



CFE Vancouver Chapter
Training Session – May 22/13

**From Clueless to Clued In
Ethics for the Busy CFE**

Linda J. Murray, LL.B., CFE

Clueless.....headline news

- Vancouver property developer pleads guilty to massive fraud
- Accountant charged with \$1,000,000 embezzlement
- Money laundering tops \$2m
- Fired KPMG auditor can't explain 'lapse of judgment'
- Community centre employee charged with embezzling funds
- Ex-lead detective in Pistorius case quits police force
- Providing help to Greeks gang nets lawyer year in jail
- 'Sexist' picture tweet gets techie fired

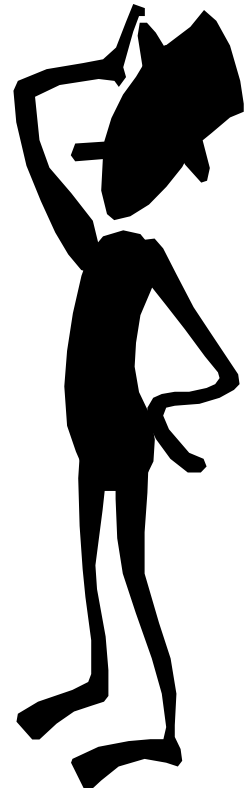




Overview / Guide

- Working definition
- Basic obligations (CFE & others)
- Roles and Context
- How to Avoid Problems
- Potential Consequences
- Resources
- Ethical Dilemma Puzzles

Tools..



Ethics match up

What is it?	Characteristic	What it's not?
	Reflective choice	
	Complete answer key to all questions	
	Legal and moral	
	Legal rules, moral principles, values	
	Same for all times, people, cultures	
	Not perfection	
	Learned or taught behaviour	

Ethics match up

What is it?	Characteristic	What it's not?
X	Reflective choice	
	Complete answer key to all questions	X
	Legal and moral	X
X	Legal rules, moral principles, values	
	Same for all times, people, cultures	X
X	Not perfection	
X	Learned or taught behaviour	

The CFE Guidebook

ACFE Manual, 3 elements:

1. Questions requiring 'reflective choice'
2. Guidelines of right & wrong (moral principles)
3. Values inherent in ethical decisions

Guide to assist in applying rules & moral principles
to obtain best overall result for all parties

Ethical Dilemma

not a matter of knowing
right from wrong

but rather

being required to
choose between two
undesirable options with
potential consequences



Why do we need ethics?

- provide benchmark or standard
- clarify expectations for professionals & SROs
- inform the public of expectations for professionals
- provide means for SROs to enforce standards of conduct to ensure public confidence & meet mandate
- achieve business & other strategic objectives

Basic Obligations ACFE

- CFEs agree to be held to a very high ethical standard
- CFE's conduct has significant impact on others (clients, businesses, courts, reputations of others, public confidence)
- typical of professional Codes but tailored to areas, skills & issues faced by CFEs (report writing, audit standards, independence, professional skepticism, testimony, reasonable evidentiary basis for opinions)

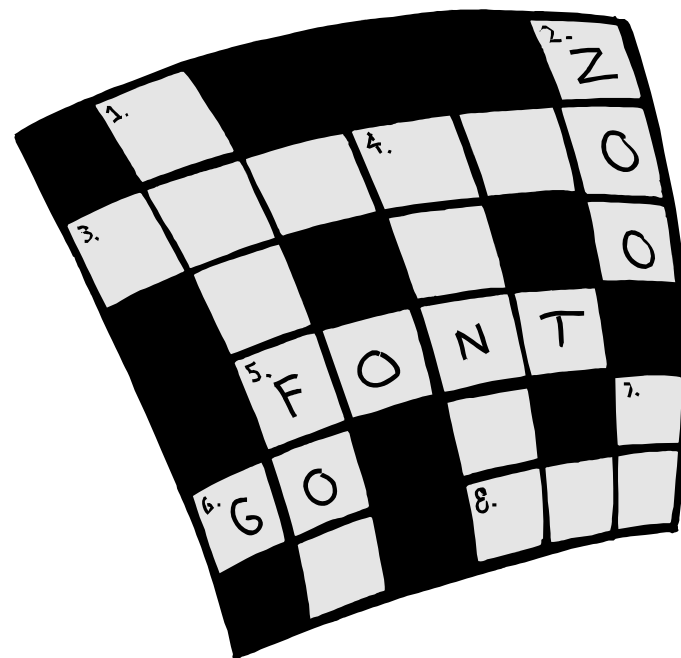
ACFE Fraud Examiners Manual:

- Code of Professional Ethics
- Code of Professional Standards
- ACFE Bylaws
- ACFE Disciplinary Process Regulations

Basic Obligations ACFE—the Framework

ACFE Code of Professional Ethics:

- Guidelines for Professional Standards & Practices (principles):
 - legal behaviour
 - professionalism
 - integrity & competence
 - confidentiality
 - reasonable evidentiary basis for opinions
 - complete reporting of material matters
 - ongoing professional improvement & competence
 - testimony & court orders



Basic Obligations ACFE

ACFE Code of Professional Standards:

- expands on and provides further guidance on ethical and professional duties in the Code of Professional Ethics

ACFE Bylaws:

- set out rights & privileges of members
- members are subject to requirements set by Board of Regents
- members accept authority of Board of Regents to govern them

Basic Obligations ACFE

ACFE Bylaw 5.07 Suspension & Expulsion if:

- found guilty by court of crime punishable by imprisonment of more than 1 year, a felony, or any crime involving moral turpitude (ie. calls into question integrity & judgment ie. fraud, bribery, corruption, solicitation, embezzlement, theft by fiduciary/trustee, deceit or false pretenses)
- fail to abide by ACFE Bylaws, Codes of Conduct, requirements
- commit a 'discreditable act'
- declared insane or lack capacity
- fail to co-operate with disciplinary investigation
- falsify information (to ACFE)
- fail to pay dues
- fail to properly use CFE designation as per licencing agreement

Basic Obligations Vancouver Chapter

- similar to ACFE (same Code of Conduct, etc.)
- both apply since can be ACFE member but not Chapter member

- **Chapter Ethics Committee Policies & Procedures:**
 - mandate is to maintain standards of conduct & canons of ethics for integrity & reputation of CFE certification
 - complaint handling process & potential discipline of Chapter members

- **Chapter Bylaws, s. 7 Suspension & Expulsion if:**
 - member's conduct improper, unbecoming or likely to impair or has impaired the interests or reputation of the Chapter
 - breach of Bylaws, rules, regulations, policies of Chapter
 - If expelled, cannot re-apply for membership for 3 years

Other Obligations

- other professional bodies (CICA, ICABC, CGA, Law Society, CBA, College of Physicians & Surgeons)
- civil statutes and regulations (bribery, banking, health care, environmental, consumer protection, worker/employee protection, Trustee Act, Legal Profession Act)
- criminal Code (bribery, fraud, theft, breach of trust)
- civil liability (tort, breach of contract, privacy, defamation/slander, negligent investigation)
- employer (Code of Conduct, Oath of Office, Human Rights Commission)
- board positions (professional, charitable, commercial)
- your personal standards and obligations

Regulatory Oversight

- self-regulatory system relies on self policing and honour system
- public interest is paramount
- shift to principles-based from prescriptive rules approach
- more outside oversight of SROs (media, Ombudsman, privacy commissioners, consumer watchdogs, government SRO)
- increased public demand for transparency, accountability, flexibility in delivering quality services
- allows flexibility for members but shifts responsibilities for monitoring and early intervention to SRO and membership
- risk loss of ability to self-govern if SRO does not properly consider membership qualifications (including 'good character' assessments) and breaches of rules and ethical principles

Roles and Context--Framework

- individual has ultimate responsibility for ethics
- as a team member, your role is to help the team make ethical decisions which will achieve your objectives and avoid pitfalls



Roles

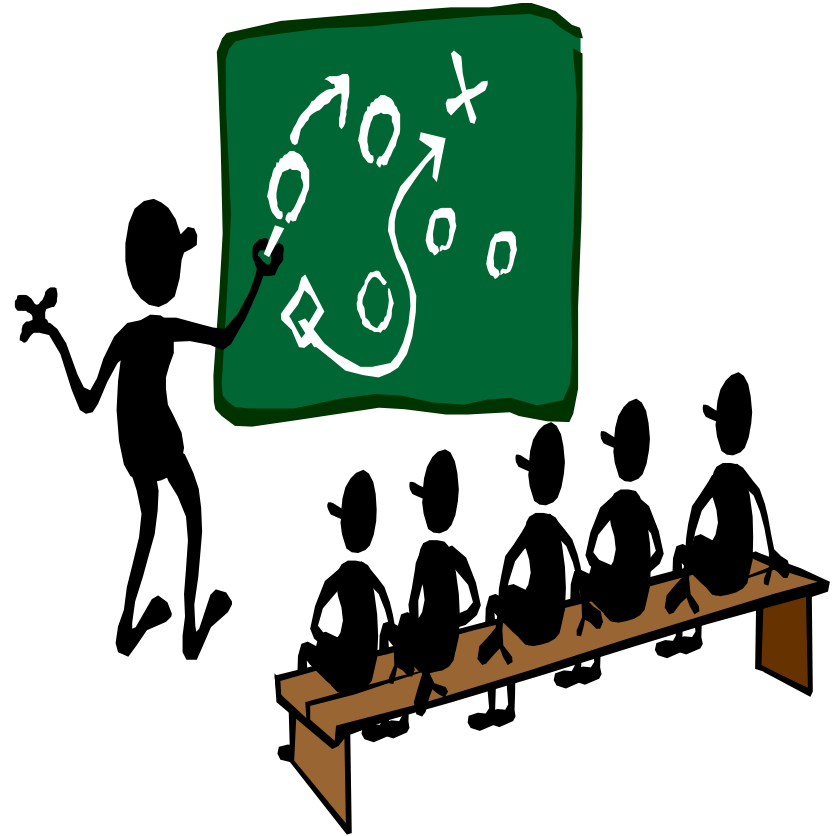
- individual professional member & decision maker
- observer of conduct of others (colleagues)
- advisor to others (clients, colleagues, employer, profession, public)
- teacher/mentor
- judge (judge, mediator, ethics committee member, auditor)
- critic (comment/assess ethical decisions of others—discipline committee member)
- regulator, politician, policy maker

Roles/Context

- perspective and reflection, given various roles (step back and assess, consider your audience)
- shine some light on the subject and poke around in the shadows (internal audit, external audit, ethics advisor)
- balance (all interests, including yours)
- know your limitations, your area, and embrace CPE
- use other resources or a team
- be creative and innovative but avoid the fringes
- always listen to the critics (client, employer, colleagues, SRO, government, public, and your best critic--you)
- mentor others

Strategy for Success in Solving Ethical Dilemmas

- Knowledge of rules, laws, policies, requirements
- Code of Conduct or Ethics
- Knowledge of roles, responsibilities & mandate
- Ongoing training and professional development
- Robust GRC, risk management, internal and external audit
- Individual must take primary responsibility for ethical behaviour but team effort



Strategy for Success in Solving Ethical Dilemmas

- Know your obligations, meet your obligations
- Be true to yourself and your values
- Be true to your employer/client/Office and its mandate/code/oath
- Be true to your community (professional and general)
- Keep up (ongoing CE, involvement in professional association & issues, communicate with colleagues)
- Apply the degree of diligence & skill required to properly complete the jobs you undertake and to meet the expected standard
- Avoid conflicts of interest and ethical issues
- Keep your personal house in order and yourself satisfied
- Become a teacher or mentor (you never learn something as well as when you have to explain it to someone else)

Strategy for Success in Solving Ethical Dilemmas

Each time you decide:

- think
- research, review the rules and requirements
- think again
- communicate/consult
- think some more
- apply thought, rules & moral principles to come to a decision that is best for all
- accept responsibility/buy in to the decision & outcome



Getting Clued in

Think of it as:

a process for solving ethical dilemmas

not

a process for trying to get the 'right answer'



Getting Clued in

Level 1

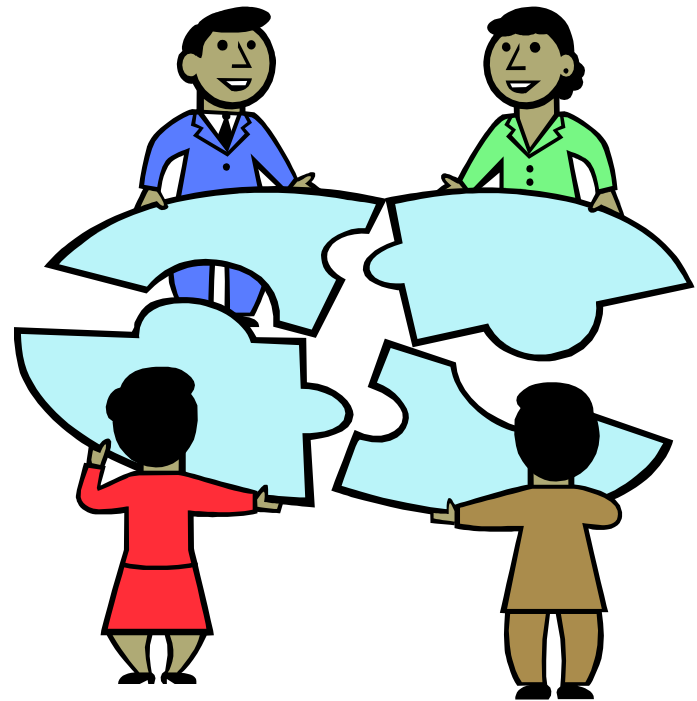
- review the issues to see if there is an ethical dilemma
- if so, what values or interests conflict
- what harm could result from each of your options



Getting Clued in

Level 2

- consider the rights of all parties
- consider available options
- is it fair to all
- does it meet your professional obligations
- Does it violate a law, policy, promise, or trust
- 'phone a friend' (you trust)
- do you feel it is the right course
- how would you feel if it were reported in the media



Potential Consequences

- complaints to regulator (time, cost, embarrassment)
- regulatory disciplinary proceedings & censure
 - professional misconduct, conduct unbecoming, discreditable conduct, breach of specific rules
- professional association censure, suspension, expulsion
- civil lawsuits (including negligent investigation)
- criminal charges

Potential Consequences

- internal discipline action (firm or company Policies & Procedures) or employment challenges
- impact on SRO's ability to self-govern
- personal losses (family, reputation, assets, health)
- negative media attention
- loss of reputation, business, clients, customers, employees, colleagues, board positions

Resources

- ACFE website www.acfe.com, ACFE Manual
- ACFE EthicsLine, online course *Ethical Issues for Fraud Examiners*
- Vancouver Chapter website www.cfevancouver.com
 - Ethics Chair: David McCartney dmccartney@lsbc.org
- Chartered Accountants of Canada www.cica.ca
- Institute of Chartered Accountants of BC www.ica.bc.ca
- Certified General Accountants of BC www.cga-bc.org
- Law Society of BC www.lsbc.org
- Canadian Bar Association www.cba.org
- You and your colleagues

Ethical dilemmas -- brainstorm

Use the clues to help solve ethical dilemmas



Puzzle #1 (Leaky Lichtenstein)

Offshore accounts:

Is it OK to have offshore accounts for personal and business assets?

Is there a downside, even if the accounts are not set up for an improper purpose?

Is it OK to leak private financial information of others? What steps should you take before doing so?



Puzzle #2 (Spot the safety violations)

- Is it just shoddy construction or failure to competently do the job or is it criminal conduct?
- Should you market a product that you know, or reasonably suspect, is unsafe?



Puzzle #3 – You'd be 'a mazed'

Is the conduct you are reviewing a theft/fraud or is it breach of contract or negligence?

Is there an ethical dilemma in determining the difference?

Is it acceptable to breach a contract or fail to meet obligations?

If so, when? If not, why not?

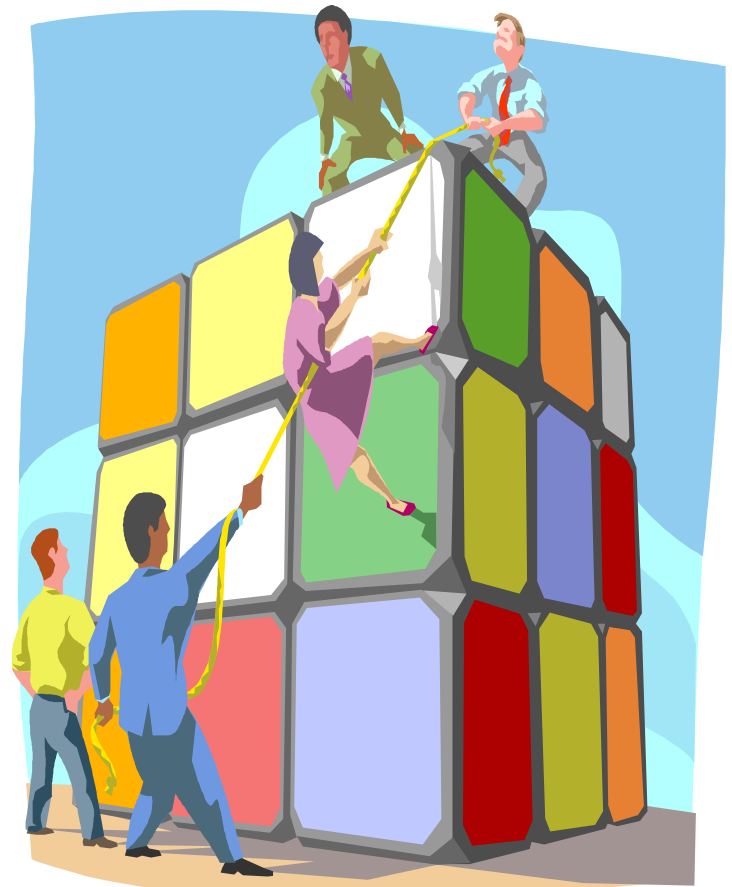


Puzzle #4 – ‘Rue bik’ cube

You get a substantial retainer from a new client who asks that the job be kept very confidential with limited outside involvement.

The job is too big for you to handle on your own and you decide you need to form a team to complete the project.

What issues do you need to consider? Are there any ethical dilemmas?

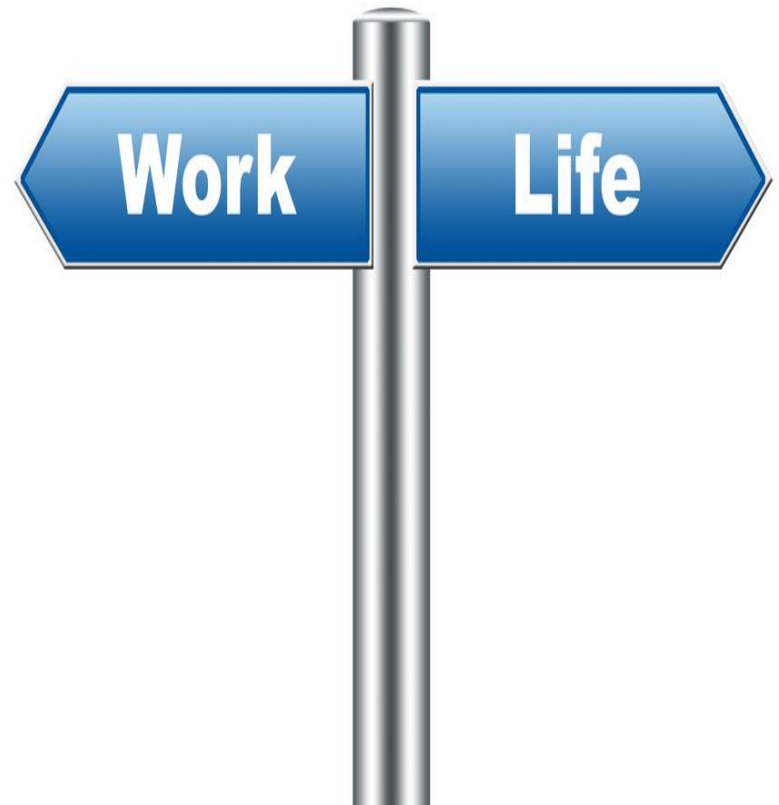


Puzzle #5 – work/life ‘jumble’

Is work/life balance an ethical issue?

What advice would you give to others?

Where would you find tips and resource information?



Puzzle #6 – Creative Computing

You want to increase your practice numbers and think that increased traffic to your website would help.

You want to post examples of your cases and clients on your website.

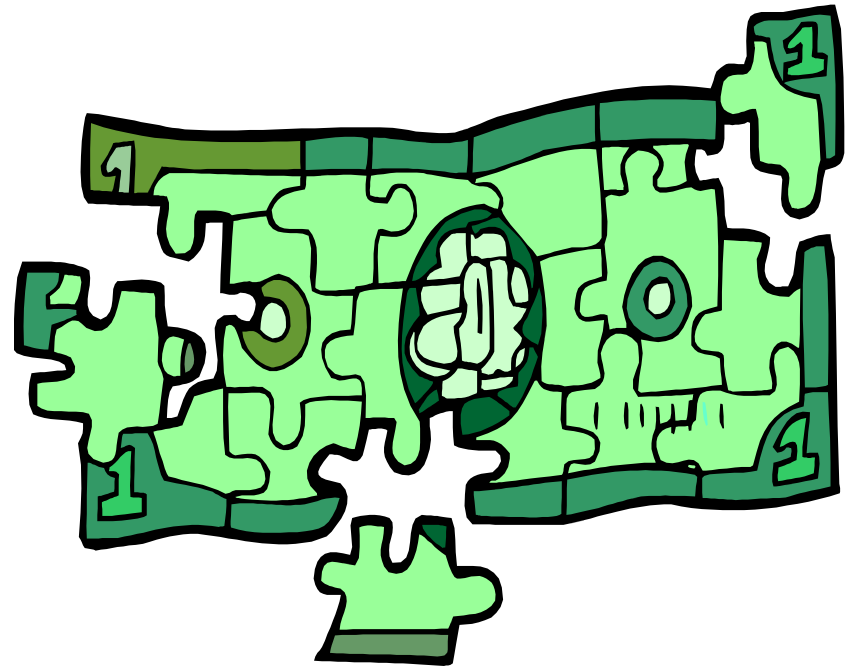
What steps do you need to take?



Puzzle #7 – Contingent Cash

One of the firm's large clients asks your firm for credit against its annual bill for referring its customers to your firm. The client tells the firm that if it does not agree, it will not be included on the client's list of 'preferred firms' that it hands out to its customers.

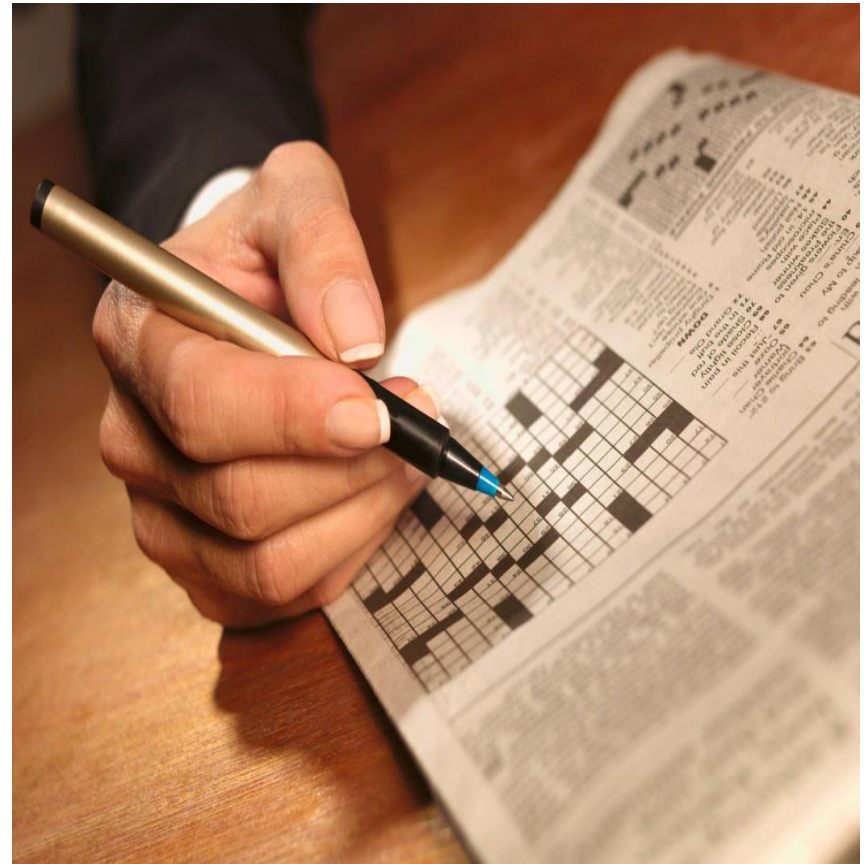
Is there an ethical dilemma?
What steps should your firm take and why?



Puzzle #8 – ‘cross’ words

You disagree with a firm client’s position on a social issue unrelated to your job at the firm. Like all ‘trending now’ CFEs you have a blog and a Facebook page.

Are there any ethical limits on what you can post on your personal social media sites? What steps could/should you take?



Puzzle #9 - Monkey Business

Remember me from last year's adventure??

- Do you date the client? The staff?



Puzzle #10 – Juggling jobs

You are working on a project for a new client and obtain sensitive, proprietary information.

An existing client buys a competing business and asks you to work on their project. You initially decline but the client insists and wants to know why not and whether someone else at your firm can do the project.

What do you tell the client(s)? Is there an ethical dilemma? What steps should you take?

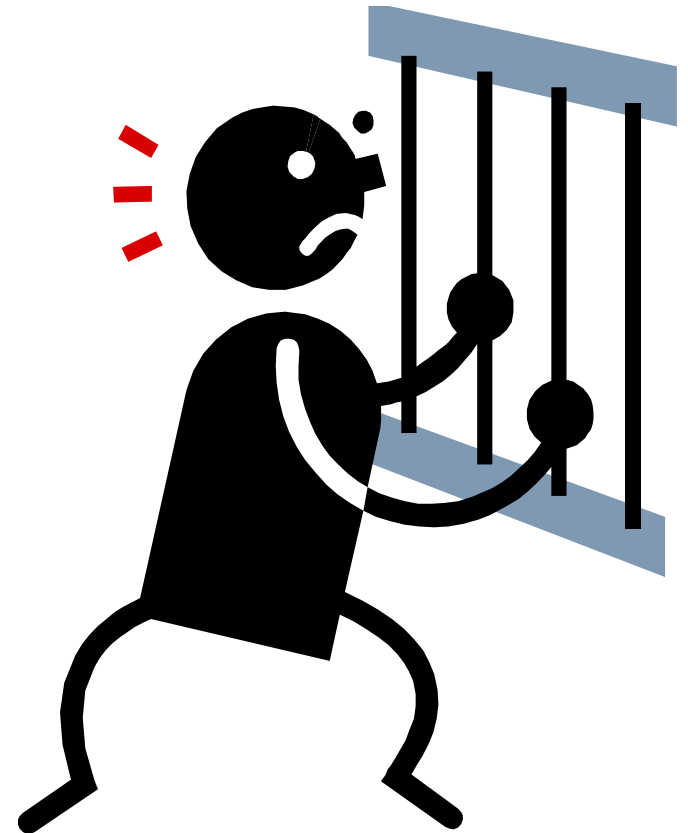


Puzzle #11 – between the lines (or bars)

You are investigating an apparent employee theft for a large corporate client. You narrow it down to two employees. You decide to interview them to see if you can obtain evidence or a confession.

Is it OK to lie to them to gain a confession?

What steps should you take to protect the interests of the client, the employees, and yourself?

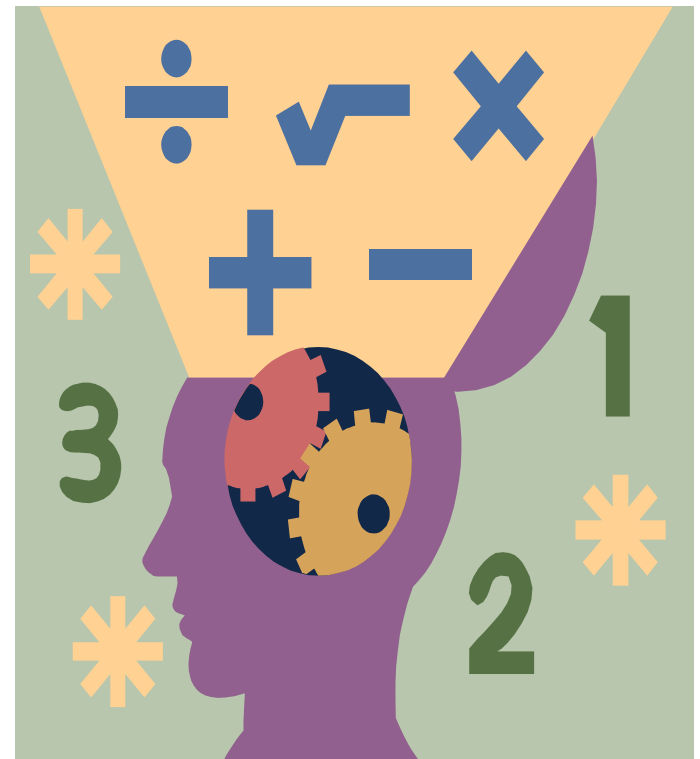


Puzzle #12 – Sudoku shuffle

You are working on a critical report with a tight deadline. You notice (too late) that a set of key statistics is missing. You have no time to do independent research and deliver the report on time.

Can you rely upon projections prepared by management instead?
Do you identify the source?

What steps should you take to meet your professional obligations?



End of the journey!!!

Congratulations, you now have the clues to help you solve any ethical puzzle!!!

Questions??

