th century wrote "morality is what pleases the majority"
- What do you think of this?
- Recall history to help with the discussion
- For example, once upon a time, the majority in many countries approved of _____of some people, not themselves
- The majority of Germans, in a "civilized" country brain-washed by Hitler' propaganda and existing prejudices, probably wanted to _____
- Solzhenitsyn: "In such conditions evil can become good, if it gains a ____, and good can become evil if it is in the _____"
- The same could be said if governments determine ____

More

- Suppose the profession's ethics go wrong?
- Society without rules and ethics is a like sport/game where everyone does their own thing, it doesn't work
- This is your homework to think about, we can't get it into today….

Generosity

I once read a book about a guy

- Who donated 100% of his very successful business to a charitable foundation, so all profits would go to charity
- He was an American with ____ heritage
- _____
- One day, I was driving down the road in the USA (I-75) and I realized I was passing the business

More general discussions

Someone in my course said

- “I always say to my clients
- We can walk the line, but we'll never _____!”
- I think this is reasonable as long as the line definition is good

My impression is some people think like this, including some CPAs

- "My main objective is to _____"
- "However, nothing super _____ unless it is part of the corporate culture"
- "I will ensure I do not get ___"
- I would never directly _____ any money"
- "As long as I don't sign my _____ I am probably OK
- "There's a saying, "It's not cheating unless you get ____""
- **What do you think?**
- I think this flies in the face of ____

Real story from my career

- Company executive is somewhat unethical, not in finance
- After he is fired, he wants to do hourly consulting work for the company
- He could do some good focused on work on certain projects, where his ethics can be managed
- However, we know we absolutely can't trust _____, so we won't give him hourly work
- Lesson: _____

Use of AI and ethics

- A broad topic, that is beyond this course
- Is it ethical to us AI to pass tests/exams?
- ____
- I heard about ChatGPT passing a US law exam
- I paste the CFE into ChatGPT and _____…
- I tried one question from this course's multiple choice question quiz and it _____
- Don't do this for your quiz, where applicable!

Another AI application with ChatGPT

- I pasted the following into ChatGPT
- "Write a poem about a lazy, unethical accountant Jan who lives in Toronto"

The poem

In-depth case

In-depth case

- It is now February 15, 2024
- You are the newly hired Controller of Gentree Corp (GC), six weeks on the job, it is a newly created position, reporting to the CFO
- The CEO of the company is Ellen Maki, who is the co-founder. The other co-founder Alvin Carter, who is the Board Chair and no longer active in the business
- The private company owned by the founders and 11 private investors is in the business of developing and exploiting leading edge energy technologies
- Some technologies have been commercialized, some are still under development. Some are self-funded, some have outside funding

In-depth case

- Duncan Koorc, MBA, is the company CFO. He is known as the "**ROI guy**" by everyone in the company. He brings up ROI in almost every conversation and as a result the investors love him
- In your job interview he talked extensively about **ROI**. You mentioned your personal ethics, but he quickly changed the conversation to your stock option grant
- Preliminary results for the year ending December 31, 2023 show $14.1M in revenues and pre-tax profit of $311K, up from $3.2M in revenue three years ago
- The auditors are medium size firm Assur & Ance LLP, the audit is scheduled for March. The current estimated FMV of the company's Common Shares is $3, per an outside valuator

In-depth case

- You are married with two minor children and have a house in both your names with net value after mortgage of $210,000 and $20,000 of liquid savings. Your spouse is on disability for the foreseeable future and there are marriage problems, they have talked about leaving you
- Your salary is $240,000 and you have 80,000 stock options to purchase company Common Shares vesting over four years (1/4 per year), with a strike price of $.00001.
- You really enjoy playing on the company's volleyball team and have quickly developed good friends on the team, who work in many different departments in the company

In-depth case

- You have signed a **Company Confidentiality Undertaking**
- The company has an active Intranet, where there are lots of open employee discussions, on various topics
- The company has a half page Code of Ethics, excerpted as follows:
- Gentree exists to develop and exploit leading-edge energy technologies. We must be successful using any means possible, within the bounds of ethical conduct becoming to the company and industry….If you have any ethical concerns, call 343-883-0976, the company Whistleblower Line.

In-depth case

- You have not reviewed every transaction in the books, but you noted that the company was awarded a $1.4 million research grant to cover 80% of the planned costs for the Pank Seed Project (PSP) seven months ago
- At December 31, 2023, the company had incurred $340K of costs related to the PSP and the latest budget shows total costs being $50K over budget. The first $300K invoice has been paid and recorded as revenue, and the remaining $1.1 million has been recorded under the account Grant Receivable, with the CR to Grant Revenue

In-depth case

- You have also noted $34,000 in the General Expenses, under the Category Public relations
- You have found that it consists 20 x $1,700 payments to various employees, on the condition they donate it to the Federal ruling political party, specifically to support the Minister of Innovation's campaign
- You have found that the Elections Act of Canada prohibits corporate political donations and limits individual political donations to $1,700 per party

In-depth case

- The Canadian Special Energy Innovation Fund, is funded by industry (10%) and the balance by the new federal Department of Innovation
- The 2024 Technological Innovation prize of $5M in cash, is to be awarded to the Canadian business that meets the following criteria:
- It has a project that has great merit, environmental, employment and other benefit to society in the judges' estimation and the business also has three year revenue growth of 200% and the business is profitable pre-tax the most recent fiscal year ending before January 31, 2024
- The award decision will be made on February 28, 2024

In-depth case

- The Canadian Special Energy Innovation Fund's award judges told Maki that GC will win the award based on GC's submission of the Tree to Energy Project (TEP) and review of the draft financial statements
- The (TEP) technology prototype converts almost any wood chips into a solid chemical compound that burns 70% cleaner than the wood chips before conversion, per GC

In-depth case

- Yesterday, you went into the lab where the Department of Innovation scientists were watching the TEP demo
- They seemed excited about the test results coming from the monitors, indicating 79.7% clean difference, exceeding the target of 70%
- During a break, you go to the bathroom, and note three technicians in a back room inputting numbers into keyboards and laughing
- You ask them what is going on, and they say “we are faking the results!”

What do you do?

- I suggest you will learn more by pausing the tape, and thinking about this for a while…

What do you do?

Multiple Choice question:

a) Use ___
b) Call the _____
c) Find a way to ___the stock, although privately traded
d) Do a) and c) above

Comments

To start with?

- How does your gut react to the scenario?

Broad thoughts

Lesson 4

Preliminary analysis

More from the audience

More analysis

- The possibly fake results to demonstrate the 70% cleaner claim, is also big concern, although not financial, cheating in the lab and in the finances and in the political world, suggests a company-wide problem
- Try to figure out if Ellen Maki (and other senior executives) are in on the questionable behaviour, or is it just an unethical CFO and an unethical Chief Scientist
- You will meet with a lot of opposition if she is in on it all
- CPA is definitely associated with the financials as Controller even if you don't sign them and didn't prepare them, which could be problematic (Rule 204/Quebec 26)
- If the company's financial and technical cheating is found out, there could be a huge scandal that will hurt its **reputation**

Additional steps

Scientific results

Auditors

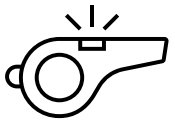
Getting the information out

Other avenues

What now?

Other lessons

-)



Do you have any advice, going back in time?

What about this?

- What is the simple solution to the whole problem?
- _____

Conclusions

- Complex case, you may not face in real life but it should have provided some lessons hopefully
- I wanted to bring up possible technical fraud, not just financial (think _____)
- I have not had a lawyer go through this
- There may be a need to ___ meetings!
- Any final comments?

Real life inspiration

My parents and ethics

Sometime entrepreneurs blow smoke and exaggerate…

A video…

Ethics and an award winner

- One day, my President comes to me and says this:
- "I am involved in my (ethnic group) Business Association. We are about to announce that __ is the (ethnic group) Businessperson of the Year."
- "I don't know him personally or his business, and I wouldn't want him to get the Award, to find out later he is a well-known sleaze bag who doesn't pay his suppliers, etc., it would be embarrassing for the Association, what should I do?"
- How would you answer?

Ethics comes up years later

An interesting statement

- I am hired to take a company public on the TSX, a great, ethical company, started by two entrepreneurs, fiber optic scientists, one is Yves
- One of the best businessmen I have ever worked with, and straight-line ethical
- Kind of an informal mentor, he impacts my courses
- Company gets bought out before the IPO, I am no longer needed
- Purchaser is one of the hottest companies in corporate history
- Co-founder makes millions and millions, retires at about 45 after working for the publicly listed acquiror a couple of years
- Gives a lot of money away, faithful to his wife

An interesting statement

- I do a Dragon's Den type pitch with him in the audience about 12 years later
- We chat after and I tell him I use some of his management tips and in my courses - he was very tickled
- I also said: "It is too bad we never went public"
- He said: "_____

Do you love your job?

- Yes or no
- Or does it depend on the day?
- Or time of the day?

A good quote

- "**Don't <u>love</u> your job too much or you might do some things that you shouldn't do**"
- Former US Secretary of State, George Schultz
- The _____
- The Enron senior people got perks like _____
- In 2000, the top 200 employees made over USD $1 million in 2000, total $1.42 billion USD for those 200 ($7M average each)
- Unfortunately, Schultz was _____

Would you do it if you were not a CPA?

- This question tests whether your ethics are internal, or just while you are one
- What will your ethics be like when you retire and no longer need to comply?
- Or, are you only ethical, because you are a CPA?
- Are you anxious for the day, when you don't have to worry about CA ethics, as you will be retired and no longer need to keep your CPA?….
- I ____

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 things they might say

Provocative lines to use in an ethical dispute

A powerful one

- You would look good _____but not me

Conclusions

- A proverb says: *A _____is to be chosen rather than great riches*
- Ethics gives you a _____, or at least _____
- You want a _____
- Some people who have taken this course have had less money due to ethical decisions, but have a _____
- Push back or hit the road when you face ethical issues, lots of ideas how are in this course
- Best wishes and may you actually see fewer ethical issues…

Other ethics courses of mine

Ethics – That Feeling In Your Gut

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

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

Build Your Ethical Muscles

- Ethics and peer pressure
- The forced down corporate Code of Ethics
- Examples in Codes of Ethics
- Resolution scenarios
- The iceberg issue
- Lots of cases to apply ethical thinking
- Use of provisions
- Ethics do you more good than you realize
- **2 hour video**

Ethics – More Than Just the Code of Conduct

- The rules/contract allow this - but is it right?
- Colleagues' actions and the association part of Rule 205
- Ethics problems between departments in the same organization
- Major Canadian CPA ethical lapses that are not well known
- The unreported revenue dilemma
- Will the auditors back you?
- Sanctions – should private companies punish players from certain countries?
- The subordinate who lies to you
- Approaches to diffusing difficult situations
- All kinds of specific examples and stories
- **2 hour video**

Ethics – Where The Rubbers Meets The Road, 2 hour video

What are the problem areas?	Gray or black or white?	The greatest Canadian accounting/business crook	The gradual slippage into ethics trouble that sometimes happens	The over-bearing, no one dares to question company founder
It doesn't break a law, but it breaks the code	Ethics when you leave Canada	Making your standards clear at work	The strategy of playing dumb	Re-explaining the situation to win over colleagues
Documenting your ethical position	Codes of Ethics – are they helpful?	False & mis-leading issues and complications	Ethics and forecasting – I bet you didn't know this angle	Invoicing to get around the over budget contract
	Government procurement fraud	Its already approved, but unethical…		

More two hour courses

- **Practical Work Smarts for All**
- **Practical Work Solutions from Mini Cases**

Other courses

- **Practical Tips for Controllers & CFOs**, over 11,000 have taken it, 7 hours
- The NFP and Government accountant versions of this course:
- **Practical Tips for Not-For-Profit Financial Leaders**, 6 hours
- **Practical Tips for Government Accountants**, 6 hours

More courses

- **Practical Financial Negotiation Tips,** 4 hours
- **Ten Practical Topics For Financial Leaders,** 4 hours
- **Practical Tips to Get Through Cash Difficulties**, 2.5 hours

More courses

- **Practical Contract Review Tips** 1 hour
- **Practical Tips to Improve Your Internal Financial Reporting** 1.5 hours
- **Sharpen Your Business Loan Negotiating Tips** 2 hours
- **Practical Foreign Exchange Management**, 1 hour
- **Elevate Your Career With More Strategic Thinking**, 2 hours

Closing comments

- Thanks for taking this course
- Email me to pick my brain or feedback or to get the fully populated slide deck spriddle@bell.net
- We could do LinkedIn if we are not connected already

PRACTICAL PD