

Australian accountants: no compliance = no confidentiality.

In Australia, members of the three major Australian accounting bodies are now required to report a client's non compliance to the Code of Ethics under certain circumstances.

According to highly respected CPA and owner of national firm **Platinum Accounting**, Coco Hou, the changes will bring about quite a bit of change across the business landscape due to businesses now understanding that their accountants will no longer be able to turn a blind eye.

The new ethical obligations for accountants will force change across the Australian business sector and will be enforced by the Australian Accounting Professional & Ethical Standards Board (*APESB*).

The APESB came into existence in 2006 and is an initiative of the accounting sector. It was initially established by CPA Australia and the Institute of Chartered Accountants in Australia in 2006 and joined later the same year by the National Institute of Accountants, which is now called the Institute of Public Accountants. Its charter is to develop professional and ethical standards for professional accountants in the public interest. Members of these accounting bodies have a responsibility to act in the public interest. They are expected to act with objectivity and integrity in their dealings with investors, governments, clients, employers and employees.

The code of ethics provides a framework for the work that accountants do on a daily basis. It has helped to put in place a set of rules which accountants must apply in their day to day work. These are rules are shared with clients so everyone understands their requirements.

Hou says there are many professional bodies in the accounting sector and yet it is important that everyone operating in the sector functions in accordance with a shared code of ethics. The only way to achieve a shared code of ethics was to establish a body which sits above all other bodies.

She says accountants know that if they compromise the code of ethics that there will be consequences for them personally and professionally.

The APESB-issued standards are consistent with those issued by the International Federation of Accountants (IFAC). Relevant professional and ethical standards issued by IFAC are used as the basis for the development of APESB standards and tailored where required to the Australian business environment.

APESB also contributes to international standard setting by developing submissions to the International Ethics Standards Board for Accountants (IESBA), a board of IFAC, and to other relevant international standard setting boards.

Hou says in a media release that the recent changes to the accounting sector's Code of Conduct will help to raise ethical standards throughout the business and accounting sector and place increased pressure on businesses to do the right thing.

“Businesses and owners need to be aware that standards are changing and there is now even more pressure on businesses to do the right thing.”

Changes to the code came into effect in Australia from 1 January 2018 and they place increased responsibility on accountants to report non compliant client behaviour. Responding to Non-compliance with Laws and Regulations (NOCLAR) provides a framework for accounting professionals on how to respond to non-compliance or suspected non-compliance with laws and regulations when working with clients. Essentially, it explains when to set aside client confidentiality requirements and report NOCLAR to an appropriate authority.

“While accountants are trained to be highly ethical, there is no doubt that some accountants turn a blind eye to suspected compliance issues or they take their client’s word for it that all is fine because they are under significant pressure to bill and retain clients,” Ms Hou said today.

“The accounting sector is highly competitive and accountants are taught to work with clients to address and resolve issues. While we all like to think people are doing the right thing, unfortunately some don’t. “It can cause accountants a great deal of stress when they do identify issues and endeavour to work with their clients to educate and correct issues and a client doesn’t listen or take their advice on board.

“Confidentiality has always been a hallmark of our profession and it will continue to be, provided businesses behave appropriately.

“Hopefully, the latest changes to the code signal to businesses that accountants will no longer be able to maintain confidentiality where there are compliance issues that need to be reported. I am confident that this is going to force change and encourage businesses to work harder to do the right thing.

“Businesses now need to know that accountants don’t have any choice, they have to report serious issues.

“Accountants who are members of professional associations in Australia, and who are found to have not reported non compliance under the latest code changes, may face serious consequences.

“Under the updated code, it doesn’t matter whether the non compliance is deliberate or not. It may include any action by owners or management of a business, or even anyone working under their direction that does something that is not in keeping with current laws and regulations.

“I am confident that as the business community starts to understand the extent of the changes to the accounting profession’s code of conduct that we are going to see greater levels of voluntary compliance across the country.

“Businesses are going to make more of an effort to ensure they are doing the right thing and this means they will involve accountants more closely in their business to ensure new systems and governance arrangements are being implemented in a fully compliant manner, says Hou.”