

2. Fundamental Principles

In this KLiP, we will cover the 3rd fundamental principle:

Confidentiality – Professional Accountants shall ***respect the confidentiality*** of information acquired as a result of professional and business relationships. Confidentiality facilitates the free flow of information from client to accountants in the expectation that the information ***will not be disclosed*** to a third party.

Are professional accountants allowed to disclose confidential information?

The professional accountants are obliged to comply with the confidentiality code. Nevertheless, in some circumstances the professional accountants are or **might be required to disclose** confidential information, if they

- Are required by law;
- Are permitted by law and is authorised by client; and
- Have professional duty or the right to disclose

What are the factors to consider for disclosing confidential information?

Professional accountants should consider the following factors:

- Whether the interests of any parties, including third parties might be affected;
- Whether all the relevant information is known and substantiated, to the extent practicable. Factors affecting the decision to disclose include:
 - o Unsubstantiated facts;
 - o Incomplete information; and
 - o Unsubstantiated conclusions.
- The proposed type of communication and to whom it is addressed; or
- Whether the parties to whom the communication is addressed are the appropriate recipients.

A professional accountant shall **continue to comply** with the principle of confidentiality even **after end of relationship** with their client or employing organisation. When changing employment or acquiring a new client, the accountant is entitled to use prior experience but shall not use or disclose any confidential information acquired or received as a result of a professional or business relationship.

Example 3: Mr. Richard, newly joined as Head of Finance in Company XYZ, a public sector company. His previous employment was from a large public sector organisation and as a finance manager there, he had the opportunity to work on areas relating to finance, procurement, contracts and bids.

One of Company XYZ's major contracts is with his ex-company. The contract is now up for renewal and Company XYZ is preparing a competitive bid. Mr. Richard is asked to head the team responsible for bidding this contract as he has knowledge and experience in his ex-company.

While Richard is given the responsibility to use his knowledge and expertise acquired in his previous employment to advance a legitimate contract in Company XYZ, he should ensure he does not use confidential knowledge gained previously to his advantage nor breach it. Mr. Richard is bound to comply with the principle of confidentiality even after end of his relationship with his previous employer. He must also assess the consequence on accepting the assignment.

We will discuss what are the other considerations that need to be taken in such situations, in our other KLIPs.

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