



5 November 2014

**To: Members of the Hong Kong Institute of CPAs
All other interested parties**

**INVITATION TO COMMENT ON IFAC'S INTERNATIONAL
ETHICS STANDARDS BOARD FOR ACCOUNTANTS (IESBA)
CONSULTATION PAPER ON IMPROVING THE STRUCTURE
OF THE CODE OF ETHICS FOR PROFESSIONAL
ACCOUNTANTS**

Comments to be received by 16 January 2015

The Hong Kong Institute of Certified Public Accountants' (Institute) Ethics Committee is seeking comments on the IESBA Consultation Paper (CP) on improving the structure of the Code of Ethics for Professional Accountants (the Code) which has been posted on the Institute's website at:

<http://www.hkicpa.org.hk/en/standards-and-regulations/standards/code-of-ethics/exposure-drafts/>

The IESBA aims to seek input from stakeholders on approaches that could be taken to improve the clarity and usability of the Code, thereby facilitating its adoption, effective implementation, and consistent application.

Among the various matters on which the IESBA is consulting are:

- Restructuring the Code to more clearly distinguish requirements from guidance;
- Reorganizing the content of the Code, including rebranding the Code, or parts thereof, as international standards;
- Identifying responsibility for compliance with the Code in particular circumstances; and
- Simplifying the wording of the Code so that it can be more readily understood.

The Consultation Paper includes illustrative examples of how a restructured Code might be presented. The input received from the consultation will supplement the IESBA's research to date and inform its views of the way forward. This may in due course lead to the publication of an Exposure Draft containing the IESBA's proposals for restructuring the Code and addressing any of the related issues set out in the paper.



Hong Kong Institute of
Certified Public Accountants
香港會計師公會

The Ethics Committee invites all stakeholders to provide inputs on the IESBA's Consultation Paper. Comments should be supported by specific reasoning and should be submitted in written form. It would be helpful if respondents' comments could include the areas set out in the Questions for Respondents section of the Consultation Paper which are in page 12 of the Consultation Paper.

Comments may be sent by mail, fax or e-mail to:

Standard Setting Department
Hong Kong Institute of Certified Public Accountants
37/F., Wu Chung House
213 Queen's Road East
Hong Kong

Fax number (+852) 2865 6776
E-mail: commentletters@hkiipa.org.hk

Comments will be acknowledged and may be made available for public review unless otherwise requested by the contributor.

5 November 2014
Consultation Paper

Response Due Date
16 January 2015

Consultation Paper on the Code of Ethics for Professional Accountants

Improving the Structure of the Code of Ethics for Professional Accountants



Hong Kong Institute of
Certified Public Accountants
香港會計師公會

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Consultation Paper on Improving the Structure of the Code of Ethics for Professional Accountants

The Exposure Draft can also be found on the Institute's website at:

<http://www.hkicpa.org.hk/en/standards-and-regulations/standards/code-of-ethics/exposure-drafts/>

Consultation Paper

November 2014

Comments Due: February 4, 2015

*International Ethics Standards Board for
Accountants®*

Improving the Structure of the Code of Ethics for Professional Accountants™

IESBA

International
Ethics Standards
Board for Accountants®

The International Ethics Standards Board for Accountants® (IESBA®) is an independent standard-setting board that develops and issues high-quality ethical standards and other pronouncements for professional accountants worldwide. Through its activities, the IESBA develops the *Code of Ethics for Professional Accountants™*, which establishes ethical requirements for professional accountants.

The objective of the IESBA is to serve the public interest by setting high-quality ethical standards for professional accountants and by facilitating the convergence of international and national ethical standards, including auditor independence requirements, through the development of a robust, internationally appropriate code of ethics.

The structures and processes that support the operations of the IESBA are facilitated by the International Federation of Accountants® (IFAC®).

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REQUEST FOR COMMENTS

This Consultation Paper, *Improving the Structure of the Code of Ethics for Professional Accountants™* (the Code), was developed and approved by the IESBA.

Comments on the matters raised in the Consultation Paper are requested by February 4, 2015.

Respondents are asked to submit their comments electronically through the IESBA website, using the "[Submit a Comment](#)" link. Please submit comments in both a PDF and Word file. Also, please note that first-time users must register to use this feature. All comments will be considered a matter of public record and will ultimately be posted on the website. Although IESBA prefers that comments are submitted via its website, comments can also be sent to Ken Siong, IESBA Technical Director at KenSiong@ethicsboard.org.

This publication may be downloaded from the IESBA website: www.ethicsboard.org. The approved text is published in the English language.

I. Introduction

1. This Consultation Paper has been issued by IESBA to seek input from stakeholders on approaches that could be taken to improve the clarity of the IESBA *Code of Ethics for Professional Accountants* (the Code) by revising its structure. IESBA is undertaking this consultation as part of a project to improve the usability of the Code, thereby facilitating its adoption, effective implementation and consistent application. IESBA is currently developing its thinking on this topic and is not presenting proposals in this Paper. The input received from respondents to this Paper will supplement research to date and inform the views of IESBA. This may in due course lead to the publication of an Exposure Draft containing IESBA's proposals for restructuring the Code and addressing any of the related issues set out in the Paper.
2. This Consultation Paper comprises the following sections:
 - I. Introduction
 - II. Background
 - III. Distinguishing Requirements from Guidance
 - IV. Reorganization of the Code
 - V. Use of Language
 - VI. Identification of a Firm's or Individual Professional Accountant's Responsibility
 - VII. Electronic Code
 - VIII. Next Steps
 - IX. Illustrative Examples

Questions for Respondents

Appendix 1: Illustrative Examples

Appendix 2: Table of Concordance

II. Background

3. IESBA's objective is to serve the public interest by setting high-quality international ethics standards for professional accountants and facilitating the convergence of international and national ethics standards – enhancing the quality and consistency of services provided by professional accountants globally and strengthening public confidence in the global accounting profession. It is in the public interest for the Code to be understandable and enforceable.
4. IESBA has received feedback on the usability of the Code, for example comments from regulators on enforceability. Others have commented on difficulties in translating some parts of the Code, and understanding complex and long sentences in the Code. Feedback from an IFAC Small and Medium Practices (SMP) Committee survey noted that the biggest barrier faced by SMPs in fully adhering to the Code is understanding the requirements of the Code. These issues affect the usability of the Code and may be impacting adoption and implementation.
5. In order to gain additional insights into the challenges faced by professional accountants, regulators and IFAC member bodies, IESBA researched the views of a broad range of stakeholders from

Africa, Asia, Australasia, Europe and North and South America. Stakeholder groups included the IESBA Consultative Advisory Group, regulators (including the International Organization of Securities Commissions (IOSCO) and some members of the International Forum of Independent Audit Regulators (IFIAR)), the IESBA-National Standard Setters liaison group, IFAC member bodies, the IFAC SMP Committee and firms. IESBA also considered a consolidated response in respect of the European profession. The research provided a basis for this Paper. Any action will be further validated if and when IESBA exposes proposed changes to the Code.

6. The research addressed whether there is a case for change and, if so, the nature of any changes that may be warranted. The findings indicated a broad-based appetite for change. There was widespread support from those providing input for restructuring the Code, with particular interest in raising the visibility of the Code's requirements, clarifying who is responsible for compliance, and clarifying the language in the Code on a timely basis.

III. Distinguishing Requirements from Guidance

7. A number of stakeholders have expressed a strong desire that the Code distinguish requirements more clearly from guidance. They are concerned that the current structure makes it difficult to identify requirements and may impede compliance and enforcement. Other stakeholders are comfortable working with the Code as currently structured and believe that there is a risk that the linkage between requirements and guidance may be lost if they are separated. IESBA is considering whether to distinguish requirements more clearly from guidance and address the risk of losing the linkage by cross-referencing the requirements, once separated, to the related application guidance, using consistent sub-headings and keeping the requirements and guidance close to each other.
8. The Code could be restructured into three separate components as follows:
 - Purpose;
 - Requirements; and
 - Application and other explanatory material.
9. IESBA is interested in feedback on whether separating the requirements from the "Application and Other Explanatory Material" facilitates adoption of the Code into laws and regulations.
10. The separate components comprise the following:

Purpose

11. The Purpose component includes introductory comments to broadly describe the context and then briefly describe what threats may exist, referring users to the fundamental principles and, where relevant, the independence provisions. It sets out the context in which the requirements are to be read, and is not to be read as creating any requirements in itself. The language is intentionally broad. More specific language is used in the Requirements component. The Purpose component includes a reminder, at the start of each section, of the importance of the fundamental principles and the requirement to comply with the principles-based conceptual framework.
12. IESBA is mindful of the importance of the conceptual framework approach which addresses threats to compliance with the fundamental principles rather than simply complying with rules. IESBA

believes that any changes to the structure of the Code should retain the conceptual framework approach.

Requirements

13. In addition to the general requirement to comply with the conceptual framework established in Section 100¹ and mentioned in the Purpose component, the Requirements component identifies requirements that address the specific threats related to the individual section. The provisions set out in this component are denoted by the word “shall,” and require professional accountants to comply with each separate provision unless prohibited by law or regulation or an exception is permitted. The word “should” is not used as an alternative to “shall.”

Application and Other Explanatory Material

14. The “Application and Other Explanatory Material” component includes:
 - Matters which may create threats to the fundamental principles but where no specific requirements are called for if sufficient safeguards are available;
 - Guidance on what a requirement means or is intended to cover;
 - Matters the professional accountant would consider;
 - Suggested procedures; and
 - Examples of procedures that may be appropriate in the context of the engagement or assignment.
15. The word “shall” is not used in the Application and Other Explanatory Material component because it denotes a requirement. Where it is necessary to refer in “Application and Other Explanatory Material” to a requirement that is already established in the Requirements component, wording other than use of the term “shall” is employed. IESBA is considering avoiding the use of the present tense in “Application and Other Explanatory Material” in relation to actions by the professional accountant where it may be ambiguous whether it imposes an obligation on the professional accountant, or is optional. Such statements would be drafted so as to make it clear that there is no intention to create an additional requirement. Alternative language would be used to appropriately explain IESBA’s intentions. If there were any “shall” statements in the Code that were determined to be interpretations or examples of the application of a requirement, rather than requirements in their own right, they would be included as part of “Application and Other Explanatory Material” and redrafted so as not to use “shall” to impose an additional requirement.
16. IESBA has prepared some illustrative examples of how this approach to a restructured Code might be presented. These are set out in section IX of this Consultation Paper. The Illustrative Examples also include a Foreword. The Foreword, including a “How to Use the Code” section, would be intended to assist users, especially those who are unfamiliar with the Code, in understanding the connections between various parts of the Code, and to reduce the risk that users will read a single section without understanding the overarching context.

¹ Section 100, *Introduction and Fundamental Principles*

IV. **Reorganization of the Code**

17. Some stakeholders find it difficult to navigate around the Code, and there is a risk that a user may not consider all relevant material in the Code. Some of these stakeholders have a particular interest in the independence provisions. For others not involved with audits and other assurance engagements, the independence provisions are not relevant.
18. In the Illustrative Examples, the content has been reorganized so that each section has its own separate purpose, requirements and application guidance. Each section cross-refers to the conceptual framework and fundamental principles in Section 100. If the Code were restructured in this way, in addition to facilitating navigation it would make future changes easier because the entire Code is not being changed.
19. Relevant factors in the consideration of the merits of reorganization of the Code include:
 - The importance of clear linkage to the conceptual framework, avoiding the risk that users simply refer to the examples provided.
 - The need for the individual provisions of the Code to be readily visible and understandable, recognizing that different types of user have specific interests and priorities. For example, IESBA is conscious that the independence provisions of the Code are reflected in laws and regulations in certain jurisdictions.
 - A numbering system that allows for the addition of new paragraphs.
20. In the Illustrative Examples, certain suggestions are reflected as to the numbering and ordering of the content:
 - A numbering convention has been illustrated which relies on the division of the Parts of the Code into overall sections (100, 200, 300, 400 and 500), with further subdivisions into topics (for example, 310, 320, 330) and then further subdivisions within topics into subtopics (for example, 310.000, 310.100, 310.200). This numbering convention is illustrated because it would facilitate the future expansion of current topics and subtopics without renumbering every existing paragraph that follows a change or resorting to contrived numbering (for example, paragraph 100A, 100B, 100C, etc.).
 - Current Part C has been moved before current Part B, so that material related to professional accountants in business would become the 200 series and the material related to professional accountants in public practice would become the 300-500 series. This would allow all of the material related to professional accountants in public practice to be grouped together and independence to be presented at the end.
21. IESBA is interested in hearing views on whether this reorganization would enhance the usability of the Code. If not, or if further changes would be beneficial, IESBA is interested in other possible changes.
22. IESBA is aware that many standard setters issue discrete standards on specific topics. As they are presented in the Illustrative Examples, the provisions are relatively self-contained and include clear requirements, thus meeting key criteria for standards. A possible way to improve the visibility of the Code would be to rebrand it, for example as International Standards on Ethics; issuing some or all of the provisions of the Code as separate standards. This would align more with the approach taken by other standards setters and could improve the transparency of changes made to sections of the

Code, as well as potentially improving enforceability. This may have consequences for the overall structure of the Code. IESBA would welcome receiving views on this approach.

V. Use of Language

23. Some users, especially those whose first language is not English, have reported difficulty in understanding the Code. The Illustrative Examples have been designed to enhance the readability and clarity of the Code by various means including, where possible:

- Simpler and shorter sentences.
- Simplifying complex grammatical structures.
- Adding a link from the definitions section to terms which although defined, are described at greater length within the text of the Code, such as “network firm.”
- Increased use of the active voice.
- Avoiding repetition in the body of the text of definitions which are included in the list of defined terms.
- Avoiding legalistic and archaic terms, nuances, and superfluous adjectives.
- Aligning terminology used in the independence sections with that used by the International Auditing and Assurance Standards Board (IAASB).

24. Certain words or phrases are used which, in the independence provisions of the Code, have a specific meaning which a user may not expect unless they have a comprehensive knowledge of the Code. Examples include:

- “Audit” includes “review engagement.”
- “Professional accountant in public practice” includes “firm.”

This practice avoids some complexity of language and allows brevity in the relevant provisions; however, it may mislead a user who is unaware that the meaning may be other than a literal reading would indicate.

25. With regard to terms with a specific meaning, IESBA is considering:

- Including a link, both in the paper and electronic versions, to terms that are described in greater detail, within the Code, rather than in the definitions section.
- Continuing to use, for example, “audit” to include “review engagement” because to include “audit and review engagement” in every instance would be cumbersome and reduce the readability of the Code. An alternative solution would be to create a new section only for review engagements that would duplicate the independence section for audits, but this would make the code significantly longer for little benefit.

VI. Identification of a Firm’s or Individual Professional Accountant’s Responsibility

26. Various stakeholders have asked that responsibility for compliance with the Code in particular circumstances be clarified to facilitate compliance and enforcement. For example in March 2014, in response to IESBA’s consultation on its proposed Strategy and Work Plan 2014-2018, the IOSCO

stated that an objective of this aspect of the project should be to “clearly identify who specifically within the firm (for example, the firm’s quality control function, firm leadership, the engagement partner or the engagement team) has responsibility for compliance with the Code.”

27. The Code does not currently include a requirement that a firm have policies and procedures that enable identification of the individual or individuals responsible for maintaining independence in a particular circumstance, but cross-references to related requirements in ISQC 1² and the International Standards on Auditing (ISAs). The relevant provision is set out in paragraph 290.12³ of the current Code which states the following:

This section does not, in most cases, prescribe the specific responsibility of individuals within the firm for actions related to independence because responsibility may differ depending on the size, structure and organization of a firm. The firm is required by International Standards on Quality Control (ISQCs) to establish policies and procedures designed to provide it with reasonable assurance that independence is maintained when required by relevant ethical requirements. In addition, International Standards on Auditing (ISAs) require the engagement partner to form a conclusion on compliance with the independence requirements that apply to the engagement.

28. IESBA has considered the input from IOSCO and other stakeholders on the issue of responsibility. In the view of IESBA, a global code should be sufficiently flexible to accommodate different circumstances that firms need to take into account when prescribing the specific responsibility of individuals within the firm for actions related to independence. Responsibility may differ depending on the size, structure and organization of a firm and the culture in which it operates.

29. IESBA is considering ways to address the suggestion to clarify the responsibility within firms for compliance with the Code, for example by:

- Reducing the number of requirements where the responsibility is unclear because of the use of the passive voice.
- Including a requirement in the Code for a firm to establish relevant policies and procedures to assign responsibility rather than relying on a cross reference to ISQC 1.
- Adding guidance to provide examples of who may be a responsible individual for a particular matter within a firm.

30. The following is an illustration (and not a proposal) of how a responsibility requirement could be established particular to the Code while remaining consistent with ISQC 1 and the ISAs:

A firm shall establish, implement and maintain policies and procedures, appropriately documented and communicated within the firm, to:

- (a) Enable identification of those individuals with appropriate authority who, in particular circumstances, are responsible for taking appropriate action on behalf of the firm in accordance with the requirements of this Code;
- (b) Maintain compliance with this Code by relevant individuals within the firm; and

² International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

³ Section 290, *Independence – Audit and Review Engagements*

- (c) Require communication of threats to, and breaches of, independence to those individuals who are responsible for taking appropriate action on behalf of the firm in accordance with the requirements of this Code.
31. IESBA is considering clarification of responsibility by reducing the use of the passive voice and developing the guidance currently in paragraph 290.12 to better enable compliance and enforcement. Compliance with the Code could be enhanced if firms have effective policies and procedures appropriately documented and communicated, to enable individuals to identify who is responsible for compliance with each standard in particular circumstances in regard to independence.
32. This illustrative wording could replace existing paragraph 290.12, requiring the firm to establish policies and procedures that assign responsibility as appropriate to a particular circumstance, aligning with current best practice.
33. The Code might also include examples of who may be a responsible individual within a firm, for example as follows:

Identifying responsibility for firms

Paragraph [X] requires the firm to establish, implement and maintain policies and procedures to enable identification of those individuals who are responsible for taking appropriate action in accordance with the requirements of this Code. Such responsible individuals may include:

- (a) The engagement partner;
- (b) Senior individuals responsible for ethics or independence matters for the firm;
- (c) Any other individual within the firm identified as a responsible individual in relation to a particular matter.

Policies that enable identification of responsible individuals may differ depending on the size, structure and organization of a firm. In addition, International Standards on Auditing (ISAs) require the engagement partner to form a conclusion on compliance with the independence requirements that apply to the engagement.

34. The assignment of responsibility to the “firm” as part of the independence requirements illustrated here is more precise than in the current Code and assignment of individual responsibility to a specific person is achieved through a firm’s policies and procedures.

VII. **Electronic Code**

35. IESBA has also received views that making available the Code in electronic format would help users better understand the Code. IESBA is of the view that an electronic Code may enhance usability, and should be considered in conjunction with other clarity and structural changes.
36. The Code is currently provided as a pdf version on the IESBA website. IESBA is developing an HTML version of the Code with enhanced navigation and hyperlinks to defined terms, based on the 2014 *Handbook of the Code of Ethics for Professional Accountants* (Handbook). Further enhancements based on a restructured Code are anticipated.

37. Currently the paper/pdf version of the Code is the official version. Some jurisdictions that require laws to be published in the official journal of the relevant Ministry require a paper/pdf version of the Code.
38. Opportunities available with an electronic Code while maintaining a usable printed Code may include:
 - Filtering that enables all, and only those portions of, the Code relevant to the user to be presented.
 - Cross-linkages between relevant information. For example, links from the “Purpose” paragraph to the fundamental principles and conceptual framework, and links from requirements to the relevant application and other explanatory material. These are in addition to enhancements to an electronic version of the Code which are in progress.
 - Further improvements to navigation.
39. Potential solutions to some of the issues related to restructuring differ depending on whether the official version will continue to be the paper/pdf version or the planned electronic version. For example, creating two parallel independence sections for review engagements and for audit engagements would be a simple matter in an electronic version but would be unwieldy, wasteful and repetitive in a paper version. IESBA has not yet addressed whether an electronic version should become the official version.

VIII. Next Steps

40. IESBA is issuing the Consultation Paper at this time to seek input to inform its project to restructure the Code. The future course of this project will depend on the feedback received for the approach IESBA is currently exploring as set out in this Paper. Subject to that feedback, IESBA may expose a fully restructured Code or standards after its meeting in October 2015. As an illustration of how the timeline might flow beyond this point, a new restructured Code or standards might be finalized in early 2017 which could become effective, at the earliest, one year later. The exposure draft would, however, seek input on an effective date to allow adequate time for adoption and effective implementation.
41. The timing of this project will have an impact on when other projects in IESBA's work plan adopt a new structure and drafting conventions. Conversely, the outcomes of other projects may have an impact on this project. In particular a potential project to review the use of safeguards in the Code is included in IESBA's current strategy and work plan. IESBA is considering the alignment of the timing of its various projects. Any review of safeguards in the Code will be addressed independently of the structure project but on an aligned timeline. It is intended that the Exposure Draft of the restructured Code or standards would reflect the relevant outcome of IESBA's project on safeguards.
42. During drafting, IESBA will consider further the ease with which the restructured Code or standards could be translated into different languages.
43. An Exposure Draft of a restructured Code or standards would be accompanied by a table allowing comparison of extant and restructured paragraphs.

IX. Illustrative Examples

44. The Illustrative Examples of a restructured Code are attached in Appendix 1 to this Consultation Paper. They include examples from extant Part A and Part B including elements of Section 290 of the extant Code. They have been selected to show how a restructured layout might work. The wording in those sections is illustrative, is not a final proposal and should not be read as indicating exactly how the conventions set out in this Paper would be applied once a proposed structure for the Code has been determined. It is not the purpose of this project to change the meaning of the Code, although if any new requirements were proposed, for example to address the issue of responsibility as set out in section VI of this Paper, these would be subject to IESBA's normal due process.

Questions for Respondents

1. Do you believe that the approach outlined in this Consultation Paper, as reflected in the Illustrative Examples, would be likely to achieve IESBA's objective of making the Code more understandable? If not, why not and what other approaches might be taken?
2. Do you believe that the approach outlined in this Consultation Paper, as reflected in the Illustrative Examples would be likely to make the Code more capable of being adopted into laws and regulations, effectively implemented and consistently applied? If not, why not and what other approaches might be taken?
3. Do you have any comments on the suggestions as to the numbering and ordering of the content of the Code (including reversing the order of extant Part B and Part C), as set out in paragraph 20 of the Consultation Paper?
4. Do you believe that issuing the provisions in the Code as separate standards or rebranding the Code, for example as International Standards on Ethics, would achieve benefits such as improving the visibility or enforceability of the Code?
5. Do you believe that the suggestions as to use of language, as reflected in the Illustrative Examples, are helpful? If not, why not?
6. Do you consider it is necessary to clarify responsibility in the Code? If so, do you consider that the illustrative approach to responsibility is an appropriate means to enhance the usability and enforceability of the Code? If not, what other approach would you recommend?
7. Do you find the examples of responsible individuals illustrated in paragraph 33 useful?
8. Do you have any comments on the suggestions for an electronic version of the Code, including which aspects might be particularly helpful in practice?
9. Do you have any comments on the indicative timeline described in Section VIII of this Paper?
10. Do you have any other comments on the matters set out in the Consultation Paper?

Appendix 1**ILLUSTRATIVE EXAMPLES**

These Illustrative Examples of a restructured Code include examples from extant Part A and Part B, including elements of Section 290 of the extant Code. They have been selected to show how a restructured layout might work. The wording in these sections is illustrative, is not a final proposal, and should not be read as indicating exactly how the conventions set out in this Paper would be applied once a proposed structure for the Code has been determined.

PREFACE**Terms Used in this Code**

- 000.000 In this Code, defined terms are colored blue and underlined the first time that they appear in each paragraph.
- 000.001 Terms which have a particular meaning explained within the Code are colored blue and underlined with a dotted underline the first time that they appear in each paragraph. For ease of reference, these terms are included within the definitions section of the Code with a cross reference to where the description first appears in the Code.
- 000.002 Terms which are explained at the beginning of each section are shown in blue, bold and underlined text the first time they appear in each paragraph.

How to Use this Code

- 000.003 This Code contains five parts.
- Part I – General Application of the Code
 - Part II – Professional Accountants in Business
 - Part III – Professional Accountants in Public Practice
 - Part IV – Independence in Relation to Audit and Review Engagements
 - Part V – Independence in Relation to Other Assurance Engagements
- 000.004 To assist users of the Code, the structure of the sections and the topics that they contain are set out in a table in paragraph 000.017 at the end of this Preface.
- 000.005 Each of the sections of this Code is subdivided into Purpose, Requirements and Application and Other Explanatory Material. The Purpose component includes introductory comments to broadly describe the context and then briefly describe what threats may exist, referring users to the fundamental principles and, where relevant, the independence provisions. It sets out the context in which the requirements are to be read, and is not to be read as creating any requirements in itself. The language is intentionally broad.

- 000.006 Part I establishes the [fundamental principles](#) of professional ethics for [professional accountants](#) and provides a [conceptual framework](#) that [firms](#) and professional accountants, using professional judgment, are required to apply in order to:
- (a) Identify [threats](#) to compliance with the fundamental principles;
 - (b) Evaluate the significance of the threats identified; and
 - (c) Either:
 - (i) Apply [safeguards](#), when necessary, to eliminate the threats or reduce them to an [acceptable level](#); or
 - (ii) Decline or discontinue an engagement when safeguards cannot be applied to eliminate the threats or reduce them to an acceptable level.
- 000.007 [Safeguards](#) are necessary when the [firm](#) or [professional accountant](#) determines that the [threats](#) are not at an [acceptable level](#). That is a level at which a reasonable and informed third party, weighing all the specific facts and circumstances available to the professional accountant at that time, would be likely to conclude that compliance with the [fundamental principles](#) is not compromised.
- 000.008 Parts II, III, IV, and V describe how the [conceptual framework](#) applies in certain situations. They provide examples of [safeguards](#) that may be appropriate to address [threats](#) to compliance with the [fundamental principles](#). They also describe situations where sufficient safeguards are not available to address the threats and, consequently, require that the circumstance or relationship creating the threats be avoided. Part II applies to [professional accountants in business](#). Parts III, IV, and V apply to [firms](#) and [professional accountants in public practice](#). Professional accountants in public practice may also find Part II relevant to their particular circumstances.
- 000.009 The use of the word “shall” in this Code imposes a requirement on the [professional accountant](#) or [firm](#) to comply with the specific provision in which “shall” has been used. Compliance is required unless an exception is permitted by this Code.
- 000.010 A [professional accountant](#) or [firm](#) may encounter unusual circumstances regarding the application of the Code. This might occur when the application of a specific requirement of the Code would result in a disproportionate outcome or an outcome that may not be in the public interest. If such circumstances apply, the professional accountant is advised to consult with a professional regulatory body or another relevant regulator.

The Underlying Elements of this Code

- 000.011 The IESBA Code of Ethics contains five [fundamental principles](#), applies a [conceptual framework](#) approach and identifies typical [threats](#) and [safeguards](#). An understanding of all of these elements of the Code is essential to an understanding and ability to use the Code.
- 000.012 The five [fundamental principles](#) are essential elements which guide the behavior of professional accountants. They are first set out in paragraph 100.005.

The Conceptual Framework Approach

000.013 The [conceptual framework](#) approach assists [professional accountants](#) in complying with the ethical requirements of the Code. It is important because it accommodates many variations in circumstances that create [threats](#) to compliance with the [fundamental principles](#). This approach requires professional accountants to identify, evaluate and address threats and either apply [safeguards](#) when necessary to eliminate or reduce threats to an [acceptable level](#), or decline or discontinue a professional engagement or, when necessary, resign from the engagement or from the organization employing the professional accountant.

000.014 The [conceptual framework](#) approach is first set out in paragraph 100.015 and the paragraphs which follow.

The Threats Referred to in this Code

000.015 The IESBA Code of Ethics contains five types of [threats](#). They are first described in paragraph 100.017.

The Safeguards Referred to in this Code

000.016 [Safeguards](#) are actions or other measures that may eliminate [threats](#) or reduce them to an [acceptable level](#). They fall into two broad categories, namely (a) those created by the profession, legislation or regulation, and (b) safeguards in the work environment. They are first set out in paragraph 100.021.

The Structure of the Sections within this Code

000.017 Table setting out the structure of the Sections within this Code:

Preface	000	Terms used in this Code How to use this Code
Part I – General Application of the Code	100	Compliance with the Code, fundamental principles and conceptual framework
	110	Integrity
	120	Objectivity
	130	Professional competence and due care
	140	Confidentiality
	150	Professional behavior
	160 onwards	For future use
Part II – Professional Accountants in Business	200	To be determined
Part III – Professional Accountants in Public Practice	300	.000 - Introduction .XXX - Other sections to be added
	310	Professional appointment

	320	Conflicts of interest
	330	Second opinions
	340	Fees and remuneration
	350	Marketing professional services
	360	Gifts and hospitality
	370	Custody of client assets
	380-399	Reserved for future use
Part IV – Independence for Audit and Review Engagements	400	Introduction
	410	Financial Interests
	420	Relationships .000 – Business .100 – Family/personal .200 – Employment with client .300 – Temporary staff .400 – Recent service .500 – Officer, director
	430	Long association
	440	Non-assurance services .000 – Introduction to non-assurance services .100 – Management responsibility .200 – Preparation of accounting records .300 – Valuations .400 – Tax .500 – Internal audit .600 – Information technology .700 – Litigation support .800 – Legal .900 – Recruitment .1000 – Corporate finance
	450	Fees
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	470 - 490	Reserved for future use
Part V – Independence for Other Assurance Engagements	500, 510 etc.	To be determined

PART I – GENERAL APPLICATION OF THE CODE

SECTION 100

Compliance with the Code, Fundamental Principles and Conceptual Framework

Terms Used in this Section

100.000 In this section, the term “[professional accountant](#)” refers to:

- (a) [Professional accountants in business](#); and
- (b) [Professional accountants in public practice](#) and the [firms](#) within which they practice.

Purpose of the Code and this Section

100.001 A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest. Therefore, a [professional accountant’s](#) responsibility is not exclusively to satisfy the needs of an individual client or employer.

100.002 This Part applies to [professional accountants in business](#) as well as to [professional accountants in public practice](#) and to the [firms](#) in which such professional accountants practice. It establishes requirements and provides guidance for [professional accountants](#) regarding:

- (a) The [fundamental principles](#);
- (b) The approach to ethical conflict resolution; and
- (c) The [conceptual framework](#) approach which includes addressing [threats](#) to those fundamental principles and implementing [safeguards](#),

that are fundamental to acting in the public interest.

Requirements

Requirement to Comply with the Code

100.003 A [professional accountant](#) shall comply with this Code. There may be circumstances when a professional accountant is prohibited from complying with certain parts of this Code by law or regulation. In that event, the professional accountant shall comply with all other parts of this Code.

100.004 Notwithstanding the requirements set out in paragraph 100.003:

- (a) When a [professional accountant](#) identifies a breach of a provision of this Code, the professional accountant shall evaluate the significance of the breach. The professional accountant shall also evaluate its impact on the professional accountant’s ability to comply with the [fundamental principles](#). The professional accountant shall take whatever actions may be available, as soon as possible, to satisfactorily address the consequences of the breach. The professional accountant shall also determine whether to report the breach to those who may have been affected by the breach, a professional regulatory body, another relevant regulator or oversight authority, or others; and

- (b) Specific requirements apply when a professional accountant identifies a breach of a provision of Parts IV and V of this Code. The professional accountant shall comply with those provisions of Parts IV or V that establish the requirements for professional accountants to address such breaches.

Fundamental Principles

100.005 A **professional accountant** shall comply with the following **fundamental principles**:

- (a) **Integrity** – to be straightforward and honest in all professional and business relationships.
- (b) **Objectivity** – to provide professional or business judgments without bias, conflict of interest or undue influence of others.
- (c) **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.
- (d) **Confidentiality** – to respect the confidentiality of information acquired as a result of professional and business relationships and, therefore, not to:
 - (i) Disclose any such information to third parties without proper and specific authority, unless there is a legal or professional right or duty to disclose; or
 - (ii) Use the information for the personal advantage of the professional accountant or third parties.
- (e) **Professional Behavior** – to comply with relevant laws and regulations and avoid any action that discredits the profession. (Ref: Para. 100.009)

Ethical Conflict Resolution

100.006 When resolving a conflict in complying with the **fundamental principles**, the **professional accountant** shall:

- (a) Determine the appropriate course of action, weighing the consequences of each possible course of action;
- (b) If the matter involves a conflict with, or within, an organization, determine whether to consult with **those charged with governance** of the organization. These may be the board of directors or the audit committee;
- (c) If, after exhausting all relevant possibilities the ethical conflict remains unresolved, refuse to remain associated with the matter creating the conflict; and
- (d) Determine whether in the circumstances it is appropriate to:
 - (i) Withdraw from the **engagement team** or specific assignment; or
 - (ii) Resign altogether from the engagement, the **firm** or the employing organization. (Ref: Para. 100.010 to .014)

Applying the Conceptual Framework Approach – Threats and Safeguards

- 100.007 A **professional accountant** shall use professional judgment to apply the **conceptual framework** set out in this Code in order to comply with the **fundamental principles** and shall:
- (a) Identify **threats** to compliance with the fundamental principles;
 - (b) Evaluate the significance of the threats identified; and
 - (c) Either apply **safeguards**, when necessary, to eliminate the threats or reduce them to an **acceptable level** or, when the threats cannot be eliminated or reduced to an acceptable level:
 - (i) Decline or discontinue the specific **professional service** involved; or
 - (ii) When necessary, resign from the engagement or from the organization employing the professional accountant. (Ref: Para. 100.015 to .024)
- 100.008 In complying with the provisions set out in paragraphs 100.005 and 100.007, a **professional accountant** shall:
- (a) Evaluate any **threats** to compliance with the **fundamental principles** when the professional accountant knows, or could reasonably be expected to know, of circumstances or relationships that may compromise compliance with them;
 - (b) Take into account whether a reasonable and informed third party, weighing all the facts and circumstances available to the professional accountant at the time, would be likely to conclude that the threats would be eliminated or reduced to an **acceptable level** by the application of the safeguards such that compliance with the fundamental principles is not compromised; and
 - (c) Take qualitative as well as quantitative factors into account when evaluating the significance of a threat. (Ref: Para. 100.017 to .020)

Application and Other Explanatory Material

Fundamental Principles

- 100.009 Each of the **fundamental principles** with which **professional accountants** are required to comply, as set out in Paragraph 100.005, is discussed in more detail in Sections 110 onwards.

Ethical Conflict Resolution

- 100.010 A **professional accountant** may be required to resolve a conflict in complying with the **fundamental principles**. (Ref: Para.100.006)
- 100.011 When initiating either a formal or informal conflict resolution process, the following factors, either individually or together with other factors, may be relevant to the resolution process:
- (a) Relevant facts.
 - (b) Ethical issues involved including the **fundamental principles**.
 - (c) Established internal procedures.

- (d) Alternative courses of action.
 - (e) Consultation with other appropriate persons within the [firm](#) or employing organization. (Ref: Para. 100.006)
- 100.012 It may be in the best interests of the [professional accountant](#) to document the substance of the issue, the details of any discussions held and the decisions made concerning that issue. (Ref: Para.100.006)
- 100.013 If a significant conflict cannot be resolved, a [professional accountant](#) may consider obtaining professional advice from the relevant professional body or from legal advisors. The professional accountant can generally obtain guidance on ethical issues without breaching the [fundamental principle](#) of [confidentiality](#) if the matter is discussed:
- With the relevant professional body on an anonymous basis; or
 - With a legal advisor under the protection of legal privilege. (Ref: Para. 100.006)
- 100.014 Instances in which the [professional accountant](#) may consider obtaining legal advice vary. For example, a professional accountant may have encountered a fraud, the reporting of which could breach the professional accountant's responsibility to respect [confidentiality](#). The professional accountant may consider obtaining legal advice in that instance to determine whether there is a requirement to report. (Ref: Para. 100.006)

Applying the Conceptual Framework Approach – Threats and Safeguards

- 100.015 The circumstances in which [professional accountants](#) operate may create specific [threats](#) to compliance with the [fundamental principles](#). It is impossible to define every situation that creates threats to compliance with the fundamental principles and to specify the appropriate action. In addition, the nature of engagements and work assignments may differ and, consequently, different threats may be created, requiring the application of different [safeguards](#). Therefore, this Code establishes a [conceptual framework](#) that requires professional accountants to identify, evaluate and address threats to compliance with the fundamental principles. (Ref: Para. 100.007, .008)
- 100.016 The [conceptual framework](#) approach assists [professional accountants](#) in complying with the ethical requirements of this Code and meeting their responsibility to act in the public interest. It accommodates many variations in circumstances that create [threats](#) to compliance with the [fundamental principles](#). It can deter professional accountants from concluding that a situation is permitted even if it is not specifically prohibited. (Ref: Para. 100.007, .008)

Threats

- 100.017 [Threats](#) may be created by a broad range of relationships and circumstances. When a relationship or circumstance creates a threat, such a threat could compromise, or could be perceived to compromise, a [professional accountant's](#) compliance with the [fundamental principles](#). A circumstance or relationship may create more than one threat and a threat may affect compliance with more than one fundamental principle. Threats fall into one or more of the following categories:
- (a) [Self-interest threat](#) – that a financial or other interest will inappropriately influence the professional accountant's judgment or behavior;

- (b) [Self-review threat](#) – that a professional accountant will not appropriately evaluate the results of a previous judgment made or service performed by:
- (i) The professional accountant; or
 - (ii) Another individual within the professional accountant's [firm](#) or employing organization,
on which the professional accountant will rely when forming a judgment as part of providing a current service;
- (c) [Advocacy threat](#) – that a professional accountant will promote a client's or employer's position to the point that the professional accountant's [objectivity](#) is compromised;
- (d) [Familiarity threat](#) – that due to a long or close relationship with clients or employers, a professional accountant will be too sympathetic to their interests or too accepting of their work; and
- (e) [Intimidation threat](#) – that a professional accountant will be deterred from acting objectively because of actual or perceived pressures. This includes attempts to exercise undue influence over the professional accountant. (Ref: Para. 100.007(a))

Evaluation of Threats

100.018 Paragraph 100.007 requires that [professional accountants](#) or the [firms](#) within which they practice to identify [threats](#) to compliance with the [fundamental principles](#) and, based on an evaluation of those threats, determine, if the threats are not at an [acceptable level](#), whether appropriate [safeguards](#) are available and can be applied to:

- Eliminate the threats; or
- Reduce them to an acceptable level.

In making that determination, paragraph 100.008(b) requires the professional accountant to exercise professional judgment and take into account whether a reasonable and informed third party, weighing all the specific facts and circumstances available to the professional accountant at the time, would be likely to conclude that the threats would be:

- Eliminated; or
- Reduced to an [acceptable level](#) by the application of the safeguards.

100.019 Paragraph 100.008(a) requires a [professional accountant](#) to evaluate any [threats](#) to compliance with the [fundamental principles](#) when the professional accountant knows, or could reasonably be expected to know, of circumstances that may compromise compliance with the fundamental principles.

100.020 When applying the [conceptual framework](#), a professional accountant may encounter situations in which threats cannot be eliminated or reduced to an [acceptable level](#). This may be either because the threat is too significant or because appropriate [safeguards](#) are not available or cannot be applied. In such situations, paragraph 100.007(c) requires the professional accountant to:

- Decline or discontinue the specific [professional service](#) involved; or

- When necessary, resign from the engagement (in the case of a [professional accountant in public practice](#)) or the employing organization (in the case of a [professional accountant in business](#)).

Safeguards

100.021 [Safeguards](#) are actions or other measures that may eliminate [threats](#) or reduce them to an [acceptable level](#). They fall into two broad categories:

- Safeguards created by the profession, legislation or regulation; and
- Safeguards in the work environment. (Ref: Para.100.007(c))

100.022 [Safeguards](#) created by the profession, legislation or regulation include:

- Educational, training and experience requirements for entry into the profession.
- Continuing professional development requirements.
- Corporate governance.
- Professional standards.
- Professional or regulatory monitoring and disciplinary procedures.
- External review by a legally empowered third party of the reports, returns, communications or information produced by a [professional accountant](#). (Ref: Para.100.007(c))

100.023 Part II discusses safeguards in the work environment for professional accountants in business. Parts III, IV and V of this Code discuss safeguards in the work environment for professional accountants in public practice:

- (a) [Safeguards](#) available to [professional accountants in business](#) may be in the form of systems and procedures that have been implemented by the organization that employs such professional accountants.
- (b) Such systems and procedures may also be considered by a [professional accountant in public practice](#) in the evaluation of the significance of a specific [threat](#) to [independence](#), as set out in Parts IV and V.
- (c) Professional accountants in public practice also need to rely on the [firm](#)-wide safeguards or engagement-specific safeguards that are available to them in order to comply with the [fundamental principles](#). (Ref: Para. 300.016)

100.024 Certain [safeguards](#) may increase the likelihood of identifying or deterring unethical behavior. Such safeguards, which may be created by the accounting profession, legislation, regulation or an employing organization, include:

- Effective complaint systems operated by:
 - The employing organization;
 - The profession; or
 - A regulator.

- An explicitly stated duty to report breaches of ethical requirements.

SECTION 120

Objectivity

Terms Used in this Section

120.000 In this section, the term “[professional accountant](#)” refers to:

- (a) [Professional accountants in business](#); and
- (b) [Professional accountants in public practice](#) and the [firms](#) within which they practice

Purpose of this Section

- 120.001 Acting in the public interest requires [professional accountants](#) to act with [objectivity](#). The principle of objectivity obliges all professional accountants not to compromise their professional or business judgment because of bias, conflict of interest or the undue influence of others. Professional accountants must be alert to the wide variety of situations that may threaten their objectivity and to which the [conceptual framework](#) applies. It is impracticable to define and prescribe all such situations.
- 120.002 The provisions of paragraphs 100.005 and 100.007 require [professional accountants](#) and the [firms](#) within which they practice to comply with each of the [fundamental principles](#) and to apply the [conceptual framework](#) in relation to [threats](#) to those principles. This section sets out additional requirements in relation to compliance with the fundamental principle of [objectivity](#).

Requirements

Specific Threats Related to Objectivity

- 120.003 A [professional accountant](#) shall not engage in a [professional activity](#) if a circumstance or relationship unduly influences the accountant’s professional judgment regarding that activity. (Ref: Para.120.005, 006)
- 120.004 When providing any [professional service](#), a [professional accountant](#) shall determine whether there are [threats](#) to compliance with the [fundamental principle](#) of [objectivity](#) resulting from having interests in, or relationships (such as family, close personal, business or other relationships) with, a client or its directors, officers or employees. (Ref: Para.120.005)

Application and Other Explanatory Material

Threats and Safeguards

- 120.005 The existence of [threats](#) to [objectivity](#) when providing any [professional service](#) will depend upon the particular circumstances of the engagement and the nature of the work that the [professional accountant](#) is performing. (Ref: Para 120.003, .004)
- 120.006 Examples of [safeguards](#) that may be available to address [threats](#) to [objectivity](#) include:
- Supervisory procedures;
 - Discussing the issue:
 - With higher levels of management within the [firm](#); or

- With [those charged with governance](#) of the client;
- Withdrawing from the [engagement team](#); or
- Terminating the financial or business relationship giving rise to the [threat](#). (Ref: Para. 120.004)

Objectivity and Independence

- 120.007 A [professional accountant in public practice](#) who provides an [assurance service](#) is required to be independent of the [assurance client](#). [Independence](#) of mind and in appearance is necessary to enable the [professional accountant](#) to express and be seen to express an objective conclusion. Such a conclusion is one without bias, conflict of interest or undue influence by others.
- 120.008 Parts IV and V provide specific guidance on [independence](#) requirements for [professional accountants in public practice](#) when performing [assurance engagements](#).

PART III – PROFESSIONAL ACCOUNTANTS IN PUBLIC PRACTICE

Section 300

Introduction

Terms Used in this Section

300.000 In this section, the term “**professional accountant**” refers to [professional accountants in public practice](#) and the [firms](#) within which they practice.

Purpose of this Section

300.001 This Part of the Code describes how the [conceptual framework](#) contained in Section 100 applies in certain situations to [professional accountants](#).

300.002 There is a wide variety of situations that [professional accountants](#) may face that threaten compliance with the [fundamental principles](#) and to which the [conceptual framework](#) applies.

300.003 Paragraphs 100.005 and 100.007 require [professional accountants](#) and the [firms](#) within which they practice to comply with each of the [fundamental principles](#) and apply the [conceptual framework](#) in relation to [threats](#) to those fundamental principles. This section provides guidance for professional accountants regarding complying with those requirements.

Application and Other Explanatory Material

300.004 This Part does not describe all of the circumstances and relationships that could be encountered by [professional accountants](#) that create or may create [threats](#) to compliance with the [fundamental principles](#). Therefore, professional accountants are encouraged to be alert for such circumstances and relationships.

Conceptual Framework – Threats and Safeguards

Threats

300.005 (a) Compliance with the [fundamental principles](#) may potentially be threatened by a broad range of circumstances and relationships. The nature and significance of the [threats](#) may differ depending on whether they arise in relation to:

- (i) The provision of services to an [audit client](#) and whether such a client is a [public interest entity](#);
- (ii) An [assurance client](#) that is not an audit client; or
- (iii) A non-assurance client.

(b) Threats fall into one or more of the following categories:

- (i) Self-interest;
- (ii) Self-review;
- (iii) Advocacy;
- (iv) Familiarity; and

(v) Intimidation.

These threats are discussed further in paragraphs 100.017 to 100.020 and 300.006 to 300.010 of this Code.

300.006 Examples of circumstances that create [self-interest threats](#) for a [professional accountant](#) include:

- A member of the [assurance team](#) having a [direct financial interest](#) in the [assurance client](#).
- A [firm](#) having undue dependence on total fees from a client.
- A member of the assurance team having a significant close business relationship with an assurance client.
- A firm being concerned about the possibility of losing a significant client.
- A member of the [audit team](#) entering into employment negotiations with the [audit client](#).
- A firm entering into a [contingent fee](#) arrangement relating to an [assurance engagement](#).
- A professional accountant discovering a significant error when evaluating the results of a previous [professional service](#) performed by a member of the professional accountant's firm. (Ref: Para. 300.005)

300.007 Examples of circumstances that create [self-review threats](#) for a [professional accountant](#) include:

- A [firm](#) issuing an assurance report on the effectiveness of the operation of financial systems after designing or implementing the systems.
- A firm having prepared the original data used to generate records that are the subject matter of the [assurance engagement](#).
- A member of the [assurance team](#) being, or having recently been, a [director or officer](#) of the client.
- A member of the assurance team being, or having recently been, employed by the client in a position to exert significant influence over the subject matter of the engagement.
- The firm performing a service for an [assurance client](#) that directly affects the subject matter information of the assurance engagement. (Ref: Para. 300.005)

300.008 Examples of circumstances that create [advocacy threats](#) for a [professional accountant](#) include:

- The [firm](#) promoting shares in an [audit client](#).
- A professional accountant acting as an advocate on behalf of an audit client in litigation or disputes with third parties. (Ref: Para. 300.005)

300.009 Examples of circumstances that create [familiarity threats](#) for a [professional accountant](#) include:

- A member of the [engagement team](#) having a [close](#) or [immediate family](#) member who is a [director or officer](#) of the client.
- A member of the engagement team having a close or immediate family member who is an employee of the client who is in a position to exert significant influence over the subject matter of the engagement.
- A director or officer of the client or an employee in a position to exert significant influence over the subject matter of the engagement having recently served as the [engagement partner](#).
- A professional accountant accepting gifts or preferential treatment from a client, unless the value is trivial or inconsequential. (Ref: Para. 300.005)
- Senior personnel having a long association with the [assurance client](#).

300.010 Examples of circumstances that create [intimidation threats](#) for a [professional accountant](#) include:

- A [firm](#) being threatened with dismissal from a client engagement.
- An [audit client](#) indicating that it will not award a planned non-assurance contract to the firm if it continues to disagree with the client's accounting treatment for a particular transaction.
- A firm being threatened with litigation by the client.
- A firm being pressured to reduce inappropriately the extent of work performed in order to reduce fees.
- A professional accountant feeling pressured to agree with the judgment of a client employee because the employee has more expertise on the matter in question.
- A professional accountant being informed by a partner of the firm that a planned promotion will not occur unless the professional accountant agrees with an audit client's inappropriate accounting treatment. (Ref: Para. 300.005)

Evaluation of Threats

300.011 Paragraphs 100.005 and 100.007 require [professional accountants](#) to exercise judgment to determine how best to deal with [threats](#) that are not at an [acceptable level](#). This may be by applying [safeguards](#) to eliminate the threat or reduce it to an acceptable level or by terminating or declining the relevant engagement. A professional accountant may take qualitative as well as quantitative factors into account when evaluating the significance of a threat. The professional accountant may consider whether a reasonable and informed third party, weighing all the specific facts and circumstances available to the professional accountant at that time, would be likely to conclude that the threats would be eliminated or reduced to an acceptable level by the application of safeguards, such that compliance with the [fundamental principles](#) is not compromised. This consideration will be affected by matters such as:

- (a) The significance of the threat;
- (b) The nature of the engagement; and
- (c) The structure of the [firm](#).

300.012 Depending on the nature of the engagement, a [professional accountant](#) may also evaluate the impact on the significance of a [threat](#), of systems and procedures that the client has implemented. However, it is not possible to rely solely on the existence of such systems and procedures to conclude that a threat is not so significant as to require the application of [safeguards](#) to reduce it to an [acceptable level](#).

300.013 Examples of systems and procedures within the client that may impact the significance of a [threat](#) include:

- The client requires persons other than management to ratify or approve the appointment of a [firm](#) to perform an engagement.
- The client has competent employees with experience and seniority to make managerial decisions.
- The client has implemented internal procedures that ensure objective choices in commissioning non-assurance engagements.
- The client has a corporate governance structure that provides appropriate oversight and communications regarding the firm's services.

Safeguards

300.014 [Safeguards](#) that may eliminate or reduce [threats](#) to an [acceptable level](#) fall into two broad categories:

- (a) Those created by the profession, legislation or regulation; and
- (b) Those created in the work environment.

Examples of safeguards created by the profession, legislation or regulation are described in paragraph 100.024 of this Code.

300.015 In the work environment, the relevant [safeguards](#) will vary depending on the circumstances. Work environment safeguards comprise [firm](#)-wide safeguards and engagement-specific safeguards. Firm-wide safeguards address [threats](#) to the [independence](#) of the [firm](#) and its members on an overall basis, but they may not be sufficient to address a specific threat in relation to a specific engagement.

300.016 Examples of [firm](#)-wide [safeguards](#) in the work environment include:

- Leadership of the [firm](#) that stresses the importance of compliance with the [fundamental principles](#).
- Leadership of the firm that establishes the expectation that members of an [assurance team](#) will act in the public interest.
- Policies and procedures to implement and monitor quality control of engagements.
- Documented policies regarding the need to:

- Identify [threats](#) to compliance with the fundamental principles;
 - Evaluate the significance of those threats; and
 - Apply safeguards to eliminate or reduce the threats to an [acceptable level](#) or, when appropriate safeguards are not available or cannot be applied, terminate or decline the relevant engagement.
- Documented internal policies and procedures requiring compliance with the fundamental principles.
 - Policies and procedures that will enable the identification of interests or relationships between the firm or members of [engagement teams](#) and clients.
 - Policies and procedures to monitor and, if necessary, manage the reliance on revenue received from a single client.
 - Using different partners and engagement teams with separate reporting lines for the provision of non-assurance services to an [assurance client](#).
 - Policies and procedures to prohibit individuals who are not members of an engagement team from inappropriately influencing the outcome of the engagement.
 - Timely communication of a firm's policies and procedures, including any changes to them, to all partners and professional staff, and appropriate training and education on such policies and procedures.
 - Designating a member of senior management to be responsible for overseeing the adequate functioning of the firm's quality control system.
 - Advising partners and professional staff of assurance clients and related entities from which [independence](#) is required.
 - A disciplinary mechanism to promote compliance with policies and procedures.
 - Published policies and procedures to encourage and empower staff to communicate to senior levels within the firm any issue relating to compliance with the fundamental principles that concerns them.

300.017 Examples of engagement-specific [safeguards](#) in the work environment include:

- Having a [professional accountant](#) who was not involved with the non-assurance service review the non-assurance work performed or otherwise advise as necessary.
- Having a professional accountant who was not a member of the [assurance team](#) review the assurance work performed or otherwise advise as necessary.
- Consulting an independent third party, such as:
 - A committee of independent directors;
 - A professional regulatory body; or
 - Another professional accountant.
- Discussing ethical issues with [those charged with governance](#) of the client.

- Disclosing to those charged with governance of the client the nature of services provided and extent of fees charged.
- Involving another [firm](#) to perform or re-perform part of the engagement.
- Rotating senior assurance team personnel.

SECTION 310

Professional Appointment

Terms Used in this Section

310.000 In this section, the term “[professional accountant](#)” refers to a [professional accountant in public practice](#) and the [firms](#) within which they practice.

Purpose of this Section

310.001 [Professional accountants](#) may encounter circumstances in relation to their appointments as [professional service](#) providers that create [threats](#) to their compliance with each of the [fundamental principles](#).

310.002 There is a wide variety of situations that may threaten compliance with the [fundamental principles](#), and to which the [conceptual framework](#) applies, when a [professional accountant](#) is involved in a change in professional appointment or in accepting a new client or engagement.

310.003 The provisions of paragraphs 100.005 and 100.007 require [professional accountants](#) to comply with each of the [fundamental principles](#) and apply the [conceptual framework](#) in relation to [threats](#) to those fundamental principles. This section sets out additional requirements and provides guidance related to professional appointments.

Requirements

Specific Threats Related to Professional Appointments

310.004 A [professional accountant](#) shall evaluate the significance of any [threat](#) to compliance with the [fundamental principles](#) that may be created by the following circumstances and apply [safeguards](#), when necessary, to eliminate any such threat or reduce it to an [acceptable level](#):

- (a) Acceptance of any new professional engagement; or (Ref: Para. 310.009)
- (b) When acceptance of a professional engagement requires reliance on the advice or work of an expert. (Ref: Para. 310.011)

310.005 (a) When a [professional accountant](#) is asked by a potential client to replace, consider tendering for an engagement held by, or undertake work that is complementary or additional to that of, another professional accountant, the proposed professional accountant shall:

- (i) Determine whether there are any reasons, professional or otherwise, for not accepting the engagement; and (Ref: Para. 310.012)

- (ii) Whenever possible, obtain the potential client's permission, preferably in writing, to initiate discussion with the existing professional accountant. (Ref: Para. 310.013 to .017)
- (b) In such circumstances, an [existing accountant](#) shall:
 - (i) Comply with relevant legal and other regulations governing such requests; and
 - (ii) Provide any such information honestly and unambiguously.
- (c) When unable to communicate with the [existing accountant](#), the proposed professional accountant shall take other reasonable steps to obtain information about any possible [threats](#) to compliance with the [fundamental principles](#).

Application and Other Explanatory Material

Client Acceptance and Continuance

Conceptual Framework – Threats and Safeguards

- 310.006 Acceptance of a new client relationship may create [threats](#) to compliance with the [fundamental principles](#). Potential threats to [integrity](#) or [professional behavior](#) may be created from, for example, questionable issues associated with the client (its owners, management or activities).
- 310.007 Client issues that, if known, could threaten compliance with the [fundamental principles](#) include, for example, client involvement in illegal activities (such as money laundering), dishonesty or questionable financial reporting practices.
- 310.008 Examples of [safeguards](#) that may be available to address any such [threat](#) include:
- Obtaining knowledge and understanding of the client, its owners, managers and [those charged with governance](#) and business activities;
 - Securing the client's commitment to improve corporate governance practices or internal controls; or
 - Periodically reviewing acceptance decisions for recurring client engagements.

Engagement Acceptance

Conceptual Framework – Threats and Safeguards

- 310.009 The [fundamental principle](#) of [professional competence and due care](#) requires [professional accountants](#) to provide only those services that they are competent to perform. Before accepting a new professional engagement, paragraph 310.004 requires a professional accountant to determine whether acceptance would create any [threats](#) to compliance with the fundamental principles. For example, a [self-interest threat](#) to professional competence and due care is created if the [engagement team](#) does not possess, or acquire, the relevant competencies. (Ref: Para.310.004 (a))
- 310.010 **Examples** of [safeguards](#) that may be available to address any such [threat](#) include:
- Acquiring an appropriate understanding of:
 - The nature of the client's business;

- The complexity of its operations;
- The specific requirements of the engagement; and
- The purpose, nature and scope of the work to be performed.
- Acquiring knowledge of relevant industries or subject matters.
- Possessing or obtaining experience with relevant regulatory or reporting requirements.
- Assigning sufficient staff with the necessary competencies.
- Agreeing on a realistic time frame for the performance of the engagement.
- Complying with quality control policies and procedures designed to provide reasonable assurance that specific engagements are accepted only when they can be performed competently.
- Using experts where necessary. (Ref: Para.310.004 (a))

310.011 Factors to consider when a [professional accountant](#) intends to rely on the advice or work of an expert include:

- Reputation.
- Expertise.
- Resources available.
- Applicable professional and ethical standards.

Such information may be gained from prior association with the expert or from consulting others. (Ref: Para. 310.004(b))

Changes in a Professional Appointment

Conceptual Framework – Threats and Safeguards

310.012 Paragraph 310.005 requires a [professional accountant](#) who is asked to replace another accountant, or who is considering tendering for an engagement currently held by another accountant, to determine whether there are any reasons, professional or otherwise, for not accepting the engagement. These may be circumstances that create [threats](#) to compliance with the [fundamental principles](#) that cannot be eliminated or reduced to an [acceptable level](#) by the application of [safeguards](#). For example, there may be a threat to [professional competence and due care](#) if a professional accountant accepts the engagement before knowing all the relevant facts. (Ref: Para. 300.005)

310.013 Depending on the nature of the engagement, direct communication with the [existing accountant](#) to establish the facts and circumstances regarding the proposed change may be necessary. Such communication may be necessary to permit a [professional accountant](#) to decide whether it would be appropriate to accept the engagement. For example, the apparent reason for the change in appointment may not fully reflect the facts. It may indicate disagreements with the existing accountant that may influence the decision to accept the appointment. (Ref: Para. 310.005(a))

310.014 Examples of [safeguards](#) that may be available to address any such [threat](#) include:

- When replying to requests to submit tenders, stating in the tender that, before accepting the engagement, contact with the [existing accountant](#) will be requested. This is so that inquiries may be made whether there are any reasons why the appointment should not be accepted.
 - Asking the existing accountant to provide information on any facts or circumstances that the proposed [professional accountant](#), in the existing accountant's opinion, needs to be aware of before deciding whether to accept the engagement.
 - Obtaining necessary information from other sources. (Ref: Para. 310.005(a))
- 310.015 A [professional accountant](#) may be asked to undertake work that is complementary or additional to the work of the [existing accountant](#). Such circumstances may create [threats](#) to [professional competence and due care](#) resulting from, for example, a lack of or incomplete information. An example of a safeguard is notifying the existing accountant of the proposed work as this would give the existing accountant the opportunity to provide any relevant information needed for the proper conduct of the work. (Ref: Para. 310.005(a))
- 310.016 An [existing accountant](#) is bound by [confidentiality](#). Whether such a [professional accountant](#) is permitted or required to discuss the affairs of a client with a proposed professional accountant will depend on the nature of the engagement and on:
- (a) Whether the client's permission to do so has been obtained; or
 - (b) The legal or ethical requirements relating to such communications and disclosure, which may vary by jurisdiction. (Ref: Para. 310.005(b))
- 310.017 Circumstances where the [professional accountant](#) is or may be required to disclose confidential information or where such disclosure may otherwise be appropriate are set out in Section 140 of this Code.

PART IV – INDEPENDENCE IN RELATION TO AUDIT AND REVIEW ENGAGEMENTS

SECTION 400

Introduction

Terms Used in this Section

400.000 In this section, the term(s):

- (a) “**Audit**”, “**audit team**”, “**audit engagement**”, “**audit client**” and “**audit report**” include review, [review team](#), [review engagement](#), [review client](#) and review engagement report respectively;
- (b) “**Audit client**” includes [related entities](#) of the client unless otherwise stated, where the audit client is a listed entity. For all other audit clients, references to an audit client in this section include related entities over which the client has direct or indirect control. When the audit team knows or has reason to believe that a relationship or circumstance involving another related entity of the client is relevant to the evaluation of the firm’s independence from the client, the audit team includes the related entity when identifying and evaluating threats to independence and applying appropriate safeguards; and
- (c) “**Professional accountant**” refers to [professional accountants in public practice](#) and the firms within which they practice.

Scope

400.001 Paragraphs 400.001 to onwards set out requirements and provide guidance for [professional accountants in public practice](#) with respect to maintaining [independence](#) when performing [audit engagements](#).

Purpose of this Section

400.002 In order to serve the public interest, [professional accountants](#) need to be independent of their [audit clients](#).

400.003 There is a wide variety of situations that may threaten compliance with the [fundamental principles](#) and to which the [conceptual framework](#) applies.

400.004 Paragraphs 100.005 and 100.007 require [professional accountants](#) to comply with each of the [fundamental principles](#) and apply the [conceptual framework](#) in relation to [threats](#) to those fundamental principles. This section sets out additional requirements and provides guidance related to achieving and maintaining [independence](#) when performing [audit engagements](#).

Requirements

General Requirements

400.005 When performing an [audit engagement](#), a [professional accountant](#) shall:

- (a) Be independent of the [audit client](#); and

- (b) Comply with each of the provisions of Part IV.
- 400.006 In applying the provisions of paragraphs 100.005 and 100.007 when performing an [audit engagement](#), a [professional accountant](#) shall:
- (a) When evaluating the significance of [threats](#) to [independence](#), take qualitative as well as quantitative factors into account;
 - (b) If a determination has been made that the threats are not at an [acceptable level](#), and the decision to be made is whether to accept an engagement or include a particular individual on the [audit team](#), determine whether [safeguards](#) are available to eliminate the threats or reduce them to an acceptable level;
 - (c) If the decision is whether to continue an audit engagement, determine whether any existing safeguards will continue to be effective to eliminate the threats or reduce them to an acceptable level, or whether other safeguards will need to be applied or whether the engagement needs to be terminated; and
 - (d) Whenever new information about a threat to independence comes to the attention of the professional accountant during an audit engagement, evaluate the significance of that threat in accordance with the [conceptual framework](#) approach.

Application and Other Explanatory Material

Structure of Section

- 400.007 This section addresses the [independence](#) requirements for [audit engagements](#). These engagements are [assurance engagements](#) in which a [professional accountant](#) expresses a conclusion on [financial statements](#). Such engagements comprise audit engagements to report on a complete set of financial statements or on a single financial statement. Independence requirements for assurance engagements that are not audit engagements are addressed in Part V.

Reports with Restricted Use and Distribution

- 400.008 In certain circumstances, an [audit](#) report may include a restriction on use and distribution. In such circumstances, the [independence](#) requirements in this section may be modified as provided in paragraphs 470.000 to 470.999, provided that the conditions set out in those paragraphs are also met. Such modifications are not permitted in the case of an [audit](#) of [financial statements](#) required by law or regulation.

A Conceptual Framework Approach to Independence

- 400.009 [Independence](#) comprises:
- (a) Independence of Mind
The state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgment. This allows an individual to act with [integrity](#) and exercise [objectivity](#) and professional skepticism.
 - (b) Independence in Appearance

The avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances, that a [professional accountant's](#), or a member of the [audit team's](#), integrity, objectivity or professional skepticism has been compromised.

400.010 Paragraphs 100.005 and 100.007 require [professional accountants](#) to use professional judgment to apply the [fundamental principles](#) and the [conceptual framework](#) approach to:

- (a) Identify [threats](#) to [independence](#);
- (b) Evaluate the significance of the threats identified; and
- (c) Either apply [safeguards](#), when necessary, to eliminate the threats or reduce them to an [acceptable level](#) or, when the threats cannot be eliminated or reduced to an acceptable level:
 - (i) Eliminate the circumstance or relationship creating the threats; or
 - (ii) Decline or terminate the [audit engagement](#).

Paragraph 400.005 sets out additional specific requirements regarding the evaluation of threats to [independence](#) when performing an audit engagement.

400.011 Many different circumstances may be relevant in assessing [threats](#) to [independence](#). It is impossible to define every situation that creates threats to independence and to specify the appropriate action. Therefore, this Code establishes a [conceptual framework](#) that requires [professional accountants](#) and members of [audit teams](#) to identify, evaluate, and address threats to independence. The conceptual framework approach assists professional accountants in complying with the ethical requirements in this Code. It accommodates many variations in circumstances that create threats to independence and can deter a professional accountant from concluding that a situation is permitted if it is not specifically prohibited.

SECTION 420

Business Relationships

Terms Used in this Section

420.000 In this section, the term(s):

- (a) “[Audit](#)”, “[audit team](#)”, “[audit engagement](#)”, “[audit client](#)” and “[audit report](#)” include review, [review team](#), [review engagement](#), [review client](#) and review report respectively;
- (b) “[Audit client](#)” includes [related entities](#) of the client, unless otherwise stated, where the audit client is a listed entity. For all other audit clients, references to an audit client in this section include related entities over which the client has direct or indirect control. When the audit team knows or has reason to believe that a relationship or circumstance involving another related entity of the client is relevant to the evaluation of the firm’s independence from the client, the audit team includes the related entity when identifying and evaluating threats to independence and applying appropriate safeguards; and
- (c) “[Professional accountant](#)” refers to [professional accountants in public practice](#) and the firms within which they practice.

Purpose of this Section

- 420.001 A close business relationship between [professional accountants](#) and an [audit client](#) or its management arises from a commercial relationship or common [financial interest](#). Such a close business relationship may create [self-interest](#) or [intimidation threats](#) that impair [objectivity](#). It may also compromise the proper exercise of professional judgment and skepticism that is necessary to maintain [independence](#) from the client.
- 420.002 There is a wide variety of situations related to business relationships that may threaten compliance with the [fundamental principles](#).
- 420.003 Paragraphs 100.005 and 100.007 require [professional accountants](#) to comply with each of the [fundamental principles](#) and apply the [conceptual framework](#) in relation to [threats](#) to those fundamental principles. This section sets out additional requirements and provides guidance related to business relationships.

Requirements

Business Relationships Specifically Identified as Threats

- 420.004 A [firm](#) shall evaluate the significance of any [threat](#) created by the following relationships and apply [safeguards](#), when necessary, to eliminate the threat or reduce it to an [acceptable level](#):

Immediate Family Relationships

- (a) When an [immediate family](#) member of the member of the [audit team](#) has a [close business relationship](#) with an [audit client](#) of the firm or its management; (Ref: Para. 420.007)

Purchase of Goods or Services

- (b) When a [firm](#), or its network firms or a member of the [audit team](#) or a member of that individual's [immediate family](#), enters into a transaction to purchase goods or services from an audit client of the firm and the transaction is:
- (i) Not at arm's length;
 - (ii) Not in the normal course of business; or
 - (iii) Of such a nature or magnitude that it creates a [self-interest threat](#). (Ref: Para. 420.008)

Business Relationships Specifically Not Permitted

Firm or Audit Team Member Relationships

- 420.005 Neither a [firm](#) nor its network firms, nor a member of the [audit team](#) shall have a close business relationship with:
- (a) An [audit client](#) of the [firm](#); or
 - (b) Its management,

unless the [financial interest](#) is immaterial and the business relationship is insignificant to the firm, its network firms or the audit team member, as the case may be, and the client or its management.

Common Interests in Closely-Held Entities

420.006 Neither a firm nor its [network firms](#), nor a member of the [audit team](#) or a member of that individual's [immediate family](#) shall have a business relationship involving the holding of an interest in a closely-held entity when:

- (a) The [audit client](#) of the [firm](#); or
- (b) A [director or officer](#) of the audit client; or
- (c) Any group thereof,

also holds an interest in that entity, unless:

- (a) The business relationship is insignificant to the firm, its network firms, the member of the audit team and the immediate family member, as the case may be, and the audit client;
- (b) The [financial interest](#) is immaterial to the investor or group of investors; and
- (c) The financial interest does not give the investor, or group of investors, the ability to control the closely-held entity.

Application and Other Explanatory Material

Relationships

420.007 Examples of a close business relationship between a firm, or its [network firms](#), a member of the [audit team](#), or a member of that individual's [immediate family](#) and the [audit client](#) or its management, arising from a commercial relationship or common [financial interest](#) include:

- Having a financial interest in a joint venture with either the audit client or a controlling owner, [director or officer](#) or other individual who performs senior managerial activities for that client.
- Arrangements to combine one or more services or products of a firm, or its network firms with one or more services or products of the audit client and to market the package with reference to both parties.
- Distribution or marketing arrangements under which a firm or its network firms distribute or market the audit client's products or services; or that client distributes or markets a firm or its network firms' products or services. (Ref: Para. 420.004(a))

Purchase of Goods or Services

420.008 The purchase of goods or services from an [audit client](#) by a [firm](#), or its network firms, a member of the [audit team](#), or a member of that individual's [immediate family](#), does not generally create a [threat](#) to [independence](#) if the transaction is in the normal course of business and at arm's length. However, such transactions may be of such a nature or magnitude that they create a [self-interest threat](#). Paragraph 420.004(b) requires the [firm](#) to

evaluate the significance of any threat and apply [safeguards](#) when necessary to eliminate the threat or reduce it to an [acceptable level](#). Examples of such safeguards include:

- Eliminating or reducing the magnitude of the transaction; or
- Removing the individual from the audit-team. (Ref: Para. 420.004(b))

Appendix 2**Table of Concordance**

Table of Concordance – Restructured Code Illustrative Examples compared to 2014 Handbook				
Restructured		2014 Handbook		Comments
000	.001			New
000	.002			New
000	.003			New
000	.004	100	.2	
000	.005			New
000	.006			New
000	.007	100	.2	
000	.008	100	.2	
000	.009	100	.3	
000	.010	100	.4	
000	.011	100	.11	
000	.012			New
000	.013			New
000	.014			New
000	.015			New
000	.016			New
000	.017			New
000	.018			New
000	.019			New
100	.000			New
100	.001	100	.1	First part of existing 100.1 included here/new purpose paragraph
100	.002			New purpose paragraph
100	.003	100	.1	Last part of existing 100.1 included here
100	.004	100	.10	
100	.005	100	.5	

Table of Concordance – Restructured Code Illustrative Examples compared to 2014 Handbook				
Restructured		2014 Handbook		Comments
100	.006	100	.20 .21, .24	
100	.007	100	.7, .9	
100	.008	100	.7, .8, .9	
100	.009	100	.5	
100	.010	100	.19	
100	.011	100	.20	
100	.012	100	.22	
100	.013	100	.23	
100	.014	100	.23	
100	.015	100	.6	
100	.016	100	.6	
100	.017	100	.12	
100	.018	100	.7	
100	.019	100	.8	
100	.020	100	.9	
100	.021	100	.13	
100	.022	100	.14	
100	.023	100	.15	New explanatory language added to existing 100.15
100	.024	100	.16	
		100	.17	To be addressed with conflicts of interest section
		100	.18	To be addressed with conflicts of interest section
		100	.25	To be addressed with “those charged with governance” section
120	.001	120	.1, .2	
120	.002			New
120	.003	120	.2	
120	.004	280	.1	Existing section 280 has been incorporated into the overall "objectivity" section 120

Table of Concordance – Restructured Code Illustrative Examples compared to 2014 Handbook				
Restructured		2014 Handbook		Comments
120	.005	280	.3	
120	.006	280	.4	
120	.007	280	.2	
120	.008	280	.2	
300	.000			New
300	.001	200	.1	
300	.002	200	.1	
300	.003			Purpose and link to requirement to comply with Fundamental Principles (FP) & Conceptual Framework (CF)
300	.004	200	.1	
300	.005	200	.3	
300	.006	200	.4	
300	.007	200	.5	
300	.008	200	.6	
300	.009	200	.7	
300	.010	200	.8	
300	.011	200	.10	
300	.012	200	.14	
300	.013	200	.15	
300	.014	200	.9	
300	.015	200	.11	Last sentence is new to clarify the need for engagement-specific as well as firm-wide safeguards
300	.016	200	.12	
300	.017	200	.13	
		200	.2	Existing paragraph deleted - covered by requirement to comply with FP in 100.004
310	.000			New
310	.001			New purpose paragraph

Table of Concordance – Restructured Code Illustrative Examples compared to 2014 Handbook				
Restructured		2014 Handbook		Comments
310	.002			New purpose paragraph
310	.003			Purpose and link to requirement to comply with FP & CF
310	.004	210	.1, .3, .6, .8	
310	.005	210	.9, .12, .14	
310	.006	210	.1	
310	.007	210	.2	
310	.008	210	.3, .5	
310	.009	210	.6	
310	.010	210	.7	
310	.011	210	.8	
310	.012	210	.9	
310	.013	210	.10	
310	.014	210	.11	
310	.015	210	.12	
310	.016	210	.13	
310	.017	210	.13	
		210	.4	Existing paragraph deleted - requirement to decline is included in compliance with CF in 100.007
400	.000			
400	.001			New scope paragraph
400	.002	290	.4	
400	.003			New purpose paragraph
400	.004	290	.5, .7	Purpose and link to requirement to comply with FP & CF
400	.005	290	.4	Restated to specifically require independence and compliance with the Code
400	.006	290	.10, .11	
400	.007	290	.1	
400	.008	290	.2	

Table of Concordance – Restructured Code Illustrative Examples compared to 2014 Handbook				
Restructured		2014 Handbook		Comments
400	.009	290	.6	
400	.010	290	.7	
400	.011	290	.8	
		290	.3	Existing paragraph is now incorporated into “Terms used in this section” at the beginning of each section
		290	.9	Deleted – not necessary in new structure
		290	.12	Firm responsibility now set out in 300.200
420	.000			New
420	.001	290	.123	New purpose paragraph
420	.002			New purpose paragraph
420	.003			Purpose and link to requirement to comply with FP & CF
420	.004	290	.123, .125	
420	.005	290	.123	
420	.006	290	.124	
420	.007	290	.123	
420	.008	290	.125	

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IESBA Consults on Restructuring Code of Ethics for Professional Accountants; Focuses on Improved Usability

The International Ethics Standards Board for Accountants® (IESBA®, the Ethics Board) today released for public comment the Consultation Paper, *Improving the Structure of the Code of Ethics for Professional Accountants* (<http://www.ifac.org/publications-resources/improving-structure-code-ethics-professional-accountants>)™ (the Code). The paper seeks input from stakeholders on approaches that could be taken to improve the clarity and usability of the Code, thereby facilitating its adoption, effective implementation, and consistent application.

Among the various matters on which the Ethics Board is consulting are:

- Restructuring the Code to more clearly distinguish requirements from guidance;
- Reorganizing the content of the Code, including rebranding the Code, or parts thereof, as international standards;
- Identifying responsibility for compliance with the Code in particular circumstances; and
- Simplifying the wording of the Code so that it can be more readily understood.

“This is a seminal initiative which could result in a completely new presentation of the Code that would make it more accessible, understandable, and enforceable,” noted Interim IESBA Chair Wui San Kwok, adding, “These aims are central to enhancing the usability of the Code and thereby its further adoption globally in the public interest.”

The paper includes illustrative examples of how a restructured Code might be presented. The input received from the consultation will supplement the Ethics Board’s research to date and inform its views of the way forward. This may in due course lead to the publication of an Exposure Draft containing the Ethics Board’s proposals for restructuring the Code and addressing any of the related issues set out in the paper.

“The board has received strong support from stakeholders to take a fresh look at the structure of the Code as a priority,” said IESBA Technical Director Ken Siong. “The current thinking is that an improved structure would provide a platform for future development and maintenance of the Code, and allow for more user-friendly features, including increased search and query capabilities.”

In connection with this project, a web-based version of the Code—to enhance accessibility and navigability—is currently in development and will be launched later this month.

How to Comment

The Ethics Board invites all stakeholders to comment on the Consultation Paper. To access the document and submit a comment, please visit the Ethics Board’s website at www.ethicsboard.org (<http://www.ethicsboard.org/>). Comments are requested by **February 4, 2015**.

About the IESBA

The International Ethics Standards Board for Accountants (<http://www.ifac.org/ethics>) is an independent standard-setting board that develops and issues, in the public interest, high-quality ethical standards and other pronouncements for professional accountants worldwide. Through its activities, the IESBA develops the *Code of Ethics for Professional Accountants*, which establishes ethical requirements for professional accountants. The structures and processes that support the operations of the IESBA are facilitated by IFAC. Please visit www.ethicsboard.org (<http://www.ethicsboard.org/>) for more information, and follow us on Twitter @Ethics_Board (https://twitter.com/Ethics_Board).

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Related Resources

[Ethics Board Welcomes Appointment of Stavros Thomadakis as Chair; Publishes 5-Year Strategy & Work Plan \(/news-events/2014-09/ethics-board-welcomes-appointment-stavros-thomadakis-chair-publishes-5-year-strategy\)](#)

[Ethics Board Proposes Strengthened Auditor Independence Standard Addressing Long Association in Ethics Code \(/news-events/2014-08/ethics-board-proposes-strengthened-auditor-independence-standard-addressing-long-association\)](#)

[Ethics Board Proposes Enhancements to Certain Non-Assurance Services Provisions in Ethics Code \(/news-events/2014-05/ethics-board-proposes-enhancements-certain-non-assurance-services-provisions-ethics\)](#)

[IESBA Plans Roundtables—Enhancing Ethics Standards for Professional Accountants \(/news-events/2014-01/iesba-plans-roundtables-enhancing-ethics-standards-professional-accountants\)](#)

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