



Question 5

Using your recent work experience, demonstrate how you dealt with an ethical issue.

EXAMPLE ANSWER

Dealing with the theft of vehicle spare parts

September 2022

One of the group companies engaged in the transport business was having a financial crisis due to an increase in the cost of vehicle running and repairs. There was a 70% drop in net profits despite the stability of sales growth. As the CFO of the group, I was responsible for ensuring internal control compliance and raising red flags over the increased costs or the control gaps and lapses.

To investigate the cost increase, I reviewed the financial statements. I observed that vehicle running and maintenance expenses had increased significantly, which was the main culprit behind the decrease in profitability. I separated the fuel and maintenance expenses incurred during the year to dig down further. The ratio of fuel expenses had increased by 75%, which was quite alarming because the increase in the corresponding fuel prices was only 42% during the last year.

I met with the transport in charge and enquired about the increase in diesel consumption; he informed me that the company had purchased a fleet of ten new trucks, therefore, the diesel consumption has increased due to the two new customer recurring orders. I informed him that as the trucks were new, technically, those trucks should consume less diesel than the older trucks, and the corresponding increase should reflect the increase in sales and the truck mileage as per the customer contracts.

The response of the transport manager was not satisfactory, which should have supported the facts, so I decided to review the diesel issuance books and truck log books. Based on the truck models, I researched on the expected fuel mileage per litter for each type of truck and calculated the fuel that should have been consumed based on the distances mentioned in the log books. I observed that fuel as per the log books should be 23.78% less than the actual consumption. I reconciled the diesel issuance records with the log books and identify the huge differences.

I met with the security in charge and directed him to review the diesel depot CCTV footage with me. The review of the CCTV footage revealed that the transport manager was involved in the diesel theft. It could easily be seen in the footage that he, along with the other two drivers, was filling the diesel in the drums that were loaded in the company trucks along with the textile-dyeing chemicals.

I obtained the copy of those footages at different times and delivered those footages to the HR manager and to the Chief operating officer. I directed the human resource manager, with the help

of the legal manager issue the show cause notice for the recovery of the loss and the I recommended the human resource manager to terminate that employee immediately.

I also presented the reason of the cost increase to the Board of Directors along with the investigation report and the recommended the background checks at the time of hirings for the key transport department posts.

EXAMPLE ANSWER

Addressing Policy Violations and Ensuring Financial Integrity

Dec'2022

During my tenure as Deputy Manager at ABC Ltd., I was tasked with reviewing general ledgers during the quarterly closing period. During one such review, I discovered that a senior colleague, holding the position of General Manager, was claiming monthly conveyance expenses despite being provided with a company vehicle and driver. According to company policy, an executive is entitled to either a company-owned vehicle or conveyance expense reimbursement, but not both simultaneously.

I initially approached the General Manager by phone to inquire if the claims might have been made in error. He insisted that his claims were in accordance with the rules and argued that if the system had not permitted the claims, they would not have been processed. Given his seniority, he was not pleased with my inquiry.

I then reviewed the general ledgers from previous months and discovered that he had been claiming conveyance expenses since his appointment 15 months prior. I also extracted relevant provisions from the employee policy document, which explicitly stated that conveyance expenses can only be claimed when a company vehicle is not provided.

Following lunch that day, the General Manager approached me and informed me that he intended to discuss the matter directly with the Head of Finance (HoF) and requested that I refrain from escalating the issue to senior management. He expressed confidence that this was merely a misunderstanding and no wrongdoing had occurred. I informed him that I would adhere to management guidelines and showed him the policy provisions that supported my position.

After his discussion with the HoF, I was called in to the HoF's office, where the General Manager was also present. The HoF requested that I drop the matter, noting that the General Manager would cease making such claims and that pursuing the issue further could harm his reputation. Despite this pressure, I maintained that the claims had been made over a 15-month period, constituting a significant financial loss to the company, and that recovery of the funds was necessary.

Subsequently, I decided to escalate the matter to higher management. I prepared a detailed report outlining the policy provisions, the total amount claimed by the General Manager, and the amount he was entitled to. I submitted this report to the CEO. The CEO reviewed the report and convened a meeting with the HoF, the General Manager, and me. During the meeting, I explained the undue pressure I had experienced, and the ethical considerations involved. The CEO concurred with my findings and instructed the HoF to issue a circular to all employees clarifying the eligibility for conveyance claims. Furthermore, the CEO directed the HoF to arrange for the recovery of the ineligible amounts from the General Manager's future salary in instalments.

Throughout this process, I adhered to ethical standards and ensured the integrity and objectivity of my actions. As a member of the Institute of Chartered Accountants of India (ICAI), I am committed

to maintaining high ethical standards and did not compromise on these principles, reporting the issue to the appropriate authorities and addressing it within the ethical framework.