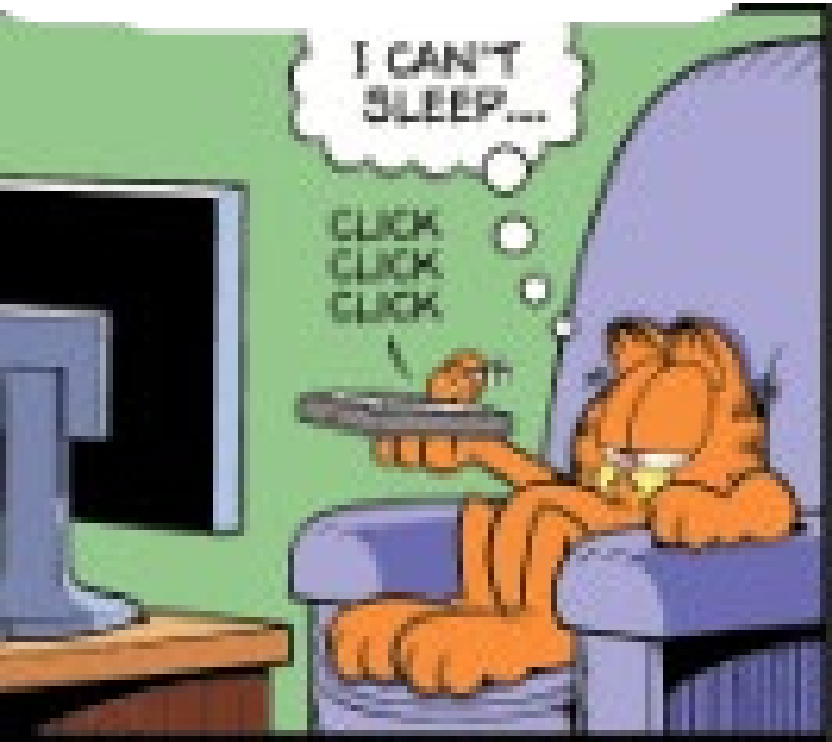


2022 Professional Ethics and Conduct







8/22/2022

"A must-read." —Bill and Melinda Gates

The Power of Knowing What You Don't Know

THINK AGAIN



ADAM GRANT

#1 New York Times bestselling author of
ORIGINALS



8/22/2022



The Cigarettes named here have been checked and certified as by 100% pure, mild and non-irritating. Manufactured and Sold by

20,679* Physicians

say **“LUCKIES**
are less irritating”

“It’s toasted”

Your Throat Protection against irritation against cough

WHITE

COLORED





George Bernard Shaw

- Progress is impossible without change and those who cannot change their minds cannot change anything.

CHANGE IS NOT EASY

- We prefer the ease of hanging on to old views over the difficulty of grappling with new ones
- Questioning ourselves makes the world more unpredictable
- It requires us to admit that the facts may have changed, that what was right may now be wrong
- **Reconsidering something we believe deeply can threaten our identities, making it feel as if we're losing part of ourselves**



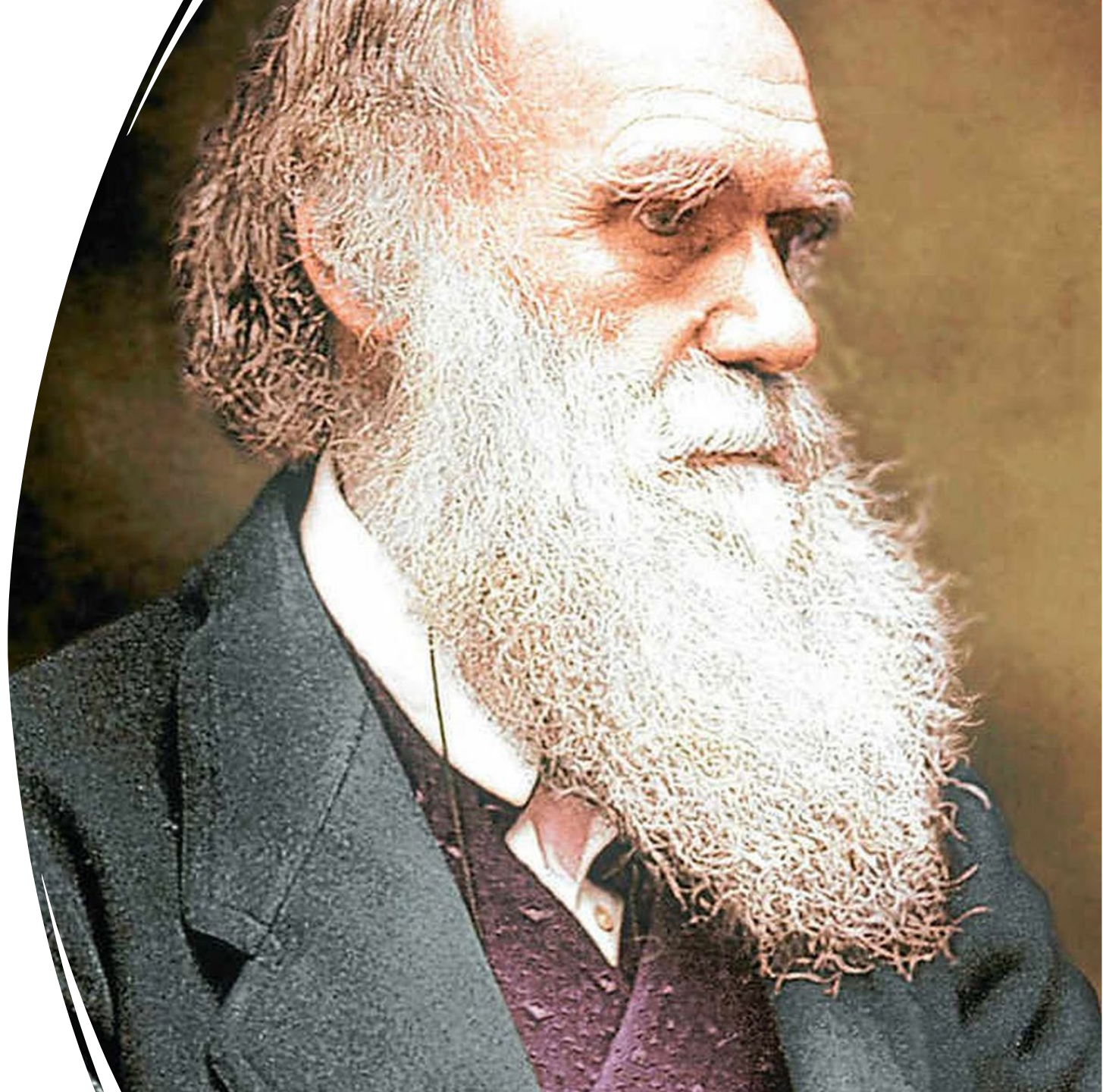
Mike Lazaridis

- In the summer of 2009, accounted for nearly half of US smartphone market
- By 2014, its market share had plummeted to less than 1%

Charles Darwin

- Ignorance more frequently begets confidence than does knowledge

8/22/2022



THE SMARTER THEY ARE, THE HARDER THEY FAIL

- Mental horsepower doesn't guarantee mental dexterity
- If you lack the motivation to change your mind, you'll miss the occasions to think again
- Recent experiments suggest that the smarter you are, the more you might struggle to update your beliefs

KNOWLEDGE TEST

- Why English became the official language of the United States
- Why women were burned at the stake in Salem
- What job Walt Disney had before he drew Mickey Mouse
- On which spaceflight humans first laid eyes on the Great Wall of China
- Why eating candy affects how children behave

BLINDED BY BIAS

- Confirmation Bias
- Desirability Bias

GOING INTO FORECLOSURE

- When a plan isn't going as we hoped we tend to double down and sink more resources in the plan.
- Escalation of commitment happens because we're constantly searching for self-justification for our prior beliefs as a way to soothe our egos, shield our images, and validate our past decisions
- There's a fine line between heroic persistence and foolish stubbornness

THE JOY OF BEING WRONG

- The goal is not to be wrong more often
- When a core belief is questioned, we tend to shut down rather than open up
- Technical term in psychology is totalitarian ego



Ray Dalio

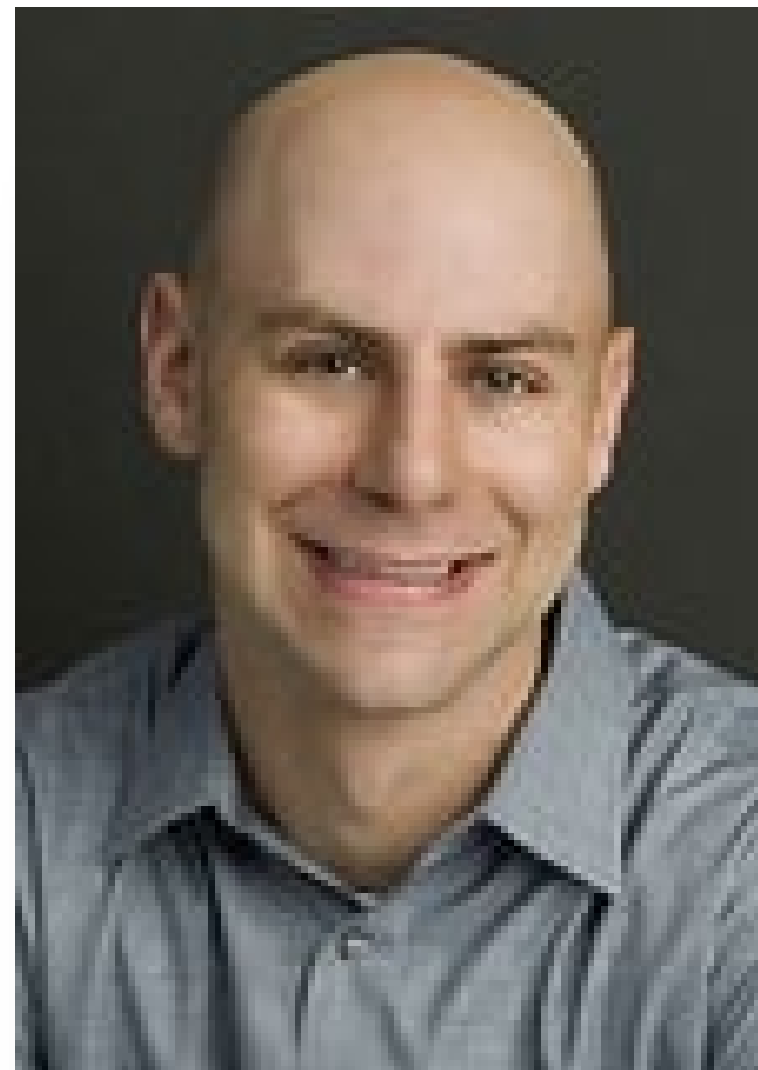
- If you don't look back at yourself and think "Wow, how stupid I was a year ago," then you must not have learned much in the last year.

DETACHMENT HELPS US CHANGE

- Detach your present from your past
- Separate your opinions from your identity

Adam Grant

- Who you are should be a question of what you value, not what you believe



IN SUMMARY

- Adam Grant concludes with this:
 - It takes humility to reconsider our past commitments, doubt to question our present decisions, and curiosity to reimagine our future plans
 - Rethinking liberates us to do more than update our knowledge and opinions—it's a tool for leading a more fulfilling life

NC RULE CHANGES

Effective
January 1,
2022



NONE

SOME THINGS THE BOARD HAS BEEN THINKING ABOUT

- Succession Planning
- CPA Evolution
- Firm Names

SUCCESSION PLANNING

- Directly impacts over 20% on NC CPAs
- Issue includes those doing taxes “on the side”
- Professional ethics issues concerning confidentiality
- General ethics issue of doing the right thing
- NCACPA and State Board created Task Force to study issue
- Rule drafted but tabled—Not yet reached regulatory state
- NCACPA has undertaken educational effort
- SWAT team formed to respond to needs as they arise

5 GUIDING PRINCIPLES OF CPA EVOLUTION

1. Must adapt quickly due to technological disruption
2. Profession and State Boards recognize that technological and analytical expertise are essential to performing work
3. Profession and Boards acknowledge that sustaining the profession (and public protection) requires rethinking licensure
4. Profession must be redesigned to attract people with technological and analytical expertise
5. Changes must be rapid, transformational, and substantive without negative impact to those in pipeline



= CPA

WHAT'S IMPACT ON NC RULES?

- Maybe not much
 - Current rule on education is bachelor's degree with concentration in accounting
 - Definition is generalized
 - No mention in current rules of "data analytics"
 - Board may decide to be more prescriptive
 - Board & NCACPA have created an educator task force
 - Many details to be worked out by all concerned parties

FIRM NAMES

- Board's decision to address this was before formation of FORVIS
- Current NC rules are more restrictive than some other jurisdictions
- Impact of current rule is on not only names but titles such as "& Co."
- There is provision for out-of-state firms to use their name if they don't have an office here
- Otherwise pretty much limited to names of partners or networks and the initials or acronyms derived therefrom

Code of Professional Conduct



Loans, Acquisitions, and Other Transactions

- Clarify the definition of "beneficially owned"
- Clarify an exemption that allows a covered member to have a loan with an individual associated with an affiliate of a financial statement attest client;
- Expand the situations in which an acquisition or other transaction creates a new affiliate relationship
- Clarify the types of individuals associated with an attest client whose loan with a covered member impairs independence;
- Expand the types of personal loans with a financial institution attest client that are permissible or may be grandfathered to include certain student and consumer loans; and
- Clarify that covered members should consider the materiality of financial interests *and* loans held by immediate family in the aggregate when evaluating independence.

Assisting Attest Clients With Implementing Accounting Standards

- If the member complies with the *General Requirements for Performing Nonattest Services* interpretation, certain types of services would be permissible, for example:
 - developing and providing training to attest client personnel on the effects of the accounting standard;
 - assisting management in drafting implementation strategies or methods used to implement the accounting standard; and
 - providing recommendations related to existing or new information technology systems.
- Examples of services that would impair independence because they create threats to independence that would *not* be at an acceptable level and could *not* be reduced by using safeguards. A few of those examples are:
 - leading or supervising an implementation project team at the attest client;
 - making decisions on how to implement the accounting standard; and
 - setting policy or procedures related to the accounting standard.

Unpaid Fees

- When fees are *both* significant to the covered member *and* relate to professional services the covered member provided more than one year ago, threats are not at an acceptable level and would impair independence.
- Other situations require the member to apply judgment and provides:

factors to consider when evaluating whether unpaid fees create threats to independence that are at an acceptable level (e.g., significance of fees, and length of time they have been outstanding); and

examples of possible safeguards to eliminate threats to independence or reduce threats to an acceptable level (e.g., an appropriate reviewer reviews the attest work prior to issuance, or the attest client agrees to a payment schedule prior to issuance of the attest report).

Responding to Noncompliance With Laws and Regulations

- **Members in public practice**
 - When the member provides **audit or review services** to a client, the requirements are as follows:
 - 1. Upon becoming aware of credible information concerning an instance of NOCLAR (or suspected NOCLAR), the member should obtain an understanding of the matter.
 - 2. If the member identifies or suspects that NOCLAR has occurred or is likely to occur, he or she should discuss the matter with the appropriate level of management. When appropriate, the member should also discuss the matter with those charged with governance (governance board). In these discussions, the member should advise the parties to take appropriate and timely action.
 - 3. Later, the member should evaluate the appropriateness of management's response to the NOCLAR.
 - 4. The member should consider whether to withdraw from the engagement (if possible, under law or regulation), particularly if the client's management and/or governance board fail to respond appropriately to the NOCLAR.
 - 5. The member should document relevant details about the NOCLAR as described in the interpretation.

Responding to Noncompliance With Laws and Regulations

- **Members in public practice (not providing financial statement audits or reviews)**
- 1. Upon becoming aware of credible information concerning an instance of NOCLAR (or suspected NOCLAR), other members in public practice should obtain an understanding of the matter.
- 2. If the member identifies or suspects that NOCLAR has occurred or is likely to occur, he or she should discuss the matter with the appropriate level of management. When appropriate and if the member has access, the member should also discuss the matter with those charged with governance (governance board). In these discussions the member should advise the parties to take appropriate and timely action.
- 3. The member should communicate the NOCLAR to the client's auditor, if within the same firm and consider whether to do so if the auditor is in the same network as the member. Otherwise, the interpretation precludes the member from disclosing the NOCLAR to the client's external auditor.
- 4. The member is encouraged to document the relevant details of the matter as described in the interpretation.

Responding to Noncompliance With Laws and Regulations

- **Members in business who are in senior roles**
- 1. Upon becoming aware of credible information concerning an instance of NOCLAR (or suspected NOCLAR), the member should obtain an understanding of the matter.
- 2. If the member identifies or suspects that NOCLAR has occurred or is likely to occur, he or she should discuss the matter with his or her immediate supervisor, if any, to enable the supervisor to address the NOCLAR. If the supervisor was involved with the NOCLAR, the member should discuss the matter with the next higher level of authority.
- 3. The member should also discuss the matter with those charged with governance (governance board) regarding appropriate actions to take in response to the NOCLAR.
- 4. The member should determine whether disclosure to the organization's auditor, if any, is appropriate and necessary.
- 5. The member should evaluate the appropriateness of management's and the governance board's response to the NOCLAR.
- 6. The member should determine whether to act further in the public interest (e.g., resign from the organization, inform the organization's parent company about the NOCLAR, or report the NOCLAR to an appropriate authority, if permitted by law and regulation).
- 7. The member is encouraged to document relevant details about the NOCLAR as described in the interpretation.

Responding to Noncompliance With Laws and Regulations

- **Members in business who are in non-senior roles**
- 1. Upon becoming aware of credible information concerning an instance of NOCLAR (or suspected NOCLAR), a member who does not serve in a senior role in an organization should obtain an understanding of the matter.
- 2. If the member identifies or suspects that NOCLAR has occurred or is likely to occur, he or she should discuss the matter with his or her immediate supervisor, if any, to determine how to address the NOCLAR. If the supervisor was involved with the NOCLAR, the member should discuss the matter with the next higher level of authority.
- 3. The member should determine whether disclosure to the organization's auditor, if any, is appropriate and necessary.
- 4. Further action by the member may include reporting the NOCLAR to an appropriate authority, if permitted by law and regulation.
- 5. The member is encouraged to document relevant details about the NOCLAR as described in the interpretation.

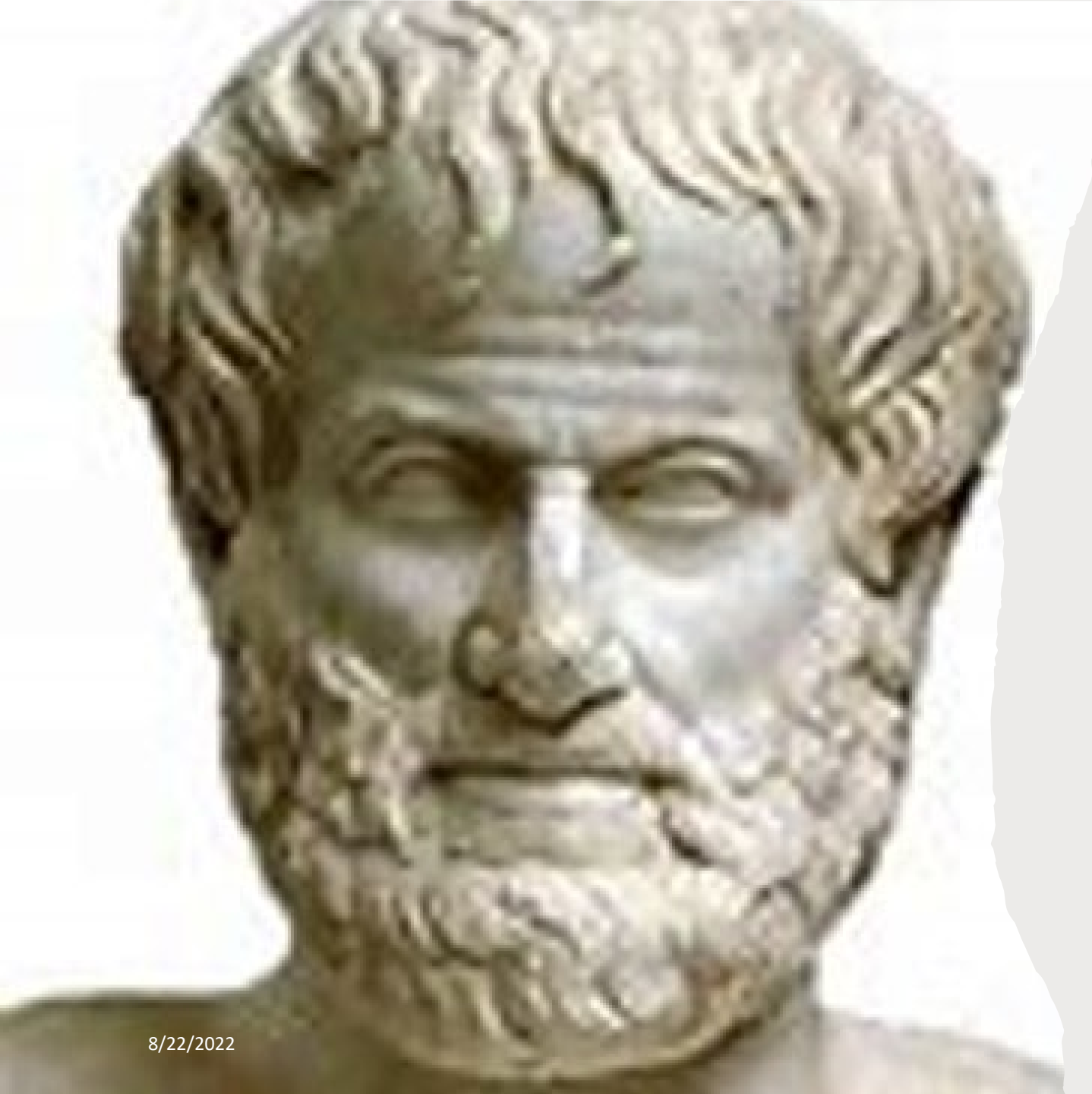
WHAT DO NC RULES SAY?

- **21 NCAC 08N .0205**
- (a) Nondisclosure. A CPA shall not disclose any confidential information obtained in the course of employment or a professional engagement except with the consent of the employer or client.

BUT THEN...

- (b) Exceptions. This Rule shall not be construed:

(6) to affect a CPA's disclosure of confidential information to state or federal authorities when the CPA concludes in good faith based upon professional judgment that a crime is being or is likely to be committed; or



A RHETORICAL QUESTION

How is
knowing and
doing nothing
different from
saying it's OK?

The Oath Of A North Carolina CPA

CPA

I Will Support the Laws And Regulations of the State of North Carolina

CPA

I Will Perform My Professional Duties to the Best of My Ability and Abide by The Rules Of Professional Conduct; and

CPA

I Will Uphold the Honor and Dignity of the Accounting Profession by Serving with Integrity, Objectivity, and Competence.

Thank You