Proposed Guidance Note: APES GN 40 Ethical Conflicts in the Workplace – Considerations for Members in Business

[Supersedes APES GN 40 Ethical Conflicts in the Workplace – Considerations for Members in Business issued in March 2020]

EXPOSURE DRAFT **02/26**

ISSUED August 2026

Commenting on this Exposure Draft

This Exposure Draft, Proposed Guidance Note APES GN 40 *Ethical Conflicts in the Workplace – Considerations for Members in Business*, was developed and approved by the Accounting Professional & Ethical Standards Board Limited (APESB).

The proposals in this Exposure Draft may be modified in light of comments received before being issued in final form. **Comments are requested by 20 October 2026.**

Comments should be addressed to:

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Accounting Professional & Ethical Standards Board Limited
Level 3, 99 Queen Street
Melbourne VIC 3000
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E-mail: sub@apesb.org.au

APESB would prefer that respondents express a clear overall opinion on whether the proposed amendments, as a whole, are supported and that this opinion be supplemented by detailed comments, whether supportive or critical, on any matter. APESB regards both critical and supportive comments as essential to a balanced view of the proposed amendments.

Respondents are asked to submit their comments electronically via the APESB website at https://apesb.org.au/current-projects/.

Please submit comments in both a PDF and Word file. All comments will be considered a matter of public record and will ultimately be posted on the website www.apesb.org.au.

APESB prefers that comments be submitted via its website. However, if there are practical difficulties, comments can also be sent to sub@apesb.org.au or mailed to the address noted above. While APESB prefers formal submissions, we also encourage opinions and comments to be sent via email to sub@apesb.org.au.

Obtaining a copy of this Exposure Draft

This Exposure Draft is available on the APESB website: www.apesb.org.au

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Reasons for issuing Exposure Draft 02/26

APESB is proposing to revise APES GN 40 *Ethical Conflicts in the Workplace – Considerations for Members in Business* to address recent revisions to APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that impact Members in Business, including Tax Planning and Related Services and Sustainability Reporting.

Key requirements and guidance in Exposure Draft 02/26

This Exposure Draft sets out the proposed amendments to extant APES GN 40. The key revisions to APES GN 40 proposed in ED 02/26 include:

- the addition of guidance on the preparation and presentation of sustainability information by Members in Business to align with Section 220 *Preparation and Presentation of Information* of the Code (proposed paragraph 8.3, and amendments to extant paragraphs 6.3(d) and 12.1);
- the addition of guidance on tax planning activities undertaken by Members in Business to align with Section 280 *Tax Planning Activities* of the Code (proposed paragraphs 6.3(h), 14.1 and 14.2);
- the addition of guidance on using the work of an external expert to align with Section 290 *Using the Work of an External Expert* of the Code (proposed paragraphs 6.3(i) and 15.1–15.2);
- the removal of four case studies that have been superseded or are no longer relevant (Extant Case Studies 3 – Inappropriate small expense claim, 4 – Unlicensed Software, 10 – Valuing Share Options and 12 – Inducements for non-disclosure of information);
- the addition of the following eight new Case Studies (proposed Case Studies 18–25)
    - Matters to be considered before accepting a Non-Executive Director appointment;
    - After effects of a rushed acquisition;
    - Inappropriate social media use;
    - Heroic efficiency target;
    - Conflicting information on the reliability of KPIs;
    - Optimistic valuations and reporting deadlines;
    - Complex corporate restructuring arrangement;
    - Sustainability-related reporting dilemma;
- the addition of definitions for *Confidential Information*, *Expertise*, *External Expert*, *Sustainability Assurance Practitioner*, and *Sustainability Information* to align with APES 110;
- amendments to the definitions of *Acceptable Level*, *Professional Activity*, and *Those Charged with Governance* to align with APES 110; and
- minor editorial and other consequential amendments.

A marked-up version of ED 02/26 compared to the extant APES GN 40 can be found here.

Proposed Operative Date

It is proposed that this Guidance Note will be effective as at the date of issue.

APES GN 40 Ethical Conflicts in the Workplace – Considerations for Members in Business

[Supersedes APES GN 40 Ethical Conflicts in the Workplace – Considerations for Members in Business issued in March 2020]

REVISED: [X] 2026

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1. Scope and application

1.1 The objectives of APES GN 40 *Ethical Conflicts in the Workplace – Considerations for Members in Business* are to provide guidance to a Member in Business in respect of:

- fundamental responsibilities of the Member in Business when dealing with ethical conflicts in the workplace;
- the application of the conceptual framework in the Code to identify, evaluate and address ethical issues;
- specific circumstances such as dealing with conflicts of interest, reporting of information, acting with sufficient Expertise, financial interests, Inducements, responding to non-compliance with laws and regulations, pressure to breach the fundamental principles, tax planning activities and using the work of an External Expert; and
- the disclosure of Confidential Information of an Employer to a third party and whistleblowing.

1.2 Accounting Professional & Ethical Standards Board Limited (APESB) has revised professional guidance note APES GN 40 *Ethical Conflicts in the Workplace – Considerations for Members in Business* (the Guidance Note). This Guidance Note is effective from the date of issue and supersedes APES GN 40 issued in March 2020.

1.3 APES GN 40 provides guidance to Members in Business on the application of the fundamental principles contained within Part 1 *Complying with the Code, Fundamental Principles and Conceptual Framework* and Part 2 *Members in Business (including employment relationships of Members in Public Practice)* of the Code. The Guidance Note provides examples for Members in Business of situations that require professional judgement in the application of the principles of the Code.

1.4 Members in Business using this Guidance Note should refer to APESB's *Due process and working procedures for the development and review of APESB pronouncements* (APESB's Due Process document). The APESB's Due Process document provides the meaning of the term 'should' used in this Guidance Note.[1]

1.5 Members in Business working in Australia should follow the guidance in APES GN 40 when they provide Professional Activities to their Employer.

1.6 Members in Business outside of Australia should follow the guidance in APES GN 40 to the extent to which they are not prevented from so doing by specific requirements of local laws and/or regulations.

1.7 The Guidance Note is not intended to detract from any responsibilities which may be imposed by law or regulation.

1.8 All references to Professional Standards, guidance notes and legislation are references to those provisions as amended from time to time.

1.9 Members in Business are required to comply with other applicable Professional Standards and be familiar with relevant guidance notes when performing Professional Activities for Employers. All Members are required to comply with the fundamental principles outlined in the Code.

1.10 In applying the guidance outlined in APES GN 40, Members in Business should be guided not merely by the words but also by the spirit of this Guidance Note and the Member's professional obligation to comply with the requirements of the Code.

1 Refer to APESB's Due Process document, Section 5, Paragraph 5.2(e).

1.11 In this Guidance Note, unless otherwise specified, words in the singular include the plural and vice versa, words of one gender include another gender, and words referring to persons include corporations or organisations, whether incorporated or not.

2. Definitions

Defined terms are shown in the body of the Guidance Note in title case.

For the purpose of this Guidance Note:

Acceptable Level means a level at which a Member or Sustainability Assurance Practitioner using the reasonable and informed third party test would likely conclude that the Member or the practitioner complies with the fundamental principles.

Close Family means a parent, child or sibling who is not an Immediate Family member.

Code means APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

Confidential Information means any information, data or other material in whatever form or medium (including written, electronic, visual or oral) that is not publicly available.

Employer means an entity or person that employs, engages or contracts a Member in Business.

Expertise means skills, knowledge and experience in a particular field.

External Expert means an expert engaged by a Member, Member's employing organisation or firm, or by a Sustainability Assurance Practitioner.

Immediate Family means a spouse (or equivalent) or dependant.

Inducement means 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.

Member means a member of a Professional Body that has adopted this Guidance Note as applicable to their membership, as defined by that Professional Body.

Member in Business means a Member working in areas such as commerce, industry, service, the public sector, education, the not-for-profit sector, or in regulatory or professional bodies, who might be an employee, contractor, partner, director (executive or non-executive), owner-manager or volunteer.

Professional Activity means an activity requiring professional skills undertaken by a Member or a Sustainability Assurance Practitioner, including accounting, auditing, sustainability reporting or assurance, tax, consulting, and financial management.

Professional Bodies means Chartered Accountants Australia and New Zealand, CPA Australia and the Institute of Public Accountants.

Professional Standards means all standards issued by Accounting Professional & Ethical Standards Board Limited and all professional and ethical requirements of the applicable Professional Body.

Sustainability Assurance Practitioner means the individual(s) conducting a sustainability assurance engagement (usually the engagement leader or other members of the engagement team, or, as applicable, the firm).

Sustainability Information means information about sustainability matters. Sustainability matters are environmental, social, governance or other sustainability-related matters as defined or described in law or regulation or relevant sustainability reporting frameworks, or as determined by the entity for purposes of preparing or presenting Sustainability Information.

Those Charged with Governance means the person(s) or organisation(s) (for example, a corporate trustee) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process or the sustainability reporting process, as applicable. For some entities in some jurisdictions, Those Charged with Governance might include management personnel, for example, executive members of a governance board of a private or public sector entity, or an owner-manager.

3. Fundamental responsibilities of Members in Business

3.1 The Code is the conceptual framework and foundation on which all APESB pronouncements are based. Compliance with, and application of, the Code is fundamental to the ethical behaviour of Members in Business. Non-compliance with the Code can lead to disciplinary proceedings being initiated by the Professional Body to which the Member belongs.

3.2 Professional obligations and ethical requirements that Members in Business are required to comply with are based on the five fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour in the Code.

3.3 The term Professional Activity is defined as an activity requiring professional skills performed by a Member or a Sustainability Assurance Practitioner, including accounting, auditing, sustainability reporting or assurance, tax, consulting and financial management. Activities performed by Members in Business for an Employer are captured by the definition of Professional Activity. Typically, this includes activities performed by financial accountants, tax accountants, financial analysts, financial planners, management accountants, internal auditors and financial controllers.

3.4 A Member in Business who performs a Professional Activity is required to comply with:

(a) Part 1 *Complying with the Code, Fundamental Principles and Conceptual Framework* of the Code*;*

(b) Part 2 *Members in Business (including employment relationships of Members in Public Practice)* of the Code; and

(c) any applicable laws or regulations.

Part 2 of the Code is specific to Members in Business and describes the application of the fundamental principles to some of the more commonly encountered situations that may create threats to compliance with the fundamental principles.

4. Conceptual framework approach

4.1 Members in Business may encounter situations that give rise to threats to compliance with the fundamental principles. This Guidance Note uses the framework in the Code to assist Members to identify, evaluate and respond to threats to compliance with the fundamental principles. Members are required to address threats to compliance with the fundamental principles by either eliminating the threats or reducing them to an Acceptable Level so that compliance with the fundamental principles is not compromised. The Guidance Note provides a range of examples dealing with a variety of circumstances in which threats may arise and provides guidance on how these threats may be addressed. Members should use the framework to address ethical issues arising from their work at an early stage to enable them to adopt appropriate methods which are suitable to the circumstance and address the relevant threats.

4.2 When considering situations that threaten compliance with the fundamental principles, Members in Business should use the following structured approach to ethical decision-making:

(a) Gather the facts and identify the problem or threat;

(b) Identify the fundamental principles involved;

(c) Identify the affected parties;

(d) Determine whether established organisational procedures and conflict resolution resources exist to address the threat to compliance with the fundamental principles;

(e) Identify the relevant parties who should be involved in the conflict resolution process;

(f) Discuss the ethical issue and the conflict with the relevant parties, and in accordance with the prescribed procedures evaluate the significance of the threats identified and actions available to address these threats;

(g) Consider courses of action and associated consequences;

(h) Consider whether to consult confidentially with external advisers such as an independent adviser, legal advisor and/or the Professional Body to which the Member belongs;

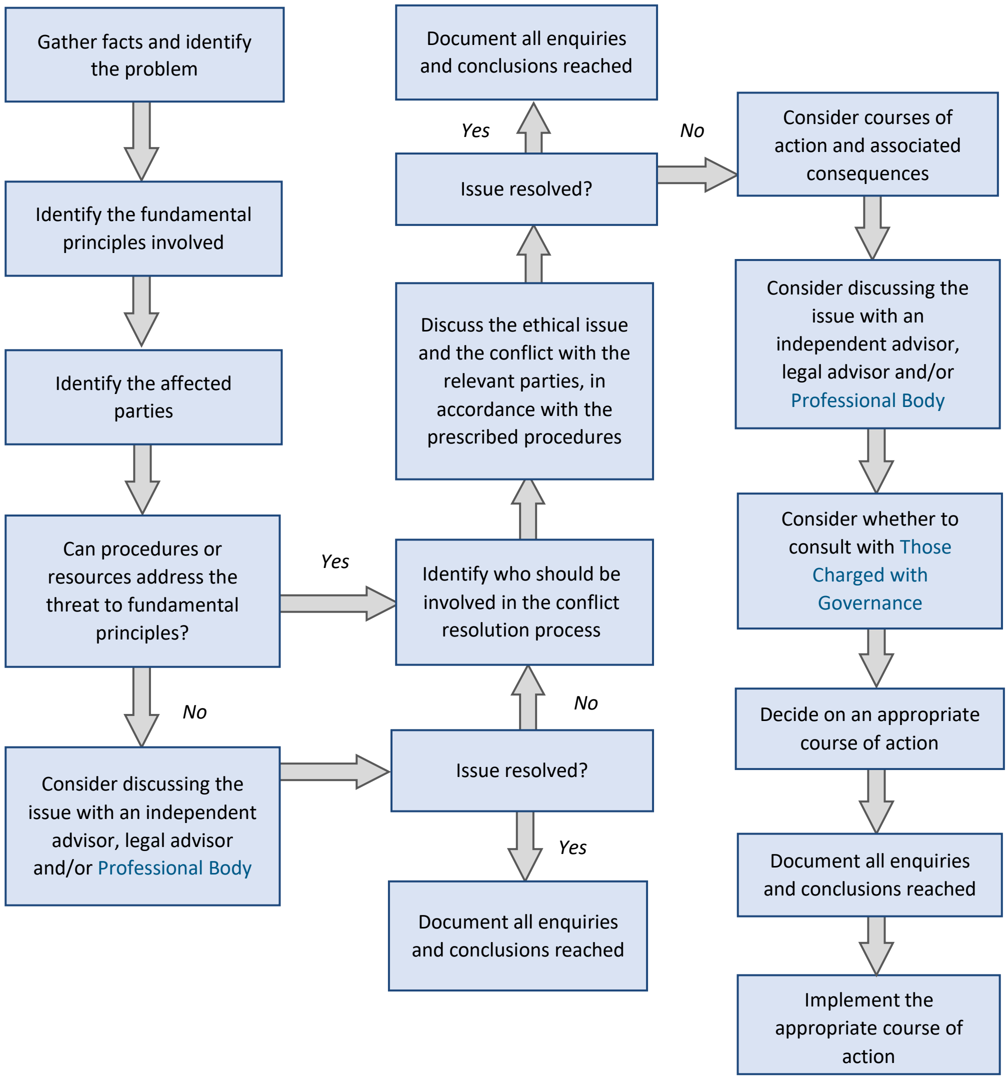
(i) Consider whether to consult Those Charged with Governance;

(j) Decide on an appropriate course of action;

(k) Document all enquiries and conclusions reached; and

(l) Implement the appropriate course of action. In extreme situations, in the event that the Member believes that the threat to compliance with the fundamental principles has not been satisfactorily resolved, the Member should determine, after considering all other available options, whether it is appropriate and practicable to resign.

The process to be followed as indicated above may vary with each particular circumstance and a flow diagram is set out below to provide guidance to a Member on how to arrive at an appropriate course of action:



4.3 When resolving an ethical issue, a Member in Business should document the substance of the issue and details of any discussions held and conclusions reached concerning that issue. The Member should take qualitative as well as quantitative factors into account when evaluating the significance of an ethical issue and be alert to the fact that reassessment of the issue may need to occur on an ongoing basis. If, after exhausting all relevant possibilities, the ethical issue remains unresolved, the Member should, where possible, refuse to remain associated with the matter creating the conflict. The Member should determine whether, in the circumstances, it is appropriate to refuse to perform the duties in question or be associated with information the Member knows is misleading, or whether, in extreme situations, after considering all other available options, it is appropriate and practicable to resign altogether from the employing organisation.

4.4 The case studies in Section 16 illustrate the application of the fundamental principles and how threats to the fundamental principles can be addressed. The case studies follow the structured approach noted above in analysing the relevant ethical considerations. These case studies are not intended to be, nor should they be interpreted as, an exhaustive list of all circumstances likely to be experienced by Members in Business that create threats to compliance with the fundamental principles of the Code. Consequently, it is not sufficient for Members to seek compliance in situations corresponding with these case studies. Members need to apply the principles of the Code to all situations facing them in which compliance with the fundamental principles of the Code are at risk.

5. Threats to the fundamental principles

Threats

5.1 Compliance with the Code may be threatened by a broad range of circumstances and relationships. Any given circumstance may create more than one threat, and the threats that arise may affect compliance with more than one fundamental principle. A Member in Business is required to address threats not at an Acceptable Level by eliminating the threats or reducing them to an Acceptable Level so that compliance with the fundamental principles is not compromised.

5.2 Threats to the fundamental principles are discussed in Part 1 *Complying with the Code, Fundamental Principles and Conceptual Framework* of the Code. Threats fall into one or more of the following categories:

(a) Self-interest – the threat that a financial or other interest will inappropriately influence a Member in Business' judgement or behaviour;

(b) Self-review – the threat that a Member in Business will not appropriately evaluate the results of a previous judgement made, or a Professional Activity performed by the Member, or by another individual within the employing organisation, on which the Member will rely when forming a judgement as part of providing a current Professional Activity;

(c) Advocacy – the threat that a Member in Business will promote the Employer's position to the point that the Member's objectivity is compromised;

(d) Familiarity – the threat that due to a long or close relationship with the Employer, a Member in Business will be too sympathetic to the Employer's interests or will accept the Employer's view on certain matters without sufficient scrutiny; and

(e) Intimidation – the threat that a Member in Business will be deterred from acting objectively because of actual or perceived pressures, including attempts to exercise undue influence over the Member.

Addressing threats

5.3 The Code requires Members in Business to address threats that are not at an Acceptable Level by eliminating or reducing threats faced by Members in Business to an Acceptable Level. This may be done by:

- eliminating the circumstances, including interests and relationships, that are creating the threats;
- applying safeguards, where available and capable of being applied, to reduce threats to an Acceptable Level; or
- declining or ending the specific Professional Activity.

5.4 Examples of actions that might address threats (including eliminating circumstances and applying relevant safeguards) are outlined in Sections 210 to 290 of the Code.

5.5 In extreme situations where threats cannot be eliminated or safeguards are not available or cannot be applied to reduce the threats to an Acceptable Level, after considering all other available options, consider whether it is appropriate and practicable for a Member in Business to resign from the employing organisation.

5.6 Discussion of ethical issues with the Professional Body to which the Member in Business belongs is strongly encouraged as the Professional Bodies are able to provide valuable advice in line with the behaviour expected of their Members and within the limits of acceptable practice and the law.

Disclosure of information

5.7 In accordance with Subsection 114 *Confidentiality* of the Code, a Member in Business who acquires Confidential Information in the course of performing a Professional Activity is prohibited from disclosing that information without proper and specific authority or unless there is a legal, regulatory or professional duty or right to disclose it.

5.8 The *Privacy Act 1988* (the Privacy Act) prohibits the disclosure of personal information about an individual, other than in certain limited circumstances including circumstances where the individual has consented to the disclosure or the disclosure is required or authorised by or under law.[2]

5.9 Whistleblower laws at Federal, State and Territory levels prohibit the disclosure of certain information obtained from and about a whistleblower unless such disclosure is required or authorised by such laws.

5.10 Examples of the disclosure of information that may in certain circumstances be required or authorised by the law include:

- reporting of suspected money laundering activities to AUSTRAC[3] in accordance with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*; and
- where a Member in Business is authorised by the Member's Employer to receive whistleblower information, disclosure by the Member of such information to an eligible recipient under the *Corporations Act 2001* (the Corporations Act).

6. Overview of Part 2 of the Code

6.1 Part 2 *Members in Business (including employment relationships of Members in Public Practice)* (Part 2) of the Code illustrates how the conceptual framework in *Part 1 Complying with the Code, Fundamental Principles and Conceptual Framework* of the Code is to be applied by Members in Business.

6.2 Section 200 of Part 2 provides an overview of the various types of threats encountered by Members in Business in their work environment and how to address threats that are not at an Acceptable Level. In certain circumstances, there may be no actions or available safeguards to reduce the threats to an Acceptable Level and the Member may need to consider refusing to perform the duties in question or, in extreme situations after considering all other available options, consider whether it is appropriate and practicable to resign from the employing organisation (e.g. paragraphs 200.8 A2, R220.9 and R230.4 of the Code).

6.3 Sections 210 - 290 of Part 2 specifies professional obligations of Members in Business in the following circumstances:

(a) Section 210 – *Conflicts of Interest*;

(b) Section 220 – *Preparation and Presentation of Information*;

(c) Section 230 – *Acting with Sufficient Expertise*;

(d) Section 240 – *Financial Interests, Compensation and Incentives Linked to Financial or Non-Financial Reporting and Decision Making*;

(e) Section 250 – *Inducements, Including Gifts and Hospitality*;

(f) Section 260 – *Responding to Non-Compliance with Laws and Regulations*;

2 Members in Business may be subject to other prohibitions under the *Privacy Act 1988*, including prohibitions in relation to the collection, use and storage of personal information.

3 AUSTRAC is Australia's anti-money laundering and counter-terrorism financing regulator and specialist financial intelligence unit.

(g) Section 270 – *Pressure to Breach the Fundamental Principles*;

(h) Section 280 – *Tax Planning Activities*; and

(i) Section 290 – *Using the Work of an External Expert*.

7. Potential conflicts arising from responsibilities to the Employer

7.1 Potential conflicts may arise from the obligation of a Member in Business to comply with the fundamental principles of the Code whilst fulfilling responsibilities to the Employer. Ordinarily the Member is required to support the legitimate and ethical objectives established by the Employer and rules and procedures in support of those objectives. However, as a consequence of responsibilities to the Employer, the Member may be under pressure to act or behave in ways that could directly or indirectly threaten compliance with the fundamental principles of the Code.

7.2 Where potential conflicts arise, a Member in Business is required to comply with Section 210 *Conflicts of Interest* of the Code. Examples and the potential approaches to resolving such conflicts are shown in Case Studies 1, 2, 19 and 20.

8. Preparation and presentation of information to be used by internal and external parties

8.1 Members in Business are often involved in the preparation and presentation of information that may either be made public or used by others inside or outside the Employer. When preparing and presenting such information, Members are required to comply with Section 220 *Preparation and Presentation of Information* of the Code.

8.2 A Member in Business is required to prepare or present information fairly, honestly and in accordance with relevant Professional Standards so that the information will be understood in its context. Threats to the Member's ability to do so may arise from pressure (intimidation or self-interest) to become associated with misleading information. Where the threats have been evaluated, appropriate actions such as those discussed in Section 220 *Preparation and Presentation of Information* of the Code should be undertaken. Examples addressing the analysis of threats and appropriate actions are shown in Case Studies 3–7, 16–17 and 22–23.

8.3 When preparing or presenting Sustainability Information, a Member in Business may experience threats to the Member's ability to exercise professional judgement to represent the facts accurately and completely in all material respects. This might involve placing undue weight on information that corroborates the Employer's achievement of its targets or insufficient weight on other information that contradicts such achievement. An example showing considerations that may be applied by the Member is provided in Case Study 25.

9. Member in Business's responsibility to act with sufficient expertise

9.1 The fundamental principle of professional competence and due care requires that a Member in Business should only undertake tasks for which the Member has, or can obtain, sufficient specific training or experience. Members should not intentionally mislead Employers as to the level of Expertise possessed, nor should they fail to seek appropriate assistance or training from someone with the necessary Expertise when required.

9.2 Where the ability of a Member in Business to perform duties with the appropriate degree of professional competence and due care is threatened by factors such as insufficient time, inadequate information, inadequate resources or insufficient knowledge, appropriate actions such as those in Section 230 *Acting with Sufficient Expertise* of the Code should be undertaken. The appropriate actions include the application of safeguards or declining to perform the duties in question. Examples addressing the need to act with sufficient Expertise are provided in Case Studies 15, 17 and 18.

10. Financial interests of a Member in Business

10.1 Financial interests of a Member in Business or their Immediate or Close Family members may give rise to threats to compliance with the fundamental principles of the Code. In such circumstances, the Member is required to comply with *Section 240 Financial Interests, Compensation and Incentives Linked to Financial or Non-Financial Reporting and Decision Making* of the Code, and to evaluate the significance of any identified threat and undertake appropriate actions to reduce the threat to an Acceptable Level.

10.2 The Member should examine the nature of the financial interest which includes considerations such as the significance of the interest and whether it is direct or indirect, as well as the value of the interest. An example showing considerations which may be applied by Members where financial interests threaten compliance with the fundamental principles of the Code is provided in Case Study 7. Additional examples of personal financial gain for a Member is provided in Case Studies 8, 9 and 21.

11. Inducements offered by or to a Member in Business

11.1 Inducements refer to both the acceptance of offers and the making of offers. Inducements may take many different forms, for example:

- Gifts.
- Hospitality.
- Entertainment.
- Political or charitable donations.
- Appeals to friendship and loyalty.
- Employment or other commercial opportunities.
- Preferential treatment, rights or privileges.

11.2 A Member in Business or an Immediate or Close Family member may be offered an Inducement to influence their behaviour. Alternatively, a Member may experience pressure to offer Inducements to subordinate the judgement of another individual or organisation, influence a decision-making process or obtain Confidential Information.

11.3 In addition to complying with relevant laws and regulations, a Member in Business is required to assess whether the offering or acceptance of an Inducement is made with the intent to improperly influence the behaviour of the Member or another individual. This includes the consideration of how others would perceive the offering or acceptance of an Inducement (i.e. what would a reasonable and informed third party think is the intent of the Inducement).

11.4 Where threats to the fundamental principles arise from Inducements, the Member in Business is required to comply with the requirements and guidance in Section 250 *Inducements, Including Gifts and Hospitality* of the Code. Examples showing approaches that can be adopted by the Member where Inducements threaten compliance with the fundamental principles of the Code are provided in Case Studies 9, 10 and 14.

12. Member in Business's responsibility to respond to non-compliance with laws and regulations

12.1 Members in Business may suspect or be aware that their Employer has done something illegal and is not complying with laws and regulations. This could be in relation to laws and regulations specific to financial statements or Sustainability Information, or laws and regulations that would affect the continued operation of the Employer. Examples of relevant laws and regulations include:

- Fraud, corruption and bribery.
- Money laundering, terrorist financing and proceeds of crime.
- Securities markets and trading.
- Banking and other financial products and services.
- Data protection.
- Tax and pension liabilities and payments.
- Environmental protection.
- Public health and safety.
- Protection of human rights.
- Labour conditions and rights of employees.
- Consumer rights.
- Occupational health and safety, including psychological health.

12.2 In the circumstances when a Member suspects or is aware of non-compliance with laws and regulations (NOCLAR), the Member is required to comply with Section 260 *Responding to Non-Compliance with Laws and Regulations* of the Code. Section 260 sets out a framework to assist Members to respond to the suspected or actual NOCLAR, including considering relevant laws and regulations, reporting to management or the board, and disclosing to an appropriate authority if it is appropriate.

Protection of whistleblowers

12.3 Whistleblower laws in Australia provide whistleblowers with certain legal protection against liability for making certain disclosures and a specific process to follow when disclosing such information which may include, for example, information about a breach of the law by the business or persons in the business for or in which the whistleblower works. For example, under the *Corporations Act 2001* whistleblowers will generally qualify for the protection if:

(a) the whistleblower is (or was) an officer, employee, associate, contractor or employee of a contractor of the company, suppliers and their employees, as well as relatives or dependents of these parties;

(b) the report is made by the whistleblower to a prescribed entity (such as the Australian Securities and Investments Commission or the Australian Prudential Regulation Authority), an eligible recipient, legal practitioner, a company auditor or member of an audit team conducting an audit of the company, a director, secretary or senior manager of the company or other person authorised by the company to receive such disclosure. Disclosures to Members of Parliament and journalists are permissible under limited circumstances. Members in Business are strongly advised to obtain legal advice before making such a disclosure;

(c) the whistleblower had reasonable grounds to suspect that the information indicates that the company or an officer or employee of the company has or may have contravened a provision of the *Corporations Act 2001*; and

(d) the report is not related to a personal work-related grievance.

12.4 A Member in Business who is considering disclosing information about the Member's Employer or persons in the Employer's business in circumstances which would otherwise be a breach of the Member's professional obligation of confidentiality or statutory obligations is strongly advised to first obtain legal advice. Whistleblower laws establish the scope of the protection offered to the Member and the process which the Member is required to follow to obtain that protection. Where the Member needs further clarification or guidance concerning the Member's obligations under the Code, the Member should consult with the Member's Professional Body without disclosing Confidential Information.

Decision-making process

12.5 Sometimes confidentiality, privacy and whistleblowing are the subject of internal business policies and procedures.[4] In circumstances where a Member in Business is considering disclosing information, the Member should follow any relevant internal policies and procedures of the business which employs the Member. In addition to these requirements, where the Member is employed by a government entity or in the public sector, the Member is required to consider any public sector rules to which the Member is bound prior to disclosing Confidential Information.

12.6 If the Employer does not have internal policies, procedures or rules that deal with the matter, a Member in Business should, amongst other things, consider the following when considering disclosing information about the Member's Employer or persons in the Employer's business in circumstances which would otherwise be a breach of their professional obligation of confidentiality:

(a) Statutory constraints and obligations on disclosure including those contained in Federal, State and Territory privacy and whistleblower laws;

(b) Statutory protection for whistleblowers contained in Federal, State and Territory whistleblower laws;

(c) Whether the information relates to conduct which constitutes a breach of, or an offence under, any laws;

(d) Whether members of the public are likely to be adversely affected by the disclosure or non-disclosure of the information;

(e) The gravity of the matter, such as the size and extent of likely financial loss;

(f) The possibility or likelihood of repetition;

(g) The reliability and quality of the information available;

(h) The reasons for the Employer's unwillingness to disclose matters to the relevant authority;

(i) When the Employer gives authorisation to disclose information, whether or not the interests of all parties, including third parties whose interests might be affected, could be harmed;

(j) Whether or not all the relevant information is known and has been substantiated. Where the situation involves unsubstantiated or incomplete information and conclusions, professional judgement should be applied to determine the appropriate type of disclosure to be made, if any. The Member requires a reasonable belief that wrongdoing has occurred, before disclosure can be made;

(k) The type of communication that is expected and to whom it is addressed. In particular, the Member should be satisfied that the parties to whom the communication is addressed are authorised recipients; and

(l) The possible implications of disclosure for the Member and the Member's reputation.

12.7 Examples that address NOCLAR and whistleblowing are included in Case Studies 11–13.

4 All public companies, large proprietary companies and other specified entities are required under law to have a whistleblower policy.

Prohibited dealing with information

12.8 A Member in Business should be aware that there are laws which make it an offence for a person to take certain actions in respect of documents or related material that are, or are reasonably likely to be, required in evidence in legal proceedings (whether in progress or to be commenced in the future). These actions include for example, destroying, concealing or rendering the documents or material illegible, undecipherable or unidentifiable or authorising or permitting another to do so.[5] The Member is strongly advised to take care to ensure that the Member does not take any prohibited action in respect of such information.

13. Pressure to breach the fundamental principles

13.1 At times, a Member in Business may be under pressure to act or behave in ways that could directly or indirectly threaten compliance with the fundamental principles of the Code. The pressure might be explicit or implicit and might come from:

- Within the employing organisation, for example, from a colleague or supervisor.
- An external individual or organisation such as a vendor, customer or lender.
- Internal or external targets and expectations.

13.2 Where threats to the fundamental principles arise from pressure, the Member in Business is required to comply with the requirements and guidance in Section 270 *Pressure to Breach the Fundamental Principles* of the Code, and also in Sections 210 to 260 and 280 to 290 of the Code. Examples showing approaches that can be adopted by the Member to address pressure to breach the fundamental principles of the Code are provided in Case Studies 2, 3, 5, 7, 9, 10, 16 and 17.

14. Tax Planning Activities

14.1 Where a Member in Business uses their Expertise to assist their Employer in achieving their tax planning goals and meeting their tax obligations, it might involve certain tax minimisation arrangements that, although not prohibited by tax laws and regulations, might create threats to the fundamental principles of the Code, particularly self-review, self-interest, advocacy or intimidation threats. In such circumstances, the Member is required to comply with the requirements and guidance in Section 280 *Tax Planning Activities* of the Code. An example addressing the analysis of threats and appropriate actions is included in Case Study 24.

14.2 Consistent with the fundamental principle of professional competence and due care, a Member in Business is required to comply with relevant tax laws and regulations when performing tax planning activities for the Employer. A tribunal, court or other appropriate adjudicative body ultimately determines whether a tax planning arrangement complies with the relevant tax laws and regulations. The Member should obtain an understanding of those laws and regulations and advise the Employer to comply with them when performing tax planning activities.

15. Using the Work of an External Expert

15.1 Using the work of an External Expert might create threats to compliance with the fundamental principles of the Code, particularly the principles of integrity, objectivity and professional competence and due care. A Member in Business should be aware that threats might still be created even if the Member has satisfactorily concluded that the External Expert has the necessary competence, capabilities and objectivity for the Member's purpose.

5 See for example the *Crimes Act 1958* (Vic).

15.2 A Member in Business who is considering using the work of an External Expert is required to comply with Section 290 *Using the Work of an External Expert* of the Code, and to evaluate the level of any identified threat and undertake appropriate actions to reduce the threat to an Acceptable Level. If the Member determines that there are threats to the External Expert's objectivity that cannot be eliminated or reduced to an Acceptable Level the Member should not use the work of the External Expert. An example addressing the Use of an External Expert is given in Case Study 23.

16. Case Studies

Introduction

The Case Studies in this Guidance Note illustrate the application of a structured approach to the resolution of ethical issues. Members in Business should read the Case Studies whilst referring to the conceptual framework approach in Section 4 of this Guidance Note, to gain an understanding of the process that should be adopted when faced with ethical issues in the workplace. The Case Studies are not intended to be conclusive but rather provide a framework that leads Members to a course of action that is consistent with the principles and requirements of the Code and this Guidance Note.

These Case Studies are fictitious and any similarities to actual events or circumstances are merely coincidental.

No.	Title	Issues Discussed
1	Significant personal expenses claimed as company expenses	Potential conflicts
2	Council rates	Potential conflicts/Pressure to breach the fundamental principles
3	Incorrect reporting of financial information	Preparation and presentation of information/Pressure to breach the fundamental principles
4	Inappropriate capitalisation of research and development costs	Preparation and presentation of information
5	Inappropriate contractor claims	Preparation and presentation of information/Pressure to breach the fundamental principles
6	Loss leaders or divisional failure?	Preparation and presentation of information
7	Satisfying the bank's lending criteria	Preparation and presentation of information/ Financial interests of a Member/Pressure to breach the fundamental principles
8	Personal financial interest in a proposal	Financial interests of a Member
9	Earnings management	Financial interests of a Member/Inducement/ Pressure to breach the fundamental principles
10	Tender bids	Inducement/Pressure to breach the fundamental principles
11	Non-disclosure to auditors and corrupt business practices	NOCLAR/Whistleblowing
12	Inappropriate expense claims lodged by the Chief Executive	NOCLAR/Whistleblowing
13	Inappropriate recording of patient attendance at a doctors' medical practice	Whistleblowing
14	Insider information	Public Sector - Inducement

No.	Title	Issues Discussed
15	Demonstrating due diligence in an honorary position	Public Sector - Acting with sufficient expertise
16	Potential breach of not-for-profit status	Charitable organisation - Preparation and presentation of information/Pressure to breach the fundamental principles
17	Ignorance is no excuse	Preparation and presentation of information/ Acting with sufficient expertise/Pressure to breach the fundamental principles
18	Matters to be considered before accepting a Non-Executive Director appointment	Acting with sufficient expertise
19	After effects of a rushed acquisition	Professional behaviour/Preparation and presentation of information
20	Inappropriate social media use	Compliance with the fundamental principles/professional behaviour
21	Heroic efficiency target	Acting with sufficient expertise/Financial interests of a Member/Pressure to breach the fundamental principles
22	Conflicting information on the reliability of KPIs	Preparation and presentation of information/Financial interests of a Member/Pressure to breach the fundamental principles
23	Optimistic valuations and reporting deadlines	Using the Work of an External Expert/Preparation and presentation of information/Pressure to breach the fundamental principles
24	Complex corporate restructuring arrangement	Tax planning activities/Financial interests of a Member
25	Sustainability-related reporting dilemma	Preparation and presentation of information/Pressure to breach the fundamental principles

The presentation of each Case Study follows the following pattern:

1. Case outline: basic facts are described;
2. Fundamental principles of the Code: those identified as the key principles in the Case Study; and
3. Ethical decision-making approach: selected steps from the conceptual framework approach in the Code including the consideration of possible courses of action.

Case Study 1 – Significant personal expenses claimed as company expenses

Issues: Potential conflicts

Case outline: Alex (Member in Business) is the finance manager of a small proprietary company. Alex is concerned that the Chief Executive has been making frequent interstate trips to Perth and charging expenses to the company. The trips and the activities undertaken appear to have only partial relevance to the company's activities. Alex is aware of the fact that the Chief Executive recently moved from Perth and still has a number of Close Family members residing there.

Alex discusses the issue with the Chief Executive who explains that there is a verbal understanding with the Chairman of the company who is aware of the nature and purpose of the visits.

Fundamental principles of the Code	
Integrity	Would processing the payments without an adequate explanation or supporting documentation be seen as being honest and fair?
Objectivity	How will the Member in Business demonstrate his objectivity, actual or perceived, in his dealings with the Chief Executive?
Professional competence and due care	How can allowing the expense payments to be processed without adequate explanation and supporting documentation be seen as acting with due skill, care and diligence?
Professional behaviour	How should the Member in Business proceed so as not to discredit himself? Would it be considered legal and acceptable to taxation authorities?

Ethical decision-making approach	
Identify relevant facts	Has the Member in Business discussed the matter adequately to ensure the facts are correct? If so, is it possible to obtain support for the Chief Executive's understanding with the Chairman? Consider the company's policies and procedures, applicable accounting standards, relevant best practices and applicable laws and regulations.
Identify affected parties	Key affected parties are the Member in Business, the Chief Executive, the Chairman and the Board. Other possible affected parties are the accounts payable department, human resources, internal audit, the Australian Taxation Office, the audit committee, employees, shareholders and financial backers.
Determine whether a procedure of conflict resolution exists within the organisation	Consider the company's policies and procedures.
Consider who should be involved in the conflict resolution process	Who should be involved in the resolution of this matter and for what reason? What is the appropriate timing of their involvement? Are there trusted colleagues with whom the Member in Business can discuss his position? When do the Board and audit committee need to become involved?
Discuss the ethical dilemma with relevant parties	Does further discussion need to take place with the Chief Executive? Do the discussions need to extend to the Chairman?

Ethical decision-making approach	
Consider possible course of action	The Member in Business can discuss the issue further with his direct manager who may be in a position such as the Chief Financial Officer (CFO). Discussion could focus on the Member in Business obtaining clarity on the arrangement which may lead to documentary evidence supporting the understanding with the Chairman. If the issue is not resolved, the direct manager and Member in Business may consider requesting evidence from the Chief Executive together and can explain that it is required to conform to the company's policies and procedures. If an appropriate response is not received, the Member in Business and direct manager can request a meeting with the Chief Executive and the Chairman to clarify the issue. Where this is not successful, additional discussions with the Board, internal audit, the audit committee or the external auditors may be required. All enquiries and conclusions reached should be documented by the Member in Business. Where such documentation is maintained, the Member in Business needs to consider the legal ramifications of doing so. The Member in Business may also consider the ethical conflict resolution processes of his Professional Body.

Case Study 2 – Council rates

Issues: Potential conflicts; Pressure to breach the fundamental principles

Case outline: Jane (Member in Business) has just been appointed as the new financial controller of XYZ Ltd after 12 months of job hunting. Her first task is to prepare the annual financial report for the year ended 30 June 20X1.

Although XYZ Ltd appears solvent, when reviewing the figures, Jane notes that the company is in quite a weak cash position. She also notices that, based on her limited understanding of the business, there appears to be an unusually high accruals figure. On discussion with the Managing Director, Jane finds that the balance relates to four years of unpaid council rates. Further discussions reveal that the company has not received rates notices since the breakup of the council and rezoning of the company premises four years ago.

Jane is concerned about this matter and discusses it further with the Managing Director who becomes annoyed. He does not consider this to be a significant issue due to the fact that it is the council's mistake and not the company's. The company has been recording the amount in accordance with accounting standards and he believes that is the extent of the company's obligation. He then goes on to make it clear that the company's interests should be put first, particularly when the issue impacts the business's cash flow. Further, if the company were to pay four years of back rates, its cash flow position would be severely weakened which may lead to potential job losses.

Fundamental principles of the Code	
Integrity	How does the Member in Business maintain her integrity when she is being asked to undertake a course of action which she clearly has doubts about?
Objectivity	How would the Member in Business maintain her objectivity given that her Employer is operating under difficult economic conditions and has the added pressure of possibly disagreeing with her boss whom she hardly knows?
Confidentiality	Is there any basis on which the Member in Business could make disclosures given the Employer obviously believes that the company's non-payment of rates is Confidential Information?
Professional behaviour	How does the Member in Business proceed in order to not discredit herself?

Ethical decision-making approach	
Identify relevant facts	Are there any other reasons why the company has not received a bill for rates? Can the Member in Business continue to merely accrue an estimate for the rates bill for the year? If not, does she go back to the Managing Director and advise that the company should contact the local council and inform them of the situation? Is there a supportive environment for open discussion of practical dilemmas without a recriminatory or 'blame' culture?
Identify affected parties	Key affected parties are the Member in Business, the Managing Director, the other directors, the company's employees, the shareholders (if different from the directors), the local council and the general public.
Determine whether a procedure of conflict resolution exists within the organisation	Consider the company's policies and procedures and applicable accounting standards.
Consider who should be involved in the conflict resolution process	Who should be involved in the resolution of this matter and for what reason? What is the appropriate timing of their involvement? Does the Member in Business have trusted colleagues with whom she can discuss her position? Is there anyone else within the company that the Member in Business should speak to regarding this matter? Are the other directors aware of this issue? Has the Member in Business discussed the matter with the Board?
Discuss the ethical dilemma with relevant parties	Do further discussions need to be held with the Managing Director or extend to other members of the Board?
Consider possible course of action	The Member in Business could try to speak to the Managing Director in a non-confrontational way to offer to find a solution to the underlying problem. She may consider explaining the potential consequences if the error is discovered by the council. There may be interest or penalties imposed on the company which may impact on the company's good reputation. If at some future date there are plans to sell the company, any due diligence is likely to discover this non-payment of rates which could easily impact on a potential sale. Given all of this, the Member in Business could also highlight the need for the company to get legal advice on its obligations. The Member in Business could also ask the Managing Director to consider the company's moral obligation to the local community. All enquiries and conclusions reached should be documented by the Member in Business. Where such documentation is maintained, the Member in Business needs to consider the legal ramifications of doing so. To resolve the problem, the Member in Business could suggest to the Managing Director that they ask the local council to agree to a payment plan. It is unlikely that the council would want XYZ Ltd to go out of business potentially resulting in unemployment for a number of members of the community.

Case Study 3 – Incorrect reporting of financial information

Issues: Preparation and presentation of information/Pressure to breach the fundamental principles

Case outline: Robyn (Member in Business) is the junior financial accountant in a small proprietary company and is assisting her manager in preparing the quarterly accounts. Robyn's immediate manager is a very forceful, domineering individual and Robyn has accepted his views over the last two years on the level of work in progress. The manager has instructed Robyn to report a 100% increase in work in progress during the current quarter. The year-end draft financial statements show that the company has only just met its business plan financial targets.

New evidence subsequently becomes available to suggest that something is clearly wrong and the work in progress had not increased at anywhere near the rate advised by Robyn's manager.

Fundamental principles of the Code	
Integrity	Can the Member in Business show that the accounts are true and fair without amending them?
Objectivity	Given the manager is a forceful and intimidating individual, how would the Member in Business maintain her objectivity?
Professional competence and due care	Have the draft accounts been prepared in accordance with reporting requirements including applicable accounting standards, laws and regulations, and Professional Standards?
Professional behaviour	How should the Member in Business proceed so as not to discredit herself or the company?

Ethical decision-making approach	
Identify relevant facts	Do other balances and analyses provide evidence that work in progress is incorrectly stated? For example, cost of sales analytical review, margin analysis and cash flows.
Identify affected parties	The Member in Business and her immediate manager are the key affected parties. Others that may be affected include other levels of management, recipient of the management accounts, users of the financial accounts, finance, purchasing, accounts payable, human resources, internal audit, audit committee, board, external auditors, shareholders, financial backers and the Australian Taxation Office.
Determine whether a procedure of conflict resolution exists within the organisation	Consider the company's policies and procedures, applicable accounting standards, relevant best practices and applicable laws and regulations.
Consider who should be involved in the conflict resolution process	Who should be involved in the resolution of this matter and for what reason? What is the appropriate timing of their involvement? The Member in Business may discuss the matter with her immediate line manager given the available evidence and possible consequences. Can the Member in Business discuss the matter with other affected parties such as the recipients of the management and financial accounts? What is the appropriate timing for such discussions?
Discuss the ethical dilemma with relevant parties	Does further discussion need to take place with the immediate manager? Do discussions need to extend to more senior levels of management?
Consider possible course of action	The Member in Business may corroborate the facts with other available documentation such as cost of sales calculations, previous stock counts and other financial information. The appropriate course of action such as undertaking a stock count can then be discussed with the Member in Business's immediate line manager. If the manager's response is not what the Member in Business considers appropriate, the matter may then be discussed with recipients of the management and financial accounts and

Ethical decision-making approach	
	the next level of management. Other steps could include, where appropriate, discussion with the senior management, internal audit, audit committee, the Board and external auditors. In the case of a small business, the Member in Business may not have the ability to hold the detailed discussions suggested above. In this case, the main course of action would be to corroborate the facts and report in line with statutory requirements. The Member in Business may discuss the requirements with the line manager using facts as the basis for this discussion. The Member in Business can also consider the ethical conflict resolution resources of her Professional Body. The Member in Business should also consider her employment options.

Case Study 4 – Inappropriate capitalisation of research and development costs

Issues: Preparation and presentation of information

Case outline: Nathan (Member in Business), the finance director of ABC Pty Ltd, has become aware of a $1.5 million investment in relation to a research and development (R&D) project. This project has not been properly assessed and therefore its chances of success are unknown. The company's policy on R&D clearly states that such costs are capitalised and deferred only where it is reasonable to expect a successful outcome and an associated revenue stream — a policy that is consistent with the *Income Tax Assessment Act 1997* research and development provisions.

Nathan approaches his long-time good friend, Doug, the project leader, about the costs incurred and receives a response that there is no problem because he will provide some numbers that will keep the auditors happy.

It is only one week before the financial year-end and writing off the $1.5 million at such a late stage would result in significant difficulties with the Board for Nathan. His relationship with Doug will also be impacted and he would be placed in a very precarious position with the Board.

Fundamental principles of the Code	
Integrity	How does the Member in Business maintain his integrity with the project leader, the Board and the auditors? Can the Member in Business retain his integrity without bringing the matter to the Board's attention?
Objectivity	How does the Member in Business remain objective as to the true nature of the research and development expenditure and their appropriate accounting treatment considering the long term friendship with the project leader?
Professional competence and due care	Have the accounts been prepared in accordance with applicable accounting standards, laws and regulations, and Professional Standards?
Professional behaviour	How does the Member in Business proceed in order to not discredit himself?

Ethical decision-making approach	
Identify relevant facts	Should the Member in Business discuss the matter further with the project leader prior to taking the matter to the Board? What information will the Member in Business disclose to the auditors? Other points to consider include whether there is a supportive environment for open discussion of practical dilemmas or is there a recriminatory or

Ethical decision-making approach	
	'blame' culture in the company? Is there a problem with the company's internal controls in relation to the correct treatment of expenditure on R&D? Have similar incidences occurred in the past? Is there any commercial pressure on the project leader to defer expenditure items inappropriately?
Identify affected parties	The main affected parties are the Member in Business, the project leader, the directors, the company's employees and the shareholders (if different from the directors), and the Australian Taxation Office.
Determine whether a procedure of conflict resolution exists within the organisation	Consider the company's policies and procedures, applicable accounting standards, relevant best practices, and applicable laws and regulations.
Consider who should be involved in the conflict resolution process	Who should be involved in the resolution of this matter and for what reason? What is the appropriate timing of their involvement? Are there trusted colleagues with whom the Member in Business can discuss his position?
Discuss the ethical dilemma with relevant parties	Does further discussion need to take place with Doug? Do discussions need to be held with other levels of management and the Board?
Consider possible course of action	Commercial pressures on Doug may be forcing him to defer this expenditure. However, transparent reporting may require write-off of the $1.5 million. Initially, the Member in Business may need to have further discussions with Doug to obtain a more comprehensive understanding of the project and its current status. The Member in Business should explain to Doug the potential implications of inappropriate treatment of the $1.5 million. Such implications would include a qualified audit report and its impact on the company. In addition, capitalisation of the costs is inconsistent with the requirements of the *Income Tax Assessment Act 1997* research and development provisions. This may lead to penalties and other negative consequences under the Act. If this approach fails, then the Member in Business will have to approach senior management, the Chief Executive or the Board and explain the situation and work through how this issue can be resolved. The Member in Business could consider highlighting the expense as an exceptional item in order to provide a true and fair view.

Case Study 5 – Inappropriate contractor claims

Issues: Preparation and presentation of information/Pressure to breach the fundamental principles

Case outline: William (Member in Business) is employed as the assistant financial accountant in a medium-sized engineering firm. The firm specialises in the development and design of steel frames and pumps used to purify oil. Due to the fluctuation in demand, the company maintains only a small permanent workforce with, at times, up to 65% of the labour provided by external contractors.

William developed an innovative accounting system that analysed project costs against the work done and, in doing so, found a significant fraud in contractor claims at the company. He incorporated the variances into his monthly report and approached the engineering manager with his findings. The engineering manager was clearly agitated by William's findings. He stated that William's job was to pay employees and creditors, meet statutory requirements and that project reporting was the responsibility of project cost engineers.

Fundamental principles of the Code	
Integrity	Can the Member in Business overlook his findings and maintain his integrity?
Objectivity	Knowing that there is a significant fraud in contractor claims at the company, how can the Member in Business maintain his objectivity?

Fundamental principles of the Code	
Professional competence and due care	Is the Member in Business able to check that his findings are correct in relation to the contractor claims?
Confidentiality	Does the Member in Business have a legal, regulatory or professional right or duty to disclose the information acquired? What whistleblowing obligations and protection does the Member in Business have?
Professional behaviour	How should the Member in Business proceed in order to comply with relevant laws and regulations and avoid any action that discredits the profession?

Ethical decision-making approach	
Identify relevant facts	Does the Member in Business have all of the facts? Is the new accounting system he developed performing a correct analysis? Can the results of the system be substantiated in an alternative way? Are there other costs associated with employing contractors that may not have been taken into consideration (costs such as relocation costs)? Can the Member in Business discuss the matter further with the engineering manager or other recipients of his monthly report? What are the potential factors that would influence the engineering manager to conceal fraud in contractor claims?
Identify affected parties	The key affected parties are the Member in Business, the contractors, the engineering manager and the company itself. Other possible affected parties include the Australian Taxation Office.
Determine whether a procedure of conflict resolution exists within the organisation	Consider the company's policies and procedures.
Consider who should be involved in the conflict resolution process	Who should be involved in the resolution of this matter and for what reason? What is the appropriate timing of their involvement? Does the Member in Business have trusted colleagues with whom the Member can discuss his position?
Discuss the ethical dilemma with relevant parties	Can further discussions be held with the engineering manager? Do discussions need to be held directly with the contractors in question?
Consider possible course of action	The Member in Business should explain to the engineering manager the requirement to substantiate the alleged fraudulent claim and that the matter is to be investigated. The Member in Business may consider approaching the contractor in question with his findings and request supporting documentation for excess money paid. He would also then need to approach the relevant project cost engineer with the outcome so that the project can be appropriately costed. The Member in Business would also need to consider the fraudulent implications that arise from deceitful billing practices and determine whether any further legal or other action is required. All enquiries and conclusions reached should be documented by the Member in Business. Where such documentation is maintained, the Member in Business needs to consider the legal ramifications of doing so. The Member in Business should consider reporting the outcomes to Those Charged with Governance.

Case Study 6 – Loss leaders or divisional failure?

Issues: Preparation and presentation of information

Case outline: Rebecca (Member in Business) is the accountant for the processed foods division of a large manufacturing company. Rebecca reports to the divisional manager. Rebecca's role involves the preparation of financial reports determined by corporate management to assist in the assessment of the team's performance. When preparing the regular financial reports, Rebecca found that there were a significant number of products that had been sold at a net financial loss with some sold at below prime cost. Rebecca reconfirmed her analysis and is confident that the analysis is correct.

On reporting her results to the divisional manager, the divisional manager was agitated and advised Rebecca that her financial reports are not acceptable and are inconsistent with general commercial practice. The divisional manager then performed his own analysis of the division's products and provided Rebecca with a revised analysis that concluded that all products were sold at positive margins. The divisional manager did not provide Rebecca with any details of his analysis and insisted that Rebecca not question any of the data used to develop the analysis and to use the revised analysis of the products to report on the team's performance.

Fundamental principles of the Code	
Integrity	Can the Member in Business overlook her findings and maintain her integrity?
Objectivity	Knowing that the divisional manager's analysis is inconsistent with her original analysis, how can the Member in Business maintain her objectivity?
Professional competence and due care	Is the Member in Business able to confirm that her findings are correct?
Professional behaviour	How should the Member in Business proceed?

Ethical decision-making approach	
Identify relevant facts	Does the Member in Business have all of the facts? Does she need to consider other issues such as the overall profitability of the division and the necessity to produce complementary items to support profit leaders? Can the Member in Business discuss the matter further with the divisional manager?
Identify affected parties	The key affected parties are the Member in Business, the divisional manager, the head office CFO and the company itself.
Determine whether a procedure of conflict resolution exists within the organisation	Consider the company's policies and procedures.
Consider who should be involved in the conflict resolution process	Who should be involved in the resolution of this matter and for what reason? What is the appropriate timing of their involvement? Does the Member in Business have trusted colleagues with whom she can discuss her position?
Discuss the ethical dilemma with relevant parties	Can further discussions be held with the divisional manager? Do discussions need to be held with the head office CFO?
Consider possible course of action	The Member in Business may consider discussing the matter further with the divisional manager. She may approach the issue in a non-confrontational way by requesting that the manager provide her with feedback on what she did not consider as part of her analysis. Alternatively, the Member in Business may approach the head office CFO directly to discuss the issue. All enquiries and conclusions reached should be documented by the Member in Business. The Member in Business should also ensure that she maintains a copy of her analysis.

Case Study 7 – Satisfying the bank's lending criteria

Issues: Preparation and presentation of information/Financial interests of a Member/Pressure to breach the fundamental principles

Case outline: Sandra (Member in Business) is the Chief Financial Officer (CFO) of a large manufacturing company. It is November and the Chief Executive has just returned from a meeting with the company's bankers and calls Sandra into her office to discuss the results of negotiations. The Chief Executive explains that the company requires a significant capital injection in order to modernise its manufacturing equipment. This will enable the company to secure a large ongoing order from China which will result in all employees of the company receiving sizeable Christmas bonuses.

The Chief Executive explains to Sandra that the lending criteria of the bank require that the company demonstrate an adequate current and strong projected cash flow, as well as a profitability level that will enable repayments of the loan to be made from an early date. The Chief Executive has told the bank that the company is in a strong position. However, Sandra knows that the company will not satisfy the bank's criteria. The Chief Executive has promised that Sandra (CFO) will deliver a financial report to the bank within three business days. The Chief Executive tells Sandra that it is up to her to decide the contents of the report.

Fundamental principles of the Code	
Integrity	How does the Member in Business maintain her integrity with the Chief Executive and the bank?
Objectivity	How does the Member in Business remain objective as to the reporting on the company's financial status considering the pressure to misstate the accounts?
Professional behaviour	How does the Member in Business proceed in order to not discredit herself?

Ethical decision-making approach	
Identify relevant facts	Can the Member in Business retain her integrity without reporting false information to the bank? Should the Member in Business discuss the matter further with the Chief Executive prior to presenting her report? What information will the Member in Business disclose to the bank?
Identify affected parties	The main affected parties are the Member in Business, the bank, the Chief Executive and the company's employees and shareholders.
Determine whether a procedure of conflict resolution exists within the organisation	Consider the company's policies and procedures, applicable accounting standards, relevant best practices and applicable laws and regulations.
Consider who should be involved in the conflict resolution process	Who should be involved in the resolution of this matter and for what reason? What is the appropriate timing of their involvement? Are there trusted colleagues with whom the Member in Business can discuss her position? The Member in Business should consider whether to consult confidentially with external advisers such as the Professional Body to which she belongs and whether to consult Those Charged with Governance.
Discuss the ethical dilemma with relevant parties	Does further discussion need to take place with the Chief Executive? Do discussions need to be held directly with the bank?
Consider possible course of action	Commercial pressures and the potential for personal financial gain by the Member in Business may encourage her to produce a report that satisfies the bank's criteria; however, this would be materially misrepresenting the company's position, which would mean that she would be in breach of the Code if the Member in Business prepared or was associated with it. To

Ethical decision-making approach	
	produce such a report may actually jeopardise future borrowing activities of the company with this and other banks. The Member in Business may have additional discussions with the Chief Executive to explain the future implications of providing a report to the bank which misrepresents the company's position.

Case Study 8 – Personal financial interest in a proposal

Issues: Financial interests of a Member

Case outline: Stella (Member in Business) has been appointed finance director of a public company which has difficulties attracting and retaining skilled staff. Stella's first task from the Board is to develop a benefits package to assist the company in overcoming this problem. Her own entitlement to benefits will also be in accordance with the new scheme. Based on extensive research and analysis, Stella concludes that in order to achieve the Board's objective, a significant increase in the whole range of benefits is required.

Fundamental principles of the Code	
Integrity	In view of the Member in Business's personal interest, how will she ensure that her honesty remains unquestionable?
Objectivity	How will the Member in Business remain unbiased, and consider only the relevant facts, despite her personal interest in the benefits package?
Professional competence and due care	Does the Member in Business have all the necessary skills to draw up such a package?
Professional behaviour	How should the Member in Business proceed so as not to discredit her behaviour?

Ethical decision-making approach	
Identify relevant facts	Consider the business's policies, procedures and guidelines, accounting standards, relevant best practices and applicable laws and regulations. Is the information used for assessing the potential new benefits package independent? Who else has been involved in the proposal for the new benefits package?
Identify affected parties	The Member in Business and the Board are the key affected parties. Others that may be affected include employees, human resources, shareholders and financial backers.
Determine whether a procedure of conflict resolution exists within the organisation	Consider the company's policies and procedures, applicable accounting standards, relevant best practices and applicable laws and regulations.
Consider who should be involved in the conflict resolution process	Who should be involved in the resolution of this matter and for what reason? What is the appropriate timing of their involvement? Does the Member in Business have trusted colleagues with whom she can discuss her position? Has the Member in Business discussed the matter with the Board and/or human resources?
Discuss the ethical dilemma with relevant parties	Do further discussions need to take place with the Board or the directors individually prior to undertaking the task?

Ethical decision-making approach	
Consider possible course of action	Prior to explaining the findings to the Board, it may be advisable that the Member in Business informs the Board how she approached the project and who else was involved in the process (such as human resources). The Member in Business may find it helpful to document the substance of all discussions held, who was involved, what conclusions were reached and why, including her involvement. When maintaining such documentation, the Member in Business may need to consider the legal implications of doing so. When it is time to propose the new benefits package, the Member in Business may need to declare her conflict of interest. Findings may need to be presented to the Board by human resources or another independent party.

Case Study 9 – Earnings management

Issues: Financial interests of a Member/Inducement/Pressure to breach the fundamental principles

Case outline: Phil (Member in Business) has been the accountant for a small family business for a few years. The business has recently encountered some operating difficulties and associated financial difficulties. Subsequently, a bank and a venture capitalist have invested and acquired over 35% of the company's shares. However, no board seats have been made available to the purchasers. The ongoing support of the bank and venture capitalist are dependent on the company's performance figures.

The Managing Director tells Phil that if he produces the 'right' figures he will receive a significant Christmas bonus and a 1% share option. The company is secretive and as little information as possible is being given to the auditors and the investors.

Phil is preparing the quarterly management accounts and, on review of the balances, believes that some figures are being 'massaged'. Phil has tentatively raised his concerns with the father and son Chairman and Chief Executive. Phil is then told that if he pursues the matter or fails to produce the 'right' figures, his bonus and share options will be forfeited.

Fundamental principles of the Code	
Integrity	It is possible to support the business without being involved in reporting potentially misleading information?
Objectivity	How can the Member in Business avoid his professional judgement being influenced by the financial interest resulting from the bonus?
Professional behaviour	How will the Member in Business manage relationships with the affected parties?

Ethical decision-making approach	
Identify relevant facts	Consider the business's policies, procedures and guidelines, accounting standards, applicable laws and regulations. The facts need to be double checked with a focus on significant figures in the accounts and their underlying assumptions. The Member in Business should consider whether the nature of the family business and its apparent secrecy means that he is not in possession of material facts.
Identify affected parties	The Member in Business, the family business, professional advisers, bankers and venture capitalists are the key affected parties. Others that may be affected are the Member in Business's own family and the profession.
Determine whether a procedure of conflict resolution exists within the organisation	Consider the company's policies and procedures, applicable accounting standards, relevant best practices and applicable laws and regulations. Given the nature of the dilemma, there may not be internal conflict

Ethical decision-making approach	
	resolution processes available, The Member in Business can also consider the ethical conflict resolution resources of his Professional Body.
Consider who should be involved in the conflict resolution process	Consider who should be involved in the resolution of this matter and for what reason? What is the appropriate timing of their involvement? Are there trusted colleagues or friends with whom the Member in Business can discuss his position? Can the Member in Business's Professional Body provide advice and provide assistance?
Discuss the ethical dilemma with relevant parties	Do further discussions need to take place with the Chairman and the Chief Executive?
Consider possible course of action	The Member in Business may approach the Chairman and Chief Executive and explain the long term implications of reporting inaccurate figures. He could focus discussions on the need to address the underlying business issues and the best way to address them to increase the long-term value of the company. Prior to having this discussion, the Member in Business may prepare realistic figures for presentation and explain the importance of presenting these for the company and his professional standing. During the resolution process, the Member in Business may find it helpful to document the substance of all discussions held, who was involved, what conclusions were reached and why, and his involvement. Note that the legal implications of maintaining such documentation in compliance with relevant laws and regulations may need to be considered. The Member in Business may also need to consider his employment options.

Case Study 10 – Tender bids

Issues: Inducement/Pressure to breach the fundamental principles

Case outline: Paula (Member in Business) is a recently qualified professional accountant working in the accounting department of a medium-sized property investment firm. The company is selling a piece of land and has stipulated that bids have to be submitted via email by 5pm of a specified date. All tender bids are to be considered as confidential and Paula is the initial point of contact for the tender bids. A few tender bids have been received prior to the deadline but not as many as initially anticipated.

At 4:30pm Paula receives a call from an anonymous prospective buyer who informs Paula that he is willing to pay a premium of 20% above the highest bid received by 4:55pm, provided he is informed beforehand of the highest bid received. The caller explains that this way all parties benefit. A higher fee is received for the land, the buyer does not have to make an unnecessarily high bid and Paula will be rewarded by the buyer for her hard work. He continues to explain that this type of activity is common in this industry and implies without naming names that other more senior personnel within the firm have taken advantage of these offers in the past and would expect Paula to do the same.

Fundamental principles of the Code	
Integrity	Can the Member in Business retain her integrity if she distorts the tender process? How does the Member in Business deal with the caller's allegations about more senior personnel within her company?
Objectivity	The Member in Business needs to consider the interest of all of the other parties involved in the tender process.
Confidentiality	How could one justify divulging Confidential Information to the callers in the interest of maximising the selling price of the land?
Professional behaviour	How does the Member in Business ensure that she handles the client's allegations sensitively and professionally, particularly given the Member in Business has no knowledge of the accuracy of the allegations made by the caller?

Ethical decision-making approach	
Identify relevant facts	Consider any further information the Member in Business may require to make a decision including consulting with relevant stakeholders of the company who may have a perspective on the tender process.
Identify affected parties	Key affected parties are the Member in Business, the caller, the directors and staff at the property investment firm, the bank, other creditors and other prospective buyers.
Determine whether a procedure of conflict resolution exists within the organisation	Consider the company's policies, procedures and guidelines, relevant best practices, and applicable laws and regulations.
Consider who should be involved in the conflict resolution process	Consider who should be involved in the resolution of this matter and for what reason? What is the appropriate timing of their involvement? The first issue is, does the Member in Business immediately raise this with her manager before the caller phones back? Secondly, when the caller does phone back does the Member in Business transfer the call to her manager, or does she get her manager to listen in to the conversation or does she merely deal with the caller?
Discuss the ethical dilemma with relevant parties	Does the Member in Business need to hold discussions with her manager or senior management of the company?
Consider possible course of action	From the given information, the company may benefit financially if the information is divulged. However, this is not certain as a late bid from another prospective buyer may yet be received prior to the deadline. The Member in Business needs to ensure that a fair tender process is held despite the short-term commercial pressure. The Member in Business also needs to ensure that any actions taken are within the confines of the law. The Member in Business may need to disclose the receiving of the call and the content of the discussion to Those Charged with Governance.

Case Study 11 – Non-disclosure to auditors and corrupt business practices

Issues: NOCLAR/Whistleblowing

Case outline: Sarah (Member in Business) is newly employed as an accounting systems manager at a medium-sized business and recently heard a rumour that the company paid a bribe to win overseas work. She has also noticed that the company culture appears to be that everyone has an attitude of getting away with as much as possible. Sarah goes to make her morning cup of coffee where she overhears a discussion with a divisional accountant about the fact that certain information about material amounts in the financial reports had not been disclosed to the auditors. Sarah has not yet developed a strong working relationship with her line manager and as yet is not sure that her line manager will be supportive of her comments and desire to explore the accuracy of statements made.

Fundamental principles of the Code	
Integrity	Can the Member in Business overlook the divisional accountant's comments, her impressions of organisational culture and the bribe allegedly paid to the overseas company and still demonstrate integrity?
Objectivity	Knowing that there are rumours of bribery payments, and potential cultural concerns in relation to 'getting away with as much as possible', how can the Member in Business maintain her objectivity?
Confidentiality	On what basis could or should the Member in Business make disclosures in relation to the overheard discussion with the divisional accountant?

Fundamental principles of the Code	
Professional behaviour	How should the Member in Business proceed so as not to discredit herself or the company?

Ethical decision-making approach	
Identify relevant facts	Consider the business's policies, procedures and guidelines, accounting standards, relevant best practices, applicable laws and regulations. Can the facts be corroborated with documentation or discussion with relevant parties? If proven would the conduct constitute a breach of any laws and if so, which ones? Is there an internal process for whistleblowing? Has the Member in Business taken the appropriate steps to understand her legal rights and responsibilities?
Identify affected parties	The Member in Business, the divisional accountant, the employee raising allegations about the bribe, the line manager and the auditor are the key affected parties. Other parties that may be affected are the company's other employees and, where present, internal audit, the audit committee, the board, shareholders and financial backers.
Determine whether a procedure of conflict resolution exists within the organisation	Consider the company's policies and procedures and applicable laws and regulations.
Consider who should be involved in the conflict resolution process	Who should be involved in the resolution of this matter and for what reason? Do any confidentiality, privacy or whistleblower constraints prevent or restrict their involvement? What is the appropriate timing of their involvement? Has the Member in Business considered contacting her Professional Body for advice and guidance? Does the Member in Business have trusted colleagues with whom she can discuss her position? At what point will the Member in Business consider involving her line manager, the next level of management, the Board and the audit committee?
Discuss the ethical dilemma with relevant parties	Do further discussions with the divisional accountant need to take place? Similarly, do additional discussions need to be held with the employee raising bribery allegations?
Consider possible course of action	The Member in Business may consider checking the facts and discussing the matter with her immediate line manager. If the Member in Business feels that the response from the line manager is not satisfactory, the next step may be to discuss the matter further with the next level of management, internal audit, the audit committee or the Board. The Member in Business's suspicions or rumours of criminal or corrupt activity are not sufficient for her to form a reasonable basis that wrongdoing has occurred. However, if there is evidence of wrongdoing, the Member in Business may contact her Professional Body (subject to confidentiality, privacy and whistleblower obligations) and consider obtaining legal advice. During the resolution process, it may be helpful to document the Member in Business's involvement in the resolution of the matter, the substance of all discussions held, the names of others involved, the decisions made by her and the basis for those decisions. When doing so, the Member in Business always needs to keep legal, regulatory and professional considerations in mind.

Case Study 12 – Inappropriate expense claims lodged by the Chief Executive

Issues: NOCLAR/Whistleblowing

Case outline: Crystal (Member in Business), the financial controller of the Australian division of an international company, was reviewing the expense claims of senior management when she became aware of a claim from the Chief Executive Officer that was contrary to local tax laws. On further investigation, she found that this was not an isolated incident and claims of a similar nature added up to a significant amount to the company that could give rise to a material penalty from the tax authority. All claims were approved by the same international manager.

Fundamental principles of the Code	
Integrity	Can the Member in Business overlook the Chief Executive Officer's expense claim and maintain her integrity?
Objectivity	Knowing that the expense claims are contrary to local tax laws, how can the Member in Business maintain her objectivity?
Professional competence and due care	How can allowing the expense payments to be processed when they are contrary to local tax laws be seen as acting with due skill, care and diligence?
Confidentiality	On what basis could or should the Member in Business make disclosures in relation to the expense claims of the CEO?
Professional behaviour	How should the Member in Business proceed so as not to discredit herself or the company?

Ethical decision-making approach	
Identify relevant facts	Does the Member in Business have all of the facts? Can the Member in Business discuss the matter further with the international manager that approved the expenses? If proven, would the conduct constitute a breach of any laws and if so, which ones? Does the company have an internal process for whistleblowing? What steps has the Member in Business taken to understand her legal rights and responsibilities?
Identify affected parties	The key affected parties are the Member in Business and the Chief Executive Officer. Other possible affected parties are the international manager, the Australian Taxation Office, human resources, the Board and/or audit committee and other employees.
Determine whether a procedure of conflict resolution exists within the organisation	Consider the company's policies and procedures, applicable accounting standards, relevant best practices and applicable laws and regulations.
Consider who should be involved in the conflict resolution process	Who should be involved in the resolution of this matter and for what reason? Do any confidentiality, privacy or whistleblower constraints prevent or restrict their involvement? What is the appropriate timing of their involvement? Does the Member in Business have trusted colleagues with whom she can discuss her position? Has the Member in Business discussed the matter with local management and/or human resources?
Discuss the ethical dilemma with relevant parties	Can further discussions be held with the international manager? Do discussions need to be held with the local senior management?

Ethical decision-making approach	
Consider possible course of action	The Member in Business may consider contacting the international manager who approved the expenses to clarify her understanding of the transactions. The Member in Business may consider quantifying the impact of the claims made by the Chief Executive from a taxation perspective and explain the problem to the international manager using this as a basis. The Member in Business could also then highlight the local implications of allowing such claims to continue. Implications may include fines from the Australian Taxation Office and unfavourable publicity to the company. Depending on the response received, the Member in Business may need to consider the likelihood of further assistance being provided by the international manager in relation to this wrongdoing and the impact that this may have on her actions. Enquiries of this nature, together with the details of the parties involved and reasons for any conclusions reached, should be documented by the Member in Business. The Member in Business may also consider raising the matter with the audit committee, once she has substantiated her belief that wrongdoing has occurred.

Case Study 13 – Inappropriate recording of patient attendance at a doctors' medical practice

Issues: Whistleblowing

Case outline: Rita (Member in Business) has recently returned to the workforce following maternity leave. She is employed as a part-time accountant for a local medical practice, reporting to a practice manager who is responsible for a number of doctors working together. In her second week on the job Rita noticed that one of the doctors appeared to treat more patients than were recorded in the electronic waiting room system used to manage patient attendance. It is the practice's policy that all doctors contribute to the practice half of their income earned from attending patients. Rita approached the doctor who suggested it was merely an oversight and that he would instruct the practice manager to update the records by the end of the week. At the end of the week Rita noticed that the patient attendance records had not been updated so she proceeded to update them herself. On Rita's return to work the following week, she noticed that the entries she made had been erased. When she approached the doctor about this, he snapped that her job was merely to record payments and expenses and any 'business' matters were best left to those with the understanding of how to run a business. Rita has serious concerns about the doctor's actions in omitting to record patient attendances correctly.

Fundamental principles of the Code	
Integrity	Can the Member in Business overlook the doctor's actions and maintain her integrity?
Objectivity	Knowing that the doctor is not recording patient attendances correctly, how can the Member in Business maintain her objectivity?
Professional competence and due care	How can omission of patient attendance and therefore the costs and associated revenue be seen as acting with due skill, care and diligence?
Confidentiality	On what basis could or should the Member in Business make disclosures about the doctor's actions in omitting to record patient attendances correctly?
Professional behaviour	How should the Member in Business proceed so as not to discredit herself?

Ethical decision-making approach	
Identify relevant facts	Does the Member in Business have all of the facts? Is this merely a once-off or an ongoing practice by this doctor? Can she discuss the matter further with the doctor? If proven, would the conduct constitute a breach of any laws and if so, which ones? Does the practice have an internal process for whistleblowing? What steps has the Member in Business taken to understand her legal rights and responsibilities? Has the Member in Business considered the application of privacy laws to the handling of

	sensitive information within the personal health records of these patients and when and how these records can be amended?
Identify affected parties	The key affected parties are the Member in Business, the doctor concerned, other doctors of the practice and the patients whose records are not accurate. Other possible affected parties are the Australian Taxation Office and Medicare.
Determine whether a procedure of conflict resolution exists within the organisation	Given the size of the practice, there may not be formal documented policies available. However, there may be a doctor who has the allocated responsibility for addressing staff issues.
Consider who should be involved in the conflict resolution process	Who should be involved in the resolution of this matter and for what reason? Do any confidentiality, privacy or whistleblower constraints prevent or restrict their involvement? What is the appropriate timing of their involvement? Does the Member in Business have trusted colleagues with whom she can discuss her position? Has the Member in Business discussed the matter with any of the other doctors?
Discuss the ethical dilemma with relevant parties	Can further discussions be held with the deceitful doctor? Do discussions need to be held with other doctors? Should she escalate matters given the doctor's previous brusque behaviour?
Consider possible course of action	The Member in Business may consider further discussions with the doctor concerned to clarify her understanding of the situation. Prior to discussions, the Member in Business may consider quantifying the impact of the doctor's behaviour and the likely impact over time. She may then decide to observe what happens over a longer period of time. All enquiries and conclusions reached may need to be documented by the Member in Business and when doing so, the Member in Business needs to be aware of the associated legal, regulatory and professional implications.

Case Study 14 – Insider information

Issues: Public Sector – Inducement

Case outline: Sally (Member in Business) is the head of internal audit in a public sector organisation which is about to tender for the contract for the internal audit service. She has been in her position for the duration of a five-year contract. A new member of her team has been recruited in the normal course from the department responsible for reviewing the tender contract. The new team member is employed in internal audit as a support administrator. Although he was not involved with the tender process, his former colleague and friend in the tendering department is responsible for the tender specification document and the evaluation process.

Sally's new employee had sight of some of the requirements and has offered to share with her information that may be of use when preparing the tender. However, this information is Confidential Information and should not be seen by any of the tendering parties.
It will be an open tender process for both external and internal providers. Bids from external providers are being encouraged. The evaluation process has been designed with this in mind.

If the contract is awarded externally, Sally, as the head of internal audit, will be unsure of her personal position in the organisation.

Sally understands the use of any insider knowledge of the tendering process would be inappropriate when preparing the tender proposal, but she feels she would have a better chance of success if she used this Confidential Information.

Fundamental principles of the Code	
Integrity	How can the Member in Business demonstrate integrity despite the influence of the information available to her?
Objectivity	How can the Member in Business maintain her objectivity?

Fundamental principles of the Code	
Professional competence and due care	How can the Member in Business proceed in order to be seen as acting with due skill, care and diligence?
Confidentiality	How should the Member in Business act to maintain confidentiality?
Professional behaviour	How should the Member in Business proceed so as not to discredit herself?

Ethical decision-making approach	
Identify relevant facts	What are the risk factors here? What pressure is the Member in Business feeling to breach confidentiality principles? The Member in Business has a self-interest threat since her employment position with the organisation is uncertain if the internal audit contract is awarded to an external provider. The opportunity is present as a new member of her team has access to information that may better her chances. Having this information would compromise the probity of the tender process and increase the Member in Business's chances to the detriment of a fair and honest tender process.
Identify affected parties	The Member in Business, Employer and providers involved in the tender bid are the key affected parties.
Determine whether a procedure of conflict resolution exists within the organisation	Consider the organisation's policies, procedures and guidelines, relevant best practices, applicable laws and regulations.
Consider who should be involved in the conflict resolution process	Who should be involved in the resolution of this matter and for what reason? What is the appropriate timing of their involvement? Are there trusted colleagues with whom the Member in Business can discuss her position?
Discuss the ethical dilemma with relevant parties	Should further discussion take place with the Member in Business's Professional Body?
Consider possible course of action	The Member in Business may consider disclosing this threat to the tendering department as well as any information she may already have received on the tender. The Member in Business could then discuss with her new team member from the tendering department the principles which would be compromised should she access this Confidential Information from the tender requirements and how it is her professional duty to follow these principles. She could also prevent the team member or his friend from providing her with any further Confidential Information on the tender. The Member in Business could consider discussing her concerns with Those Charged with Governance to determine why the contract tender has also gone to external providers and what that could potentially mean for her position with the company should an external party be appointed. The Member in Business could also examine her other employment options as a worst case scenario.

Case Study 15 – Demonstrating due diligence in an honorary position

Issues: Public Sector – Acting with sufficient expertise

Case outline: Tammy (Member in Business) has been appointed as a member of a School Board on a voluntary basis. She has also been appointed to the finance and buildings committee that awards building contracts. The membership of this committee includes a number of individuals with private sector experience and local business people. One is a local builder who has been a board member for a number of years and is well respected in the community and by the Board.

At Tammy's first meeting, the committee considers a report from the head teacher about the condition of the school hall and sets out a scheme of remedial building works with estimated costs. After discussion of the scheme, and recognising the need to move quickly if the work is to be carried out during the summer vacation, the board member who is the local builder offers to do the work at a competitive price and the other board members on the committee are minded to accept the offer.

However, although the offer has been made, the board members are not considering the use of a formal tender process or making any reference to governance arrangements that could exist for tenders. Tammy is concerned about the committee being unable to demonstrate reasonable decision making, stewardship of public money and potential reputational risk.

Fundamental principles of the Code	
Integrity	Can the Member in Business maintain her integrity without advising the committee of the need to demonstrate a proper decision-making process that would support any contracts awarded?
Objectivity	The information provided to her could result in the Member in Business saying nothing. How can she avoid the temptation to agree to the apparently easy solution and instead maintain objectivity?
Professional competence and due care	How can the Member in Business demonstrate she is acting with due skill, care and diligence?
Confidentiality	On what basis could or should the Member in Business make disclosures?
Professional behaviour	How should the Member in Business proceed so as not to discredit herself? Does this matter in cases where the employment is voluntary?

Ethical decision-making approach	
Identify relevant facts	Does a voluntary position affect the level of professionalism that one must demonstrate? The Member in Business is new in her role and it can be assumed she is relatively unfamiliar with the policies, procedures and requirements of the School Board. On the surface it appears that the board member who is the builder seems to be the best person to perform the required works. Since the timeframe is short, using the builder board member's company could potentially facilitate the timely completion of the project, but only by bypassing tendering steps that maintain the probity of the process. Can the Member in Business act responsibly knowing that the tendering process would not stand up to outside scrutiny and considering that the project is dealing with public funds?
Identify affected parties	The key affected parties are the Member in Business, the School Board, parents, children, staff and other community stakeholders involved with the school.
Determine whether a procedure of conflict resolution exists within the organisation	Consider the company's policies, procedures and guidelines, relevant best practices, applicable laws and regulations.
Consider who should be involved in the conflict resolution process	Are there trusted colleagues or friends with whom the Member in Business can discuss her position? Can the Member in Business's Professional Body provide advice and provide assistance?
Discuss the ethical dilemma with relevant parties	Since the Member in Business sits on the School Board, would it be appropriate for her to discuss this with the finance and building committee members? Should she also discuss this with the Board? Should she consider consulting an external party?
Consider possible course of action	The Member in Business could bring the matter up before the finance and buildings committee and explain that, although it appears that the builder board member is the best candidate with a competitive bid, acceptance without following a proper tender process could be inappropriate. She could

Ethical decision-making approach	
	recommend that they follow a tendering process that is in accordance with good practice guidelines to explicitly demonstrate to the community a proper decision-making process that would support any contracts awarded. She may also need to explain to the board members that following a proper decision-making process would protect the committee members and the School Board from any potential reputational risk that the school did not properly award contracts, especially as it is funded by public money.

Case Study 16 – Potential breach of not-for-profit status

Issues: Charitable Organisation – Preparation and presentation of information/Pressure to breach the fundamental principles

Case outline: Robert (Member in Business) is the Chief Financial Officer for a small charitable organisation and has recently been informed by its auditor that preliminary analysis performed on the accounts indicates the organisation may have surpassed a legislative threshold for income from its commercial activities. It is uncertain how this came about; however, it could potentially affect the organisation's tax exempt status with the Australian Taxation Office (ATO) as a registered charity. Robert has brought this matter to the attention of the Chief Executive who has expressed her fears of potential staff layoffs or a reduction in services occurring should there be penalties from the ATO or if the organisation loses its tax exempt status. Then the idea comes to her that the matter should be quietly managed in-house and that it should not be disclosed to the ATO since it was only an oversight in the current year.

Fundamental principles of the Code	
Integrity	Can the Member in Business be involved in this decision and maintain his integrity? Is there a 'common sense' argument for not disclosing this unintentional slip to the authorities?
Objectivity	Can the Member in Business remain objective when deciding how to resolve this matter since his future position with the organisation may be at risk?
Professional competence and due care	How can the Member in Business demonstrate he is acting with due skill, care and diligence?
Confidentiality	On what basis could or should the Member in Business make disclosures?
Professional behaviour	How should the Member in Business proceed so as not to discredit himself?

Ethical decision-making approach	
Identify relevant facts	The matter has yet to be analysed to ensure that preliminary findings are substantiated. The Member in Business should consider the alternatives. Is there any ethical discretion available in making a decision on this matter? Do the facts of the matter overrule any motives or intentions of the organisation when determining the tax implications? Would knowing the responsible party or their intentions affect the Member in Business's objectivity?
Identify affected parties	The key affected parties are the Member in Business, the auditor, the Employer, the management and staff, and the ATO.
Determine whether a procedure of conflict resolution exists within the organisation	Consider the organisation's policies, procedures and guidelines, relevant best practices, applicable laws and regulations.

Ethical decision-making approach	
Consider who should be involved in the conflict resolution process	Are there trusted colleagues or friends with whom the Member in Business can discuss his position? Can the Member in Business's Professional Body provide advice and provide assistance?
Discuss the ethical dilemma with relevant parties	Since the matter has already been discussed with the Chief Executive, should the Member in Business consider discussion with Those Charged with Governance?
Consider possible course of action	The Member in Business could investigate the auditor's findings in the first instance to determine whether there is any merit to the auditor's preliminary analysis. Should the auditor's findings be substantiated, the Member in Business may find it helpful to document the matter thoroughly and then consider whether to consult with internal or external taxation experts on how to approach the matter. The Member in Business may need to consider whether there is any legitimate means to deal with the matter and what long-term repercussions would be on his professional reputation, and on the organisation's reputation and future, should they follow the Chief Executive's suggested solution and not disclose the matter to the ATO and the Australian Charities and Not-For-Profits Commission. Legitimate alternatives could be sought to limit the organisation's exposure to potential tax penalties or loss of charitable status. The Member in Business may find it useful to make inquiries on the ATO's powers to give relief in the event of loss of charitable status. Immediate contact with the ATO may be warranted in cases where timeliness of notification is a factor in the severity of the ruling by the authorities.

Case Study 17 – Ignorance is no excuse

Issues: Preparation and presentation of information/Acting with sufficient expertise/Pressure to breach the fundamental principles

Case outline: Jill (Member in Business) is a long standing Non-Executive Director for a large publicly listed property management group. The company has been taking advantage of readily available funds through short-term credit and rapidly increasing its portfolio of investment properties. Although this short-term debt has been easily converted into longer term less risky debt in the past, the tightening of the credit market due to a global financial crisis has left a large amount of debt which needs to be refinanced in the short term. Jill has reviewed the draft financial statements and notices that the split between current and non-current debt appears not to reflect this position. Jill makes inquiries of the Chief Financial Officer (CFO) whereupon she receives the response that the accounts have been reviewed by the CFO and the finance team, and preliminary sign-off has been obtained from the company auditor.

Fundamental principles of the Code	
Integrity	Can the Member in Business overlook the available information and maintain her integrity?
Objectivity	Can the Member in Business rely on management and the auditor's judgement and remain objective when deciding how to resolve this matter since she is aware of differences?
Professional competence and due care	How can the Member in Business demonstrate she is acting with due skill, care and diligence? Should the Member in Business ask herself why her analysis is different to that of the others? How does the Member in Business ensure that a proper decision-making process is applied? How does she demonstrate the appropriate level of professional judgement?
Professional behaviour	How should the Member in Business proceed so as not to discredit herself?

Ethical decision-making approach	
Identify relevant facts	Can the Member in Business rely on management and the company auditor without taking reasonable actions to understand the underlying information in the financial statements? The Member in Business is aware that significant events have taken place that are not disclosed in the accounts. What level of inquiry is required by non-executive directors of management in order to discharge their responsibilities? Has the Member in Business taken the appropriate steps to understand her legal rights and responsibilities?
Identify affected parties	The key affected parties are the Member in Business, the CFO, the company auditor, the Employer, the shareholders, and the securities regulator(s).
Determine whether a procedure of conflict resolution exists within the organisation	Consider the company's policies, procedures and guidelines, accounting standards, relevant best practices, applicable laws and regulations.
Consider who should be involved in the conflict resolution process	Are there trusted colleagues or friends with whom the Member in Business can discuss her position? Can the Member in Business's Professional Body provide advice and assistance? Is the Member in Business able to discuss the matter with another board member or other trusted colleagues?
Discuss the ethical dilemma with relevant parties	Should the Member in Business raise this with the Board?
Consider possible course of action	The Member in Business may need to consider her professional and legal obligations in this matter and could perform further analysis to determine whether the split between current and non-current debt in the accounts is appropriate. If further review of the accounts indicates that the current/non-current split is not consistent with a true and fair view, then the Member in Business may need to make inquiries of the CFO and the auditor and then raise the matter as soon as possible with the Board. When doing so, the Member in Business always needs to keep legal, regulatory and professional considerations in mind. The Member in Business may find it helpful to document the matter thoroughly and may need to disclose her findings to the Board.

Case Study 18 – Matters to be considered before accepting a Non-Executive Director appointment

Issues: Acting with sufficient expertise

Case outline: Samantha (Member in Business) recently retired from her position as the Finance Director of a listed company operating in the hospitality sector, where she served for over 12 years. Prior to this role, she spent 10 years as an audit partner in a large accounting firm. Following her retirement, she was approached by a head-hunter regarding a potential appointment as a Non-Executive Director for a company operating in the financial services sector. While Samantha is interested in the role, she has no prior Board experience and direct exposure to the financial services sector and is concerned about whether she has the required technical knowledge and experience.

Fundamental principles of the Code	
Integrity	How does the Member in Business ensure that her integrity is safeguarded, given that she currently has doubts about her technical skill set to serve effectively as a member of a Board?

Fundamental principles of the Code	
Objectivity	How does the Member in Business maintain her objectivity, given that the potential financial rewards, reputation effects, and the potential desire for continued professional engagement may be influencing her decision?
Professional competence and due care	How can the Member in Business demonstrate adequate knowledge of the commercial, strategic, technical and regulatory requirements of the proposed role?
Professional behaviour	How does the Member in Business proceed so as not to discredit herself?

Ethical decision-making approach	
Identify relevant facts	Does the Member in Business have all of the facts regarding the proposed appointment? What skills, experience and attributes is the company seeking in a Non-Executive Director? What are the responsibilities of the role, including board committee responsibilities and time commitments? What is the company's financial position? Is there publicly available information on the company's strategic objectives, governance arrangements, directors and senior management? Are there induction, mentoring and ongoing professional development arrangements available to assist the Member in Business in performing the role?
Identify affected parties	Key affected parties are the Member in Business, the head-hunter, the company and its Board, the audit committee, shareholders, regulators and other stakeholders of the company.
Determine whether a procedure of conflict resolution exists within the organisation	Given the nature of the dilemma (i.e. this matter concerns a personal decision prior to appointment), no internal conflict resolution process applies. The Member in Business can also consider the ethical conflict resolution resources of her Professional Body.
Consider who should be involved in the conflict resolution process	Who should be involved in the resolution of this matter and for what reason? What is the appropriate timing of their involvement? Can the Member in Business seek clarification from the head-hunter regarding the expectations of the role, the Board skill matrix and the reasons she was recommended as a suitable candidate? Are there trusted colleagues with whom the Member in Business can discuss her position?
Discuss the ethical dilemma with relevant parties	Do further discussions need to take place with the head-hunter? Do discussions need to be held directly with the Board and the nominations committee (if applicable)?
Consider possible course of action	The Member in Business may consider discussing the opportunity further with the head-hunter to obtain a clearer understanding of the role and the skills and experience sought. The Member may request further information regarding the expectations of the position, including the responsibilities of the Board, induction processes, mentoring arrangements and ongoing professional development available to directors. The Member in Business may consider undertaking her own due diligence on the company, its governance arrangements, financial position, culture and prospective fellow directors before expressing her interest in the position. The Member should consider whether she has, or can obtain, sufficient knowledge of the financial services sector and any regulatory requirements to perform the role with professional competence and due care. She may also consider discussing the matter with trusted colleagues, current or former directors, or her Professional Body. Before deciding whether to accept the appointment, the Member in Business should consider if a reasonable person would likely conclude that she has the

Ethical decision-making approach	
	necessary skills to discharge her responsibilities effectively as a Non-Executive Director.

Case Study 19 – After effects of a rushed acquisition

Issues: Potential conflicts/Preparation and presentation of information

Case outline: Jim (Member in Business) is the Finance Director of XYZ Ltd, a wholly owned subsidiary of ABC Ltd, a listed company. Over several years, XYZ has pursued an aggressive growth strategy through targeted acquisitions.

XYZ recently completed a major acquisition of DEF Ltd and its subsidiaries, with support from the parent company. During negotiations, concerns arose regarding the management structure, valuation, and limited access to financial information for due diligence. These concerns were communicated to the board and included in the minutes; however, the acquisition proceeded. Following completion, significant deficiencies were identified in the financial records of the acquired group. The Member in Business and his team worked extensively to reconstruct the financial records and correct foreign exchange errors, enabling the auditors of XYZ to sign-off on the year-end accounts. These matters were also disclosed to the parent company's auditor.

Three days before ABC is due to approve and announce its results to the market, the Member in Business discovers an undisclosed branch of an overseas subsidiary within the acquired DEF group that was not identified during due diligence and has no accounting records. A preliminary assessment tentatively concluded that the branch is not material. The financial statements for XYZ have already been finalised.

The Member in Business needs to decide whether to disclose this discovery immediately to the auditors and parent board, knowing that doing so may delay the parent company's results announcement.

Fundamental principles of the Code	
Integrity	How does the Member in Business retain his integrity regarding the discovery of the undisclosed branch? Can the Member in Business retain his integrity without informing the Board of XYZ Ltd and the Board of the parent company ABC Ltd? Can the Member in Business retain his integrity when he knows the reports of XYZ Ltd and ABC Ltd may omit information which could mean the reports may be misleading?
Objectivity	How would the Member in Business maintain his objectivity knowing that the financial statements may be incorrect and there may be significant consequences if the parent company's results announcement is delayed?
Professional competence and due care	Is the Member in Business able to check that his findings are correct?
Professional behaviour	How does the Member in Business proceed so as not to discredit himself or the company?

Ethical decision-making approach	
Identify relevant facts	Does the Member in Business have all the facts, including sufficient information to assess materiality? Has the Member in Business obtained sufficient information regarding the operations and activities of the newly identified branch? Is there a possibility that the results are, in fact, material? Are there any indicators that additional issues at the branch may exist that have not yet been identified? What are the implications for XYZ Ltd's accounts, and ABC Ltd's accounts which have already been finalised?

Ethical decision-making approach	
Identify affected parties	The key affected parties are the Member in Business, the Boards of XYZ, ABC, and DEF, and of the newly found branch; the shareholders of ABC; the auditors of ABC (it is assumed they are the same auditors as XYZ and DEF); financial analysts; and possibly foreign tax authorities.
Determine whether a procedure of conflict resolution exists within the organisation	Consider the company's policies and procedures, applicable accounting standards, relevant best practices and applicable laws and regulations.
Consider who should be involved in the conflict resolution process	Who should be involved in the resolution of this matter and for what reason? What is the appropriate timing of their involvement? Does the Member in Business have trusted colleagues with whom he can discuss his position? Is there anyone else within the company that the Member in Business should speak to regarding this matter? Are the other directors aware of this issue? Has the Member in Business discussed the matter with the Board and/or audit committee? Has the Member in Business discussed the matter with the auditors?
Discuss the ethical dilemma with relevant parties	Do discussions need to take place with the appropriate governance bodies, such as the audit committee, board of directors, or risk and compliance functions? Does the matter need to be escalated to the internal auditor or external auditor?
Consider possible course of action	The Member in Business should make reasonable efforts to obtain more detailed information on the newly discovered branch, and undertake a further assessment, both qualitatively and quantitatively, of its materiality. The Member should consider if there could be further components of the group not yet discovered? The Member in Business should inform the board of XYZ and the board (or audit committee) of ABC about the undisclosed branch. He should also notify the external auditors. During the resolution process, the Member should document the substance of all discussions held, who was involved, what conclusions were reached and why, and his involvement. Note that the legal implications of maintaining such documentation in compliance with relevant laws and regulations may need to be considered.

Case Study 20 – Inappropriate social media use

Issues: Compliance with the fundamental principles – professional behaviour

Case outline: Ben (Member in Business) works for a small proprietary company. Ben uses his social media account for personal purposes and his public social media biography states the company he works for and that he is affiliated with a Professional Body. He frequently engages in political discussions with other users on the platform and posts comments on political and religious issues, including inflammatory comments containing derogatory and offensive language. A number of social media users publicly reference his professional status in response to his comments.

The relevant Professional Body receives multiple complaints from social media users, supported by screenshots of the posts. Ben acknowledges that some individuals found his comments offensive and apologises. However, he maintained that the comments were made in his personal capacity, through his personal social media account, outside working hours, and that he was exercising his right to freedom of expression.

Fundamental principles of the Code	
Integrity	Can the Member in Business retain his integrity and post highly inflammatory comments containing derogatory and offensive language on social media?

Fundamental principles of the Code	
Objectivity	How can the Member in Business maintain his objectivity when his strongly held personal opinions my influence his professional judgement and behaviour?
Professional behaviour	How should the Member in Business proceed in order not to discredit himself? Can the Member in Business disregard his professional duty to not discredit the profession based on the language used in his comments on the social media account that displays his association with a Professional Body? Is the Member in Business's conduct consistent with the reputation expected of a professional accountant?

Ethical decision-making approach	
Identify relevant facts	Does the Member in Business understand the impact of inflammatory comments containing derogatory and offensive language on social media? Does the reference to the Member's Professional Body in his social media profile create an association between his conduct and the profession.
Identify affected parties	The key affected parties are the Member in Business, his employer, the Professional Body, other members of the profession, the general public and other social media users.
Determine whether a procedure of conflict resolution exists within the organisation	Consider the company's policies and procedures, relevant best practices and applicable laws and regulations. The Member in Business can also consider the ethical conflict resolution resources of his Professional Body.
Consider who should be involved in the conflict resolution process	Who should be involved in resolving this matter and for what reason? What is the appropriate timing of their involvement? Does the Member need to inform his employer of the issues raised by the Professional Body about his social media posts and the likelihood of any disciplinary actions?
Discuss the ethical dilemma with relevant parties	Should the Member in Business discuss the matter further with his Professional Body? Should he seek independent legal or professional advice? Does the matter need to be discussed with his employer?
Consider possible course of action	The Member in Business may consider whether the comments are consistent with the fundamental principles and whether continued publication of the comments could adversely affect public confidence in the profession. The Member may wish to discuss the matter with his Professional Body and consider whether corrective action, including removal of the comments or clarification of his position, is appropriate. In their dealings with the Professional Body, the Member should cooperate fully and honestly with any enquiries or disciplinary processes. The Member may also consider whether it is appropriate to inform their employer of the matter and discuss any potential implications arising from the conduct.

Case Study 21 – Heroic efficiency target

Issues: Acting with sufficient expertise/Financial interests of a Member/Pressure to breach the fundamental principles

Case outline: Alexandra (Member in Business) is the finance director of a large subsidiary of WWY Ltd, an international financial services group. She has held the role for four years and believes she is a strong candidate for future promotion to Group Finance Director. She is committed to the organisation and her work-life balance is heavily weighted towards her work.

Following several years of poor global performance, the overseas parent company has imposed a 5 per cent cost-cutting target across all subsidiaries. Alexandra successfully met the target, but only through measures that have negatively impacted staff morale and may not be sustainable in the long term. The efficiencies have also left the organisation vulnerable from a compliance perspective.

Recently, the Group Finance Director instructed all subsidiaries to achieve a further 10 per cent cost efficiency in the following year, while maintaining all operational and sales targets. The Member in Business knows this target is unrealistic and may compromise the company's ability to meet its compliance obligations. When the Member in Business raises these concerns with the Group Finance Director, she is told that the target is non-negotiable and that failure to implement the cuts may result in her dismissal.

The Member in Business concludes that, after reviewing potential options, further cost savings cannot be achieved without significant risk to compliance with legal and regulatory obligations.

Fundamental principles of the Code	
Integrity	Can the Member in Business maintain her integrity if she implements cost reductions that she believes, may compromise compliance with legal and regulatory obligations?
Objectivity	How can the Member in Business remain objective when considering the impact of the proposed cost reductions given the potential for promotion and the threat of dismissal?
Professional competence and due care	How will the Member in Business ensure compliance with relevant laws and regulations and avoid actions that discredit the profession? Carrying out directives that knowingly risk compliance would breach the principle, even under pressure from senior management.
Confidentiality	On what basis could or should the Member in Business make disclosures about the potential cost cutting and the significant risk to compliance with legal and regulatory obligations?
Professional behaviour	How should the Member in Business proceed so as not to discredit herself or the company?

Ethical decision-making approach	
Identify relevant facts	Does the Member in Business have all of the facts? Has she substantiated her concerns that the additional efficiency target cannot be achieved without creating significant compliance or operational risks? What evidence supports the view that the target is unrealistic? Can she raise this matter with the Board or audit committee of WWY Ltd or the subsidiary's Board? Does the company have an internal whistleblowing process? What steps has the Member in Business undertaken to understand her legal rights and responsibilities?
Identify affected parties	The key affected parties are the Member in Business, the Group Finance Director, WWY's CEO and Board, the subsidiary's CEO and Board, shareholders, employees, regulatory bodies, and the company's customers and suppliers.
Determine whether a procedure of conflict resolution exists within the organisation	Consider the company's policies, procedures, relevant best practices and applicable laws and regulations.
Consider who should be involved in the conflict resolution process	Who should be involved in the resolution of this matter and for what reason? Does the Member in Business have trusted colleagues with whom she can discuss her position? Should the matter be discussed with the Board of either WWY or the subsidiary company?
Discuss the ethical dilemma with relevant parties	Do discussions need to take place with the Group Finance Director? Should the matter be discussed with senior executives at WWY, the Boards or the audit committee?

Ethical decision-making approach	
Consider possible course of action	The Member in Business may consider obtaining further evidence regarding the impact of the proposed reductions on compliance obligations and discussing these concerns with the Group Finance Director. The Member in Business should refuse to implement any cost reductions that would breach the law or regulatory requirements. If concerns remain unresolved, the Member may consider escalating the matter to senior management, the audit committee or the board. The Member in Business may seek independent professional or legal advice. The Member may also seek advice from her Professional Body. If internal resolution fails and serious non-compliance remains likely, she may consider using the organisation's whistleblowing procedures or, as a last resort, external disclosure in line with professional guidance and legal protections. If no ethical or legal solution is available, after considering all other available options, she may need to consider whether it is appropriate and practicable to resign to protect her professional integrity and avoid being associated with unethical conduct.

Case Study 22 – Conflicting information on the reliability of KPIs

Issues: Preparation and presentation of information/Financial interests of a Member/Pressure to breach the fundamental principles

Case outline: Oliver (Member in Business) is the Finance Director of a small private company, PQR Pty Ltd, providing outsourcing services to local authorities. PQR's largest contract is with a local council, which is performing in line with plan and generating substantial profits and cash flows. A junior staff member tells Oliver that the Managing Director, who is also the majority shareholder, and the Contract Director at the local council, have amended KPIs in the monthly report to make the contract appear better than it is. Oliver finds this concerning. The junior staff member who raised these concerns has been with the company for a while and is considered competent and reliable.

The next morning, Oliver raised the concern with the Managing Director, highlighting the company's moral obligation to the local community. The Managing Director dismisses Oliver's concern, stating that the Contract Director is satisfied with the amended KPIs and that the Contract Director signs off monthly. The Managing Director adds that the company is being sold, and Oliver will receive a substantial bonus upon successful completion of the sale.

Fundamental principles of the Code	
Integrity	Can the Member in Business overlook the concerns and maintain his integrity?
Objectivity	Can the Member in Business remain objective when deciding how to proceed in relation to the concerns when they have been promised the payment of a substantial bonus on the sale of the company?
Professional competence and due care	How can ignoring the altered KPIs be seen as acting with due skill, care and diligence, consistent with professional standards?
Confidentiality	On what basis could or should the Member in Business make disclosures?
Professional behaviour	How does the Member in Business proceed so as not to discredit himself or the company?

Ethical decision-making approach	
Identify relevant facts	Does the Member in Business have all the facts? Can the Member in Business undertake further enquiries to determine whether the concerns raised by the junior staff are substantiated? Can the Member in Business discuss the matter further with a trusted colleague? Does the company have an internal whistleblowing process? What steps has the Member in Business taken to understand his legal rights and responsibilities?
Identify affected parties	Key affected parties are the Member in Business, the Managing Director, the other directors, the junior staff member, other employees, other shareholders, the Contract Director, other local council members and community/ratepayers.
Determine whether a procedure of conflict resolution exists within the organisation	Consider the company's policies and procedures, relevant best practices and applicable laws and regulations.
Consider who should be involved in the conflict resolution process	Who should be involved in the resolution of this matter and for what reason? Do any confidentiality, privacy or whistleblower constraints prevent or restrict their involvement? What is the appropriate timing of their involvement? Does the Member in Business have trusted colleagues with whom he can discuss his position? Has the Member in Business discussed the matter with management and/or human resources? Can the Member in Business's Professional Body provide advice and assistance?
Discuss the ethical dilemma with relevant parties	Should the Member in Business raise this with the Board? Can further discussions be held with the Managing Director? Do discussions need to be held directly with the Contract Director and/or other members of the local council? Does the matter need to be escalated to the internal auditor or external auditor?
Consider possible course of action	The Member in Business may consider further discussions with the Managing Director to clarify his understanding of the situation. Prior to the discussion, the Member in Business should consider gathering evidence to understand the basis of the junior member's concerns, carrying out his own review, and documenting his findings. The Member in Business could consider escalating the matter to the internal auditor and, where appropriate, to the external auditor. If the issue remains unresolved, the Member in Business could consider the organisation's whistleblowing procedures and seek appropriate professional advice, while also refusing to be associated with or approve any information that he believes to be misleading.

Case Study 23 – Optimistic valuations and reporting deadlines

Issues: Using the Work of an External Expert/Preparation and presentation of information/Pressure to breach the fundamental principles

Case outline: Sam (Member in Business) is the Finance Manager of Alpha Co Ltd, a publicly listed company. As part of the year-end closing process, the company plans to recognise the fair value of certain intangible assets acquired through a recent business combination. Alpha Co engaged an external valuation expert to estimate the fair value of these assets. The valuation report supports the figure preferred by management.

Sam notices that several of the assumptions used by the valuation expert in the report, particularly forecasted cash flows and discount rates, are significantly more optimistic than Alpha Co's own internal budget forecasts. These discrepancies suggest that the reported fair value may potentially misrepresent financial performance.

The consolidated financial statements are scheduled for board approval in a few days, creating significant time pressure. At the same time, senior management is pressuring Sam to accept the valuation report as is, emphasising market expectations and the desire to present strong financial results.

This puts Sam in a difficult position, balancing professional and ethical obligations with management and market expectations under tight deadlines.

Fundamental principles of the Code	
Integrity	Can the Member in Business overlook the valuation expert's optimistic assumptions and still demonstrate his integrity?
Objectivity	How does the Member in Business maintain his objectivity, given the pressure from senior management to accept the valuation and management's desire to show higher profits?
Professional competence and due care	How can the Member in Business demonstrate professional competence and due care when evaluating the work of an External Expert and determining whether the assumptions used are reasonable?
Professional behaviour	How should the Member in Business proceed so as not to discredit himself or the company?

Ethical decision-making approach	
Identify relevant facts	Does the Member in Business have all the facts? How should the Member in Business ensure he can interpret or verify the External Expert's work before relying on it? Are the assumptions used by the External Expert consistent with other available evidence? Can the Member in Business discuss the matter further with senior management?
Identify affected parties	Key affected parties are the Member in Business, the Board, senior management, the company's employees, shareholders and auditors.
Determine whether a procedure of conflict resolution exists within the organisation	Consider the company's policies and procedures, applicable accounting standards, relevant best practices and applicable laws and regulations.
Consider who should be involved in the conflict resolution process	Who should be involved in the resolution of this matter and for what reason? What is the appropriate timing of their involvement? Are there trusted colleagues with whom the Member in Business can discuss his concerns? Can the Member in Business discuss the concerns with senior management? If the issue remains unresolved, the Member in Business should consider whether to escalate the matter to the audit committee or the Board of Directors. The Member in Business may also consider whether his Professional Body can provide advice and/or provide assistance.
Discuss the ethical dilemma with relevant parties	Does the Member in Business need to have further discussions with the external valuer and senior management to address concerns about the valuation assumptions? Does the matter need to be escalated to the audit committee, board of directors and/or external auditors?
Consider possible course of action	The Member in Business may consider obtaining additional information from the External Expert to better understand the assumptions used. The Member in Business could perform a reassessment of the valuation, including sensitivity analysis, by adjusting any figures that are not supported by internal forecasts. The Member in Business should formally document his concerns, including evidence demonstrating why the reported fair value may misrepresent financial performance. The Member in Business may consider escalating the issue to the Board and/or the audit committee.

Ethical decision-making approach	
	During the resolution process, the Member in Business may find it helpful to document the substance of all discussions held, who was involved, what conclusions were reached and why, and his involvement. Note that the legal implications of maintaining such documentation in compliance with relevant laws and regulations may need to be considered.

Case Study 24 – Complex corporate restructuring arrangement

Issues: Tax planning activities/Financial interests of a Member

Case outline: Danielle (Member in Business), the CFO at Titan Holdings (Titan), is asked to help structure a complex tax-planning arrangement. The arrangement has been recommended to the CEO by tax advisers whose approach is considered 'aggressive', and it is expected to significantly reduce the company's tax liability and improve reported profits for the year.

In a recent meeting, the CEO of Titan, who is also a major shareholder, outlined to senior management that the restructure was an opportunity to improve financial performance and secure a substantial performance bonus for senior management, including the Member in Business. While the arrangement is technically permissible, the Member in Business has concerns about whether a credible basis for the structure can genuinely be established. In particular, the Member in Business is uncertain about the arrangement's underlying economic purpose and substance, and a recent court ruling has cast doubt on similar structures.

The Member in Business raises her concerns with the CEO. In particular, she highlights that when standing back and considering the arrangement, she questions whether it aligns with the intent of tax laws or is primarily designed to achieve a tax advantage and inflate short-term profits. The CEO immediately dismisses her concerns as being 'too conservative' and tells the Member in Business to proceed with implementing the tax planning arrangement.

Fundamental principles of the Code	
Integrity	Can the Member in Business overlook her concerns in relation to the tax planning arrangement and maintain her integrity?
Objectivity	How will the Member in Business manage the conflict between financial benefit and her objectivity?
Professional competence and due care	How will the Member in Business ensure she has sufficiently evaluated the technical merits of the arrangement, including the recent court ruling and the uncertainty surrounding the economic purpose and substance, before determining whether a credible basis exists?
Professional behaviour	How should the Member in Business proceed so as not to discredit herself or the company?

Ethical decision-making approach	
Identify relevant facts	Does the Member in Business have all the facts? What other information could the Member in Business need before deciding how to proceed? Can she discuss the proposed tax arrangement further with the CEO? Can she discuss the proposed tax arrangement with another member of the senior management team or the Board?
Identify affected parties	Key affected parties are the Member in Business, the CEO, senior management, shareholders, the Board, employees and the Australian Tax Office.

Ethical decision-making approach	
Determine whether a procedure of conflict resolution exists within the organisation	Consider the company's policies and procedures, relevant best practices and applicable laws and regulations. The Member may also consider the ethical conflict resolution resources of their Professional Body.
Consider who should be involved in the conflict resolution process	Who should be involved in the resolution of this matter and for what reason? Are there trusted colleagues with whom the Member in Business can discuss her position? Should the Member in Business consider consulting legal or tax professionals to verify that the structure complies with all applicable tax laws and regulations.
Discuss the ethical dilemma with relevant parties	Should further discussion take place with the CEO regarding the lack of a credible basis for the proposed tax planning arrangement. Does the natter need to be discussed with senior management or the Board?
Consider possible course of action	The Member in Business may consider further discussions with the CEO to highlight the concerns with the tax structure. She may also consider reassessing whether a credible basis genuinely exists, including a critical evaluation of the technical advice provided. The Member in Business should stand back and consider whether the arrangement aligns with the intent of tax laws and has genuine commercial substance beyond achieving a tax advantage. If concerns remain, the Member in Business should recommend modifying the arrangement to reflect the underlying economic reality better or suggest adopting a more defensible approach. If the CEO continues to insist on proceeding despite unresolved concerns, the Member in Business should consider escalating the matter in accordance with Titan's governance processes and consider her professional responsibilities before continuing to be associated with the implementation of the tax arrangement. If no ethical or legal solution is available, after considering all other available options, she may need to consider whether it is appropriate to be associated with the information and consider her ongoing employment with Titan.

Case Study 25 – Sustainability-related reporting dilemma

Issues: Preparation and presentation of information/Pressure to breach the fundamental principles

Case outline: Liam (Member in Business), a professional accountant, is responsible for preparing the annual sustainability report in compliance with AASB S2 *Climate-related Disclosures* for his company, a global contract-catering business. The company is in the final stages of preparing for an Initial Public Offering (IPO) and senior management has emphasised that strong environmental credentials will be critical to attracting investors and maximising the company's valuation.

In the lead-up to the IPO, the marketing department has intensified its sustainability messaging, positioning the company as an industry leader in environmental responsibility. Investor presentations and promotional materials highlight ambitious environmental achievements and strong sustainability performance.

The Member in Business has reviewed the underlying data to prepare the sustainability report and has identified significant inconsistencies between the company's marketing claims and its actual performance. The Member in Business realises that public messaging may amount to greenwashing, which portrays the company as more environmentally responsible than is the case. Given the upcoming IPO, the Member in Business is concerned that inaccurate or misleading sustainability disclosures could expose the company to regulatory scrutiny, reputational damage and potential legal consequences.

Liam must decide how to proceed to ensure the sustainability report and related IPO disclosures are accurate, complete, and not misleading, while maintaining compliance with reporting obligations and upholding his professional integrity.

Fundamental principles of the Code	
Integrity	Can the Member in Business overlook the inconsistency in the information and maintain his integrity?
Objectivity	How will the Member in Business maintain his objectivity with pressure from marketing and senior management to produce disclosures that align with promotional sustainability claims, particularly where IPO valuation may depend on strong sustainability positioning?
Professional competence and due care	How can preparing a sustainability report using incorrect and inconsistent information be seen as acting with due skill, care and diligence? How can the Member in Business ensure the sustainability report is compliant with required sustainability reporting standards and legislation and is not using exaggerated and misleading data?
Professional behaviour	How should the Member in Business proceed so as not to discredit himself or the company?

Ethical decision-making approach	
Identify relevant facts	Does the Member in Business have all of the facts? Can the Member in Business discuss the matter further with the company's senior management? If the sustainability report is produced and includes exaggerated and misleading data, does the conduct constitute a breach of any standards, laws or regulations, and if so, which ones? Does the company have an internal process for escalating the issue? What steps has the Member in Business taken to understand his legal rights and responsibilities?
Identify affected parties	Key affected parties are the Member in Business, company management and the Board, marketing department employees, other employees, existing shareholders, potential IPO investors and other stakeholders.
Determine whether a procedure of conflict resolution exists within the organisation	Consider the company's policies and procedures, applicable sustainability reporting standards, relevant best practices and applicable laws and regulations. The Member in Business can also consider the ethical conflict resolution resources of his Professional Body.
Consider who should be involved in the conflict resolution process	Who should be involved in the resolution of this matter and for what reason? Are there trusted colleagues with whom the Member in Business can discuss his position?
Discuss the ethical dilemma with relevant parties	The Member in Business should communicate his concerns to the board of directors or those charged with governance, and, if needed, escalate them to the compliance team to resolve the conflict.
Consider possible course of action	The Member in Business may consider discussing this matter with senior management or raising the matter with the Board. The Member in Business could also perform further analysis to verify the sustainability data and ensure that IPO disclosures reflect accurate, balanced and complete information. The Member in Business should document all communications and professional judgements made. The Member in Business should seek to resolve the issue internally while maintaining integrity and ensuring that no material sustainability information is altered or omitted in IPO materials.

Ethical decision-making approach	
	If the company proceeds to issue the sustainability report despite unresolved concerns, the Member in Business should consider escalating the matter in accordance with its internal governance processes and assessing his professional responsibilities before continuing to be associated with the report.

Conformity with International Pronouncements

The International Ethics Standards Boards for Accountants (IESBA) has not issued a pronouncement equivalent to APES GN 40.

Acknowledgements

APESB gratefully acknowledges the publications listed below which provided insights into ethical issues faced by Members in Business and development of this Guidance Note. Further, some of the cases in this Guidance Note are based on scenarios described in these publications:

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Appendix 1

Summary of revisions to the previous APES GN 40 (Issued in March 2020)

APES GN 40 *Ethical Conflicts in the Workplace – Considerations for Members in Business* was originally issued in March 2012 and revised in October 2015 and March 2020 (extant APES GN 40). APES GN 40 has been revised by APESB in [X] 2026. A summary of the revisions is given in the table below.

Table of revisions*

Paragraph affected	How affected
1.1	Amended
1.2	Amended
2 – Definition of Acceptable Level	Amended
2 – Definition of Confidential Information	Added
2 – Definition of Expertise	Added
2 – Definition of External Expert	Added
2 – Definition of Professional Activity	Amended
2 – Definition of Sustainability Assurance Practitioner	Added
2 – Definition of Sustainability Information	Added
2 – Definition of Those Charged with Governance	Amended
3.3	Amended
4.2	Amended
4.3	Amended
4.4	Amended
5.4	Amended
5.5	Amended
5.7	Amended
5.8 – Footnote 2	Amended
6.2	Amended
6.3	Amended
7.2	Amended
8.2	Amended
8.3	Added
9.1	Amended
9.2	Amended
10.1	Amended
10.2	Amended
11.2	Amended
11.4	Amended
12.1	Amended
12.3	Amended
12.4	Amended
12.5	Amended
12.5 – Footnote 4	Amended
12.7	Amended
13.2	Amended
14. – Heading of Tax Planning Activities	Added
14.1	Added
14.2	Added
15. – Heading of Using the Work of an External Expert	Added
15.1	Added
15.2	Added
16. – Section 14 in extant APES GN 40 relocated	Relocated
16. – Introduction	Amended
16. – Case Study 1	Amended

Paragraph affected	How affected
16. – Case Study 2	Amended
16. – Case Study 3 of extant APES GN 40 deleted	Deleted
16. – Case Study 4 of extant APES GN 40 deleted	Deleted
16. – Case Study 3 - Case Study 5 of extant APES GN 40 relocated	Relocated and amended
16. – Case Study 4 – Case Study 6 of extant APES GN 40 relocated	Relocated
16. – Case Study 5 – Case Study 7 of extant APES GN 40 relocated	Relocated and amended
16. – Case Study 6 – Case Study 8 of extant APES GN 40 relocated	Relocated and amended
16. – Case Study 7 – Case Study 9 of extant APES GN 40 relocated	Relocated and amended
16. – Case Study 10 of extant APES GN 40 deleted	Deleted
16. – Case Study 8 – Case Study 11 of extant APES GN 40 relocated	Relocated
16. – Case Study 12 of extant APES GN 40 deleted	Deleted
16. – Case Study 9 – Case Study 13 of extant APES GN 40 relocated	Relocated and amended
16. – Case Study 10 – Case Study 14 of extant APES GN 40 relocated	Relocated and amended
16. – Case Study 11 – Case Study 15 of extant APES GN 40 relocated	Relocated and amended
16. – Case Study 12 – Case Study 16 of extant APES GN 40 relocated	Relocated and amended
16. – Case Study 13 – Case Study 17 of extant APES GN 40 relocated	Relocated and amended
16. – Case Study 14 – Case Study 18 of extant APES GN 40 relocated	Relocated and amended
16. – Case Study 15 – Case Study 19 of extant APES GN 40 relocated	Relocated
16. – Case Study 16 – Case Study 20 of extant APES GN 40 relocated	Relocated and amended
16. – Case Study 17 – Case Study 21 of extant APES GN 40 relocated	Relocated and amended
16. – Case Studies 18 – 25	Added
Acknowledgements	Amended
Bibliography	Amended

** Refer Technical Update 2026/X*