

Ethics

Introduction

- The law regulates some aspects of auditing to a degree
- Company law regulates the requirement for external auditing BUT
- Internal auditing is not normally subject to statutory regulation.

Who has to comply?

- All accountants who are members of a professional body such as ICAP are required to comply with the regulations of that professional body.
- Such professional regulations therefore apply to
 - both external auditors & assurance providers
 - & internal auditors.
- The code also applies to the staff of an ICAP practice, regardless of whether they are members of ICAP, or any other professional body
- ICAP's ethical guide is known as the Code of Ethics for Chartered Accountants.

The fundamental principles

1. Integrity

- Members should be
 - straightforward &
 - honestIn all professional & business relationships.
- Integrity implies not just honesty but also:
 - fair dealing &
 - Truthfulness.

A chartered accountant should not be associated with

- reports,
- returns,
- communications or
- other information

Where they believe that the information:

- Contains a materially false or misleading statements;
- Contains statements or information furnished recklessly; or
- Omits or obscures information required to be included where such omission or obscurity would be misleading.

2. Objectivity

Members should not allow

- bias,
- conflicts of interest or
- undue influence

Of others to override their professional or business judgments.

The chartered accountant should not, however, use or disclose any confidential information either acquired or received as a result of a professional or business relationship.

Recognized exceptions to the duty of confidentiality

There are some recognized exceptions to the duty of confidentiality.

Where one of these exceptions applies, the member

- may be required to disclose the information to a third party,
- or may voluntarily choose to disclose confidential information.

> The following are circumstances where chartered accountants

> are or may be required to disclose confidential information or

> when such disclosure may be appropriate:

- Disclosure is permitted [*may or may not give*] by law and is authorized by the client or the employer e.g. sharing client information (with their permission) with the Stock Exchange ahead of a proposed listing
- Disclosure is required [*must give*] by law for e.g.:
 - Production of documents or other provision of evidence in the course of legal proceedings; or
 - Disclosure to the appropriate public authorities of infringements of the law that come to light e.g. when suspicion of money laundering exists
- There is a professional duty or right to disclose, when not prohibited by law:
 - To comply with the Quality Control Review (QCR) program of the Institute; [*yearly review by ICAP so ICAP team having access to confidential information*]
 - To respond to an inquiry or investigation by the Institute or the regulatory body; [*Directorate of investigation ICAP*]
 - To protect the professional interests of a chartered accountant in legal proceedings; or
 - To comply with technical standards and ethics requirements [*IESBA*]

Things to consider while disclosing [*only when option – NOT when required*]

In deciding whether to disclose confidential information, chartered accountants should consider the following:

1. Whether the interests of

- all parties,
- including third parties

whose interests may be affected,

could be harmed if the client or employer consents to the disclosure of information by the chartered accountant;

2. Whether all the relevant information is known and substantiated,

to the extent it is practicable;

when the situation involves

- unsubstantiated facts,
- incomplete information or
- unsubstantiated conclusions,

professional judgment should be used in determining the type of disclosure to be made, if any;