

ETHICS

FREQUENTLY ASKED QUESTIONS



MAY 2024

APSCA MEMBER FIRM CLINIC – ETHICS SESSION

This document aims to consolidate all questions asked throughout the Member Firm Clinics in March 2024.

Please note, for enhanced clarity and readability, minor grammatical adjustments have been made.

This document should be read in conjunction with the APSCA Code and Standards of Professional Conduct, the Disciplinary Framework and Procedures, and all other APSCA policies.

INVESTIGATIONS

Q1: Can you provide more information regarding the scope of investigations when it's not related to a social compliance audit?

Investigations are conducted based on the parameters of APSCA's Disciplinary Framework and the Code and Standards of Professional Conduct (the Code). While APSCA primarily focuses on conduct within the social compliance industry, Members are expected to uphold high ethical standards in all aspects of their professional conduct. Any instances of unethical, illegal, or egregious misconduct by Members may be subject to investigation, regardless of whether the conduct is directly associated with a social compliance audit.

Q2: How does APSCA expect Firms to manage subcontractors vs. employees regarding investigations?

From an Ethics and Compliance perspective, APSCA maintains an equitable approach regardless of whether individuals are subcontractors or employees. While APSCA acknowledges the differences and potential challenges Member Firms may face when disciplining subcontractors compared to employees, the expectation remains consistent: any ethical misconduct must be promptly investigated and reported to APSCA. It is worth highlighting the need for Member Firms to report instances even if an Auditor resigns while under investigation or if their services as a subcontractor are no longer utilized by the Firm. This enables APSCA to conduct an independent investigation if necessary and/or track the systemic misconduct of Auditors when moving from Firm to Firm.

Q3: What if we don't have any documented evidence, and we have been made aware of an instance where bribery has occurred, but the Auditor denies it? How can we share the report?

Based on Membership requirements outlined in the Code, the incident must be reported to APSCA's Ethics Team. If there is not ample evidence to support the incident moving through APSCA's full disciplinary process, APSCA endeavors to proceed with full review and tracking of all reported unethical behaviors. Cases without evidence are likely to result in non-disciplinary Letters of Expectation to remind Members of their responsibilities with APSCA and encourage improvement by providing transparency related to the perception of their reported actions.

Q4: Are all allegations referred to the Member Firm for investigation according to APSCA policies?

In line with APSCA's Disciplinary Framework, allegations concerning ethics and integrity reported by Member Auditors are typically directed to the respective Member Firm for investigation. The APSCA Ethics Team performs a thorough risk assessment prior to referring an investigation to any party. If there are concerns related to impartiality, conflict of interest, or any other factors that may compromise the management of the investigation, the Ethics Team may conduct an independent investigation.

Q5: What is the timeframe within which we should report an ethics issue?

We recommend that you notify the APSCA Ethics Team regarding the issue as soon as you are aware of it. Member Firms have 45 days from the time of disassociation to send a Disciplinary Action Form and Investigation report.

Q6: Could the APSCA Team provide some samples for those scenarios mentioned in the presentation?

As a result of feedback from the Member Firm Clinic, the APSCA Ethics Team is now developing a comprehensive resource for scenarios and examples of how to manage investigations surrounding specific scenarios. Keep an eye out for more information about this document available soon!

Q7: There are different understandings of ethics among auditing companies. What kind of cases should be reported to APSCA?

Please refer to the [Disciplinary Framework](#) and [APSCA Code and Standards of Professional Conduct](#) for [specific guidance or reach](#) out to the Ethics Team for clarification.

Q8: Should the Firm communicate to you if they detect unethical behavior by a Social Compliance Auditor conducting a non-social compliance audit?

If a violation of APSCA's Code and Standards of Professional Conduct occurs, there is always an obligation to report the concern.

Q9: If the Auditor does not leave the company, should we report to APSCA once the investigation is completed?

The outcome of any ethics investigation that addresses potential APSCA Code violations must be reported to APSCA, regardless of the status of the employee's dismissal or continued engagement with the Firm. The report should be provided to APSCA upon conclusion, having been completed promptly.

Q10: What are examples of "Other" allegations reported, that are not about Member Firms or Member Auditors?

In addition to reports provided to APSCA regarding Member misconduct, we also receive reported ethical concerns about clients/brands, collaborative programs, and other non-members. These allegations are considered 'out of scope' to APSCA, however, we may provide assistance to support investigations if they align with APSCA's mission.

Q11: What happens if we receive allegations against third parties that are not Member Firms or Auditors, for example, consultants or intermediaries? What are APSCA's expectations?

Continue to report those issues to APSCA, as the issue may be triangulated with other investigations. Further to this, knowledge of these concerns aids APSCA's ability to track emerging trends and systemic issues.

Q12: In some cases, employees will have more rights than contingent workers, so there are some inherent differences in the way the investigations must be conducted.

From APSCA's perspective, all Member Auditors have the same requirements and are investigated using the same methodology, regardless of employment status, as mentioned above.

Q13: How does APSCA resolve the inherent conflict of interest where Member Firms are disciplining competitor Firms or their Auditors?

APSCA's Disciplinary Board positions are filled according to the Disciplinary Framework and Procedure process. Members are required to recuse themselves from cases where they may have a relationship or specific case knowledge beyond the case summary provided by the Ethics Team. Additionally, Auditor names and Firm names are anonymized fully in the case reports provided to the Disciplinary Board for Member Auditors (DBMA) and the Disciplinary Review Committee for Member Auditors (DRMCA). The DBMA and DRCMA members are a mixture of independent members, stakeholder/brand representatives, Auditors, and Firm representatives. The Disciplinary Board for Member Firms (DBMF) is comprised only of independent members.

Q14: We understand that APSCA works with Schemes when conducting investigations, APSCA being the one that leads the investigation process. Once APSCA closes the case, does it mean that the Scheme investigation is also closed? Is it the same process/ investigation?

APSCA does not influence nor dictate how collaborative parties conduct their investigations. The disciplinary outcome from a collaborative program has different implications than APSCA's sanction, so while information may be shared, investigation outcomes may not always align in both timeframe and action.

Q15: How is APSCA equipped to handle Collaborative Programs or companies pressuring Firms to lower the severity of on-conformances? What's the mechanism in place to address these issues?

As with any unethical behavior within the social compliance industry, APSCA does not endorse the lowering of standards, the minimization of audit findings, or reporting anything other than the true and accurate facts gathered during a social compliance service. The Ethics Team consistently works with Collaborative Programs in a Working Group designed to advocate for the highest standards within the profession. If any APSCA Member encounters pressure or encouragement to manipulate findings, we encourage them to report such incidents directly to ethics@theapsca.org.

Q16: Has APSCA conducted any risk assessment that can identify markets/ regions/ countries that are high risk from an ethics and corruption point of view?

APSCA tracks statistics of reported concerns and emerging issues which allow us to understand apparent regional risks, but realistically, ethics and integrity issues are likely to occur in every region. Focusing on specific regions may create conditions that allow for self-blinding.

Q17: How many of the 2024 cases were reported to APSCA by Members?

In Quarter 1 of 2024, 36% of cases were reported to APSCA by Member Firms or Member Auditors.

Q18: What is the best way to handle the following scenario: After arriving on-site for an audit, the Auditor discovers that the auditee is a very good friend of theirs whom they have not seen for a very long period. Does APSCA consider this a conflict of interest, and is there any recommendation on how to avoid that?

This is a perceived conflict of interest and may also be an actual conflict of interest if the audit facility or client attempts to leverage the relationship to affect the outcome of the audit. Member Firms should maintain best practices and implement pathways for recusal and consistent reporting of issues that arise immediately to the Firm. It is essential for Auditors not to be left in a challenging position due to a lack of clarity regarding the specific steps expected in such circumstances and therefore should be outlined in the Firm's training.

QUARTERLY REPORTING AND NON-COMPLIANCE

Q19: Currently, we have not received any accreditations for audits. So, we cannot report any non-compliance. Will this go against us? (Question asked by a new Member Firm)

No, it will not go against you. As a new Member Firm, it's understandable that you may not have received accreditation for audits yet. Reporting true and accurate performance data is each Member Firm's responsibility in Quarterly Reports. Failure to report non-compliance can result in action taken by APSCA, however truthfully reporting zero non-compliant audits for the quarter will not reflect negatively on your Firm. In the meantime, new Firms can contribute to ethical conduct and compliance by adhering to APSCA's Code and actively engaging with APSCA resources and guidelines.

Q20: Why do you consider low ethics reporting to be a 'red flag'? Many Firms have been around for a long time and are subject to other integrity programs apart from APSCA, and things do also go right sometimes.

Red flags of this nature alert APSCA to potential non-compliance, but also may indicate excellent performance and lack of any non-conformance issues. Member Firms can maintain transparency and proactively communicate when there are no issues to report.

INTERNAL AUDITS

Q21: When you refer to internal audits, is it specific to ethics and compliance only?

For the Ethics & Compliance session for APSCA's 2024 Member Firm Clinic, the focus is on reviewing all aspects of the procedure and documentation related to ethics and compliance issues.

Q22: What's APSCA's expectation on the Firm's internal audit frequency?

APSCA's recommendation is to work toward a quarterly review of the highest- risk areas of work and internal processes related to ethics and integrity issues to synchronize with APSCA's quarterly reporting requirements. However, the frequency of internal audits may vary based on the Firm's volume of social compliance audits and available resources dedicated to internal audit functions.

Q23: What should we be looking for when doing audits of financial transactions and expenditures? What would be the criteria?

APSCA's recommendation is to work toward a quarterly review of the highest- risk areas of work and internal processes related to ethics and integrity issues to synchronize with APSCA's quarterly reporting requirements. However, the frequency of internal audits may vary based on the Firm's volume of social compliance audits and available resources dedicated to internal audit functions.

Q24: APSCA requires annual witness audits, but ISO and other programs are every three years. Will there be an attempt to harmonize these?

APSCA's focus is strictly on social compliance auditing best practices and may not always align with other types of audits or standards.

CPD, TRAINING & ETHICS TOOLS

Q25: Will APSCA provide CPD-recognized ethics training in 2024?

In 2024, APSCA's Ethics Team continues to work hard with the CPD Team to ensure there are more CPD-recognized courses approved for ethics credit highlighted on the APSCA website.

Q26: Where can we find the background check tool?

The tool is available via Knack. If you wish to utilize this tool, please reach out to ethics@theapsca.org, and we will ensure your Firm is set up with the correct contact capabilities, and instructions on how both your Firm and the Auditors can use it.

Q27: The current background check form refers often to employment – is it possible to create a form for subcontractors?

APSCA's disciplinary background check and work history verification applies to all Member Auditors equally, whether subcontractors or fully employed.

Q28: The APSCA Auditor Handbook says that Auditors cannot communicate with or attempt to receive any help or assistance from others regarding the exam. How does this work with the mentoring program that was suggested?

Please refer to the Resource Library on the APSCA website for guidance on exam preparation. In terms of ethics mentorship and training, experienced Auditors are urged to exchange real-life examples and scenarios. Concerning mentorship in relation to exams, APSCA strictly prohibits the sharing of exam questions and answers. However, the recommended mentorship program encourages CSCAs to support and guide ASCA Auditors throughout the process, aiding in their preparation. For more information, please refer to the Exam Team.

Q29: Can you please provide a link to the new video about reporting ethics issues shown during the clinic?

The video is available on the Ethics page of the APSCA Website [Ethics & Integrity - APSCA \(theapsca.org\)](https://theapsca.org) and our YouTube channel [Reporting to APSCA's Ethics Team \(youtube.com\)](https://youtube.com).

If you would like more information or clarification around any answers in this document, please reach out to ethics@theapsca.org.