

2. Conflicts of Interest

In this KLiP, we will cover the following topics:

- **Disclosure and Consent;** and
- **Documentation**

Generally, the **more direct the connection between the professional service and the matter** on which the **parties' interests' conflict**, the more likely the level of the **threat is not at an acceptable level**.

Disclosure and Consent:

A professional accountant shall exercise professional judgement, in determining whether the nature and significance of a conflict of interest, requires specific disclosure and explicit consent in addressing the threat created.

It is generally necessary to:

- i) Disclose the nature of the conflict and how any threats created were addressed
- ii) Obtain consent of the affected clients to perform professional services when safeguards are applied to address the threat

If the **disclosure or consent is not in writing**, professional accountants are **encouraged to document the nature of the circumstance, safeguards applied** to address the threats and the consent obtained.

When making such specific disclosure for the purpose of obtaining explicit consent, it would result in a breach of confidentiality, and such consent cannot therefore be obtained, the firm shall only accept or continue an engagement if:

- (a) The firm does not act in an advocacy role for one client in an adversarial position against another client in the same matter;
- (b) Specific measures are in place to prevent disclosure of confidential information between the engagement teams serving the two clients; and
- (c) The firm is satisfied that a reasonable and informed third party would be likely to conclude that it is appropriate for the firm to accept or continue the engagement.

The professional accountant shall remain alert throughout to the principle of confidentiality, including when making disclosures or sharing information within the firm or network and seeking guidance from third parties.

If a professional accountant has determined that explicit consent is necessary, as stated above, and the client has refused to provide consent, the accountant shall either:

- (a) End or decline to perform professional services that would result in the conflict of interest; or
- (b) End relevant relationships or dispose of relevant interests to eliminate the threat or reduce it to an acceptable level.

Documentation

When making explicit disclosure, the professional accountant shall document:

- 1) The nature of the circumstance, including the role that the accountant is to undertake;
- 2) The specific measures taken to prevent disclosure of information between the engagement-teams serving the two clients; and
- 3) Why is it still appropriate to accept or continue the engagement.

With this we come to the end of topic on Conflicts of Interest.

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