



The International Ethics Standards Board for Accountants (IESBA) is an independent standard-setting body that develops the *Code of Ethics for Professional Accountants* (the Code).

According to the Code, the fundamental principles of professional ethics for professional accounts in the Code are as follows:

Integrity – to be straightforward and honest in all professional and business relationships.

Objectivity – to not allow bias, conflict of interest or undue influence of others to override professional or business judgments.

Professional competence and due care – to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional services based on current developments in practice, legislation and techniques and act diligently and in accordance with applicable technical and professional standards.

Confidentiality – to respect the confidentiality of information acquired as a result of professional and business relationships and, therefore, not disclose any such information to third parties without proper and specific authority, unless there is a legal or professional right or duty to disclose, nor use the information for the personal advantage of the professional accountant or third parties.

Professional behaviour – to comply with relevant laws and regulations and avoid any action that discredits the profession.

Case Study DelishCo

Outline of the case

DelishCo is a catering company formed in 2010 by three founding members.

- Pierre Saint Germain – a trained gourmet chef.
- Ozzy Monfries – a former food purchasing manager at a London hotel.
- You – an accountant.

DelishCo publicises itself as only using organic, responsibly sourced produce.

You are currently carrying out a review of internal controls and two issues have come to your attention.

1. An issue with meat suppliers
Upon reviewing some delivery notes you notice that one delivery was cancelled and replaced by clearly lower-grade imported meat from a local wholesaler. As a consequence it left customers requesting a particular meat dish that was found to be lower in standard than the meals the customers are used to. DelishCo therefore appears to lack proper procedures for tracing the source of its imports.
2. An issue with new fruit suppliers.
You notice that the list of trusted suppliers has recently been amended by Ozzy Monfries. His cousin is Managing Director of a large exporter of agricultural produce from Spain, so Ozzy is able to obtain cheaper prices for certain fruits. These fruits are not organically sourced and this is contrary to DelishCo policy. Ozzy does not agree with DelishCo policy.

What are the ethical implications of the issues above?

What solutions would you propose?

Key fundamental principles

Objectivity: Ozzy's objectivity may be impaired as the new fruit supplier is run by his cousin.

Professional behaviour: It is not professional for Ozzy to act contrary to company policy simply because he does not agree with it.

Integrity: One aspect of integrity is honesty. It is important to establish the real reasons for the changes in suppliers.

Considerations

Identify relevant facts:

- There have been 2 recent changes in suppliers.
- We don't know the reason for the changes in the meat supplier.
- We know that the fruit supplier is managed by the cousin of our purchasing manager.

Identify affected parties:

- DelishCo's reputation may be affected by the above.
- The three founding members are also affected as a result.
- DelishCo's customers are affected by the choice of suppliers.

Who should be involved in the resolution:

- It might be premature to involve the suppliers at this stage.
- Equally whilst it may be beneficial to communicate with customers by way of apology they should not necessarily be involved in the resolution.
- This is a matter for Pierre, Ozzy and you.

Possible course of action

There is a potential quality issue with the fruit to be addressed, as well as a difficult conversation to be had with Ozzy about his violation of company policy. This matter may well escalate into a more formal process.

The resolution here may well involve reverting to the previous supplier.

The meat issue is potentially more damaging than a particular dish not being available. Without proper procedures to trace the source of imports it is impossible to know how the meat has been reared, the nature of its processing, or even what type of meat it actually is. Recently in the UK, shoppers at particular supermarkets found that, due to similar lapses in controls, they were in fact eating 'beef' lasagne made from horsemeat.

This means that there may not only be ethical and reputational issues, but also legal issues around food standards.

Immediate steps should be taken to establish the extent of the problem, and implement proper controls to prevent this from happening again. DelishCo may also consider making a public statement on the matter to pre-empt any uncontrolled disclosure (possibly by a recently sacked Ozzy Monfries!).

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