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- ▶ 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 - MORE THAN JUST THE CODE

www.practicalpd.com

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www.surewx.com

PRACTICAL

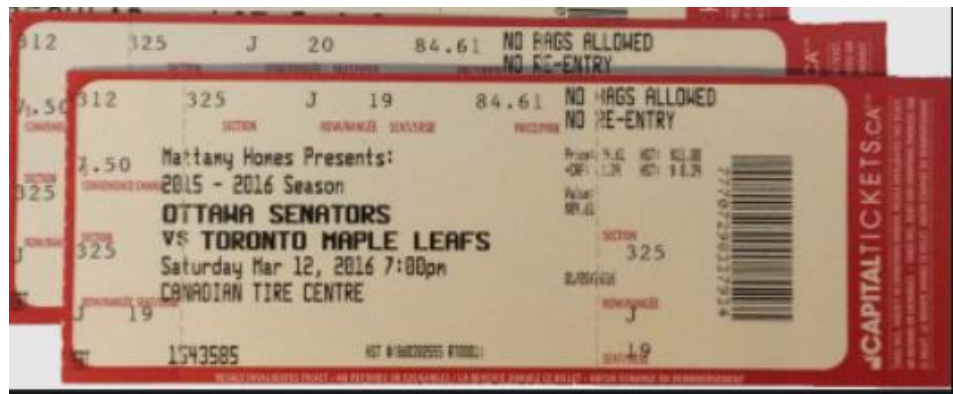
PD

Introduction

- ▶ Welcome to this video course
- ▶ Laughter always makes learning easier, so I will try to generate some, I am a little random

All my live seminars/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 Top Participant can double up
- ▶ What is the prize?



Let's get to know each other

The background features abstract, overlapping geometric shapes in various shades of green, ranging from light lime to dark forest green. These shapes are primarily located on the right side of the slide, creating a modern, layered effect. The rest of the slide is a plain white background.

Type a favourite food in the Chat



Type the day, if your birthday
is this month

Type your credit card number
and expiry date in the Chat

Type “accounting” in the chat, if accounting is both your job and your hobby...

- ▶ I know only a few people who can say this about their job
- ▶ A photographer friend
- ▶ A cook my wife knows...

13:03:34 From AR to Everyone:
Accounting not hobby

13:03:45 From Sandy to Everyone:
accounting is not my hobby

.. .

Type “yes” in the Chat

- ▶ If your IQ is over 140
- ▶ I am joking
- ▶ I have no idea what my IQ is and I am not interested
- ▶ Personal view: high IQ means you are good at IQ tests, and doesn't make you a better person

IQ scale	Interpretation of IQ score	% of population
above 130	Very gifted	2.1%
121-130	Gifted	6.4%
111-120	Above average intelligence	15.7%
90-110	Average intelligence	51.6%
80-89	Below average intelligence	15.7%
70-79	Cognitively impaired	6.4%

Introduction - your instructor

The background of the slide is white with abstract green geometric shapes on the right and bottom edges. These shapes consist of overlapping triangles and polygons in various shades of green, from light to dark, creating a modern, layered effect.

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
- ▶ Because I had finished high school and didn’t want to study again
- ▶ I had to quit the job for ethics reasons - **story**
- ▶ **in another course**



Background - me

- ▶ Active CFO and business owner and board member
- ▶ Career in different industries, senior finance positions, primarily CFO, since leaving KPMG, where I spent 5 years
- ▶ Teaching on the side for years: university, college, designation licensing, exam prep, canned PD courses, my own PD courses

My current job

- ▶ Secretary and Board member of SureWx Inc., a global aviation company
- ▶ Just stepped down after being the CFO for over 12 years, next CFO job will be announced soon
- ▶ A software company with a unique app and custom weather equipment in 46 airports worldwide
- ▶ Impacting you personally
- ▶ By getting your on-line purchases to you (in the winter!



FedEx®



My unpaid job



- ▶ (Unpaid) financial advisor to a large a wood business owned by two of my brothers in the Ottawa area, www.wood-source.com
- ▶ We do lots of things including selling and milling wood

Including CNC router services...



Case-writing

- ▶ I have written 100s and 100s of published cases, most of you have written some of them in various contexts, often exams
- ▶ Sometimes I write cases for business/accounting case competitions
- ▶ Typically teams of 4 students have 3 hours read the case and prepare a PowerPoint presentation, no googling
- ▶ Sometimes I watch the presentations and/or get the PowerPoints
- ▶ Generally amazing looking PowerPoints, often following a formula, but garbage content

Agenda



Executive Summary
Landscape

Financial Analysis
Alternatives

Recommendation
Implementation Plan

Risk and Mitigation
Measures of Success

New Ownership Structure

BZ Structure

BZ	Common Shares	New Ownership	Price	Equity
Bootstrap	12,000,000	75.00%	\$ 1.97	\$ 23,640,000
BZ	4,000,000	25.00%	\$ 5.00	\$ 20,000,000
Totals	16,000,000	100%	6.97	\$ 43,640,000

BZ Terms

- \$4 million in common shares at **\$5 per share**
- Receive **25%** ownership stake
- Receive \$20 MM in cash
- Total Equity Value of **\$43,640,000**

Reach Structure

Reach	Common Shares	New Ownership	Price	Equity
Bootstrap	12,000,000	75.47%	\$ 1.97	\$ 23,640,000
Reach	3,900,000	24.53%	\$ 4.87	\$ 18,993,000
Totals	15,900,000	100%	6.84	\$ 42,633,000

Reach Terms

- \$3.9 million in common shares at **\$4.87 per share**
- Receive **24.53%** ownership stake
- Receive \$18,993,000 MM in cash
- Total Equity Value of **\$42,633,000**

Quebec

- ▶ I live in Ottawa, Ontario, but it is the province I visit the most: work and pleasure
- ▶ 7 km from my house
- ▶ Hiking, bike rides, skiing (downhill and cross-country), to play hockey and more

Quebec

- ▶ The province I visit the most: work and pleasure
- ▶ 7 km from my house
- ▶ Hiking, bike rides, skiing (downhill and cross-country), to play hockey and more
- ▶ My recent bike ride



Case-writing

- ▶ I have written 100s and 100s of published cases, most of you have written some of them in various contexts, often exams
- ▶ Sometimes I write cases for business/accounting case competitions
- ▶ Typically teams of 4 students have 3 hours read the case and prepare a PowerPoint presentation, no googling
- ▶ Sometimes I watch the presentations and/or get the PowerPoints
- ▶ Generally amazing looking PowerPoints, often following a formula, but garbage content
- ▶ But I shouldn't be hard on them, I think I was even weaker as an undergrad student!

Course plan

- ▶ Introduction and another CPA ethics scandal
- ▶ Ethics and PD hours
- ▶ Stress and confidentiality
- ▶ Can you work there - industry and country?
- ▶ Should we boycott for ethics?
- ▶ Rule 205/26 issues
- ▶ Truth in official announcements
- ▶ Under the table revenue
- ▶ When they say “don’t ask”
- ▶ The most crooked accountants in Canada
- ▶ The exaggerating colleague
- ▶ Rules versus what is right

Course plan

- ▶ Corporate borrowing and ethics
- ▶ Ethics and insolvency
- ▶ Stealing ideas
- ▶ Teaching/modelling ethics in the family
- ▶ Some other ethical issues
- ▶ Blackmail and ethics
- ▶ What is your personal ethics mantra?
- ▶ Conclusion & exhortation

Quebec ethics code changes

- ▶ Effective date of changes, May 9, 2024
- ▶ The only impact on this course is the Rule numbers change, their content is effectively the same
- ▶ Rule 34 general ethics, now Rule 26
- ▶ Rule 48 confidentiality, now Rule 39
- ▶ Rule 11 reporting other CPAs, now Rule 81
- ▶ The Handout has been updated
- ▶ The Completed slides have been updated
- ▶ The video will be updated soon

Ethics

- ▶ I was putting ethics into most of my courses, before ethics hours were required for CPAs
- ▶ Initially, only some provinces required ethics hours, but now I believe they all do
- ▶ I have heard a huge amount of stories of ethically challenging situations, while speaking to over 17,000 accountants
- ▶ I have talked to CPA ethics advisors about some of the issues in this course

Ethics

- ▶ I realize that my stance in course on ethics may have cost me revenue...
- ▶ What I mean is ethically weak accountants won't register for more of my courses after they hear me come on so strong on ethics in the first, and possibly step on some toes, as this may bother their consciences...



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!)

Session purpose

- ▶ “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*
- ▶ Let’s also not assume the beginning and ending of ethics is the CPA Code of Professional Conduct, although it is a big part of it
- ▶ My other courses are full of tips that you can apply in situations
- ▶ This course has many directly applicable tips but it is more about mind-stretching discussions of different issues and situations and getting beyond the CPA Code of Professional Conduct



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)
- ▶ As we look at other's ethical lapses, let us look at ourselves as well in the mirror
- ▶ I will share a few lapses of mine...

Key point

- ▶ From another of my lesser known courses, but I will repeat it:
- ▶ If your personal ethics before you became a CPA were very different from CPA ethics, it will be hard to follow CPA ethics (my ethics got reformed at 21... another story)
- ▶ All CPAs know the rules, but do they have the moral courage to follow them always
- ▶ Moral courage is more than just worrying about getting caught
- ▶ It is about seeking to always do the right thing regardless
- ▶ I always believed this, now the academic world has started to agree with me

The academic world now confirms this

- ▶ Historically “opportunity makes the thief - young people will inevitably commit crime in certain environments” was the prevailing view in criminology as I understand it
- ▶ Academics around the world heralded research by British Professor Per-Olof H. Wikström as 'groundbreaking' and a 'breakthrough' in understanding teenage crime. the most significant works in criminology in decades'



The academic world now confirms this

- ▶ The study found that teenagers who avoided crime did so not because they feared the consequences or lacked the chance, but because they saw it as wrong. Conversely, teenagers with little sense of right and wrong were responsible for the vast majority of juvenile crimes. The lack of a sense of morality was the single most important factor in teenagers breaking the law.
- ▶ I would suggest this is the same for CPAs



Where do people get their personal ethics?

For me:

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

13:12:15 From AR to Everyone:

Bank of Canada

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?

For me:

- ▶ Parents/family
- ▶ Faith
- ▶ Examples/mentors/spouse
- ▶ What about you?
- ▶ This is a big topic, beyond this course
- ▶ I bet you all have strong personal ethics, or you would not have achieved, what you have achieved....

13:08:43 From Kelly

If you don't personally adhere to your own ethics it's impossible to adhere to the CPA's code.

A statement

- ▶ A reasonably ethical CEO of mine once said: “at the end of the day, all 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
- ▶ 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.*



An illustration of ethical decline

- ▶ My twin brother Etienne will help me with this one



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 gets seared
- ▶ Any thoughts or examples from you?



Comments?

14:52:11 From Graham to Everyone:
lying to yourself can be the start of fraud

14:52:18 From Graham Everyone:
"its just a small amt of money"

I know you may have a question

- ▶ What was the red spot on your forehead?
- ▶ Any guesses?

I know you may have a question

- ▶ It is a suction bruise
- ▶ I was trying to make a grandson laugh by sticking his suction rattle toy on my forehead
- ▶ I didn't know, it would leave a mark for a few days...



The unethical pattern

- ▶ A colleague at a software company (non-finance) is found spending a lot of time doing his Masters' degree work on company time, without permission
- ▶ He gets fired because of this
- ▶ I didn't really know him
- ▶ Later I learned he killed his wife....

CPA Ethics is in the news
again...

Embarrassing for all of us...

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

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...

Even worse in the USA a few weeks later!

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



Outside North America

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

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

By [Mark Maurer](#) [Follow](#)

Updated April 10, 2024 1:39 pm ET

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



More embarrassment for us

KPMG South Africa appeals for second chance after corruption scandals

By Reuters Staff

2 MIN READ



JOHANNESBURG, Dec 10 (Reuters) - The chairman of KPMG South Africa on Monday appealed for the firm to be seen as a changed business, following months of efforts to regain public trust after becoming embroiled in major corruption scandals.



More embarrassment for us (me)

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This is worse than shoddy auditing...

KPMG South Africa appeals for second chance after corruption scandals

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2 MIN READ



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CPAs cheating on PD hours

- ▶ I reconcile signatures and heads at a CPA Ontario in-class course, later in the day, and they don't match, 15 signatures, 14 in attendance....
- ▶ There may be a good reason for their absence
- ▶ But there may not be, so I reported this to CPA Ontario
- ▶ “My (accounting firm) boss always tells me to sign in for him at live courses and then leave” (Quebec CPA quote)
- ▶ Is everybody actually there during webinars? (break-out sessions often reveal who is not)
- ▶ Lots of CPAs leave courses early, do they claim the full hours?

Someone asked me

- ▶ Where do you get your PD hours?
- ▶ Answer: I don't have time to take courses, I get them from course creation, course delivery as well as case authoring, so I have a lot of hours
- ▶ And I learn a lot from my course interactions

Cheating in public accounting

The background of the slide is white with abstract green geometric shapes on the right and bottom edges. These shapes consist of overlapping triangles and polygons in various shades of green, from light to dark, creating a modern, layered effect.

Have you ever heard of the expression “eating hours”

- ▶ Work sections, particularly of audits are budgeted in hours
- ▶ There is talk of pervasive large accounting firm managers pressuring staff to “eat their hours”, or staff choosing to do this
- ▶ Example: section is budgeted at 90 hours, staff takes 122 to complete
- ▶ Staff person is told to only book 88 hours on the section by the manager
- ▶ Makes staff person look better, and also the manager who insisted on this
- ▶ Is obviously unethical and a false number is reported

Audit time budget	
Planning	62
Internal control testing	40
Cash	90
Receivables	112
Prepaid	37
Fixed assets	44

More impacts

- ▶ Hurts staff person, because firm is not aware of how long hours are being worked
- ▶ Hides more supervision needed or incompetence by staff person or unrealistic budgets
- ▶ Top people in firms (partners) should be against this, because they can't run their business properly if this happens
- ▶ I only heard of this once at KPMG when I worked there, by one manager, who left in a cloud of bad vibes shortly after

Ethics in an accounting firm

- ▶ Firm filed election late, I think Section 85, cost elderly client \$200K
- ▶ No apologies, firm was glad that he was not with it enough to go after the firm
- ▶ Senior Manager, boasting to me that he used the date stamp function on the Canada Post machine, to fake back-dated submissions to CRA

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

“Unfortunately, you cannot deduct the lost profits for tax purposes due to somebody ripping off your intellectual property”

- ▶ Wait: you never made the profits, so you were not taxed on them
- ▶ Obviously, you cannot say on a tax return, I would have made \$4M profits except for____, so I have deducted \$4M although the loss was not incurred

Would you be willing to work
anywhere?

The background features abstract, overlapping geometric shapes in various shades of green, ranging from light lime to dark forest green. These shapes are primarily located on the right side of the slide, creating a modern, layered effect. The rest of the slide is a plain white background.

Would you be willing to work anywhere?

- ▶ Is there also a list of types of organizations or businesses, that you would not work for very personal, ethical or other reasons?
- ▶ Type them in the Chat

13:19:48 From Elvia So to Everyone:
credit unions

13:19:48 From Mike to Everyone:
Marijuana/Cannabis

13:19:49 From Natalie to Everyone:
companies that test on animals

13:20:04 From Carl to Everyone:
crypto

13:20:07 From Julie to Everyone:
probably tobacco/liquor

13:20:15 From Sandy to Everyone:
crypto, terrorism countries

13:20:18 From Lance to Everyone:
waste disposal, short term loan companies that prey on less fortunate

Where I would never work

This is not a complete list, but I would never work for:

- ▶ Tobacco company
- ▶ Company that has a criminal history (example later)
- ▶ Porn/gambling businesses
- ▶ Certain political parties/politicians
- ▶ (No I won't provide the list)
- ▶ One that has a terrible product quality/service reputation
- ▶ The Toronto Maple Leafs!



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Where I would never work

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- ▶ Porn/gambling businesses
- ▶ Certain political parties/politicians
- ▶ (No I won't provide the list)
- ▶ One that has a terrible product quality/service reputation
- ▶ The Toronto Maple Leafs
- ▶ I also have reservations about working for car dealers!

Car dealers



- ▶ I have heard too many ethics stories about car dealers, and have run into some myself
- ▶ An accountant I know of sharing stories
- ▶ An audit finding of mine, bank loan not on books
- ▶ Sitting close to the show room for weeks doing an audit: “Do I have a deal for you Mrs. Jackson...”
- ▶ Future CPA working at a car dealer is told: “please forge the person’s signature on this ownership”
- ▶ CPA working at a car dealer is told: “help me roll back the odometer”
- ▶ My friend sells his car to a used car dealer and...
- ▶ I buy a vehicle January 2, and the dealer is obviously....

Another angle

- ▶ Do we want to work for companies that are very negligent with worker safety?
- ▶ Everything in life has risks and work is no different
- ▶ An irresponsible employer of my son
- ▶ A responsible employer - nuclear industry
- ▶ I get embarrassed re safety



Another angle

- ▶ Do we want to work for companies that are very negligent with worker safety?
- ▶ Everything in life has risks and work is no different
- ▶ An irresponsible employer of my son
- ▶ A responsible employer - nuclear industry
- ▶ I get embarrassed re safety



Ethics problems at our broker

- ▶ I have run global risk management and insurance for my last five employers or so
- ▶ I have generally used giant insurance broker Marsh for various strategic reasons
- ▶ I wasn't happy to find out one day that they were unethical

Marsh pays out \$850m to settle kickback scandal

Marsh & McLennan, the world's biggest insurance broker, yesterday agreed to pay \$850m (£450m) to settle allegations that it rigged the market and took kickbacks from insurance firms for directing business their way.

The settlement is the latest victory for the New York attorney general Eliot Spitzer who in the past few years has exposed widespread corruption on Wall Street and wrung billions of dollars from the firms involved.

The cash will be used to reimburse the broker's clients who were forced to pay inflated prices because of the alleged fraud. Marsh issued an apology for "unlawful" and "shameful" behaviour.

Ethics problems at our broker

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- ▶ It turns out the behaviour had not impacted my employers, we got no payout...

What about countries where
you would not want to work?



What about countries where you would not want to work?

13:19:57 From martine to Everyone:
Yes, countries that fund terrorism



What about countries where you would not want to work?

13:19:57 From martine to Everyone:
Yes, countries that fund terrorism

- ▶ But there could be a lot of other reasons you might want to work there: accounting ethics, business ethics, human rights, racism, worker treatment, and...



There are more and less corrupt countries

- ▶ Countries vary as to their level of business and government corruption
- ▶ There are Corruption Indexes that do the ranking, they are not necessarily perfect rankings, very judgemental, eg www.transparency.org
- ▶ Their definition: *“we define corruption as the abuse of entrusted power for private gain.”*
- ▶ *“The nations morals are like its teeth, the more decayed they are the more it hurts to touch them.”*
George Bernard Shaw.
- ▶ What do you think is consistently the least corrupt country in the world per the above site?



What do you think?

13:21:49 From Mike to Everyone:
iceland

13:21:55 From Lance Z to Everyone:
Norway

13:21:57 From Natasha to Everyone:
switzerland

13:21:59 From Kelly to Everyone:
sweden

13:21:59 From Natalie to Everyone:
greenland

13:22:09 From Sandy to Everyone:
Canada

13:22:11 From Tennille Wild to Everyone:
cayman

13:22:22 From ... to Everyone:

Least corrupt countries in the world, transparency.org



Score		Country	Rank
88	⊖	Denmark	1
88	⬆	Finland	1
88	⊖	New Zealand	1
85	⬆	Norway	4
85	⊖	Singapore	4
85	⊖	Sweden	4
84	⬇	Switzerland	7
82	⊖	Netherlands	8
81	⬆	Luxembourg	9
80	⊖	Germany	10

Iceland and Greenland are connected to Denmark....

Interesting - top 10 countries

- ▶ A worked for a Danish business
- ▶ I have a key executive who works for us who is from Finland
- ▶ I grew up in the Netherlands, after being born in the UK
- ▶ I am $\frac{1}{4}$ Swiss (German)

Where do you think Canada and the US rank in the world in terms of corruption?

- ▶ Canada is #13, USA #27
- ▶ Both slipped down in the last few years

14:14:58 From martine to Everyone:
so how did we rank 13th?

14:14:19 From Natalie Brabant, FedNor to Everyone:
government

14:15:50 From Mike to Everyone:
13th rank is for the country, not just public service.

14:16:02 From AR to Everyone:
LOL

13:22:33 From Gregg to Everyone:
Canada should be higher in the list but
politicians can get away with anything here.

Denmark

► A story



Danish billionaire's advice to me

- ▶ He has over 40,000 employees and factories all around the world
- ▶ “Don't hire accountants for the factory, who come from that country”

What are the most corrupt countries per transparency.org ?

16	↓	Afghanistan	174
16	↓	Korea, North	174
16	↑	Yemen	174
14	↓	Venezuela	177
13	↑	Somalia	178
13	↓	Syria	178
11	↓	South Sudan	180

2021 top Canadian recipient of aid money \$178M

Comments?

What are the most corrupt countries per transparency.org ?

16	↓	Afghanistan	174
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16	↑	Yemen	174
14	↓	Venezuela	177
13	↑	Somalia	178
13	↓	Syria	178
11	↓	South Sudan	180

South Korea #32

Comments?

My industry is crooked

- ▶ One course attendee defended the bribes his former employer had paid in the Quebec construction industry
- ▶ He blamed the politicians, not his company
- ▶ I disagree - don't pay bribes
- ▶ I once sort of worked in the Quebec construction industry (bridge painter, some in Quebec)
- ▶ Even at that young age, I gathered that it was a bit crooked (union behaviour, canteen truck competition violence)



A story with a lesson

- ▶ The foreigner in another country notes that...
- ▶ The locals were overheard discussing the foreigner...
- ▶ Lesson: we need to not be so quick to judge other cultures.... Our culture may seem strange to others, as we think their culture is strange.
- ▶ But I would not say the same thing about ethics...



Bribery

- ▶ Obviously a big part of corruption
- ▶ I often hear some version of “you have to do what the locals do” from course participants vis-à-vis foreign bribery, including one participant of this course
- ▶ Someone wrote after this course:
- ▶ “Tip a server 20% in a restaurant in Japan is considered completely unnecessary and is almost an insult to the server..... The point is that ethical standards often vary by context, country and culture.”
- ▶ I disagree, tipping culture is customs, not ethics, right and wrong doesn't change at borders, some places have worse ethics, see www.transparency.org

Also

- ▶ The Canadian government has taken a position on this

Corruption of Foreign Public Officials Act

S.C. 1998, c. 34

Assented to 1998-12-10

An Act respecting the corruption of foreign public officials and the implementation of the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, and to make related amendments to other Acts

Her Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows:

Bribery

- ▶ Ethics and bribery is covered more in my course **Practical Financial Negotiation Tips** (4 hour course) and you will hear how I worked for a company one of Canada's most famous ever bribery scandals don't worry I was not involved or even associated

Bribery

- ▶ Ethics and bribery is covered more in my course **Practical Financial Negotiation Tips** (4 hour course) and you will hear how I worked for a company that had one of Canada's most famous ever bribery scandals, but don't worry I was not involved or even associated....

Can you work anywhere?

- ▶ I spent time talking about avoid crooked bosses and companies in my course **Practical Tips for Controller & CFOs**, my nearly 10,000 seller
- ▶ This can dramatically reduce the ethics issues one faces

Past attendee asking me for advice, should I take this job?

- ▶ *Hi Stephen,*
- ▶ *The company's website just says they provide legal and financial services for people. But I saw it has branches/subs/offices in those funny countries. Do you think I should take the job?*
- ▶ *Best,*
- ▶ _____
- ▶ I basically said: do your research, find about the work, funny countries is not necessarily a problem, but you should probably be more careful...

Case #1

- ▶ У вашего работодателя, частного предприятия, есть важный поставщик, которого я назову X, который находится в другой стране. Президент этой страны недавно начал кровавое вторжение в другую страну, которое было осуждено Канадой и странами всего мира. Страна-оккупант беднее Канады. Ваш работодатель торгует с компаниями из самых разных стран, включая Китайскую Народную Республику (КНР). Ваша компания покупает 28,2 млн долларов в год у компании X в стране-оккупанте, а альтернативный источник поставок будет стоить вашему работодателю 30,1 млн долларов в год. Не думайте, что я говорю о

Case #1

- ▶ Your employer, a private business owned by six outside investors, has an important supplier called Valdov, which is located in another country. The President of this large country recently launched a bloody invasion of another smaller country that has been condemned by Canada and countries around the world. The invading country is poorer than Canada. Your employer trades with businesses in all kinds of countries, includes the People's Republic of China (PRC)
- ▶ Your company buys \$28.2M of materials per year from Valdov. The alternate source of supply will cost your employer \$30.1M per year
- ▶ What should you do, you are the CEO?
- ▶ Don't assume I am talking about

Here is a picture of our grandson



What did your groups discuss?

Views

- 13:26:36 From Kelly to Everyone:
Go with alternate source - put your money where your mouth is...
- 13:26:40 From martine to Everyone:
pay more for ethically sourced
- 13:26:44 From Sandy to Everyone:
you have to do what is right. you can't fund a dictator
- 13:26:45 From Marc to Everyone:
I think that you should switch to the other supplier
- 13:26:46 From Vanessa to Everyone:
what is \$2 M when you are talking \$30M - switch
- 13:26:46 From AR to Everyone:
Get someone else to buy it for you
- 13:27:06 From Marc to Everyone:
work with the new supplier to lower the cost
- 13:27:12 From Faranak to Everyone:
I wouldn't
- 13:27:12 From Vanessa to Everyone:
negotiate cheaper cost
- 13:27:13 From Lance Z to Everyone:
Buy alternative source, or use the extra money that
could be spent to set up a new source in an ethical place
- 13:27:17 From Carl to Everyone:
suppliers are relocating production, pressure them

In my webinars since this one,
boycott support is dropping

Let's boycott the supplier

- ▶ If the supplier or its CEO or owner are huge supporters of this evil act, we should punish Valdov
- ▶ If all companies cease business with that country, it will help the country being attacked and could save lives
- ▶ Many companies have shut down their branches in a country that similarly invaded, so we should do our part
- ▶ It could result in unhappy citizens of that country due to the economic impact and might even spark regime change
- ▶ Sanctions have worked in the past, eg South Africa and apartheid
- ▶ Maybe we can pass the extra cost to our customers after we explain the situation
- ▶ This step might make us “look good” in Canada

Let's do nothing

- ▶ Our job is to make money for the shareholders, not police countries around the world... or play politics
- ▶ Hurts a business that may not support the President
- ▶ Hurts people on the street in that country who are already poorer than Canadians
- ▶ Will have little or no impact in the grand scheme of things if it is just our company
- ▶ Is it not being sort of racist?
- ▶ We already trade with a number of countries with human rights concerns, starting with PRC
- ▶ Has a negative economic impact on our company of \$1.9M per year plus or minus qualitative factors
- ▶ We may have to lay people off, due to this loss

Let's do nothing

- ▶ More trade and contact with the world may be good for this country possibly changing
- ▶ Huge economic penalties levied on Germany after WW1, played a large part in the rise of Hitler, which costs millions of lives and this might also happen here
- ▶ The President of the country may not be totally rational, so boycotts might not work
- ▶ Boycotts took a long time to work in the South African case
- ▶ And US sanctions did not work with Cuba...
- ▶ Companies shutting down branches is different, that is direct business

13:30:36 From Sandy to Everyone:

but how can you sleep at night if we just let it go?

13:31:17 From Sarah to Everyone:

Let's do nothing

- ▶ This country may penalize us one day somehow if we do this
- ▶ Employees and shareholders can do the boycott personally if they want to

But

- ▶ Investigate the suppliers links to the government
- ▶ If the shareholders want it/request it, ultimately their decision, through the Board, I should not make this executive decision
- ▶ If our government requires us to boycott, we will
- ▶ I personally have mixed views on this, and do not face the situation at work, do you?
- ▶ We have long avoided the Russian aviation market....
- ▶ FYI Russia is 136/180 in the Corruption Index of Transparency.org
- ▶ But who said we are talking a Russia, this was a principles discussion....

Do something different

- ▶ Instead of “spending” \$1.9M with little impact, let’s donate to a charity that helps those who have been hurt directly by the action: food, clothing, shelter...

My thoughts

- ▶ I personally have mixed views on this, and do not face the situation at work, we have long avoided the Russian aviation market....
- ▶ FYI Russia is 136/180 in the Corruption Index of Transparency.org
- ▶ But who said we are talking a Russia, this was a principles discussion....

I don't believe the facts re the invasion that inspired this are as cut and dried as presented here...

Other thoughts

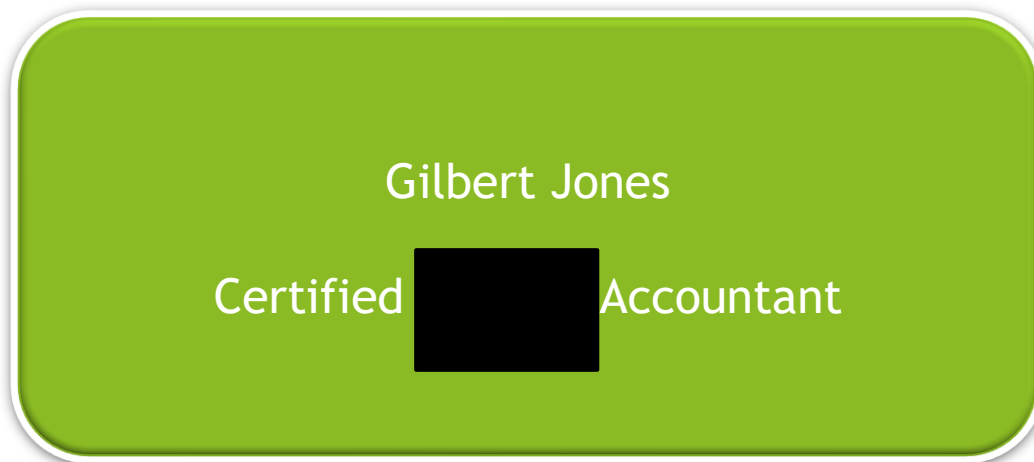
- ▶ One of my employees has taken leave to help Ukrainian refugees in Poland right now
- ▶ However, let us remember that there are lots of other refugees in the world:

An unprecedented 82.4 million people around the world have been forced to flee their homes. Among them are 26.4 million refugees, around 42 per cent of whom are under the age of 18. There are also millions of stateless people who have been denied a nationality and lack access to basic rights such as education, healthcare, employment and freedom of movement. At a time when one per cent of the world's population have fled their homes as a result of conflict or persecution, our work at UNHCR is more important than ever before.

- ▶ There are also lots of others wars in the world, some more bloody, that the media has chosen not to cover and are perhaps less clear cut, ie messy civil wars

A guy I know went to a job interview with a public accountant (before the merger)

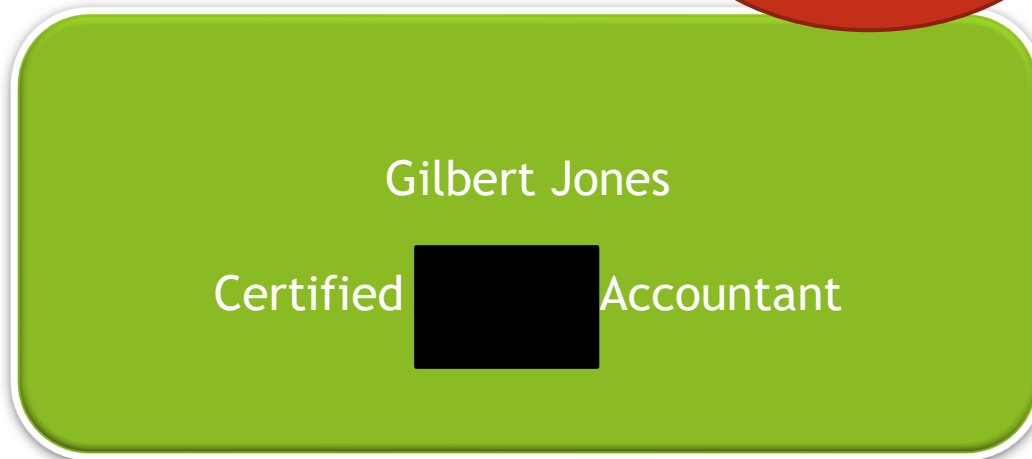
- ▶ The sign outside the office:



Do you
get it?

A guy I know went to a job interview with a public accountant (before the merger)

► The sign outside the office:

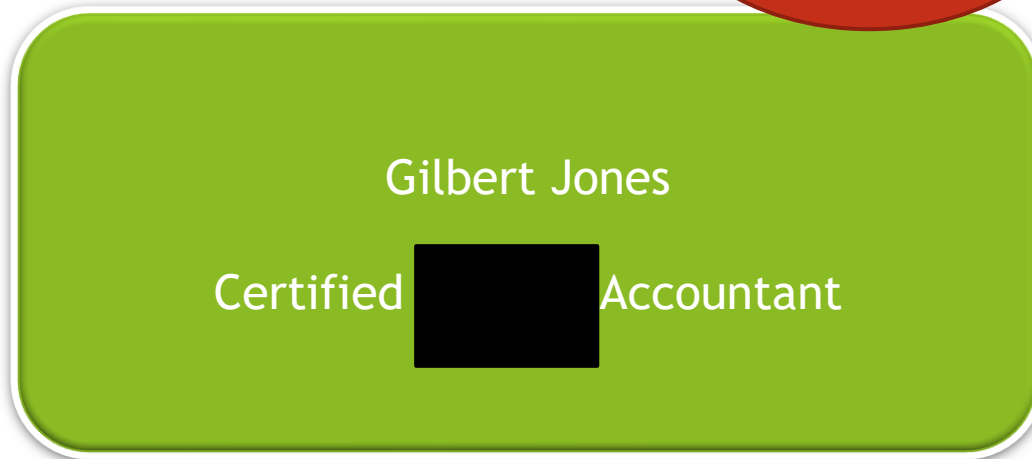


He must be a disbarred CGA

He actually should have hid Certified....

A guy I know went to a job interview with a public accountant (before the merger)

- ▶ The sign outside the office:



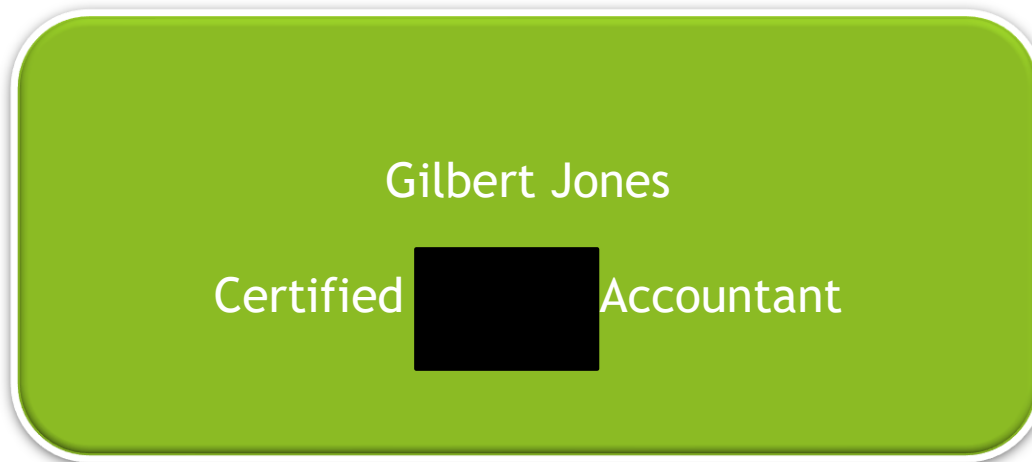
He must be a disbarred CGA

He actually should have hid Certified....

Or, is he too cheap to buy a new sign or is it on order?

A guy I know went to a job interview with a public accountant (before the merger)

► The sign outside the office:



I have never lost a designation, hopefully you haven't either

Story

- ▶ I heard years ago that a CGA **student** got himself a leather jacket made with CGA Ontario on it
- ▶ CGA Ontario heard about it, and he got in trouble
- ▶ They felt he was implying that he held the designation, when he was just a student...



Case #2



- ▶ Seminar participant shared this story with me privately, he said he could not share it in front of the whole class
- ▶ Public accountant is doing personal tax returns. They find information in the box of information provided by the client, suggesting that the client is a possible terrorist. What should they do?

Case #2



- ▶ Seminar participant shared this story with me privately, he said he could not share it in front of the whole class
- ▶ Public accountant is doing personal tax returns. They find information in the box of information provided by the client, suggesting that the client is a possible terrorist. What should they do?

13:33:26 From Julie Budnyk to Everyone:
burn the box!

13:33:44 From Julie Budnyk to Everyone:
I'm KIDDING!

13:33:45 From Sandy to Everyone:
I would return the box to the client and resign

13:34:32 From Umed Lodhia to Everyone:
Yes, but money laundering, accountants are required to report it to the authority

Case #2



- ▶ Seminar participant shared this story with me privately, he said he could not share it in front of the whole class
- ▶ Public accountant is doing personal tax returns. They find information in the box of information provided by the client, suggesting that the client is a possible terrorist. What should they do?
- ▶ Real life: They called provincial Ethics Advisor who said you can contact the RCMP.

Case #2 response

- ▶ I don't know what the rationale was for seeming to violate Rule 208.1/39 Quebec on confidentiality
- ▶ In some countries, the public good/national interest always overrides accountant-client confidentiality
- ▶ I don't know what the end result was



Will the auditors always back you on ethics?

- ▶ Usually the auditors will back you on an ethics issue
- ▶ 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 not

- ▶ Sometimes their desire to keep the client happy may override

- ▶ Do you have a story?

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- ▶ Sometimes their desire to keep the client happy may override professionalism
- ▶ Do you have a story?

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- ▶ Sometimes their desire to keep the client happy may override professionalism
- ▶ Do you have a story?

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

Why they didn't back me

- ▶ Employer got a powerful law firm involved, which influenced the auditors
- ▶ They defended transaction form
- ▶ But the real issue was substance
- ▶ Auditors wanted to please a high potential client...

A recent story

- ▶ A Canadian CPA working overseas contacts me after watching me speak on ethics in a video course
- ▶ He believed he was battling his Big Four firm on accounting issues, after a messy acquisition
- ▶ He asks me for advice on the situation
- ▶ (You can contact me for quick advice, but after that, there is a bill!)
- ▶ Although sincere in his beliefs, I think he is sincerely wrong and the firm is correct, based on my greater tax knowledge and application of accounting principles
- ▶ But I give him an idea on how his employer can extract more from the situation

A real audit dilemma I faced

- ▶ My client was not paying rent to their landlord for some land, partly because the landlord had forgotten to bill it
- ▶ Since it was a legal liability, we continued to accrue for it
- ▶ The amount had grown very large over many years
- ▶ I then found that the landlord was KPMG's most highest profile clients and one of its biggest clients in the world
- ▶ It is sort of like one client ripping off another client
- ▶ What would you do?
- ▶ Consult the partner
- ▶ Confidentiality over-ruled (208.1/39)



Auditor independence challenge I have heard of

- ▶ Clients owner says to young auditor, here are the keys to my Porsche, you can drive it this weekend...



- ▶ This should be refused
- ▶ Have you got an interesting one?

Ethical stress

- ▶ I was debating how to handle a difficult ethical situation, losing sleep, losing hair
- ▶ Under extreme pressure from CEO, CFO and Board of a public company on an ethics issue
- ▶ We all need support in situations like this, human or otherwise



13:39:10 From Carl to Everyone:
solicitor client privilege

13:39:43 From Marc to Everyone:d
I think you need to have a confident that
you can talk to that will keep it confidential.

Ethical stress

- ▶ I was debating how to handle a difficult ethical situation, losing sleep, losing hair
- ▶ Under extreme pressure from CEO, CFO and Board of a public company on an ethics issue
- ▶ We all need support in situations like this, human or otherwise
- ▶ I wanted to share the situation with people close to me, wife and family
- ▶ But I didn't want to violate confidentiality 208.1/39
- ▶ I basically just shared I am under pressure, but didn't provide details...
- ▶ Could share with the an ethics advisor, but they are not a friend or a psychologist



Case #3

- ▶ You are working for your provincial Securities Commission in investigations
- ▶ You are assigned to pose as Arnie Polk and visit an investment dealer, to discuss investing. In reality, you will be on the look out for violations of provincial Securities Laws
- ▶ Are there are any professional ethics issues?

```
13:39:46 From Sandy to Everyone:  
          entrapment and went in with intent  
13:39:49 From Julie to Everyone:  
          not telling them your real identity  
13:39:59 From Faranak to Everyone:  
          Hiding the identity  
13:40:11 From Umed to Everyone:  
          No professional ethics issue  
13:41:03 From Umed to Everyone:  
          Yes, there is rule but your job is to discharge such duties
```


Case #3 analysis

- ▶ This is a true story, conveyed to me as personal experience by a very sharp course attendee who had been in that exact situation
- ▶ As he prepared for the assignment, he realized, it would probably be both false and misleading for him to say that he was Arnie Polk, when he was not
- ▶ To be safe, he approached a provincial Ethics Advisor to settle the issue before proceeding
- ▶ They said you can't do it because of Rule 205/Quebec 26
- ▶ I don't personally like this ruling, perhaps there could be an exemption for special situations
- ▶ I sometimes "break (?) this rule with my grandchildren, eg "I am policeman", etc.

Let's review this key ethics rule

- ▶ (We can't go over all the rules)

Rules of Professional Conduct

26. Le comptable professionnel agréé ne doit pas préparer, produire ni signer des déclarations, des lettres, des attestations, des opinions, des rapports, des exposés, des états financiers, des avis ou tout autre énoncé ou document, par complaisance ou alors qu'il sait ou devrait savoir :

1° soit qu'ils contiennent des informations fausses ou trompeuses;

2° soit qu'ils omettent ou dissimulent des informations dont l'omission ou la dissimulation est de nature à induire en erreur;

3° soit qu'ils contiennent des informations non conformes aux lois, aux règles de l'art ou aux normes applicables.

De la même façon, il ne doit pas non plus s'associer à de tels énoncés ou documents.

This part of the Code of Conduct is all about truth

- ▶ And therefore about not lying

Truth and lies

- ▶ We are annoyed when sales people lie to us
- ▶ We are angry when advertising is false
- ▶ We are ticked when politicians lie to us
- ▶ And so on...
- ▶ But we can all be tempted to lie for various reasons

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
- ▶ 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?**

13:45:15 From Mike to Everyone:
Suspension

13:45:19 From Vanessa Blenkarn to Everyone:
discuss and document

13:45:21 From Sandy to Everyone:
talk with them and warn them

13:45:22 From martine to Everyone:
have a discussion to understand reasoning, then make a decision

13:45:35 From romig to Everyone:
Have proof first...you need to give them a chance, I wouldn't fire on first issue

13:46:27 From Mike to Everyone:
Write them up in year-end review.

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
- ▶ 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
- ▶ Note: It takes years to build trust, but seconds to lose it

Do you always check the box saying you have read the EULA?

- ▶ I have read and agree to the End User License Agreement below check box

Is it a lie if you check the box without reading the EULA?

- ▶ I have read and agree to the End User License Agreement below check box

- ▶ This End User License Agreement (“EULA”) governs your use of the, application, software, their associated upgrades, patches, and updates and related services (the “Product”) currently provided or which will be provided by ZooSoft ENTERTAINMENT S.A., or any one of its subsidiaries or affiliated companies, including without limitation ZooSoft EMEA SAS, ZooSoft INC. or ZooSoft MOBILE GAMES SARL (collectively referred to as “ZooSoft”).
- ▶ This EULA sets out the basis on which ZooSoft makes the Products available to you (“User” or “You”) and on which You may use them. ZooSoft’s Privacy Policy (« Privacy Policy ») which can be found on <http://legal.ubi.com/privacypolicy/>, forms an integral part of this EULA. By installing or using the Product, You agree to accept and to be bound by (1) this EULA and (2) the Privacy Policy at all time. If You do not agree with one of these, please do not install or use the Product.
- ▶ If You have a ZooSoft Account which can be found on <http://www.ubi.com> (“Account”), this EULA shall coexist with, and shall not supersede, the Terms of Use. To the extent that the provisions of this Agreement conflict with the provisions of the Terms of Use, the conflicting provisions in the Terms of Use shall govern.
- ▶ ZooSoft reserves the right to change, modify, add or delete articles in this EULA at any time, in accordance with the procedures described below in Section 9.
- ▶ Capitalized terms used in this EULA without definition shall have the meanings specified in the Terms

Is it a lie if you check the box without reading the EULA?

- ▶ I have read and agree to the End User License Agreement below check box

13:46:31 From Natasha to Everyone:
every time

13:46:32 From Carl to Everyone:
everyone

13:46:32 From martine to Everyone:
yep

13:46:36 From Vanessa to Everyone:
I think we all have!

13:46:39 From Marc to Everyone:
who reads the 60 pages???

13:46:40 From Natalie to Everyone:
yes.

13:46:41 From Carl to Everyone:
no one reads them

13:46:44 From Sandy to Everyone:
everytime check the boxed

13:47:07 From martine to Everyone:
it's all good till something goes wrong...

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I do as well, I don't feel good, I wish it said, I agree to the terms, not I have read them...

This bugs me and it relates ethics in business communication and the truth

- ▶ How often do I hear in business, government, politics, and the NFP/charity world
- ▶ “ resigned”
- ▶ No they didn’t always resign, they were often forced to resign, to submit their resignation letter and in fact were paid to submit it...(and I know this for a fact)
- ▶ Which really means they were fired, which is completely different from resigning
- ▶ Sometimes they are guilty of wrong-doing
- ▶ Or the announced reasons I know were not the true reasons
- ▶ “_ resigned to spend more time with the family”

This bugs me and it relates ethics in business communication and the truth

► Have you seen this?

13:50:59 From martine to Everyone:
"resigned" air quotes

13:51:14 From Marc to Everyone:
multiple examples

13:51:17 From Kelly to Everyone:
Worked with a CEO that "resigned" and ended up
|leading another mental health organization.

13:51:23 From Faranak to Everyone:
Yes, but they still get their pension :(

Examples

The background features abstract, overlapping geometric shapes in various shades of green, ranging from light lime to dark forest green. These shapes are primarily located on the right side of the slide, creating a modern, layered effect. The rest of the slide is a plain white background.

Payette stepping down as governor general after blistering report on Rideau Hall work environment



Chief Justice Richard Wagner will be fulfilling duties of the Governor General

Ashley Burke, Kristen Everson - CBC News - Posted: Jan 21, 2021 3:35 PM ET | Last Updated: January 22, 2021



Governor General Julie Payette arrives at a swearing in ceremony in Ottawa, Ont., on August 18, 2020. (Patrick Doyle/Reuters)

[2588 comments](#) 

Gov.-Gen. Julie Payette and her secretary, Assunta di Lorenzo, are resigning after an outside workplace review of Rideau Hall found that the pair presided over a toxic work environment.

Ottawa police chief resigns amid anti-mandate protests

© 16 February



Coun. Diane Deans, the current police services board chair, announced a “mutually agreed upon separation” between the board and Sloly, but the board released no other information and Deans said there would be no other comment, citing the “labour relations matter.”

Business world - random

Seagen CEO and co-founder Clay Siegall resigns following domestic violence arrest

BY TAYLOR SOPER on May 16, 2022 at 7:08 am

f Share 3

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📄 Share

👍 Reddit

✉ Email

Clay Siegall has resigned as CEO and chairman of Seagen in the midst of domestic violence allegations, more than 24 years after the biotech veteran helped start the publicly traded Seattle-area company.

Siegall took a leave of absence one week ago after the company said it was investigating the



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- ▶ In some communist countries in the past, they announced a politician they didn't want, committed suicide

The communist-controlled government of Czechoslovakia reports that Foreign Minister Jan Masaryk has died by suicide. The story of the noncommunist Masaryk's death was greeted with skepticism

On March 10, 1948, the Czech government reported that Masaryk had committed suicide by jumping out of a third-story window at the Foreign Ministry.

- ▶ We all know they were “jumped out of the window”
- ▶ I use this expression, “they were resigned”



Someone once asked

- ▶ Suppose you put some false or misleading information into the payroll system by necessity, is that a 205/26 violation?
- ▶ Example: I have had an hourly employee who gets paid one rate of pay for one type or work and another rate for another type of work (tip explained in another of my courses)
- ▶ My outsourced payroll system ADP, will not allow me to pay an hourly employee at two rates of pay on the same payroll
- ▶ One way to get this done in the system has to have an employee called Janet Mbungo1 and Janet Mbungo2 and I just have to merge their totals for the T4
- ▶ Or calculate their gross pay, and then use a fictitious hours amount, but this is false



More

- ▶ It would make no sense to me for this to breach rule 205/26 , it is a work around, no human is being deceived, the end result is the correct pay, and the T4 is correct
- ▶ Do you agree?

13:44:05 From Mike to Everyone:
Doesn't break

13:44:07 From Carl to Everyone:
no

13:44:34 From Natalie to Everyone:
|this is just
practical internal admin

Embarrassing

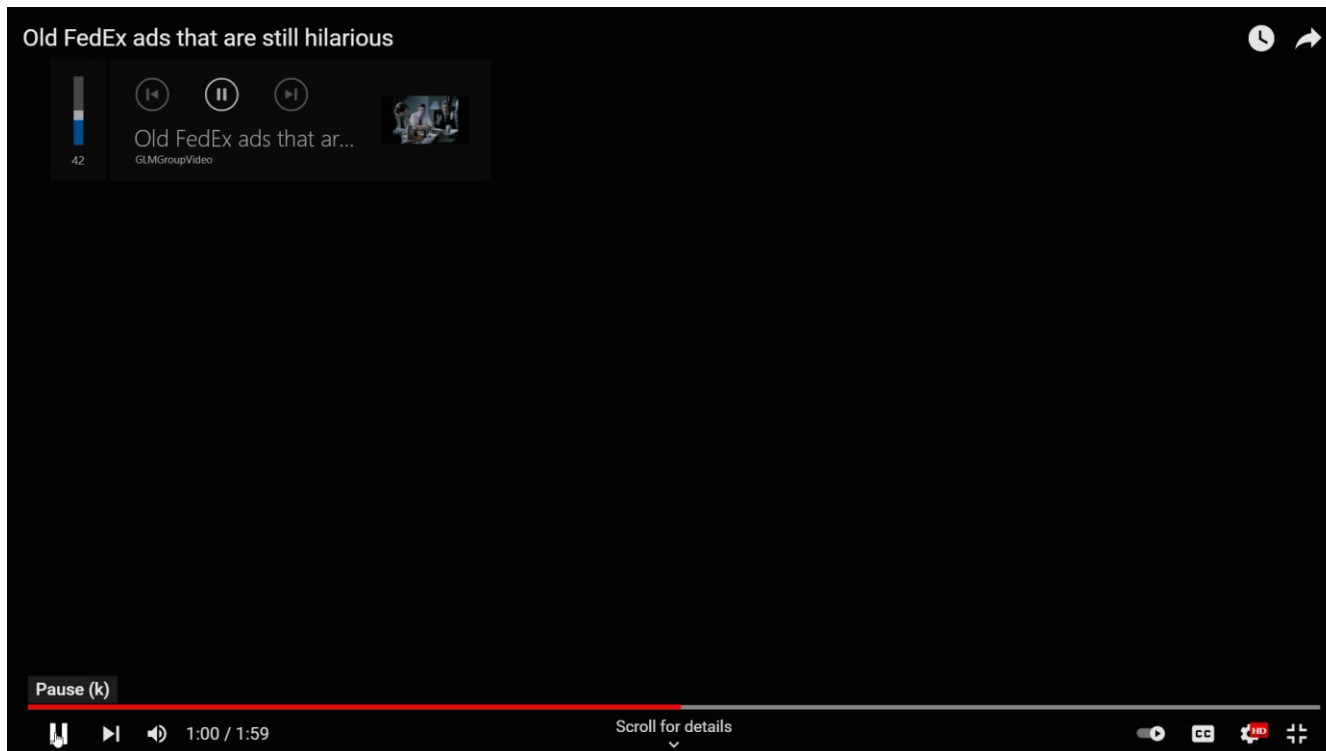
- ▶ University **Intermediate Accounting**, the course that would make or break future CPAs
- ▶ When I was in 2nd year university, the Campus book store was selling the professor's **Solutions Manual** to the **Intermediate Accounting** textbook
- ▶ I thought this was strange, but I bought it
- ▶ I then used it for my assignments and learned nothing, and this may have been unethical...
- ▶ I did confess it to the university Marking Assistants
- ▶ About 19 years later, I am engaged by the current standard **Intermediate Accounting** textbook publisher to review it, as I was then a university part-time professor **teaching** the course

Type “golf” if you play golf



My favourite golf joke

- ▶ <https://www.youtube.com/watch?v=wgypWuFqauk>



Some random ethics stories from CPAs in my courses

- ▶ Lawyer president of environmental company, got charged criminally for wire-tapping
- ▶ Mexican company pays salary next year in advance to reduce profits
- ▶ CFO says CEO's forecast not acceptable, he sent it without knowledge, Bank called him, he was honest, Bank put the loan in special (crisis) loans category
- ▶ Trade penalty in the millions, CEO wouldn't disclose, CPA insisted and won
- ▶ Spouses of senior people on the payroll getting paid the overtime of the individuals, spouses did not work for the company...
- ▶ "Every single company I've worked for has presented an ethical decision (California)"
- ▶ "In accounting, the saying goes the more creative you get the longer the term of the punishment...it is sometimes tough to get out of that mindset"

Let's talk about the association part of Rule 205/26

- ▶ That says CPAs can't be associated with false & misleading information, not that we just can't produce it

Case #4

- ▶ You are the new CFO of a company. You have a long relationship with the company's bank. Privately, the bank has said that they have granted an operating facility to the company, because they trust you, although they don't entirely trust the President & founder of the company.
- ▶ You asked to get something from the President's office one day, when he is away and his assistant directs you to a drawer in his desk. In it you note that some large invoices you recently margined at 75% under the company's operating facility, to cover payroll, are clearly fraudulent. What should you do? Could you have any issues with the CPA Code of Conduct because of this? (real story)



Case #4 response

- The CFO is now associated with false and misleading information
- Although this association was involuntary and only just became known, some time after it happened
- There is a 205/26 question of whether he/she should have known about it
- The CFO reported the receivables to the bank
- Were these invoices suspicious, or obvious frauds, in which case “should have known” could be problematic?
- The President could be confronted, with the threat that he/she would quit, which would alarm the bank, or the President should confess to the bank

Case #4 response

- If this doesn't work, the CFO could immediately quit
- The CFO probably can't tell the bank, because of confidentiality (208.1/39)
- In real life, the CFO just quit, and the bank did a "soft call" on the loans
- The company later went under and the President's unethical behaviour became public
- At this point, the CFO apologized to the bank for not calling them and telling about the fraudulent invoices, because confidentiality no longer applied, since the information became public
- The bank said "we knew"
- So an ethical reputation really helps

Case #5

- ▶ You are the CFO of a leisure business company that runs one of the best known ski resorts in Canada. The company is owned by one person. Your friend says that he and some friends had a six night visit to that ski resort last week, for which they paid \$5,000 to the owner directly. (Largely a true story)
- ▶ What should you do?



Comments?

13:58:48 From martine to Everyone:

Tell the owner it's revenue that needs to be booked.

13:58:51 From Mike to Everyone:

Confirm with owner, then recognize revenue.

13:59:01 From Umed Lodhia to Everyone:

Ask friends to give you copy and then talk with the owner to book it

- ▶ Note: they are missing the systems issue...

Case #5- response

- ▶ Wrong answer: not a big issue, not material, these things happen in closely held businesses, do nothing
- ▶ Simplistic answer: Just quit, the owner cannot be trusted, off-book revenue is not acceptable
- ▶ Correct conclusion: Unrecorded revenue for tax and accounting purposes is not acceptable, it results in false & misleading financials, I must deal with this, but first how often has this happened?
- ▶ First things first. Investigate
- ▶ How did the reservation get in the booking system, if it was, or was it management over-ride? Did the owner force one of my people to book the trip, but ensure no revenue was recorded. Why did the system not flag it as unpaid to be followed up?



After I triggered them to think about the system issue

14:01:04 From Gregg to Everyone:
Every system allows prices to be adjusted, especially by the owner...

14:01:26 From romig to Everyone:
I give my owner view access only ...hehehe

14:02:13 From Marc to Everyone:
Tried that once - ended up needing to leave...

14:02:18 From Mike to Everyone:
Romig, that is great....however, some systems (Easy Pay for example) does not allow different levels of access.

14:02:32 From romig to Everyone:
Get rid of that system

14:03:19 From Mike to Everyone:
Well, Romig, let's just say I moved on from that situation.

Case #5 - response

- ▶ Wait a while, they may be planning to turn the money over to the company
- ▶ It is possible they will be reporting the income, mistakenly, on their personal tax return
- ▶ You could book an entry:
- ▶ *DR Receivable from Shareholder*
- ▶ *CR Ski Resort Revenue*
- ▶ Play dumb: “I am just trying to track this visit to the related revenue entry, but there isn’t one. We contacted the customer and they said they paid you, so we just want to sort this out.”
- ▶ This diffuses the issue, as it is not accusatory



Case #5- response

- ▶ Best solution: get them to understand that it is not acceptable, disclose the full extent of these types of transactions and turn all money over and fix all current and past tax returns and financial statements
- ▶ You were associated with false & misleading information in terms of prior tax returns and financials
- ▶ But this was unknowingly and innocently, and unless there was a should have known, you should be OK under CPA ethics, once you correct them
- ▶ If they absolutely refuse and say they will continue to take revenue under the table, you should leave
- ▶ (This doesn't try to address any HST, GST or provincial sales tax issues)



Comment

- ▶ This is a huge small business issue for internal and outside accountants

13:58:25 From Kelly to Everyone:

Definitely common - seen this so often it's scary



Comment

- ▶ Note: this is a huge small business issue, under the table revenue, you can't just wink at it as CPA
- ▶ My friend's friend once quit a restaurant cashier job on his advice, as she was not comfortable not ringing some sales through the cash
- ▶ I think a small business public accountant should tell all clients up front, that they don't tolerate this, to save problems later
- ▶ I have all kinds of income sources, it would be easy to not report some, especially say US on-line customers
- ▶ But I don't



Stories



- ▶ I was eating at a restaurant with someone who regularly ate there
- ▶ Person who brought me gets made when sales tax is on the bill
- ▶ Restaurant staff are confronted by them, ‘why are you charging me tax, you never did this before...’
- ▶ They say “it was because of that other guy with you, we don’t know that guy...”



Stories

MENU ▾

Canada.ca

Canada Revenue Agency

- ▶ I used to be a CRA auditor, during university, it was very interesting
- ▶ I once ate with my CRA tax auditor colleagues at a restaurant
- ▶ We were told to take our badges off, because our people has previously nailed the restaurant for not declaring take-out revenues

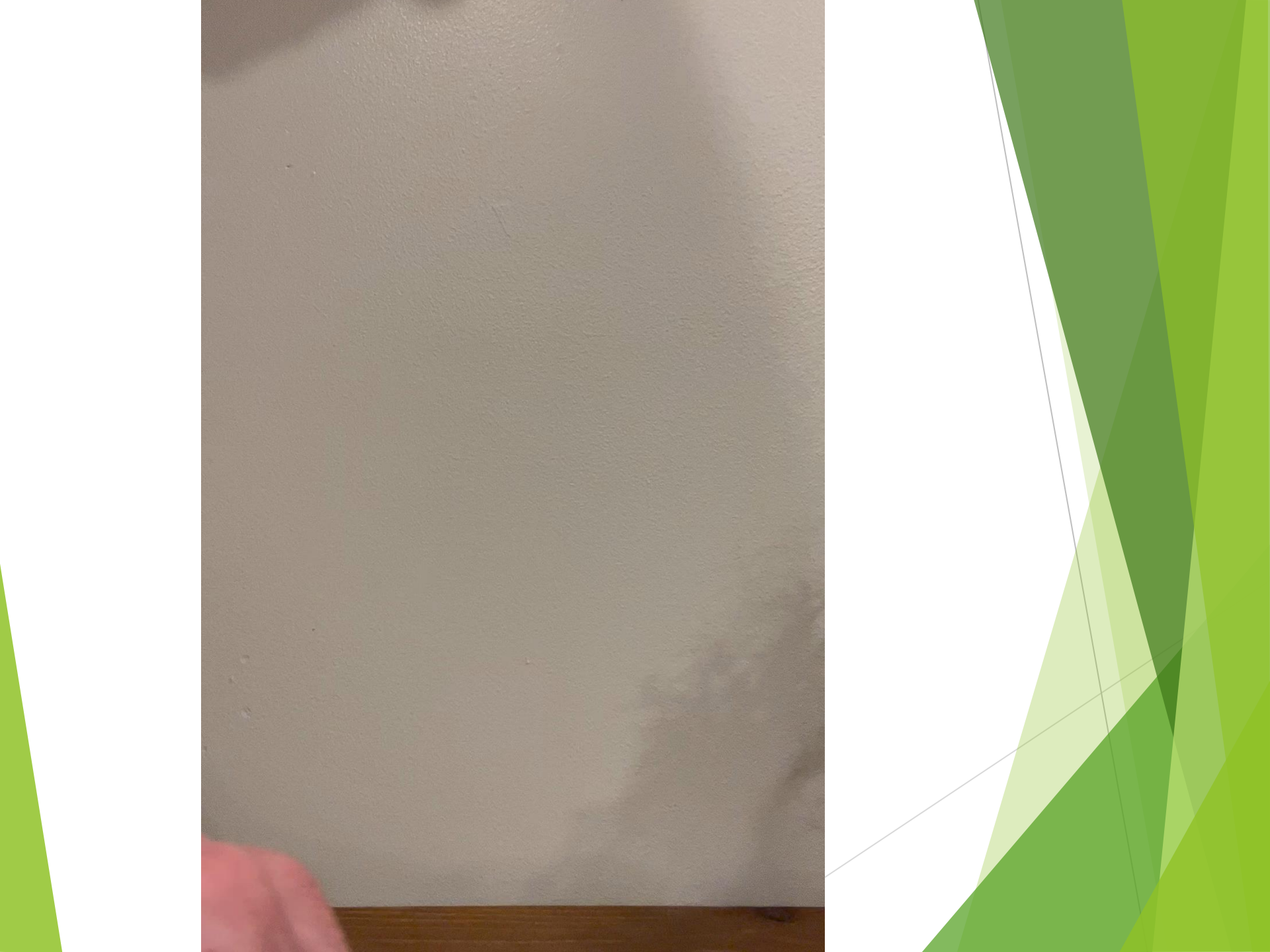


Note

- ▶ The other biggest small business accountant tax issue is the only putting personal expenses through the business
- ▶ This topic is addressed in the ethics portion of my course **Practical Tips for Controllers & CFOs - The Case Course**, with some angles you may not have thought about...

A random trick





Interesting

- ▶ I was invited to present a two hour in-house webinar on **ethics**, with a high profile western Canadian private company in the last year
- ▶ They said they were not facing any particular ethical problems, but wanted some training

“Don’t ask about _____”

- ▶ Have you ever been told “don’t ask about such and such” as an auditor, an accountant, a controller, a CFO?
- ▶ This kind of statement concerns me a lot
- ▶ It is a kind of scope limitation on your work
- ▶ It could put you in a situations where you violate the “know of should have known” of rule 205/26
- ▶ Some possible responses:
- ▶ “Can you explain why I should not ask, or know about something?”
- ▶ “How do you know it is not relevant to my job, accounting, tax, ethics, etc.?”
- ▶ “Tell me what it is, so I can decide if it is relevant”
- ▶ “What are you hiding?”

Related

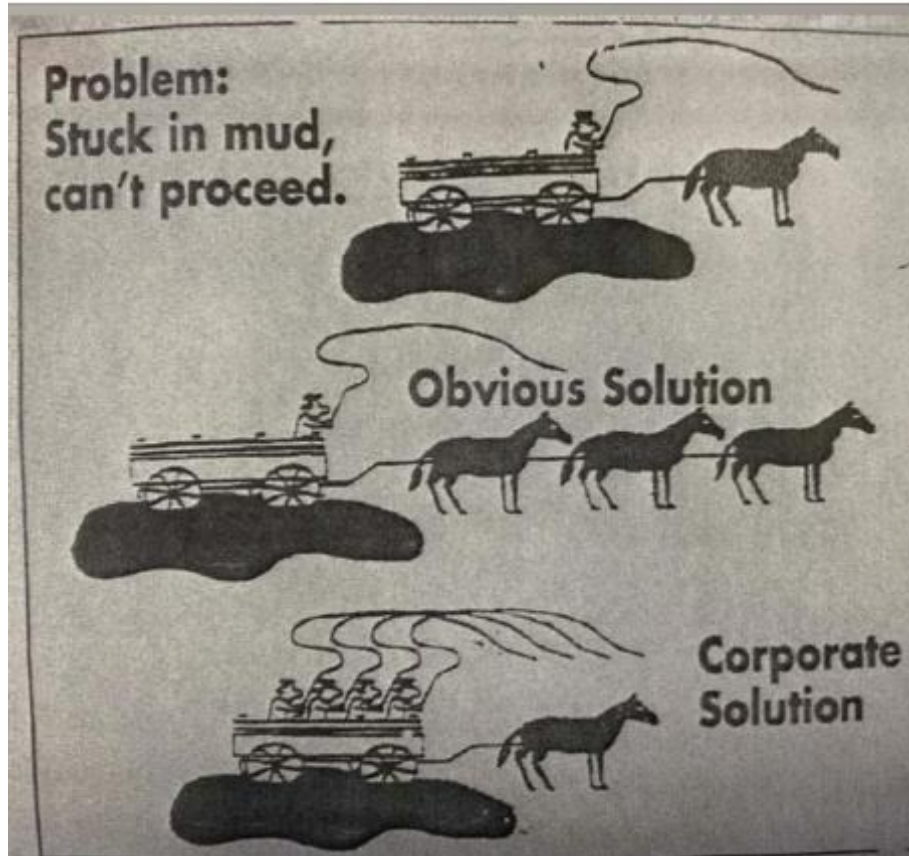
- ▶ Comment from a course participant:
- ▶ *As an auditor I literally received a requested invoice with a sticky note on it that said "don't show to auditors".*



Do you want to be connected (associated) with a dishonest person on LinkedIn?

- ▶ I have multiple ethic run-ins with a Board member of a software company that I was the CFO of
- ▶ One of his favourite sayings was...”It is better to ask for forgiveness than permission”
- ▶ I was also having ethical run-ins with the CEO, so I resigned
- ▶ The Board member tries to connect with me on LinkedIn
- ▶ I declined
- ▶ Hopefully, all 800+ of my LinkedIn connections are ethical...I have a lot of connections due to teaching

Business humour



A strange comment

- ▶ Over 17,000 have taken my courses
- ▶ I get a few strange comments in evaluations because of this
- ▶ Possibly the strangest comment:
- ▶ “He doesn’t live in the real world”
- ▶ I have worked nearly 40 years in the real business world
- ▶ I think they were saying you can’t be as ethical as you teach
- ▶ But I can assure you, it is possible, although not easy

Economics explained via cows



Capitalism:



You have two cows. You sell one and buy a bull. Your herd multiplies, and the economy grows. You sell them and retire on the income.



Communism:



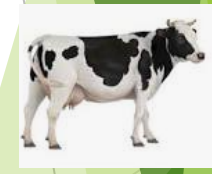
You have two cows. The government takes them from you, and the government takes care of them and occasionally gives you some milk.

Enron - the most crooked company of all time

Enron Capitalism:

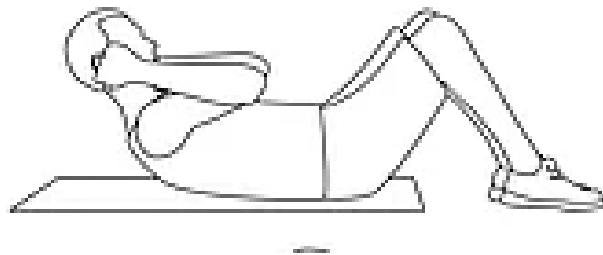


You have two cows. You sell three of them to your publicly listed company, using letters of credit opened by your brother-in-law at the bank, then execute a debt/equity swap with an associated general offer so that you get all four cows back, with a tax exemption for five cows. The milk rights of the six cows are transferred via an intermediary to a Cayman Islands company secretly owned by your CFO who sells the rights to all seven cows back to your listed company. The annual report says the company owns eight cows, with an option on six more. Now do you see why a company with \$62 billion in assets d... ruptc



Exercise time

- ▶ Everybody do 50 sit-ups now, to build muscle and wake you up....



Who are the most crooked accountants in Canada?

- ▶ (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?

- ▶ Hint 1: They don't work in the private or NFP sector
- ▶ 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

Note

- ▶ Let's take a tour of the Canada to meet them

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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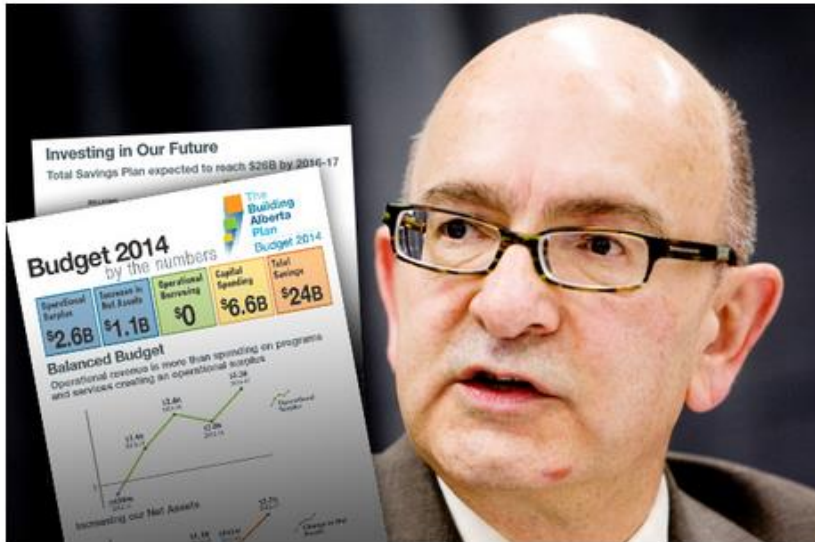
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STORY

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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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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.

Comment

14:16:26 From Gregg to Everyone:

I went to a CPA course on creative solutions, and a
govt accountant said they get asked all the time to find ways to make things look good.

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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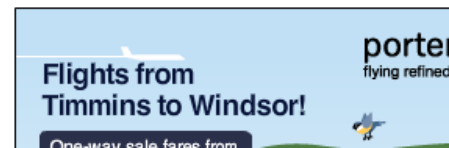
Acting auditor general concerned about being denied information from departments

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



Note

- ▶ I could only find one minor Federal example, surprisingly

Andrew Coyne: Auditor-General's F-35 accounting complaints are déjà vu for Peter MacKay

Once that claim is knocked down — that this was all just a dispute over accounting — there is no escape. The government knowingly misrepresented the true costs of the F-35 in its public statements

Andrew Coyne

Apr 11, 2012 • April 11, 2012 • 5 minute read • [Join the conversation](#)



Note

- ▶ I could only find one minor Federal example, surprisingly

14:16:15 From Marc to Everyone:

The PM is bad enough for them all

14:16:19 From Kelly to Everyone:

Feds don't get caught, I guess lol

Nova Scotia

- ▶ I could not find anything!

Comments

- ▶ I have seen this myself...
- ▶ Pressure, 1990s, federal crown corporation, not to book an environmental liability of about \$1 billion, due to deficit impact
- ▶ I was not the CFO
- ▶ Company did not book it, and received a qualified audit

In my opinion, except for the failure to record the liability for decommissioning and site remediation as described in the preceding paragraph, these consolidated financial statements present fairly, in all material respects, the financial

Politics

- ▶ Which party does this?
- ▶ Answer:
- ▶ This has happened under all three major Canadian political parties....

What about the USA?





United States Government Accountability Office
Washington, DC 20548

Comptroller General
of the United States

As it has for the past 24 years, GAO issued a disclaimer of opinion on the accrual-based, consolidated financial statements for the fiscal years ended September 30, 2021 and 2020.

Government Accountability Office (GAO) is prevented from expressing an opinion on the consolidated financial statements of the U.S. government due to a number of material weaknesses related to financial systems, fundamental recordkeeping, and financial reporting.

Not the same as
deliberately doing
wrong accounting...

Note

- ▶ This is partly a short piece from my 7 hour course, **Practical Tips for Government Accountants**

Greatest accounting/business crook in Canadian history

- ▶ I tell you who I think was the greatest accounting/business crook (an individual) in Canadian history, in my course **Practical Tips for Controllers & CFOs - The Case Course** with some humour and some things that will surprise you...

A person here took one of my video courses recently...



Reporting other CPAs

- ▶ Have you ever reported another professional accountant for ethics violations or misconduct?

81. Le comptable professionnel agréé doit informer le syndic lorsqu'il a des motifs raisonnables de croire qu'un autre comptable professionnel agréé est impliqué dans l'une des situations suivantes :

1° la détention ou l'utilisation illicite de sommes d'argent ou d'autres biens détenus en fidéicomis;

2° la participation à un acte illégal lors de l'exercice de la profession;

3° le défaut de respecter les conditions associées à son permis ou les limites imposées à son droit de pratique;

Reporting other CPAs

- ▶ Reported another professional accountant for ethics violations or misconduct?

14:38:25 From Faranak to Everyone:
No

14:38:29 From Tennille to Everyone:
yes

14:38:30 From John Ball to Everyone:
No

14:38:31 From Carl to Everyone:
considering

14:38:34 From Marc to Everyone:
No

14:40:56 From Tennille to Everyone|:
I once reported a CPA to the SK Institute for issuing an auditors report (with incorrect outdated wording) attached to a QuickBooks report. This was before licensing in SK. They were ordered to stop issuing audit reports.

Reporting other CPAs

- ▶ When I was at KPMG, colleagues twice found errors by another Big Four firm on real estate joint venture audits and reported this to the other firm
- ▶ They had to re-issue the statements
- ▶ I don't know if they reported them for mis-conduct, failure to exercise professional care

Qualified audits due to GAAP departures

- ▶ Quite often, auditors issue a qualified audit opinion on financial statements, saying something important is wrong due to GAAP departures, and this is the impact of the mis-statement
- ▶ As in the previous government examples, but also in the private and Not-For-Profit sector

Example qualified audit opinion

Statement of Responsibility

The Consolidated Financial Statements are prepared by the Government of Ontario in accordance with the accounting principles for governments issued by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada).

The government accepts responsibility for the objectivity and integrity of these Consolidated Financial Statements and the Financial Statement Discussion and Analysis.

The government is also responsible for maintaining systems of financial management and internal control to provide reasonable assurance that transactions recorded in the Consolidated Financial Statements are within statutory authority, assets are properly safeguarded and reliable financial information is available for preparation of these Consolidated Financial Statements.

The Consolidated Financial Statements have been audited by the Auditor General of Ontario in accordance with the *Auditor General Act* and Canadian Auditing Standards. Her report appears on pages 49 to 52 of this document.

Original signed by

Scott Thompson

Deputy Minister
Ministry of Finance

August 18, 2017

Original signed by

Helen Angus

Deputy Minister, Treasury
Board Secretariat and
Secretary of Treasury
Board and Management
Board of Cabinet

August 18, 2017

Original signed by

Cindy Veinot, FCPA,
FCA, CMA, CPA (DE)
Assistant Deputy Minister
and Provincial Controller
Treasury Board
Secretariat

August 18, 2017

Qualified Opinion

Overstated, Annual Deficit Understated, Net Debt Understated and Accumulated Deficit

Note 16a to these consolidated financial statements, a net pension asset is recorded in the Statement of Financial Position relating to the Ontario Teachers' Pension Plan and the Public Service Employees' Union Pension Plan. However, the Government does not have the lateral legal right to use this asset because its ability to reduce future minimum pension plan surplus is subject to agreement with the respective plan sponsors. Canadian public sector accounting standards require the Government to record a valuation allowance against this asset.

Ontario government
statements wrong
by \$4 billion...

New thought

- ▶ Quite often, auditors issue a qualified audit opinion on financial statements, saying something important is wrong due to GAAP departures, and this is the impact of the mis-statement
- ▶ **I wonder why CPAs who sign off on these financials as preparer, not auditor, are not found guilty under rule 205/26 for reporting false or misleading information?**

14:16:51 From Carl to Everyone:

So why aren't the provincial CPA bodies doing something about members in these orgs?

14:18:16 From Mike to Everyone:

Has there been a formal complaint against those accountants?

14:18:26 From Carl to Everyone:

to much work for the provincial bodies to do

14:18:53 From Gregg to Everyone:

Because the govts allow accounting orgs to be independent and self-governing.
How long will that last if they start interfering in govt's image?

14:19:07 From Carl Markwart to Everyone:

excellent point Gregg!!

Perhaps

- ▶ Perhaps no one reported them, despite the duty to report (Rule 211.1/81)
- ▶ Some might argue that taken with the Auditor's Report, the financials are not misleading
- ▶ However they were misleading, when issued, before the audit

I quizzed two experienced provincial ethics advisors on this

- ▶ The duty to report in the context of a qualified audit report for wrong accounting
- ▶ One would not really answer the question
- ▶ The other wrote: “If the CPA CFO knowingly falsified the statements,.....then there would be an argument that the CPA has breached Rule 205. If another CPA becomes aware of this then they would have a duty to report under Rule 211. This CPA could be someone internal to the organization, user to the FS or the auditor.”
- ▶ In other words, they should have been reported.

Anonymous reporting

- ▶ I have verified with one CPA body, that another CPA can be reported anonymously by a CPA or a non-CPA
- ▶ However, they will not then keep you in the loop on the case, no respondent comments or decision will be sent to you
- ▶ However, if they investigate and charge, it will be on the CPA provincial website

Are you sleepy?

- ▶ Tip: force yourself to yawn a few times, it drives more oxygen to the brain I think
- ▶ I am always sleepy but never tired

If you are feeling sleepy



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Case #6

- ▶ Internal ethics & exaggeration
- ▶ True story - finance colleagues in another division of a company I worked at, report that the VP, Purchasing is always claiming savings he achieved that were not correct in their opinion. Purchasing does not report to finance.



I negotiated all raw material supply agreements aggressively and saved the company \$20.5 million this year

- ▶ But they don't do anything...

Case #6

- ▶ A modern word for this might be misinformation or alternate facts
- ▶ What would you do in that situation if you were at the meeting, as the most senior finance person present?
- ▶ Note: This is pretty common in the Supply Chain Management (SCM) world

Case #6 response

- ▶ It would be inappropriate to just say “you are wrong with your numbers”
- ▶ Do a high level analysis to see to test the numbers, for example
- ▶ “If you saved \$20.5 million, how come total purchases have gone up \$7 million, that is not in line with whole business”
- ▶ Best to say, “This is very interesting. Can you send the detailed support and assumptions behind these claimed savings, as this is in part a financial matter, and this would in your own best interests. If you can get me this information before ____, I will have this analysis done for our next meeting”

Case #6 response

- ▶ This approach is not confrontational, and should get them behind your request
- ▶ Unless they know their number is so weak that they are scared for you to look at them and won't provide them

Case #6 - more thoughts

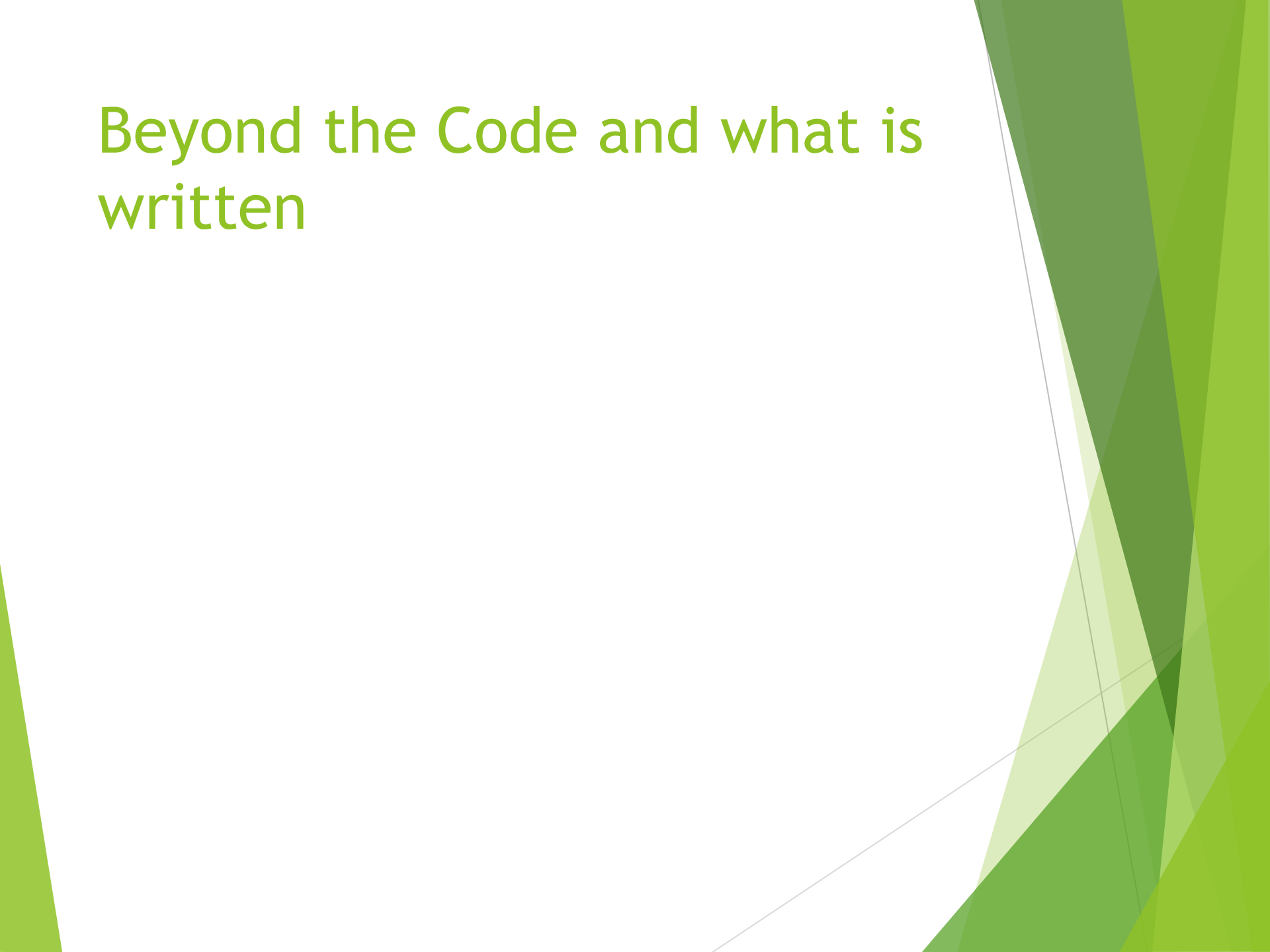
- ▶ There may be methodology, baseline or other logic issues that will prove problematic
- ▶ When should the savings measurement start?
- ▶ Is it based on last fiscal year pricing, versus this fiscal year volumes?
- ▶ Do the analysis based on their assumptions for a fair comparison
- ▶ Then do it based on your best assumptions
- ▶ Make clear your methodology and assumptions and baseline underlying your analysis very clear, because it may be hotly contested

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Law-abiding

- ▶ I think we could agree that CPAs should be law-abiding
- ▶ Reputation of the profession issues can get you in trouble if you are not, this would primarily apply to criminal issues
- ▶ I am very law-abiding in general
- ▶ Confession: When the Ontario government said we couldn't hug our grandchildren, we held off a few weeks, but then could stand it no longer...
- ▶ (We were not breaking laws, but public health guidance, I suppose)

Beyond the Code and what is written



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 of Professional Conduct, 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 of Professional Conduct, 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 any CPA rules, 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

Case #7



- ▶ 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? (real story from one of my brother’s direct knowledge)

Comments

- 14:23:05 From Sandy to Everyone:
He verbally promised Franco the job. So he needs to honor
- 14:23:08 From Natasha to Everyone:
just bad business practice
- 14:23:30 From Sandy to Everyone:
this is a slimeball practice
- 14:23:43 From martine to Everyone:
It happens all the time...hard when you prepare for
a book of work and then the rug get oulls right friom under you...
- 14:24:03 From romig to Everyone:
it is not ethical
- 14:24:30 From Sandy to Everyone:
You hired people, bought supplies, now you got to let people go

Case # 7 - 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 stinks
- ▶ 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
- ▶ (Franco should have tried to get a contractual commitment, especially if Sam had reneged before)
- ▶ I couldn't work for or with a guy like Sam, even though no CPA Code of Conduct issues, could you?



Goldman Sachs - pre 2008 financial crisis

**Goldman
Sachs**

This is basically what happened

- ▶ They were selling sub-prime loans to customers, making commissions, obviously telling them they are great investments
- ▶ (Sub-prime loans refer to the credit rating, not the interest rates, which would be high, due to the risk)
- ▶ While another department was shorting the sub-prime loans and making millions
- ▶ In other words betting the loans would go down in value as a corporate money-making strategy, while telling customers that they are good investments...

Possible numbers example

In one department:

- ▶ Look buy \$10M sub-prime loans, they yield 9% interest, for \$10M, \$50K being our hidden commission

In another department:

- ▶ Entering into short sales of sub-prime loans, essentially the company will make money if the loans go below \$9.5M in value for \$10M face value in X months (it doesn't matter about the mechanics)

What are your thoughts on this situation?

```
14:26:02 From Carl to Everyone:  
          GS should be shut down for fraud, period.  
14:26:25 From romig to Everyone:  
          agreed Carl, disgusting  
14:27:53 From Carl to Everyone:  
          they knew exactly what they were doing, no way they didn't  
          probably at or near the top  
.....
```

What are your thoughts on this situation?

- ▶ At that time, I don't believe there were any rules against this...
- ▶ Additional weak defence: different departments work independently
- ▶ But this is one business trying to make profit, there are no “Chinese walls” in this context
- ▶ If customers buying sub-prime mortgages knew about the company's short position, they would not be happy

More examples

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



Doing it right

- ▶ After Our Management Buy Out, our former owner's representative said they were pleasantly surprised we acted so fairly with respect to their now minority interest

A formative moment

- ▶ Veteran senior, mentor CFO, first CFO one I worked with after leaving KPMG
- ▶ There was an employee wage classification complaint
- ▶ I remember him saying, I don't care what you say (wage classification specialist), we must pay this, because “it is the right thing to do”

Scenario

- ▶ My Dad's Calgary-based oil executive friend is coming up on the vesting date for his pension, he is in his late 50s
- ▶ The day before the vesting date, he is terminated
- ▶ He therefore gets no pension
- ▶ Required: Comment on how you feel about this

My analysis

- ▶ Gut reaction: this is mean, this is cruel

The other side would say:

- ▶ It complies with the letter of the agreement
- ▶ He was aware that the line was on that date, and the company could legally terminate him that day

- ▶ I would not do it as an employer

Case #8

- ▶ You found an incorporated business, for which you are the sole owner. It goes well for a while and you take on bank debt without personal guarantees fortunately. However, you make some business mistakes, the market changes, and a corporate bankruptcy results. In liquidation, based on the assets in the company, secured creditors get 52 cents on the dollar and unsecured creditors get nothing, many of which are small businesses.
- ▶ Question: Do you have any personal moral obligation versus unpaid creditors?
- ▶ With the lessons learned and some new investors, you start another business in the same area 18 months later and it prospers. Does that change your answer above?

Comments

- 14:29:16 From Mike to Everyone:
Not really...they know they are unsecured.
- 14:29:40 From Marc to Everyone:
Its a matter of risk mitigation and risk acceptance.
- 14:29:41 From Natasha Tersigni to Everyone:
answer shouldn't change depending on whether your new business prospers
- 14:29:46 From Faranak to Everyone:
Yes
- 14:29:47 From Carl to Everyone:
obligation, no, but I would feel bad
- 14:29:52 From Kelly to Everyone:
Depends if you want to stay in the community
- 14:29:56 From martine to Everyone:
No, as they were aware of the risk
- 14:29:57 From Vanessa to Everyone:
As a small business owner myself I would feel so
quilty to short other small business

No obligation

- ▶ Creditors knew the risks they faced
- ▶ Most of this was due to a market change, not my mistakes
- ▶ The creditors have already written the amount off
- ▶ This is the purpose of borrowing through a limited liability business
- ▶ The law agreed to basically forgive my debt in bankruptcy
- ▶ The law has absolved me as the shareholder, the purpose is to give me a fresh start
- ▶ The corporation no longer exists and it is legally the borrower
- ▶ Most people in my situation will not have the money to do this
- ▶ I don't feel sorry for a big bank losing money

Obligation

- ▶ In substance, I am the borrower, the corporation is just paperwork
- ▶ Do I just follow the rules, or do I do what is right?
- ▶ I made a promise to pay, albeit through a corporation
- ▶ Creditors won't feel good when they see me prospering in the new venture
- ▶ Some won't want to deal with me unless I clear the old debt
- ▶ A Psalm says: *the wicked borrow and do not repay*
- ▶ They didn't agree to forgive my debt, they were forced to due to the bankruptcy
- ▶ Perhaps at least do it for the small businesses who feel the most pain
- ▶ Who knows what kind of a positive impact I could have by repaying them?

Story 1

- ▶ I heard a guy share about his corporate bankruptcy in Texas, a real estate business
- ▶ Later, he was in business again, and decided to repay all his unpaid creditors
- ▶ Albeit, without interest...
- ▶ He has stories like this: driving down the highway, he remembers a small business that he owed money to
- ▶ He drives in and tells the lady he is going to settle up
- ▶ She bursts into tears: “My husband left me, I am in deep financial difficulty, this is incredible blessing...”

Story 2

- ▶ I loaned some money to a guy at university and forgot about it and didn't think it would be repaid
- ▶ Years later he paid me back in full, without interest, it was pleasant to get the money

Story 3



- ▶ I have been told that famous Canadian entrepreneur Michael Degroote, founder of Laidlaw, paid back every penny in a situation like this in respect of one early business venture, not Laidlaw, but have not been able to find evidence of this story

Comments

- 14:30:11 From Gregg to Everyone:
If I owe money, I pay it. This is like the ongoing argument about forgiving everyone's student loans.
- 14:30:42 From Sandy to Everyone:
I believe that you have a moral obligation.
Most likely these people are family and friends so they are unsecured.
But now that it is prospering could you pay back the unsecured after new venture
- 14:31:12 From romig to Everyone:
It's not like the owner did this on purpose, the owner isn't hiding money, that would be different
- 14:31:46 From Mike to Everyone:
They may like to supply your next company....
- 14:32:05 From romig to Everyone:
You could repay them back in the your next successful business
- 14:33:12 From Gregg to Everyone:
I have a couple people who've stiffed me,
and they are set to retail PLUS 10% in our system.
I'll get it eventually.

Conclusion

- ▶ I have mixed views on this whole topic and am not adamant that you have a moral obligation to repay
- ▶ I have not faced this situation, I am fairly risk-averse and don't borrow for business ventures, so would not face the situation
- ▶ (I would be a lot wealthier today, if I was less risk-averse, but that is OK)
- ▶ A further point: should people also do this for equity investors who lose money?
- ▶ No, their risk is even more clear and there is no repayment promise

14:34:49 From Gregg to Everyone:

No on equity - especially people who invest as a living
- they knew what they got into.

Case #9, related

- ▶ One of your subsidiaries of your wealthy and prosperous group of companies whose parent is publicly listed, is not doing well, it is having cash flow problems, which look to be permanent. The subsidiary has been operating very independently. The sole member of the Board is mid-level executive of the parent company
- ▶ The group CEO says cash advances to the company should be ceased and let it “die”, that is go bankrupt. There are not that many creditors and there are no inter-corporate guarantees
- ▶ Do you agree?

The picture



What do you think?

The background features abstract, overlapping geometric shapes in various shades of green, ranging from light lime to dark forest green. These shapes are primarily located on the right side of the slide, creating a modern, layered effect. The rest of the slide is a plain white background.

Do it

- ▶ This is the purpose of limited liability and separate corporations
- ▶ It uses less of the group's cash, it is good for the shareholders, it is good economically
- ▶ This happens from time to time in business
- ▶ The company operated independently and there appears to be no fraud, which would allow a court case to pierce the corporate veil:
- ▶ *The corporate veil may be pierced if that person has engaged in fraud or other improper conduct, or where the corporate actor and the individual behind it are alter egos of each other*
- ▶ Vila Holdings Inc v Rivnell Projects Inc Case



Company



VEIL



Shareholders

The issue

- ▶ The issue I am focussing on is employee obligations-
vacation pay and severance
- ▶ The employees will probably get little
- ▶ But you do have the money to pay them from the
corporate group
- ▶ This is a real situation I was involved in, I was with the
subsidiary!
- ▶ —
It is normal and recommended to allow a subsidiary which operates
ineffectively and falls into insolvency to go bankrupt for the sake of a
healthy business environment.

Don't do it

- ▶ This feels morally wrong, it seems meaner than doing it to creditors, especially large ones, these are people with families
- ▶ The corporate group is like a pair of pants and the subsidiary that may be cut off is like one of the pockets
- ▶ Is the situation like where a parent of an irresponsible (young) child should perhaps bear some responsibility for their behaviour?
- ▶ Even if you have no standards, this will hurt the group's reputation and could result in a lot of adverse publicity (pragmatic point that sometimes helps with unethical executives)
- ▶ **I would say spend a few extra bucks and clear the employee liabilities!**

Don't do it

- ▶ I can't get in trouble as a CPA, based on the Code, but I am not sure I want to be around when you do this
- ▶ I have friends who work there...

Real life story, similar situation

- ▶ One of the toughest situations of my career
- ▶ I was on the management team of the sub and the parent CEO wanted to walk away from us and let us go bankrupt even they had lots of money
- ▶ I would have been personally impacted and my people
- ▶ We (management team of the sub) persuaded the group CEO not to do this!
- ▶ I can't explain more about this situation

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

- ▶ *“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

Story for humour - sort of accounting related

- ▶ I had a job lined up at KPMG for September, but would be doing the Chartered Accountant Entrance exams in the summer, after taking a 6 week trip around the world
- ▶ I just needed to graduate with my B.Comm though
- ▶ For this, I needed one more 4th year course to graduate, and the course options were slim that summer at Carleton University
- ▶ The only course that would fit in, was Peace Poetry 4332 in the English department, an evening course
- ▶ I had never taken an English or for that matter, an artsy-type course before
- ▶ I met the professor who said the course was demanding and asked me if I was English major, but I said “no, an accounting major”

Story for humour - sort of accounting related

- ▶ I went to the first class, and it was weird
- ▶ The people in the class seemed strange - at least compared to B. Comm students
- ▶ And I didn't know what they were talking about!
- ▶ Worse, there was a participation mark and a term paper
- ▶ I was trying to conquer consolidations and advanced tax in my day time study, and Peace Poetry in the evening
- ▶ Then I clued in!
- ▶ Just say or write absolutely anything that sounded pseudo-intellectual, artsy, creative and full of feeling and it was all good! (what I was saying was not false because there is no right or wrong)
- ▶ And I got a pretty good mark in the course and graduated!



Reactions

14:37:39 From Carl to Everyone:
WORM??? Hilarious!!!

14:37:50 From romig to Everyone:
I am not that creative

14:38:00 From martine to Everyone:
I should try that with my boss when I explain Q1 results....

14:38:02 From Gregg to Everyone:
They got your tuition though so who won?

14:38:14 From romig to Everyone:
Martine..LOL

Stealing

- ▶ I think we could all agree that stealing is wrong and Canada's Criminal Code agrees
- ▶ 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
- ▶ It ticks you off, we would also say it is unethical, although not strictly against any rules or laws
- ▶ It doesn't benefit your career/standing in the company, as it should have
- ▶ I try to be very careful to give credit to all ideas from my team, and they appreciate it

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

My course tips

- ▶ You will get actionable tips from all my courses, although less from this one, but you don't need to give me or the courses the credit for them when you implement them, I am giving you permission
- ▶ Of course don't lie if asked, “where did you get that idea?”

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

Training kids to be ethical

- ▶ I think we should want to train kids about all kinds of things: politeness, work ethic, honesty and more
- ▶ A big topic, my parenting courses are not offered by CPA bodies!
- ▶ Suffice to say, setting a good example is the first and best way, not talking
- ▶ Once a wife calls me with her husband to complain that he is not ethical, and it is hurting their ethical training of their children, although he claims to be ethical
- ▶ At the all you can eat buffet he tells the servers in front of the kids, “yes, my kids are all under 12”, when they several are over 12...

I am fortunate

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

Training our kids not to lie, even in difficult scenarios

- ▶ You are at someone's house for dinner
- ▶ They ask "did you like this dish?"
- ▶ And you actually hated it
- ▶ How can you avoid lying - but not tell them you hate it?
- ▶ My suggestions:
- ▶ "It was very interesting"
- ▶ "I have never had anything exactly like this before (if true)"
- ▶ " I like to try new things....it wasn't my favorite but I'm glad I tried."
- ▶ "Can I get the recipe to try and fix it?"
- ▶ "It is a treasure, let's bury it" (joke)

Avoiding, I hate your cooking

14:44:33 From Kelly to Everyone:
Why not just say the truth - I didn't care for it

14:44:40 From Faranak to Everyone:
It's okay

14:44:51 From Faranak to Everyone:
Or I wouldn't comment at all

14:45:06 From Elvia to Everyone:
I've seen this made using ____ one time,
perhaps worth trying next time?

A funny related story



- ▶ My aunt from the UK is visiting and says she will cook some English scones for us
- ▶ She cooks them and serves them first to my roommate and they **look great**
- ▶ He finds them disgusting, because she had put salt in them instead of sugar, but he doesn't know if that is how English cooking is and he doesn't want to make her feel bad so he says nothing
- ▶ Her son, my young cousin, says “these are awful”
- ▶ She says: “don't be silly son” until she tastes them...
- ▶ Side lesson: some people **look great, respectable, etc,** but can be very unethical

A different kind of ethics situation

- ▶ My Canadian friend, a systems analyst is on a team project in the Philippines for a bank
- ▶ The bank's President announces:
- ▶ “I have paid for prostitutes for each of you tonight”



What well-known Canadian company also did this?

CANADIAN NEWS Feb 27, 2019 1:08 PM EST

Trudeau says he was "protecting Canadian jobs" when asked about \$30K prostitute bill for Gaddafi by SNC-Lavalin

During question period today, the prime minister was asked about a \$30,000 payment by SNC-Lavalin to secure Canadian prostitutes for the Libyan dictator's son. What was his response? It was all for Canadian workers.

Worse, they were child-prostitutes

A different kind of ethics situation

- ▶ My Canadian friend, a systems analyst is on a team project in the Philippines for a bank
- ▶ The bank's President announces:
- ▶ “I have paid for prostitutes for each of you tonight”
- ▶ What would you do?



A different kind of ethics situation

- ▶ For me this is not a consideration, an option, a possibility, a temptation or anything, due to personal and religious values (married or single)
- ▶ I would have simply said “you can count me out” knowing it would likely upset the bank President
- ▶ My friend has the same values, but takes a different approach....
- ▶ An interesting one... a better one
- ▶ Did he call the police?



A different kind of ethics situation

- ▶ My friend meets the woman in his room
- ▶ He says: “nothing is going to happen, I am a married man”
- ▶ The woman replies: “That’s OK, most of my customers are married”
- ▶ He says: “Look, you need to get yourselves out of this life. Here is business card of a kind older lady, whose mission organizations saves women and girls from trafficking, please go see her, good night”
- ▶ He later hears the women got in touch with the older lady and her mission, and left prostitution!
- ▶ Human trafficking, a terrible crime & tragedy

Comments

14:48:54 From Graham to Everyone:

very lateral thinking by your friend. saved a life

14:49:22 From romi to Everyone:

Yes, great story, that was smart thinking to get her help

Blackmail & ethics

- ▶ I would suggest that you want to avoid a situation where others can blackmail you to push you to be unethical or more unethical
- ▶ Troublesome areas: gambling, marriage
- ▶ Or doing some things unethical which they could report you for, then they push you to do more unethical things

14:48:51 From Faranak to Everyone:

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

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, prostitution
- ▶ Or doing some things unethical 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
- ▶ We all want to be careful with addictions: *people are slaves to whatever has mastered them*
- ▶ Addictions and your instructor
- ▶ I want to encourage good addictions!

Ethics is not just talk it
should change our actions

The background features abstract, overlapping geometric shapes in various shades of green, ranging from light lime to dark forest green. These shapes are primarily located on the right side of the slide, creating a modern, layered effect. The text is positioned in the upper left quadrant against a plain white background.

Impact of my teaching on ethics

- ▶ “I was just reviewing your **Practical Tips for Controllers and CFOs** booklet this morning and felt compelled to send you an email.”
- ▶ “I was on the slide that stated that “people have decided to resign their position during my class“ (due to ethics) and had been wanting to send you a thank you email for a while.
- ▶ “ After attending your session in Calgary this past March, I did decide to make a change in my job. I have since left the construction industry and am now working in the not for profit sector (I had to make some sacrifices financially but am better for it)”

Impact

- ▶ “I am unsure if this is my final destination, but for now, I feel much better ethically about my position. Due to your course, I was also able to have those tough conversations and ask tough questions during my interviewing process without being concerned.”
- ▶ **Ethics in the job interview is discussed in the course of mine she mentioned**

Impact

- ▶ *“I currently have an ethical issue which I have to deal with at work & I think this seminar led me to have a good idea as to how to approach this.”*
- ▶ From an attendee of my course **Ten Practical Topics for Financial Leaders** which doesn't cover ethics, but has quite a lot of people tips

Let's be consistent - don't lie to:

- ▶ The shareholders
- ▶ The regulators
- ▶ The bank
- ▶ CRA
- ▶ Customers
- ▶ Suppliers
- ▶ Spouse
- ▶ Kids
- ▶ Friends
- ▶ Neighbors
- ▶ Etc

Ethics - coming clean

- ▶ The most radical coming clean story I have ever heard
- ▶ One of our sons calls us late at night
- ▶ In shock, tells us that a friend of his we know well, **had just walked into the police station and confessed a heinous crime**
- ▶ (I won't describe the crime)
- ▶ **The crime would be absolutely impossible to ever be caught for or charged with, because no one could ever know about it due to its nature and the victim**
- ▶ He said he had to clear his conscience

Ottawa & Region / News

Ottawa man admits to to clear conscience, police say

2016 • < 1 minute read



Ethics - coming clean

- ▶ He went to jail for this and lost a great job, but the judge gave a shorter sentence due to the unprovoked confession
- ▶ He has turned his life around, married well with two children
- ▶ My brothers gave him a job, because no one else would with the criminal record, and he has become a star employee
- ▶ Do you need to come clean on anything?

Less radical

- ▶ A guy hears me give a talk in another context, including the topic of being honest on taxes
- ▶ He asks me to go for lunch
- ▶ He says, he has not reported his self-employed income for 3-4 years, and asks for advice
- ▶ I tell him simply to report it
- ▶ Which he did
- ▶ This starts 9 years of trying to help him with marriage and family problems, but it has not ended well
- ▶ When teaching about coming clean in another context, I remembered I had to come clean with my parents about stealing some money, about 45 years earlier!

Ethics and my career

- ▶ If you happen to hear that I quit a job suddenly, but won't say why, what do you think you could deduce?
- ▶ It has happened before....

What is your ethics “mantra”?

- ▶ Or personal ethics summary in a few words, if you have one, or could make one up?
- ▶ 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**
- ▶ **Relates to a faith text: the truth shall set you free**

What is your ethics “mantra”?

- ▶ Share yours, that you have had for a while...
- ▶ Or that that you made up after hearing this

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
- ▶ I would love to tell you the name and details, but I can't...

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

Conclusions

- ▶ Always apply the Code of Ethics
- ▶ But don't stop with the Code of Ethics

I have over 40 hours of other courses

- ▶ Better than this one, because polished by over 28,000 accountants attending them and interacting and giving feedback
- ▶ I have two other ethics courses with CPA Quebec:
- ▶ **Ethics - Where The Rubber Meets The Rubber, 2 hours**
- ▶ **Ethics - That Feeling In Your Gut, 2 hours**

Longer courses

- ▶ **Practical Tips for Controllers & CFOs**, over 11,000 have attended 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 Tips To Improve Your Internal Financial Reporting, 1.5 hours**
- ▶ **Sharpen Your Business Loan Negotiation, 2 hours**
- ▶ **Contract Review Tips For Accountants, 1 hour**
- ▶ **Practical Foreign Exchange Management, 1 hour**
- ▶ **And more are being developed**

More courses

- ▶ **Practical Financial Negotiation Tips, 4 hours**
- ▶ **Practical Work Smarts for All, 2 hours**
- ▶ **Practical Work Solutions from Case Discussions, 2 hours**
- ▶ **Ten Practical Topics for Financial Leaders, 4 hours**
- ▶ **Practical Tips to Get Through Cash Difficulties, 2.5 hours**
- ▶ **And more are being developed**

Note

- ▶ Some people have approached me to do in-house versions of courses in corporations/accounting firms/government for clients
- ▶ For example: in-house courses on ethics, or creative thinking
- ▶ We can chat if either of these options are of interest to you
- ▶ I have also been approached by people who want to pick my brain on topics - a quick email, it is free, a few hours and I will see if I have time for a consulting assignment

A new request

- ▶ You have a feel for my teaching style, background etc.
- ▶ Do you have suggestions for other topics you would like me to teach on?

Closing comments

- ▶ I hope you liked the course
- ▶ I will send you the completed slides, if you ask by email spriddle@bell.net
- ▶ You can do LinkedIn with me
- ▶ Please complete course feedback questionnaire

Large file,
check junk mail..

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check junk mail..

Remember to write your
quiz