

# APSCA ETHICS & COMPLIANCE

## DISCIPLINARY PROCEDURE FOR MEMBER AUDITORS

### 1) Policy Statement & Scope

- a) **Policy Statement:** APSCA is committed to enhancing the professionalism of the social compliance industry. However, when performance or conduct does not meet APSCA's Code and Standards of Professional Conduct (Code), we believe in addressing these issues fairly and consistently in order to drive improvement and address "bad actors" found in the social compliance auditing profession. This Disciplinary Procedure outlines the steps APSCA will follow in such situations.
- b) **Scope:** This procedure applies to all APSCA Member Auditors.

### 2) Disciplinary Procedures

- a) **Informal Stage:** For minor issues or complaints dealt with informally through discussions between APSCA's Ethics Team, the Member Firm, and the Member Auditor.
- b) **Disciplinary Review Committee for Member Auditors Stage:** For non-systemic and/or less egregious violations of the APSCA Code.
- c) **Disciplinary Board for Member Auditors Stage:** For more serious, systemic, or repeated misconduct.

### 3) Informal Stage

Minor issues or complaints will be dealt with informally through discussions between APSCA's Ethics Team, and the Member Auditor. If required, the Ethics Team may include the relevant associated Member Firm(s) on any communication in this stage.

The Ethics Team may issue a Letter of Expectation, with minor corrective action(s) to be completed within an assigned period. Examples of corrective actions can include assigned training, and APSCA Code acknowledgement (where the Subject Auditor is required to review the Code, sign, and upload their acknowledgement).

Any action requested by APSCA's Ethics Team must be completed by the assigned deadline. Failure to complete the action may result in Administrative Suspension, or the case being escalated to the Disciplinary Review Committee. The Ethics Team will monitor the activity and maintain proper recordkeeping to capture Member Auditor activity while under Administrative Suspension. The Suspension will be recorded in the Member Auditor profile and disseminated appropriately to associated Member Firms and APSCA Staff.

#### 4) Disciplinary Review Committee for Member Auditors

##### a) Review Committee Structure

- i) The Disciplinary Review Committee for Member Auditors (Committee) will consist of a pool consisting of a minimum of four reviewers and a Committee Chair. There must be a minimum of two independent reviewers within the Committee pool.
- ii) The Ethics Team will assign two reviewers, to review and decide on a case. The Committee Chair will also be responsible for reviewing all case materials but will only vote if the reviewers cannot reach unanimous agreement.
- iii) The Ethics Team will assign reviewers based on capacity and availability. The Ethics Team will also conduct a conflict-of-interest check, to ensure all Reviewers are able to remain impartial.
- iv) A minimum of one person in the Review Team assigned, must hold an independent seat.
- v) The collective Membership of the Committee must not consist of two representatives from any single organization or entity.
- vi) All Committee members must be appointed and/or approved by the Executive Board.

##### b) Disciplinary Review Committee Procedure

A case summary report is prepared by the Ethics Team and allocated to the Review Committee or Disciplinary Board. Note, Member Auditors and Member Firms will have no influence in the desired allocation. If required, the Ethics Team will confer with the Board Chair's or outside council to ensure correct allocations. If allocated to the Review Committee, the following steps will be taken.

- i. Prior to the Ethics Team allocating the case to Members of the Disciplinary Review Committee, the Committee Chair will receive case documentation and ensure that the Ethics Team has assigned the case to the appropriate disciplinary path.
- ii. Two Members of the Committee are assigned by the Ethics Team to conduct the disciplinary review of the case. The Committee Members selected are subject to a conflict of interest and potential bias check (conducted by the Ethics Team), prior to being assigned to conduct the disciplinary review.
- iii. If any potential conflict of interest or potential bias based on work history or direct knowledge of the case or participants is either determined by the Ethics Team or declared by Committee Member(s) in relation to a specific case, they are required to recuse themselves from participating in that review.

- iv. The allocation to the Review Team is communicated to the Subject Auditor. The Auditor will receive information regarding the process, potential outcomes, and timeline expectations; however, the names of the specific reviewers are not shared. The Subject Auditor is able to submit a written Auditor Response Statement (ARS) to be reviewed with the Case Report.
- v. The Review Team is given 10 business days to review the assigned case independently and provide comments, via a templated form.
- vi. If any member of the Review Team or Committee Chair request to discuss the case, a virtual meeting may be held. If a meeting is required for discussion, a Member of APSCA's Ethics Team must be present to properly document and witness the discussion.
- vii. The Committee Chair facilitates case decision making, with due regard to Review Team comments, and communicates the decision to the Ethics Team within 10 business days.
- viii. Potential sanctions are defined in Section 7 Actions and Sanctions below.
- ix. The Ethics Team action the decision and alert the Member Auditor via an Outcome Letter. It should be noted that the Ethics Team plays no role in the decision-making process.
- x. The Ethics Team will also record any sanctions to the Auditors profile including assigning any mandatory training, or Examination re-sits. In the case of time-dependent sanctions such as suspensions, the Ethics Team will update the Auditor's status and advise necessary parties at time of sanction expiration.

### c) Appealing the decision of the Review Committee

- i. The Auditor has the right to have the decision and/or sanction reviewed. To do so, the Auditor must request a Committee Appeal Application from the Ethics Team.
- ii. The Auditor has 10 business days to submit the application from the date they receive the Outcome Letter. Note, no new evidence can be submitted at this stage. All evidence and case related information provided by the Auditor must be provided in the Auditor Response Statement (ARS) prior to case review outlined in **Review Committee Procedure**.
- iii. The Ethics Team will assign a Member from the Disciplinary Board for Member Auditors to review the case and outcome decision, subject to a conflict-of-interest check.
- iv. The Disciplinary Board Member will review all materials submitted to the Review Committee, the Outcome Letter, and the Appeals Application. If required, a statement from the Committee Chair may be included in the materials to provide an explanation for the decision and sanction.

- v. The Member of the Disciplinary Board will decide to uphold, decline, or adjust the decision and/or sanction.
- vi. The Ethics Team will communicate the final decision to the Auditor. Once the Appeal review is finalised, the case cannot be Appealed further.

## 5) Disciplinary Board for Member Auditors

### a) Disciplinary Board for Member Auditors Structure

- i. Membership of the DBMA shall consist of five representatives, one of which shall be the Chair, as follows:
  - o Two independent members with a legal, ethics or other relevant background, one of whom shall be the Chair.
  - o One representative of the Stakeholder Board.
  - o Two Member Firm representatives.
- ii. The independent members of the DBMA and the Member Firm representatives shall be appointed by the Executive Board.
- iii. The representative from the Stakeholder Board shall be nominated by the Stakeholder Board and ratified by the Executive Board.
- iv. The Executive Board shall designate one of the two independent members to serve as Chair of the DBMA.
- v. DBMA members shall be appointed for a term of one-year. They may be reappointed for additional terms of one-year each.
- vi. In the event of a vacancy on the DBMA, the Executive Board shall appoint a new representative for the category, who shall serve for the remainder of the term.

### b) Disciplinary Board for Member Auditors Procedure

A case summary report is prepared by the Ethics Team and allocated to Review Committee or Disciplinary Board. Note, Member Auditors and Member Firms will have no influence in the desired allocation. If required, the Ethics Team will confer with the Board Chair or outside council to ensure correct allocations. If allocated to the Disciplinary Board for Member Auditors, the following steps will be taken.

- i) A Case Report is prepared by the Ethics Team and distributed to Board Members 7 days prior to the scheduled meeting.
- ii) The Auditor is notified prior to the meeting that the case is being heard by the Disciplinary Board for Member Auditors. The notification will also invite the Auditor to participate in the call if they wish to present their perspective on the events that occurred and answer any questions the Board Member's may have. All Auditors are given the option to request a translator, organised by the Ethics Team.
- iii) The Ethics Team presents each case to the Board Members and then facilitates the entry of the Auditor and Translators (when necessary) into the meeting.

- iv) The Board Chair welcomes the Auditor and invites them to make a short statement with any additional information to the Board. After the Auditor has presented the information to the Board, Board Members have the opportunity to ask for clarification or additional information. The Auditor then exits the meeting, and the Board will discuss the case and decide if the allegation is substantiated, and if so, apply a sanction. The Ethics Team will send the Auditor an Outcome Letter, and copy any associated parties, if required, within 7 business days of the meeting.
- v) The Ethics Team will also record any sanctions to the Auditors profile including assigning any mandatory training, or Examination re-sits. In the case of time-dependent sanctions such as suspensions, the Ethics Team will update the Auditor's status and advise necessary parties at time of sanction expiration.

Note, the Disciplinary Board for Member Auditors is convened on an ad hoc basis. The meetings are held virtually, typically for two hours.

## 6) Appealing the decision of Disciplinary Board for Member Auditors

### a) Appeals Board Structure

- i. Membership of the Appeals Board shall consist of a Chair and to other members, as follows:
  - o The Chair of the Executive Board shall be the Chair.
  - o The Executive Board shall appoint two Stakeholder Board representatives who serve on the Executive Board, provided that if there are not two representatives in this category available to become members of the Appeals Board, the Executive Board may appoint any representative of the Stakeholder Board.
- ii. No member may serve as a voting member on both the DBMA and the Appeals Board.
- iii. In the event of a vacancy in the Stakeholder Board representatives, the Executive Board, in consultation with the Stakeholder Board, shall appoint a new representative who shall serve for the remainder of the term.

### b) Appeals Board Operation

- i. Any Member Auditor subject to discipline by the DBMA shall have the right to submit a written petition for appeal to the Appeals Board. Upon request the Subject Auditor will be issued an Appeals Application Form. The Form must be submitted within 30 days of the Outcome Letter being sent to the Member Auditor.
- ii. The Appeals Application submitted by the Auditor shall contain no new evidence related to the case. The Appeals Application only addresses the review of the DBMA proceedings and any arguments that the Auditor may wish to raise in relation to the process or findings of the DBMA members, related directly to the case. If preceding case outcomes are cited by the Auditor, it is important to consider that details of each case are unique.

- iii. Applications for appeal shall specify the party filing the appeal, the DBMA decision, and shall clearly state the grounds on which review of the decision is being sought. The contents of the appeal shall be limited to the evidence submitted to the DBMA.
- iv. The Ethics Team shall prepare an agenda for Appeals Board meetings. The agenda shall include the description of the case prepared for the DBMA review, the decision of the DBMA, and any materials provided by the Member Auditor to support the appeal, including their Appeals Application, which may be redacted to anonymize names, dates, and specific locations mentioned in forms.
- v. To the extent possible, the Director of Code and Compliance shall present all matters to the Appeals Board in an anonymous format, without disclosing the name of the Member Auditors or any Member Firms involved.

### **c) Appeals Board Procedure**

- i. The Appeals Board shall meet at the call of the Chair.
- ii. The Director of Code and Compliance and the Chair of the DBMA may attend the Appeals Board meeting but shall not have voting rights.
- iii. The Director of Code and Compliance shall keep records of decisions reached at all meetings of the Appeals Board.
- iv. Attendance at Appeals Board meetings may be in person, by video, or by conference call. Auditors are not invited to attend the call for Appeals Board meetings.
- v. The Chair and one other voting member shall constitute a quorum of the Appeals Board.
- vi. No decision of the DBMA shall be overturned without the votes of at least two voting members of the Appeals Board.
- viii. The decision of the Appeals Board is final and cannot be appealed further.

## **7) Actions and Sanction**

### **a) Letter of Expectation**

- i. A Letter of Expectation is an official communication issued by the APSCA Ethics Team to Member Auditors in response to a received complaint or concern regarding ethical conduct or compliance. It informs the recipient of the complaint, explains the actions required to close the case at the present time, and may request specific actions, such as a review and re-signing of the Code of Conduct, while also serving as a reminder of the importance of Continuing Professional Development (CPD) training. See Letter of Expectation Policy for more information.

**b) Written Warning**

- i. A Written Warning to the Member Auditor found to have violated the Code.
- ii. Unless otherwise specified by the Board or Committee, a Written Warning will remain in a Member Auditor's APSCA file for two years, and then be removed.
- iii. Unless otherwise specified, a Written Warning will be accessible to Member Firms through disciplinary record checks, as per the Disciplinary Records Policy.

**c) Required CSCA Exam Resit & Level Change**

- i. The Member Auditor's Level will be moved to ASCA, and they will be required to re-sit any or all exams specified by APSCA and will do so on Pathway 4.
- ii. Any Member Auditor who is moved to ASCA is required to abide by the APSCA Code and must have a CSCA present when conducting any social compliance audit or service. Failure to comply with APSCA's Code during this time, may see the case escalated to the Disciplinary Board for Member Auditors.

**d) Required Level Change with Member Firm Monitoring**

- i. The Subject Auditor's Level will be changed from CSCA to ASCA, for a period determined appropriate by the Disciplinary Committee or Board.
  - a) The Subject Auditor will be accompanied by an APSCA CSCA Member in Good Standing for all Social Compliance Activity conducted during the prescribed period.
  - b) ASCA Level Auditors are unable to Lead any Social Compliance Audit in accordance with the Code.
- ii. The DBMA can assign a sanctioned Level Change for up to one year.
- iii. The Review Committee can assign a sanctioned Level Change for up to 6 months.
- iv. The DBMA and Review Committee can request periodic quality and ethical performance monitoring be undertaken throughout the sanctioned period, by the Auditor's Associated Member Firm(s).
  - a) Where the Subject Auditor is associated with multiple Member Firms, the Ethics Team will determine and assign the Monitoring to the appropriate Firm(s).
  - b) The periodic monitoring frequency is to be determined by the Ethics Team and will require the Member Firm(s) to submit a Templated Auditor Monitoring Form to [ethics@theapsca.org](mailto:ethics@theapsca.org).
  - c) Failure of Member Firm(s) to meet the reporting requirements and failure to comply with limiting Auditor use to ASCA functions may result in disciplinary action against the Member Firm(s).



- v. Once the sanctioned period is completed, and the Ethics Team is satisfied with the performance review, the Subject Auditor will be moved back to CSCA. If the Ethics Team are not satisfied with the performance of the sanctioned Auditor, they reserve the right to escalate the case to the DBMA, which could result in an extension of the sanction or additional disciplinary action, up to and including Revocation of APSCA Membership credentials.

**e) Required Ethics Training**

- i. Required Training can be prescribed to the Member Auditor found to be in violation of the Code, or a party to a violation of the Code.
- ii. Training prescribed by disciplinary action will be in addition to the required CPD training hours.
- iii. Auditors will be expected to source their own Ethics Training and must have it approved by APSCA Ethics Team.
- iv. External training, not already experienced by the Member Auditor is to be assigned, rather than internal training conducted by the Auditor's affiliated Member Firm.

**f) Suspension**

- i. The Disciplinary Review Committee can suspend a Member Auditor's Membership for up to 3 months, and can include other sanctions, including c) and d) above. The Review Committee can only extend the suspension to include 6 months total, where the Member Auditor has not been responsive and/or cooperative during an APSCA's investigation. This means that the maximum penalty that can be added for lack of cooperation in the APSCA Ethics investigation or disciplinary case review is 3 additional months to sanction for violation.
- ii. The Disciplinary Board for Member Auditors can suspend a Member Auditor's Membership for a period up to and including two years.
- iii. A Member Auditor who has been suspended may apply for reinstatement of Membership at the end of their suspension period. The Member Auditor will be required to review the APSCA Code, sign and upload their re-acknowledgement of Code to APSCA's system. The Auditor may also be assigned additional requirements for reinstatement of membership, as specified by APSCA Disciplinary Review Committee or Disciplinary Board Members.
- iv. In general, a Member Auditor is not able to sit regularly scheduled Exams throughout the Suspension period.
- v. The Board and Committee reserves the right to require the suspended Member Auditor to re-sit specified APSCA Exams. If so, the Member Auditor can sit any required Re-Sit Exam's during the suspension period.



- vi. A Member Auditor who has been suspended is unable to conduct any social compliance audit or services using their APSCA Member Number during the entire period of their suspension.
- vii. Failure to comply with the rules of suspension, may result in additional disciplinary action, up to and including Revocation of APSCA Membership credentials. Member Firms found to be using the services of a Suspended Auditor for any Social Compliance Audit, may also be subject to Disciplinary action.

**g) Revocation**

- i. An Auditor whose APSCA Membership has been revoked is not able to conduct any Social Compliance Audit or audit services using their APSCA Member Number or in association with an APSCA Member Firm.
- ii. There is currently no reapplication process for a Member Auditor whose Membership has been revoked.

**8) Questions and Concerns** regarding PILOT PROGRAM Procedure can be submitted to the APSCA Ethics Team – [ethics@theapsca.org](mailto:ethics@theapsca.org).