

SECTION 2

Resolution of Ethical Conflicts

- 2.1 From time to time chartered accountants encounter situations which give rise to conflicts of interest. Such conflicts may arise in a wide variety of ways, ranging from the relatively trivial dilemma to the extreme case of fraud and similar illegal activities. It is not possible to attempt to itemize a comprehensive check list of potential cases where conflicts of interest might occur. The chartered accountant should be constantly conscious of and be alert to factors which give rise to conflicts of interest. It should be noted that an honest difference of opinion between a chartered accountant and another party is not in itself an ethical issue. However, the facts and circumstance of each case need investigation by the parties concerned.
- 2.2 It is recognized, however, that there can be particular factors which occur when the responsibilities of a chartered accountant may conflict with internal or external demands of one type or another. Hence:-
- 2.2.1 There may be the danger of pressure from an overbearing supervisor, manager, director or partner; or when there are family or personal relationships which can give rise to the possibility of pressures being exerted upon them (see paragraph 9.6 below). Indeed, relationships or interests which could adversely influence, impair or threaten a chartered accountant's integrity should be discouraged.
- 2.2.2 A chartered accountant may be asked to act contrary to technical and/or professional standards.
- 2.2.3 A question of divided loyalty as between the chartered accountant's superior and the required professional standards of conduct could occur.
- 2.2.4 Conflict could arise when misleading information is published which may be to the advantage of the employer or client and which may or may not benefit the chartered accountant as a result of such publication.
- 2.3 In applying standards of ethical conduct chartered accountants may encounter problems in identifying unethical behavior or in resolving an ethical conflict. When faced with significant ethical issues, chartered accountants should follow the established policies of the employing organization to seek a resolution of such conflict. If those policies do not resolve the ethical conflict, the following should be considered:-
- 2.3.1 Review the conflict problem with the immediate superior. If the problem is not resolved with the immediate superior and the chartered accountant determines to go to the next higher managerial level the immediate superior should be notified of the decision. If it appears that the superior is involved in the conflict problem, the chartered accountant should raise the issue with the next higher level of management. When the immediate superior is the Chief Executive Officer (or equivalent) the next higher reviewing level may be the Executive Committee, Board of Directors, Non-Executive Directors, Trustees, Partners, Management Committee or Shareholders.
- 2.3.2 Seek counseling and advice on a confidential basis with an independent advisor or the appropriate Committee of the Institute to obtain an understanding of possible courses of action.

- 2.3.3 If the ethical conflict still exists after fully exhausting all levels of internal review, the chartered accountant as a last resort may have no other recourse on significant matters (e.g., fraud) than to resign and to submit an information memorandum to an appropriate representative of that organization.
- 2.4 Any chartered accountant in a senior position should endeavor to ensure that policies are established within his or her employing organization to seek resolution of conflicts.

Members' Responsibility for Conduct of Others

- 2.5 A member shall not permit others to carry out on the member's behalf acts which if carried out by the member, would place the member in breach of the *Code of Ethics*, the Act, the Bye-laws or Directives.
- 2.6 A member may be held responsible for compliance with the Code of Ethics by all persons associated with the member in the practice of public accountancy who are either under the member's supervision or are the member's partners.