



# Summary of International Code of Ethics for Professional Accountants (SMO 4) Workshop

Presenters:

- Mr. Geoffrey Kwan, Director, IESBA
- Ms. Gillian Hawkesby, New Zealand Regulation Lead, Chartered Accountants Australia and New Zealand
- Mr. Simon Tay Pit Eu (Executive Director, Professional Practice & Technical, Malaysian Institute of Accountants)
- Mr. Adrian Lim, Senior Manager, IFAC

## Key Takeaways and Questions

Circumstances where the local Code of Ethics may deviate from the international standard (i.e., Code of Ethics as issued by the IESBA):

- The equivalent international standard does not reflect or is not consistent with the local jurisdiction's regulatory arrangement or practices considered appropriate for members of the PAO(s), including the use of terminology.
- The equivalent international standard could be modified to result in a standard that promotes significant improvement in the local jurisdiction environments, and does not conflict with, or result in lesser requirements than, the equivalent international standard.
- The relevant benefits of making a change outweigh the costs.

Bringing the IESBA Code to life requires a combination of the following approaches:

- Significant communication and awareness raising programs to inform and educate members of changes.
- Using available platforms such as website, newsletters, social media, and face to face presentations.
- Identifying senior leaders within profession to promote the importance of the Code and raise awareness of changes.
- Developing education offerings that are sector-specific, interactive and use "real life ethical scenarios" relevant to each sector.
- Developing tools and resources based on member feedback to support implementation of the Code. For example, a conflicts of interest guide and flow charts to help navigate the Code.
- Continually reviewing education offerings to ensure they remain current in the overall environment
- Publishing disciplinary findings to educate members on the application and interpretation of the Code and the standards expected of members
- Mandating a CPD requirement that members must take a set minimum of hours of ethics training each period (e.g., two hours a triennium). This requirement recognizes the importance of ethics to the profession and helps to ensure that members keep up to date with the Code
- Maintaining consistency if multiple Codes apply in a jurisdiction; this is critical for successful implementation.

*How can PAOs enforce the Code and what are some of the due processes involved in investigating a suspected violation of the Code?*

PAOs can consider a combination of multiple avenues, such as:



- Surveillance and enforcement. Independent from technical function (e.g., adoption, implementation, and creating awareness toward the Code), this function is to receive public complaints before bringing relevant cases to the investigation and discipline function.
- Pro-active investigation. Based on public information and/or the PAO's assessment of their members' conduct in public.
- CPD audits. PAOs need to ensure members are maintaining their professional competence, including on ethics.
- Practice review. PAOs may have to focus on certain part of the practice based on their resources and priorities. PAOs need to balance building awareness toward the Code and its enforcement (i.e., compliance). Remedial actions before introducing any form of punishments are recommended, particularly through actions that will contribute to continuously building members' competency.

*What are some of the most common breaches of the Code?*

Complaints from the public can include violations of professional competence and due care, independence, conflict of interest, professional behavior, non-compliance with CPD requirements, non-compliance with laws and regulations, and integrity. PAOs should also consider any actions taken by members that may bring disrepute to the profession.

*In term of improving PAOs' level of compliance with SMO 4, what are some of the most important steps that the PAOs need to take?*

IFAC's assesses PAOs' compliance with a particular SMO (including SMO 4) on a case-by-case basis, not a one-size-fits-all approach. IFAC recognizes that each PAO is at a different level of development and has different mandates and responsibilities in their respective jurisdiction. Compliance with SMO 4 (and any SMOs in general) requires PAOs to show their actions to educate their members and stakeholders, share information, and advocate. PAOs also need to show how they support (directly/indirectly) adoption and implementation of the Code in their respective jurisdictions.

*Do we see any indications of the role of ethics shifting or changing in today's technology-driven era?*

IESBA recognizes the advancement in technology and its impact to the profession. It is looking more closely into the impact of technology to ethical behavior. The IESBA Technology Working Group, established in 2018, has published its [Phase 1 Report](#) exploring the ethical implications of technology on the accounting, assurance, and finance functions. PAOs need to be aware of the impact of technology on bias, particularly automation bias (e.g., over reliance on technology). Moreover, as more firms embark on technology-based value-added services, PAOs need to understand the potential threats, as well as the need to build accountants' expertise in technology.

*Based on your experience and observation, how do you best introduce and teach ethics, especially to our aspiring and/or young accountants?*

The best way to teach ethics is to bring the knowledge to life through introduction of real-life examples presented as case studies highlighting key ethical issues. Examples can (or should) be based on real-life cases that went through the PAOs' disciplinary process. It is also important to share information about the support that is available when one encounter any ethical issues.