

36

PROFESSIONAL AND ETHICAL DUTY OF A CHARTERED ACCOUNTANT

(CNO – PED.020) What Are Ethics?

Dictionary Definition: Merriam-Webster defines ethic/ethics as moral principles. It encompasses a theory of moral values and principles governing conduct. It deals with good, bad, and moral duty and obligation.

Ethical Principles In Financial Reporting

ETHICAL PRINCIPLES IN FINANCIAL REPORTING are vital for integrity.

ICAI's Code of Ethics (2019): The "Code", developed by adopting provisions of International Federation of Accountants (IFAC) identifies principles relevant to accountants. This Code is applicable from 1st July, 2020.

Derived from IESBA Code: The Code has been derived from the International Ethics Standards Board for Accountants (IESBA) Code of Ethics, 2018 issued by IFAC.

Fundamental Principles: A. The Code of Ethics sets out fundamental principles for Chartered Accountants, reflecting recognition and responsibility of the profession. These establish the behavior standard for a Chartered Accountant.

Conceptual Framework: B. The Code provides a conceptual framework for Chartered Accountants to identify, evaluate, and address threats to compliance. It sets out requirements and material on topics to help apply this framework.

The Chartered Accountants Act, 1949

Member of ICAI: A person qualifying as a Chartered Accountant becomes the member on registration with the Institute of the Chartered Accountants of India.

Conduct Under CA Act, 1949: Every member has to carry on their professional and other conduct as per the Chartered Accountants Act, 1949.

Liability to Disciplinary Action: A member is liable to disciplinary action under Section 21 of the Chartered Accountants Act, if he is found guilty of any Professional or Other Misconduct.

What Is Professional Or Other Misconduct For A Chartered Accountant?

Section 22 of the Act: According to section 22 of the Act, the expression "professional or other misconduct" shall be deemed to include any act or omission provided in any of the Schedules (of the Act).

Professional Misconduct Defined: Professional misconduct is defined in Parts I, II, and III of the First Schedule; and Parts I and II of the Second Schedule. A member in the profession should conduct actions per these provisions. If a member is found guilty of acts or omissions in the respective parts of the Schedule, they are deemed guilty of professional misconduct.

Other Misconduct Defined: Other misconduct is defined in Part IV of the First Schedule and Part III of the Second Schedule.

Beyond Schedules: These provisions allow the Council to inquire into a member's misconduct, even if not arising from professional work. A chartered accountant must maintain the highest integrity standards, even in personal affairs. Deviations, even in non-professional work, can lead to disciplinary action.

Complying With the Code

Accountancy Profession's Responsibility

- Distinguishing mark: acceptance of responsibility to act in the public interest.
- Chartered Accountant's responsibility isn't solely for individual client or organization.
- The Code ensures Chartered Accountants act in the public interest.

Compliance with the Code

- Chartered Accountants must comply with the Code.

- Circumstances may arise where laws prevent full compliance.
- In these cases, the accountant complies with all other parts of the Code.

Principle of Professional Behaviour

- Chartered Accountants must comply with relevant laws.
- Awareness of differences in local regulations from the Code is essential.
- Comply with stricter provisions unless legally prohibited.

(CNO – PED.040) The Fundamental Principles

Integrity to be straightforward and honest in all professional and business relationships.

Objectivity not to compromise professional or business judgments because of bias, conflict of interest or undue influence of others.

Professional Competence and Due Care –

- (i) to attain and maintain professional knowledge and skill at the level required to ensure that a client or employing organization receives competent professional service.
- (ii) Act diligently and in accordance with applicable technical and professional standards and relevant legislation.

Confidentiality: to respect the confidentiality of information acquired as a result of professional and business relationships.

Professional Behaviour – To comply with relevant laws and regulations. Avoid any conduct that the Chartered Accountant knows or should know might discredit the profession.

Conflict within Fundamental Principles

Compliance with Principles: A Chartered Accountant shall comply with each of the fundamental principles.

Facing Conflicts: A Chartered Accountant might face a situation in which complying with one fundamental principle conflicts with complying with one or more other fundamental principles.

Consider Consulting: In such a situation, the accountant might consider consulting, with: Others within the firm or employing organization, those charged with governance, Institute, Legal counsel.

However, such consultation does not relieve the accountant from the responsibility to exercise professional judgment to resolve the conflict.

Possible Disassociation: Or, if necessary, and unless prohibited by law or regulation, disassociate from the matter creating the conflict.

(CNO – PED.060) Integrity

Principle of Integrity

- A Chartered Accountant shall comply with the principle of integrity.
- This requires an accountant to be straightforward and honest in all professional and business relationships.

No Association with Misleading Information

- A Chartered Accountant shall not knowingly be associated with reports, returns, communications or other information where the accountant believes that the information:
 - Contains a materially false or misleading statement;
 - Contains statements or information provided negligently;
 - Omits or obscures required information in a manner that would be misleading.

(CNO – PED.080) Objectivity

Compliance with Objectivity: A Chartered Accountant shall comply with the principle of objectivity, which requires an accountant not to compromise professional or business judgment because of bias, conflict of interest or undue influence of others.

(CNO – PED.100) Professional Competence and Due Care

Maintaining Professional Competence: Maintaining professional competence requires a continuing awareness and an understanding of relevant technical, professional and business developments. Continuing professional development enables a Chartered Accountant to develop and maintain the capabilities to perform competently within the professional environment.

Definition of Diligence: Diligence encompasses the responsibility to act in accordance with the requirements of an assignment, carefully, thoroughly and on a timely basis.

Training & Super Vision: In complying with the principle of professional competence and due care, a Chartered Accountant shall take reasonable steps to ensure that those working in a professional capacity under the accountant's authority have appropriate training and supervision.

(CNO – PED.120) Confidentiality- Subsection 114

Confidentiality: Professional accountants are bound to maintain confidentiality regarding client information

Close Associates or Family members: Accountants must be aware of the risk of unintentional disclosure, even in social settings and especially to close associates or family members.

Internal Confidentiality: Accountants must preserve the confidentiality of information within their firm or employing organization.

Prospective Confidentiality: Confidential information disclosed by a potential client or employer must also be kept confidential.

Information Misuse: Accountants should not use confidential information for personal gain or the benefit of a third party, and this obligation continues even after the professional or employment relationship has ended. Additionally, accountants should ensure that their staff and advisors respect this duty of confidentiality.

(CNO – PED.140) Exceptions to Confidentiality in Professional Accounting Practice

Legal Requirement: Disclosure of confidential information is mandatory when required by law, such as when reporting legal infringements to public authorities or during legal proceedings.

Regulatory Response: Accountants may need to disclose information in response to an inquiry or investigation by a professional or regulatory body.

Peer Review Quality Review: Accountants have a professional duty to disclose information, unless prohibited by law, to comply with Peer Review or Quality Review of the Institute.

Professional Obligation: Accountants may disclose information to comply with technical and professional standards, including ethics requirements.

Client Authorization: Confidential information can be disclosed if it's permitted by law and authorized by the client or the employing organization.

Professional Protection: Disclosure may be necessary to protect the professional interests of an accountant in legal proceedings.

How to Deal with Confidentiality**Don't use Information for personal gain**

- Occurs in scenarios like insider trading.
- Chartered accountants shouldn't use or share material entity information for personal gain.

Report Fraud or illegal activities

- Hiding facts like fraud or illegal activities isn't considered confidentiality.
- Chartered accountants must report activities impacting end users.

Use Professional judgment

- Confidentiality should be applied with justifiable grounds.
- Requires professional judgment and, if necessary, legal advice.

Post-Relationship Confidentiality

- Chartered Accountants uphold confidentiality even after relationship ends.

- In new roles or with new clients, prior experience is used, but past confidential information isn't disclosed.

(CNO – PED.160) Professional Behaviour

Compliance: A professional accountant must adhere to relevant laws and regulations, and avoid any conduct that could discredit the profession.

Avoid: An accountant should not engage in any activity that could harm the integrity, objectivity, or reputation of the profession.

Promotion: When promoting personal work, an accountant should not bring the profession into disrepute. A professional accountant should be truthful and avoid making exaggerated claims about their services, qualifications, or experience.

Respect Others: An accountant should not make disparaging or unsubstantiated comparisons to others' work.

Guidelines: Accountants must not violate Advertisement Guidelines issued by the Council of the Institute. If unsure, they should consult the Ethical Standards Board of ICAI.

(CNO – PED.180) Applying The Conceptual Framework

Application of Conceptual Framework

- The Chartered Accountant shall apply the conceptual framework to identify, evaluate and address threats to compliance with the fundamental principles.

Identify, Evaluate, and Address Threats

- Identify threats to compliance with the fundamental principles.
- Evaluate the threats identified.
- Address the threats by eliminating or reducing them to an acceptable level.

Guidelines for Applying Framework

- When applying the conceptual framework, the Chartered Accountant shall:
 - Exercise professional judgment.
 - Remain alert for new information and changes in facts and circumstances.
 - Use the reasonable and informed third party test.

(CNO – PED.200) Exercise of Professional Judgment

Professional Judgment Defined

- Professional judgment involves applying relevant training, knowledge, skill, and experience.
- It considers the nature and scope of professional activities and involved relationships.

Exercise of Professional Judgment

- Judgment is used when the Chartered Accountant applies the conceptual framework.
- It helps in making informed decisions about courses of actions and their appropriateness.

Understanding Facts & Framework

- Understanding known facts is essential for the conceptual framework's application.
- Determining actions to achieve this and assessing compliance with fundamental principles require judgment.

Factors While Exercising Professional Judgement

In exercising professional judgment for understanding, the Chartered Accountant might consider several factors.

Information Assessment

- Concerns about Missing Information: Potentially relevant information might be missing from the known facts and circumstances.
- Inconsistencies in Facts: There's an inconsistency between known facts and the accountant's expectations.
- Basis for Conclusion: The information provides a reasonable basis on which to reach a conclusion.
- Alternative Conclusions: Other reasonable conclusions might arise from the available information.

Consultation

- The accountant's expertise and experience determine their ability to conclude. The accountant's own preconception or bias might influence their professional judgment. Consulting others with relevant expertise or experience might be necessary.

Reasonable and Informed Third Party Test

Applying the Third Party Test: The reasonable and informed third party test is a consideration by the Chartered Accountant about whether the same conclusions would likely be reached by another party.

Perspective of a Third Party: Such consideration is made from the perspective of a reasonable and informed third party, who weighs all the relevant facts and circumstances that the accountant knows, or could reasonably be expected to know, at the time the conclusions are made.

Characteristics of the Third Party: The reasonable and informed third party does not need to be an accountant but would possess the relevant knowledge and experience to understand and evaluate the appropriateness of the accountant's conclusions in an impartial manner.

PART 2: Chartered Accountants in Service

(CNO – PED.220) Conflicts of Interest

Avoiding Compromise from Conflict: A Chartered Accountant shall not allow a conflict of interest to compromise professional or business judgment.

Conflict in Dual Management Positions: Examples of circumstances that might create a conflict of interest include Serving in a management or governance position for two employing organizations and acquiring confidential information from one organization that might be used by the Chartered Accountant to the advantage or disadvantage of the other organization.

Conflict in Dissolving Partnership: Undertaking a professional activity for each of two parties in a partnership, where both parties are employing the accountant to assist them to dissolve their partnership.

Conflict in Management Buy-Out: Preparing financial information for certain members of management of the accountant's employing organization who are seeking to undertake a management buy-out.

Conflict in Vendor Selection: Being responsible for selecting a vendor for the employing organization when an immediate family member of the accountant might benefit financially from the transaction.

Conflict in Governance and Investment: Serving in a governance capacity in an employing organization that is approving certain investments for the company where one of those investments will increase the value of the investment portfolio of the accountant or an immediate family member.

1. Conflict Identification

Taking Reasonable Steps: A Chartered Accountant shall take reasonable steps to identify circumstances that might create a conflict of interest, and therefore a threat to compliance with one or more of the fundamental principles.

Identifying Nature of Interests: Such steps shall include identifying: The nature of the relevant interests and relationships between the parties involved; and

Identifying Activity and Implications: The activity and its implication for relevant parties.

2. Threats created by Conflict of Interest

Direct Connection and Threat Level: In general, the more direct the connection between the professional activity and the matter on which the parties' interests conflict, the more likely the level of the threat is not at an acceptable level.

Eliminating Threats Example: An example of an action that might eliminate threats created by conflicts of interest is withdrawing from the decision-making process related to the matter giving rise to the conflict of interest.

Restructuring Responsibilities: Examples of actions that might be safeguards to address threats created by conflicts of interest include Restructuring or segregating certain responsibilities and duties.

Obtaining Appropriate Oversight: Obtaining appropriate oversight, for example, acting under the supervision of an executive or non-executive director.

3. Disclosure and Consent

Necessity of Disclosure and Consent: It is generally necessary to: Disclose the nature of the conflict of interest and how any threats created were addressed to the relevant parties, including to the appropriate levels within the employing organization affected by a conflict; and

Obtaining Consent: Obtain consent from the relevant parties for the Chartered Accountant to undertake the professional activity when safeguards are applied to address the threat.

Seeking Guidance: When addressing a conflict of interest, the Chartered Accountant is encouraged to seek guidance from within the employing organization or from the Institute, legal counsel or another accountant.

Applying Confidentiality Principle: When making such disclosures or sharing information within the employing organization and seeking guidance of third parties, the principle of confidentiality applies.

(CNO – PED.240) Preparation and Presentation of Information

Compliance in Preparation and Presentation: When preparing or presenting information, a Chartered Accountant shall: Prepare or present the information in accordance with a relevant reporting framework, where applicable;

Avoiding Misleading Information: Prepare or present the information in a manner that is intended neither to mislead nor to influence contractual or regulatory outcomes inappropriately;

Exercising Professional Judgment: Exercise professional judgment to: Represent the facts accurately and completely in all material respects;

Describing Business Transactions Clearly: Describe clearly the true nature of business transactions or activities; and

Timely and Proper Recording: Classify and record information in a timely and proper manner; and

Not Omitting to Mislead: Not omit anything with the intention of rendering the information misleading or of influencing contractual or regulatory outcomes inappropriately.

Example of Inappropriate Influence: An example of influencing a contractual or regulatory outcome inappropriately is using an unrealistic estimate with the intention of avoiding violation of a contractual requirement such as a debt covenant or of a regulatory requirement such as a capital requirement for a financial institution.

1. Use of Discretion in Preparing or Presenting Information

Exercising Discretion Without Misleading: Preparing or presenting information might require the exercise of discretion in making professional judgments. The Chartered Accountant shall not exercise such discretion with the intention of misleading others or influencing contractual or regulatory outcomes inappropriately.

Misuse of Discretion in Estimates: Examples of ways in which discretion might be misused to achieve inappropriate outcomes include Determining estimates, for example, determining fair value estimates in order to misrepresent profit or loss.

Selecting or Changing Accounting Policy: Selecting or changing an accounting policy or method among two or more alternatives permitted under the applicable financial reporting framework, for example, selecting a policy for accounting for long-term contracts in order to misrepresent profit or loss.

Timing of Transactions: Determining the timing of transactions, for example, timing the sale of an asset near the end of the fiscal year in order to mislead.

Structuring of Transactions: Determining the structuring of transactions, for example, structuring financing transactions in order to misrepresent assets and liabilities or classification of cash flows.

Selecting Disclosures: Selecting disclosures, for example, omitting or obscuring information relating to financial or operating risk in order to mislead.

Identifying and Considering Purpose, Context, and Audience: When performing professional activities, the Chartered Accountant shall exercise professional judgment to identify and consider: The purpose for which the information is to be used; The context within which the information is given; and The audience to whom it is addressed.

Inclusion in Pro Forma Reports: For example, when preparing or presenting pro forma reports, budgets or forecasts, the inclusion of relevant estimates, approximations and assumptions, where appropriate, would enable those who might rely on such information to form their own judgments.

2. Relying on the Work of Others

Exercising Judgment in Reliance: A Chartered Accountant who intends to rely on the work of others, either internal or external to the employing organization, shall exercise professional judgment to determine what steps to take, if any, in order to fulfil the responsibilities.

Considering Reasonable Reliance: Factors to consider in determining whether reliance on others is reasonable include: The reputation and expertise of, and resources available to, the other individual or organization.

Adherence to Professional and Ethics Standards: Whether the other individual is subject to applicable professional and ethics standards.

Gaining Information from Prior Association: Such information might be gained from prior association with, or from consulting others about, the other individual or organization.

3. Addressing Information that Is or Might be Misleading

Taking Appropriate Actions for Misleading Information: When the Chartered Accountant knows or has reason to believe that the information with which the accountant is associated is misleading, the accountant shall take appropriate actions to seek to resolve the matter.

Discussing Concerns with Superiors: Actions that might be appropriate include: Discussing concerns that the information is misleading with the Chartered Accountant's superior and/or the appropriate level(s) of management within the accountant's employing organization or those charged with governance and requesting such individuals to take appropriate action to resolve the matter.

Possible Actions to Resolve Matters: Such action might include Having the information corrected. If the information has already been disclosed to the intended users, informing them of the correct information.

Consulting Internal Policies: Consulting the policies and procedures of the employing organization (for example, an ethics or whistle-blowing policy) regarding how to address such matters internally.

Further Actions if Inappropriate Action Taken: The Chartered Accountant might determine that the employing organization has not taken appropriate action. If the accountant continues to have reason to believe that the information is misleading, the following further actions might be appropriate provided **that the** accountant remains alert to the principle of confidentiality: Consulting with: The Institute, The internal or external auditor of the employing organization, Legal counsel.

Communicating to Third Parties: Determining whether any requirements exist to communicate to: Third parties, including users of the information. Regulatory and oversight authorities.

Refusal to Associate with Misleading Information: If after exhausting all feasible options, the Chartered Accountant determines that appropriate action has not been taken and there is reason to believe that the information is still misleading, the accountant shall refuse to be or to remain associated with the information.

Considering Resignation: In such circumstances, it might be appropriate for a Chartered Accountant to resign from the employing organization.

(CNO – PED.260) Acting with Sufficient Expertise

Not Misleading about Expertise: A Chartered Accountant shall not intentionally mislead an employing organization as to the level of expertise or experience possessed.

Potential Self-Interest Threat: A self-interest threat to compliance with the principle of professional competence and due care might be created if a Chartered Accountant has: Insufficient time for performing or completing the relevant duties. Incomplete, restricted or otherwise inadequate information for performing the duties.

Insufficient Experience or Resources: Insufficient experience, training and/or education. Inadequate resources for the performance of the duties.

Safeguards via Assistance or Training: Examples of actions that might be safeguards to address such a self-

interest threat include: Obtaining assistance or training from someone with the necessary expertise. Ensuring that there is adequate time available for performing the relevant duties.

Declining to Perform Duties: If a threat to compliance with the principle of professional competence and due care cannot be addressed, a Chartered Accountant shall determine whether to decline to perform the duties in question.

Communicating Reasons for Declining: If the accountant determines that declining is appropriate, the accountant shall communicate the reasons.

(CNO – PED.280) Financial Interests, Compensation and Incentives Linked To Financial Reporting And Decision Making

Prohibition of Manipulating Information: A Chartered Accountant shall not manipulate information or use confidential information for personal gain or for the financial gain of others.

Financial Interests and Compliance Threats: Chartered Accountants might have financial interests or might know of financial interests of immediate or close family members that, in certain circumstances, might create threats to compliance with the fundamental principles.

Link to Compensation or Incentive Arrangements: Financial interests include those arising from compensation or incentive arrangements linked to financial reporting and decision making.

Self-Interest Threat via Financial Manipulation: Examples of circumstances that might create a self-interest threat include situations in which the Chartered Accountant or an immediate or close family member: Has a motive and opportunity to manipulate price-sensitive information in order to gain financially.

Direct or Indirect Financial Interest: Holds a direct or indirect financial interest in the employing organization and the value of that financial interest might be directly affected by decisions made by the accountant.

Eligibility for Profit-Related Bonus: Is eligible for a profit-related bonus and the value of that bonus might be directly affected by decisions made by the accountant.

Holding Deferred Bonus Share Rights: Holds, directly or indirectly, deferred bonus share rights or share options in the employing organization, the value of which might be affected by decisions made by the accountant.

Participation in Incentive Plans: Participates in compensation arrangements which provide incentives to achieve targets or to support efforts to maximize the value of the employing organization's shares. An example of such an arrangement might be through participation in incentive plans which are linked to certain performance conditions being met.

(CNO – PED.300) Inducements, Including Gifts and Hospitality

Definition of an Inducement: An inducement is an object, situation, or action that is used as a means to influence another individual's behaviour, but not necessarily with the intent to improperly influence that individual's behaviour.

Range of Inducements: Inducements can range from minor acts of hospitality between business colleagues to acts that result in non-compliance with laws and regulations. An inducement can take many different forms, for example:

Gifts: Gifts. Hospitality. Entertainment.

Political or Charitable Donations: Political or charitable donations.

Appeals to Friendship and Loyalty: Appeals to friendship and loyalty.

Employment or Commercial Opportunities: Employment or other commercial opportunities.

Providing Preferential Treatment: Preferential treatment, rights or privileges.

1. Immediate or Close Family Members

Alert to Potential Threats: A Chartered Accountant shall remain alert to potential threats to the accountant's compliance with the fundamental principles created by the offering of an inducement.

Inducements by Family Members: By an immediate or close family member of the accountant to a counterparty with whom the accountant has a professional relationship; or to an immediate or close family member of the accountant by a counterparty with whom the accountant has a professional relationship.

Addressing Inducements to Family: Where the Chartered Accountant becomes aware of an inducement being offered to or made by an immediate or close family member and concludes there is intent to improperly influence the behaviour of the accountant or of the counterparty or considers a reasonable and informed third party would be likely to conclude such intent exists, the accountant shall advise the immediate or close family member not to offer or accept the inducement.

Determining Improper Influence: One of the factors that is relevant in determining whether there is actual or perceived intent to improperly influence the behaviour of the Chartered Accountant or of the counterparty is the nature or closeness of the relationship, between: The accountant and the immediate or close family member; The immediate or close family member and the counterparty; and The accountant and the counterparty.

Example of Potential Influence: For example, the offer of employment, outside of the normal recruitment process, to the spouse of the accountant by a counterparty with whom the accountant is negotiating a significant contract might indicate such intent.

(CNO – PED.320) Responding to Non-Compliance with Laws and Regulations in Case Of Employment With Listed Entities

Encountering Non-Compliance: A Chartered Accountant might encounter or be made aware of non-compliance or suspected non-compliance in the course of carrying out professional activities.

Guidance for Assessing Implications: This section guides the accountant in assessing the implications of the matter and the possible courses of action when responding to non-compliance or suspected non-compliance with laws and regulations.

Direct Effect on Financial Statements: Laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the employing organization's financial statements.

Indirect Effect on Business Operations: Other laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the employing organization's financial statements, but compliance with which might be fundamental to the operating aspects of the employing organization's business.

Consideration of Business Continuity and Penalties: Compliance with indirect laws and regulations is crucial to its ability to continue its business, or to avoid material penalties.

Responsibility to Act in Public Interest: A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest.

Objectives in Responding to Non-Compliance: When responding to non-compliance or suspected non-compliance, the objectives of the Chartered Accountant are to comply with the principles of integrity and professional behaviour.

Alerting Management or Governance: By alerting management or, where appropriate, those charged with governance of the employing organization, to seek to enable them to rectify, remediate or mitigate the consequences of the identified or suspected non-compliance.

Deterrence of Non-Compliance: Enable management or governance to deter the non-compliance where it has not yet occurred.

Further Action in Public Interest: To take such further action as appropriate in the public interest.

Nature of Parties & Laws Covered

Definition of Non-Compliance: Non-compliance with laws and regulations ("non-compliance") comprises acts of omission or commission, intentional or unintentional, which are contrary to the prevailing laws or regulations.

Parties Involved in Non-Compliance: Committed by the following parties: The Chartered Accountant's employing organization; Those charged with governance of the employing organization; Management of the

employing organization; or other individuals working for or under the direction of the employing organization.

Examples of Addressed Laws: Examples of laws and regulations which this section addresses include those that deal with: Fraud, corruption and bribery.

Money Laundering and Financing: Money laundering, terrorist financing and proceeds of crime.

Securities and Trading Regulations: Securities markets and trading.

Banking and Financial Regulations: Banking and other financial products and services.

Data Protection Laws: Data protection.

Tax and Pension Compliance: Tax and pension liabilities and payments.

Environmental Protection Laws: Environmental protection.

Public Health and Safety Laws Public health and safety.

I. Responsibilities of All Chartered Accountants

Considering Organizational Protocols: If protocols and procedures exist within the Chartered Accountant's employing organization to address non-compliance or suspected non-compliance, the accountant shall consider them.

Determining Response to Non-Compliance: The accountant shall consider them in determining how to respond to such non-compliance.

II. Responsibilities of Senior Chartered Accountants in Service

Definition of Senior Chartered Accountants: Senior Chartered Accountants in service ("senior Chartered Accountants") are directors, officers or senior employees able to exert significant influence over, and make decisions regarding, the acquisition, deployment and control of the employing organization's human, financial, technological, physical and intangible resources.

Expectations from Senior Chartered Accountants: There is a greater expectation for such individuals to take whatever action is appropriate in the public interest to respond to noncompliance or suspected noncompliance than other Chartered Accountants within the employing organization.

Reason for Higher Expectations: This is because of senior Chartered Accountants' roles, positions and spheres of influence within the employing organization.

1. Addressing the Matter

Identifying or Suspecting Non-Compliance: If the senior Chartered Accountant identifies or suspects that non-compliance has occurred or might occur, the accountant shall, subject to the considerations mentioned above under the responsibilities for all Chartered Accountants, discuss the matter with the accountant's immediate superior, if any.

Involvement of Immediate Superior: If the accountant's immediate superior appears to be involved in the matter, the accountant shall discuss the matter with the next higher level of authority within the employing organization.

Communicating to Governance: The senior Chartered Accountant shall also take appropriate steps to: Have the matter communicated to those charged with governance;

Compliance and Reporting: Comply with applicable laws and regulations, including legal or regulatory provisions governing the reporting of non-compliance or suspected non-compliance to an appropriate authority;

Addressing Consequences: Have the consequences of the non-compliance or suspected non-compliance rectified, remediated or mitigated;

Risk Reduction and Deterrence: Reduce the risk of re-occurrence; and Seek to deter the commission of the non-compliance if it has not yet occurred.

Disclosure to External Auditor: In addition to responding to the matter in accordance with the provisions of this section, the senior Chartered Accountant shall determine whether disclosure of the matter to the employing organization's external auditor, if any, is needed.

Duty Towards Auditor: Such disclosure would be pursuant to the senior Chartered Accountant's duty or legal obligation to provide all information necessary to enable the auditor to perform the audit.

2. Determining Whether Further Action Is Needed

Assessing Responses of Superiors: The senior Chartered Accountant shall assess the appropriateness of the response of the accountant's superiors, if any, and those charged with governance.

Lack of Confidence in Integrity: Examples of circumstances that might cause the senior Chartered Accountant no longer to have confidence in the integrity of the accountant's superiors and those charged with governance include situations where: The accountant suspects or has evidence of their involvement or intended involvement in any non-compliance.

Non-reporting of Non-Compliance: Contrary to legal or regulatory requirements, they have not reported, or authorized the reporting of, the matter to an appropriate authority within a reasonable period.

Informing Parent Entity Management: Further action that the senior Chartered Accountant might take includes: Informing the management of the parent entity of the matter if the employing organization is a member of a group.

Disclosing to Appropriate Authority: Disclosing the matter to an appropriate authority as specified under respective law.

Resignation Consideration: Resigning from the employing organization. Resigning from the employing organization is not a substitute for taking other actions that might be needed to achieve the senior Chartered Accountant's objectives under this section.

Limitations and Possible Resignation: However, there might be limitations as to the further actions available to the accountant. In such circumstances, resignation might be the only available course of action.

3. Seeking Advice

Complex Analysis and Judgments: As assessment of the matter might involve complex analysis and judgments, the senior Chartered Accountant might consider: Consulting internally.

Obtaining Legal Advice: Obtaining legal advice to understand the accountant's options and the professional or legal implications of taking any particular course of action.

Consulting with the Institute: Consulting on a confidential basis with the Institute.

4. Determining Whether to Disclose the Matter to an Appropriate Authority

Disclosure Precluded by Law: Disclosure of the matter to an appropriate authority would be precluded if doing so would be contrary to law or regulation.

Purpose of Disclosure: Otherwise, the purpose of making disclosure is to enable an appropriate authority to cause the matter to be investigated and action to be taken in the public interest.

5. Responsibilities of Chartered Accountants Other than Senior Chartered Accountants

Understanding Non-Compliance: If, in the course of carrying out professional activities, a Chartered Accountant becomes aware of information concerning non-compliance or suspected non-compliance, the accountant shall seek to obtain an understanding of the matter.

Nature and Circumstances of Non-Compliance: This understanding shall include the nature of the non-compliance or suspected non-compliance and the circumstances in which it has occurred or might occur.

Informing Immediate Superior: If the Chartered Accountant identifies or suspects that noncompliance has occurred or might occur, the accountant shall inform an immediate superior to enable the superior to take appropriate action.

Involvement of Superior: If the accountant's immediate superior appears to be involved in the matter, the accountant shall inform the next higher level of authority within the employing organization.

Disclosure in Exceptional Circumstances: In exceptional circumstances, the Chartered Accountant may determine that disclosure of the matter to an appropriate authority is an appropriate course of action.

Permitted Disclosure: If the accountant does so, that disclosure is permitted.

Acting in Good Faith: When making such disclosure, the accountant shall act in good faith and exercise caution when making statements and assertions.

(CNO – PED.340) Pressure To Breach The Fundamental Principles

Not Allowing Pressure to Breach Principles: A Chartered Accountant shall not allow pressure from others to result in a breach of compliance with the fundamental principles.

Not Placing Pressure on Others: Or place pressure on others that the accountant knows, or has reason to believe, would result in the other individuals breaching the fundamental principles.

Facing Pressure Threatening Compliance: A Chartered Accountant might face pressure that creates threats to compliance with the fundamental principles, for example an intimidation threat, when undertaking a professional activity.

Sources of Pressure: Pressure might be explicit or implicit and might come from within the employing organization, for example, from a colleague or superior, or an external individual or organization such as a vendor, customer, or lender.

Internal or External Targets: Pressure might also stem from internal or external targets and expectations.

Pressure Related to Conflicts of Interest: Examples of pressure that might result in threats to compliance with the fundamental principles include pressure from a family member bidding to act as a vendor to the Chartered Accountant's employing organization to select the family member over another prospective vendor.

Discussing and Consulting on Pressure: Discussing the circumstances creating the pressure and consulting with others about those circumstances might assist the Chartered Accountant to evaluate the level of the threat.

Addressing Individual Exerting Pressure: Discussing the matter with the individual who is exerting the pressure to seek to resolve it might be a viable first step.

Engaging with the Accountant's Superior: Discussing the matter with the accountant's superior, if the superior is not the individual exerting the pressure, can also be a strategy.

Escalating Within the Organization: Escalating the matter within the employing organization, including when appropriate, explaining any consequential risks to the organization, might involve higher levels of management, internal or external auditors, or those charged with governance.

Disclosing in Accordance with Policies: Disclosing the matter in line with the employing organization's policies, including ethics and whistleblowing policies, might involve using any established mechanism, such as a confidential ethics hotline.

Consultation Options: Consulting with a colleague, superior, human resources personnel, or another Chartered Accountant; Institute or industry associations; or legal counsel can be considered as viable steps.

Eliminating Threats via Restructure: An example of an action that might eliminate threats created by pressure is the Chartered Accountant's request for a restructure of, or segregation of, certain responsibilities and duties to avoid involvement with the pressuring individual or entity.