

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN CODE OF CONDUCT

FOR MEMBERS OF THE COUNCIL, ITS COMMITTEES AND ITS BOARDS (2013)

1. PREAMBLE

The Institute of Chartered Accountants of Pakistan is established for the regulation of professional accountants in Pakistan and Council of the Institute is assigned the task of management of the affairs of the Institute. In discharging its responsibilities it is incumbent upon each member of the Council to act responsibly and without conflict of interest.

The functioning of the Council is in accordance with the requirements of Chartered Accountants Ordinance, 1961, Bye laws made there under.. However, it is to be acknowledged that these laws and rules do not govern all types of behavior. As part of good corporate governance, entities communicate its values, acceptable criteria for decision making, and its ground rules behavior in the form of a '*Code of Conduct*'. Realizing the importance and benefits of this explicit communication, the Council has framed fundamental principles which define the Code of Conduct for all the members of the Council, members of the committees and board functioning under the Institute.

The Code of Conduct is based on the values expected of the Institute's functioning and best practices followed in this connection by other international Institutes of the Chartered Accountants.

This goes without saying that members of the Council, its Committees and its Boards (Members) have a responsibility to serve the public interest and to maintain the reputation of the Institute and profession. The Code, although, provides a broad range of guidance about the standards of integrity and personal conduct in Institute's matters, it is acknowledged that no Code can address every situation that individuals are likely to encounter. As a result, this Code is not a substitute for the responsibility to exercise good judgment.

2. FUNDAMENTAL PRINCIPLES

- a. **Selflessness:** Members should perform their duties in the best interest of the public and wider membership of the Institute. They should not take decisions to gain financial or other material benefit or advantage for themselves or for their *Associated Persons*.

Associated Persons includes spouse, parent, son, daughter, brother, sister, son-in-law, daughter-in-law, and the partnership and partners, in the firm of Chartered Accountant where the Member is also a partner, of the Member or any Company, Corporation, Partnership, Trust or other entity owned or controlled by the Member or in which the Member or the persons mentioned herein has a material personal interest.

- b. **Objectivity:** In carrying out the Institute's business, the Members should take decisions on merit alone. Whilst they may be strongly influenced by the views of others, it is their personal responsibility to decide what view to take on any question after full consideration of the issues.

- c. **Avoidance of Conflict of interest:** The Members should not allow bias or conflict of interest to override their personal judgment. If a Member has a personal and prejudicial interest, they must declare the same.
- d. **Openness:** Members should be as open as possible about the reasons for their decisions and actions during meetings of the Council /Committees/Board. They should restrict information only when confidentiality clearly so demands, and make it known that they have done so.
- e. **Accountability:** Members are accountable to the membership for their decisions and actions and should be prepared to submit themselves to appropriate scrutiny.
- f. **Honesty:** Members should be straightforward and honest in all their Institute relationships. Members should declare any material and relevant private or personal interests relating to any of their duties as Members. They should never otherwise seek information for their personal gain. They should always take appropriate steps to resolve any conflicts that may arise, in a way that protects the public interest and the reputation of the Institute.

Members should not place themselves under any financial or other obligation to other individuals or organizations that might influence them in the performance of their duties as a Member.

Members should not accept any gifts or hospitality that might appear to be calculated to influence their judgments.

- g. **Due care:** Members have a duty to use due care and diligence in fulfilling their duties as a Member. The Members should make themselves familiar with the Chartered Accountants Ordinance 1961, Bye laws made thereunder; ICAP Code of Ethics for Chartered Accountants.
- h. **Confidentiality:** Members are expected to treat the information as confidential which they learn from their participation in working with the Council/Committee/Board. Confidential information (confidential information means the information not otherwise available in public domain) received by the Members in the course of the exercise of their duties remains the property of the Institute and relevant counter parties and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorized by the Council, or is required by law. A Member should not make improper use of information acquired as Member.
- i. **Mutual Respect:** Members should understand and respect the conflicting viewpoints and ideas of other members. Members are expected to endeavor to provide an environment of mutual respect, impartiality and collaboration.
- j. **Efficiency/Responsiveness:** Members are expected to perform their responsibilities and assigned tasks in an effective, efficient and timely manner.
- k. **Open & honest Communication:** Members should be open and honest about their communications. They should express their views in clear and concise manner and listen to others.

l. Compliance: Compliance includes compliance with the requirements of Chartered Accountants Ordinance 1961, Bye laws made thereunder, Code of Ethics for Chartered Accountants. . Members should also comply with the protocols contained in the Institute Governance Manual).

m. Protecting Institute’s reputation: The Members should avoid the possibility of any damage to the Institute’s reputation as a consequence of a Member being subject to any legal, regulatory or disciplinary action or any other adverse publicity that may cause embarrassment to the Institute.

On becoming aware of any issue that may give rise to legal, regulatory or disciplinary action, the Member should immediately advise the same to the President/Chairman and decide future course of action in consultation with the President/Chairman.

n. Views contrary to the Institute’s established policy: Members in their personal activities should not associate the Institute with any views that are not established policy of the Institute.

o. Undermining Institute’s positions: Members should not, either overtly or covertly, undermine any position or views of the Institute, whether for personal gains or otherwise.

p. Interference in Institute’s affairs: Members should not interfere in the day to day administration and operations of the Institute, unless assigned any specific role by the Council or the position held by Member requires such involvement.

All Members must take steps to ensure that they understand their duties, rights and responsibilities to enable them to follow the principles set out above. The purpose of these principles is to avoid any danger of Members being influenced, or appearing to be influenced, by their private interests in the exercise of their Institute duties.

3. CONFLICT OF INTEREST

a. General principle

The Members must not allow personal interests or the interests of an Associated Person to conflict with the interests of the Institute.

b. Declaration of material interest

The Secretary/Chief Operating Officer shall obtain from every Member an annual Declaration of Material Interest in writing attached as **Annexure A**, immediately:

- (i) after being elected or nominated; and
- (ii) when a change in the declaration is required for any reason.

Thereafter the Declaration shall be filed when there is any change in material interest of the member.

c. Dealing with conflict

- (i) If in the course of Institute's business if a matter arises in which a Member has a personal interest, the Member must disclose the conflict to the President/Chairman of the Council/its Committee/its Board and/or the Secretary/Chief Operating Officer.
- (ii) The President/Chairman will ensure that measures are put in place to protect parties affected by the conflict of interest from that conflict. Depending on the nature and extent of the conflict, the measures taken to protect against conflict of interest may include ensuring that the conflicted or potentially conflicted Member:
 - a. does not receive the particular working paper and is prevented from participation in discussion and decision making; or
 - b. receives the working papers and participate in the relevant discussion but avoids voting on a decision.
- (iii) Prior to each meeting the Members will disclose any matter involving Conflict of Interest, which will be recorded in the minutes.
- (iv) A Member aware of Conflict of Interest of any other Member, which has not already been disclosed, shall disclose the conflict to the President/Chairman and/or the Secretary/ Chief Operating Officer.

d. Guidance about conflict of interest

In the broader sense, conflict of interest can include:

- (i) taking improper advantage of the position as Member to gain directly or indirectly a personal advantage, or advantage for any *Associated Person*, which might cause detriment to the Institute (or which could be thought/perceived by others to possibly cause detriment to the Institute).
- (ii) personal interests of the Member or any *Associated Person* that prevail over the interests of the Institute or its members generally.
- (iii) personal interests of the Member or any *Associated Person* that could lead other people to think the Member might be influenced to prefer those personal interests to the interests of the Institute or its members generally.
- (iv) having divided loyalties (professional or personal) particularly in the context of disclosure of confidential information.
- (v) Examples where conflict of interest or the perception of conflict of interest can arise include where a Member:
 - a. holds appointments in organizations whose interests are or could become opposed to the interests of the Institute;
 - b. has business dealings with the Institute as an individual or through a professional or personal connection e.g. where a Member personally or a Member's firm, client, or close relative is a supplier of goods or services to the Institute, is seeking to transfer assets to or from the Institute or has a commercial dispute with the Institute;
 - c. is associated with a member of the Institute who has an issue with the Institute that requires determination by the

- Council/its Committee/its Board (e.g. membership or disciplinary issues or some kind of application for special treatment or ruling);
- d. is associated with a party seeking employment with the Institute;
 - e. or any of his Associated Person who is in direct dispute with the Institute which may depart him/her from taking effective decision for the benefit of members at large or take a decision which is detriment to the Institute.
 - f. is awarded any monetary benefit/honor/medal/certificate etc.

These guidelines do not apply to matters in which the generality of members of the Institute or a significant number of them might have an interest.

Given the nature of the Institute, being a self-regulatory body, a Member may have an unavoidable personal connection. The issue is not whether such connections amount to conflicts of interest. The issue is whether the decision treats all members fairly and the Member is exercising independent judgment, which are fiduciary duties by which all Members are bound.

If Members are in any doubt about the materiality or relevance of any interest or relationship, they should discuss the matter in confidence with the President/Chairman and/or Secretary/Chief Operating Officer.

Annexure B contains guidelines for the members, which may be helpful for making decision as to the materiality and relevance of any interest.

4. USE OF INFORMATION

a. General guidance

- i. Member must not make improper use of information acquired by virtue of the members' position. This prohibition applies irrespective of whether the Members would gain directly or indirectly a personal advantage or an advantage for an *Associated Persons* or might cause detriment to the Institute.
- ii. A Member should ensure that any information which is not publicly available and which would have a material effect on the reputation of the Institute is not provided to anyone.

b. Conflict and use of information

- (i) A particular issue for Members is receiving confidential information that could be advantageous to themselves personally or to their *Associated Persons*.
- (ii) Exposure to confidential information that could advantage the Member or *Associated Persons* does not itself create a conflict of interest. The Code of Conduct provides that Members may not use to their advantage or disclose confidential information.

- (iii) However, the potential for conflict of interest exists where a Member has competing obligations of non-disclosure and disclosure or where others would find it difficult to believe that the Member did not use or disclose the information to advantage. For example:
 - a. a Member might have a competing obligation (legal or moral) to disclose information to a firm of which the Member is a partner;
 - b. information might be so competitively significant as to create a perception of unfair advantage.

It is difficult to be prescriptive about those situations where exposure to confidential information creates the potential for conflict. One test might be to ask “would other people having regard to the nature of the information trust a Member not to use or disclose the information to advantage.”

If Members are in any doubt about whether a gift or offer of hospitality should be accepted, whether an interest should be declared, or about any other aspect of this guidance they should discuss the matter with the President and/or Secretary/Chief Operating Office.

5. COOLING OFF PERIOD

- (i) Members of the Council and Standing Committees should not engage in any activity for at least two years after ceasing to be a Member of the Council or Standing Committees in matters which could possibly put them in a conflict of interest situation by having privileged information, as may be defined by the Council from time to time.
- (ii) Based on the Fundamental Principles of this Code, the Secretary/Chief Operating Office after consultation with the President/Chairman shall advise the course of action to be followed by the former Member.

6. BREACH OF CODE OF CONDUCT

Where any member of the Council, its Committees and its Boards commits significant breach of this Code, the matter shall be brought to the attention of the President. *

**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN
ANNUAL DECLARATION OF MATERIAL INTERESTS
BY MEMBER OF THE COUNCIL/ITS COMMITTEE/ITS BOARDS**

Date _____

Note:

Please record below information about material personal, business or other interests (including information relating to your associated persons) which might, to the best of your knowledge or belief, or of which you could reasonably be expected to be aware:

- a. give rise to a conflict of interest for you with the activities of the Institute; or
- b. influence or lead to a perception of a conflict in the eyes of the public, the membership or your colleagues in your behaviour as a member of the Council/its Committee/its Board or in the way in which you alone, or together with others, participate in or vote on Institute's affairs.

(Please use additional sheets if necessary)

Membership of formal bodies or groups:

—

Partnerships, Directorships or beneficial interests in companies: _____

—

Professional or social relationships with individuals who have business relationships with the Institute _____

—

Any other matters you feel should be identified: _____

—

I declare, to the best of my knowledge or belief, and in relation to my financial and other interests which are material and relevant as required by the Institute's Code of Conduct for Members of the Council, its committees and its boards, either (please delete as applicable):

- a. that the details listed above represent my interests and that, where I have left a category blank, I have no interests in that category; or
- b. that the details listed above represent changes or additions to the interests previously declared by me.

SIGNATURE
NAME

DECISION AS TO THE MATERIALITY AND RELEVANCE OF ANY INTEREST

Would the decision to be made in a meeting affect Member’s personal interest or Member’s *associated persons* more than it would affect a significant number of general membership of the Institute?

No

Yes

The Member can participate in discussion and decision making

Would a Member or someone from the public, if he/she knew all the facts, reasonably think that Member’s interest is so significant that his/her decision on the matter would be affected by it or otherwise influence his/her behaviour, or that his/her involvement in the activity would bias their perception of Member?

No

Yes

The Member can participate in discussion and decision making

Does the matter relate to:

- a. the fees and subscriptions of the Institute? or
- b. accounting, auditing or other professional standards? or
- c. a Code of Governance? or
- d. the duties of Members? or
- e. an organization to which Member has been appointed as a representative of ICAP?

Yes

No

The Member can participate in discussion and decision making

Would the expertise that would be contributed by the Member is otherwise available?

Yes

No

The Member cannot participate in discussion and decision making and should be absent from discussion.

Is the nature of interest such that other Members would be influenced by his/her presence?

Yes

No

The Member cannot participate in discussion and decision making and should be absent from discussion.

The Member can participate in discussion, but refrain from voting on the matter