

RULE 202.1 Integrity and due care

A member or student shall perform professional services with integrity and due care.

RULE 202.2 Objectivity

A member or student shall perform professional services with an objective state of mind.

COUNCIL INTERPRETATION 202**Integrity and Objectivity**

- 202/1** A person who acts with honesty and truthfulness and whose actions, values and principles are consistent is described as having integrity.
- 202/2** Objectivity is a state of mind, which has regard to all considerations that are relevant but disregards those that are not. An objective person does not allow bias, conflict of interest or the influence of others to compromise judgment. The judgment of an objective person is intellectually honest. Objectivity should not be confused with neutrality or impartiality and, accordingly, the requirement to perform professional services with an objective state of mind does not preclude a member or student from acting as an advocate on behalf of others for whom the member or student performs professional services or a business owned by the member or student.
- 202/3** Objectivity and integrity are two of the five fundamental principles of ethics, as stated in the Foreword to the Rules of Professional Conduct. These two principles are closely related and they are essential ethical elements in establishing the credibility of a chartered accountant. Objectivity is essential for any member or student to exercise professional judgment and act with integrity whether in public practice or elsewhere.

Professional Services

- 202/4** The term “professional services” applies to all members and students whether or not they are engaged in the practice of public accounting. It includes those of the member’s or student’s activities where the public, colleagues or associates are reasonably entitled to rely on membership in, or registration as a student of, the Institute as giving the member or student particular competence. However, as discussed in paragraphs 7 through 11 of this Council Interpretation, the requirement to perform professional services with an objective state of mind does not preclude a member or student from acting as an advocate on behalf of others for whom the member or student performs professional services or a business owned by the member or student.

The Public Interest

- 202/5** The public expects that a chartered accountant will bring the qualities of objectivity and integrity to all professional services. It therefore becomes essential that a member or student will not subordinate professional judgment to the will of others. When a possible ethical conflict arises because a more senior person in an organization overrides the professional judgment of a junior member or student, the more junior member or student should refer to the ethical conflict resolution guidance in the Foreword to the Rules of Professional Conduct.

202/6 A member or student may be exposed from time to time to situations that place pressures upon objectivity and integrity, and it would be impractical to define all such situations. However, such pressures are subject to powerful countervailing forces and restraints. These forces include liability in law, responsibility to the profession for professional actions and, most importantly, the ingrained resistance of a disciplined professional person to any infringement upon integrity. A chartered accountant recognizes that credibility and value as a professional depend largely on integrity and objectivity.

Members and students outside of public accounting

202/7 Employment with an organization outside the practice of public accounting requires a member or student to be accountable to the employing organization, subject to the law and the Rules of Professional Conduct. Responsibility to satisfy the needs of an employer must be balanced with responsibility to the profession. This requires the member or student to act objectively and with integrity, to avoid conflicts of interest and to exercise professional judgment in keeping with the guidance outlined in paragraph 5 of this Council Interpretation.

202/8 When a member or student is employed outside of public practice, there is a responsibility to further the legitimate aims of the employing organization. In promoting the organization's position, the member or student should not make or be associated with false or misleading statements or statements which are not adequately supported.

202/9 Members and students are reminded that they may also be performing professional services when serving in the capacity of a volunteer and, accordingly, are subject to the requirement for objectivity when acting in that capacity.

Objectivity and advocacy

202/10 The requirement for an objective state of mind does not preclude a member or student from acting in an advocacy role for a client, unless it is otherwise prohibited by Rule 201.4, or from working to advance the best interests of an employer. A member's or student's effectiveness as an advocate in these cases is based on professional credibility, which is sustained by objectivity and integrity in addition to competence. However, a member or student must consider the ability to effectively advocate the client's or employer's position, while still maintaining objectivity and integrity. In any advocacy service, there is a possibility that circumstances may arise which stretch the bounds of performance standards, go beyond sound and reasonable professional or commercial practice or compromise credibility. Such circumstances may pose an unacceptable risk of impairing the reputation of the member or student and the firm, client and/or employer. In those circumstances, the member, student or firm should consider whether it is appropriate to perform the service.

202/11 A member or student who acts as an advocate for a client should refer to Rule 201.4. In such situations, the member or student should ensure that the advocacy role is apparent, and that statements made are not false or misleading and have adequate support.

Practice of Public Accounting – additional requirements

202/12 In addition to the general requirement to maintain an objective state of mind applicable to all professional services, a member or student in the practice of public accounting or a related business or practice must ensure compliance with the requirements of the specific Rules of

Professional Conduct in relation to:

- (a) Independence, for certain types of engagement, (Rule 204 – see also paragraph 13 below); and
- (b) Conflicts of interest (Rule 210).

202/13 The requirement to be objective is not the same as the requirement to be independent pursuant to Rule 204. When a member, student or firm performs an assurance engagement or an engagement to perform specified assurance procedures the public must be confident that those performing the engagement are free from influences which will impair professional judgment or objectivity. Accordingly, in addition to being objective, a member, student or firm in public practice who provides such a service is required to be independent of the assurance client. Objectivity is a state of mind. Independence is not only a state of mind; it also includes the appearance of independence, in the view of a reasonable observer. It is the reasonable observer test that distinguishes “independence” from “objectivity” and that gives the public the necessary confidence that the member, student or firm can express a conclusion without bias, conflict of interest or the undue influence of others. Rule 204 and the related Council Interpretations provide specific guidance on the independence requirements in these circumstances.

Continuing assessment of objectivity and integrity

202/14 A member or student must remain conscious of the need to remain objective and act with integrity in the conduct of all professional services, and must continually assess and manage the risks to objectivity and integrity. In the absence of specific rules, standards or guidance, a member or student should consider whether a member, without the relationships or influence that have put objectivity or integrity at risk would have come to the same decision with access to the same information. The member or student may wish to apply the ethical conflict resolution guidance in the Foreword to the Rules of Professional Conduct in circumstances where difficult decisions may be required. When an issue cannot be resolved in the member’s or student’s own mind, an experienced member should be consulted.