

# I2: Towards exemplary professionalism and ethics among accountants

**CPA Congress**

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*The Hon Nicola Roxon  
Chairman*



# Overview

- APESB
- What does it mean to be a Professional?
- APESB Pronouncements
- Fundamental Principles & Threats to compliance
- Contemporary Examples:
  - Non-Compliance with Laws and Regulations (NOCLAR)
  - APES GN 41 *Management Representations*
  - Financial Services
- Further Information

## Who we are

- Independent body established in 2006
- 6 directors - including independent non-accountant chairman
- Work closely with Professional Accounting Bodies

## What we do

- Promote professional and ethical behavior/ conduct
- Develop & issue professional and ethical standards
- Influence national and international agendas

# What does it mean to be a Professional?

- Are there specific measures?
  - High level of expertise/ technical knowledge
  - Application of professional judgement & integrity
  - Higher calling i.e. to act in the public interest
- Interaction with laws & regulations
- Purpose of professional & ethical standards

# The Code of Ethics for Professional Accountants

## ***APES 110 Section 100.1:***

*“A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest.*

*Therefore, a Member’s responsibility is not exclusively to satisfy the needs of an individual client or employer.*

*In acting in the public interest, a Member shall observe and comply with this Code.”*

# APESB Pronouncements

## **APES 110 Code of Ethics for Professional Accountants**

*(includes conceptual framework)*

### **Another 14 standards**

**APES 205** *Conformity with Accounting Standards*

**APES 210** *Conformity with Auditing and Assurance Standards*

**APES 215** *Forensic Accounting Services*

**APES 220** *Taxation Services*

**APES 225** *Valuation Services*

**APES 230** *Financial Planning Services*

**APES 305** *Terms of Engagement*

**APES 310** *Dealing with Client Monies*

**APES 315** *Compilation of Financial Information*

**APES 320** *Quality Control for Firms*

**APES 325** *Risk Management for Firms*

**APES 330** *Insolvency Services*

**APES 345** *Reporting on Prospective Financial Information Prepared in Connection with a Disclosure Document*

**APES 350** *Participation by Members in Due Diligence Committees in connection with a Public Document*

### **5 Guidance Notes**

**APES GN 20** *Scope and Extent of Work for Valuation Services*

**APES GN 21** *Valuation Services for Financial Reporting*

**APES GN 30** *Outsourced Services*

**APES GN 40** *Ethical Conflicts in the Workplace*

**APES GN 41** *Management Representations*

## Fundamental principles

APES 110 *Code of Ethics for Professional Accountants* (the Code) identifies five robust fundamental principles:

- Integrity
- Objectivity (i.e. Independence)
- Professional Competence and Due Care
- Confidentiality
- Professional Behaviour

## Threats to Compliance

The Code also identifies five threats that ***could compromise*** or ***appear to compromise*** compliance with the fundamental principles:

- Self-interest
- Self-review
- Advocacy
- Familiarity
- Intimidation

Safeguards can be used to eliminate or reduce these threats.



# Contemporary Example #1

## **Non-Compliance with Laws and Regulations (NOCLAR)**

### *Internationally*

- Issued by IESBA in July 2016
- NOCLAR sets out framework for professional accountants when they become aware of potential illegal acts committed by client or employer
- Increase emphasis on integrity
- Mandates that public interest is more important than confidentiality

### **Australia**

- APESB Due Process to be completed before NOCLAR introduced in Australia
- Whistleblower Protection

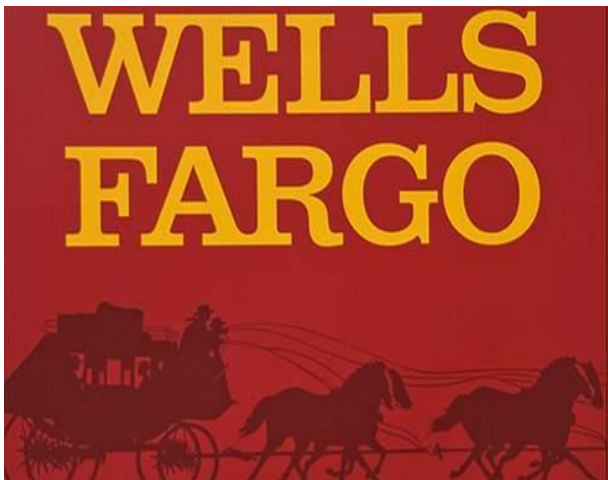
## Contemporary Example #2

### ***APES GN 41 Management Representations***

- Provides guidance to Members in Business who prepare or sign management representations
- Covers both internal & external management representations
- Does not set out underlying procedures or processes to be followed
- Considers a range of responsibilities across different levels of an organisation
- Applies from 25 August 2016

## Contemporary Example #3

### Financial Services Industry



#### Cross Selling Scandal

Over two million false bank accounts and credit cards set up between 2011 – 2016 across over 6200 bank branches.

Staff received incentives based on cross-selling target of 8 products per household.

**‘Eight rhymes with Great!’**

#### Impacts

- US\$185 million fine
- 5,300 employees fired (1% of work force)
- Loss of Business - State of California changing banking provider
- Accountability of the CEO and Senior Management

## On the bright side...



Cartoon sourced from the Daily Astorian: Editorial cartoon: Wells Fargo. Published September 28, 2016  
(<http://www.dailyastorian.com/columns/20160928/editorial-cartoon-wells-fargo>)

## Further Information

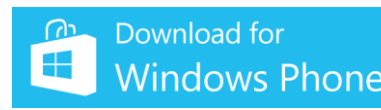
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