

2. Fundamental Principles

In this KLIP we will cover the 4th fundamental principle:

Professional Competence and Due Care

Followed by an example

Professional Competence and Due Care – refers to the level of appropriate *professional knowledge and skills* rendered to ensure that a client or employing organisation *receives competent professional services*. They shall also **act diligently** and in accordance with the applicable standards.

Professional accountants also shall not hesitate to alert the client or other users of the limitations inherent in the services or activities.

For Example:

In unprecedented pandemic like Covid-19, the entire world faced financial, operational and personal difficulties. All the companies had to move to digital technology. Due to this, the reliance on technology increased significantly.

On the other hand, the professional accountants also had to face new challenges arising from the implementation of digital technology, presenting new problems that they had not seen before. Any lack of knowledge and expertise in digital technology eventually leads to compromising on the professional competence and due care.

Therefore, professional accountants will need to learn new applications and information relatively quickly and adapt the same to overcome the challenges. By doing so, the professional accountants would be able to instil trust again.

Example 4: Ms. Ruby, joined as a financial accountant for a tourism company. The company is owned by 2 directors – husband and wife, who actively run the day-to-day business. During work, one of the directors came to Ms. Ruby with a cheque for \$100,000 which he had already signed and asked her to counter sign on it. He explained that it was a deposit for renovating the office. A copy of invoice from Studio Workz was produced. Ruby was surprised as she was not aware of any such outlays that had been planned. When Ruby asked for particulars, as there is no evidence of any work being started, the director explained that the cheque was needed to settle the outstanding director's loan account and that the money should be back by mid next year. He said the company will also obtain supporting credit note for this transaction.

Ms. Ruby researched on Studio Workz and noted that the company was owned by the daughter of the directors for whom Ms. Ruby works.

As no renovation work is likely to be carried out by the company, Ruby was unsure as to how to record this transaction.

The question is, will Ruby follow the instructions of the directors and fail to act diligently? Or, will she need to approach the company auditor or legal body to seek advice on this matter.

She also needs to consider, whether she has necessary professional competence to advise the directors on how to handle this matter.

With this, we come to the end of 4th Fundamental Principles: Professional Competence and Due Care

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