

# MEMBERS' HANDBOOK

## Update No. 274

(Issued 23 May 2022)

### VOLUME I

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Note:

The preface of the *Code of Ethics for Professional Accountants* (“Code”) is revised to incorporate the post-implementation review policy to identify and address issues arising from the application of the Code. These changes are effective upon issuance.

In order for readers to easily identify all the changes, marked-up versions are posted at: <https://www.hkicpa.org.hk/-/media/HKICPA-Website/Members-Handbook/tk274.pdf>



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(Updated to May 2022)

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COE  
Issued November 2018; Revised July 2020,  
June 2021, January 2022, May 2022

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Effective on 15 June 2019

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# Code of Ethics for Professional Accountants



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

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## PREFACE

This Preface has been approved by the Council of the Hong Kong Institute of Certified Public Accountants (the "Institute") for publication.

1. Pursuant to section 18A of the Professional Accountants Ordinance, Council may, in relation to the practice of accountancy, issue or specify any statement of professional ethics required to be observed, maintained or otherwise applied by members of the Institute.
2. Council has mandated the Ethics Committee ("EC") to develop the HKICPA Code of Ethics for Professional Accountants (the "Code"). Within this remit, Council permits the EC to work in whatever way it considers most effective and efficient and this may include forming advisory panels or other forms of specialist advisory groups to give advice in preparing the Code.
3. The Institute, as a member of the International Federation of Accountants ("IFAC"), is committed to the IFAC's broad objective of supporting the development of high-quality international standards and enhancing a coordinated worldwide accountancy profession with common standards. The IFAC Board has established the International Ethics Standards Board for Accountants ("IESBA") to function as an independent standard-setting body under the auspices of IFAC and subject to the oversight of the Public Interest Oversight Board.
4. The IESBA develops and issues, under its own standard setting authority, the International Code of Ethics for Professional Accountants (including International Independence Standards) (the "International Code"). The International Code is for use by professional accountants around the world. The IESBA establishes the International Code for international application following due process. The IFAC establishes separate requirements for its member bodies with respect to the International Code.
5. As an obligation of its membership, the Institute is obliged to support the work of IFAC by (a) informing its members of every pronouncement developed by IESBA, and (b) implementing those pronouncements, when and to the extent possible under local circumstances.
6. The Institute has determined to adopt the International Code as the ethical requirements for its members.
7. Where the Council of the Institute deems it necessary, it has included, and may develop further, additional ethical requirements on matters of relevance not covered by the International Code.
8. This Code issued by the Institute consists of:
  - A is based on the International Code (issued in April 2018)
  - [B – Not used]
  - C contains either local application or represents an amplification of provisions in the International Code (i.e. Chapter A of this Code)
  - D is a comparison of the Code with the International Code
  - E applies to specialized areas of practice
  - F contains guidelines on anti-money laundering and counter-terrorist financing for professional accountants

Chapter A establishes the fundamental principles of professional ethics for professional accountants and provides a conceptual framework that professional accountants shall apply. It provides examples of safeguards that may be appropriate to address threats to compliance

with the fundamental principles. It also describes situations where safeguards are not available to address the threats, and consequently, the circumstance or relationship creating the threats shall be avoided.

Chapter C sets out additional ethical requirements on specific areas. Chapter E sets out ethical requirements that apply to specialized areas of practice. Chapter F sets out guidelines on anti-money laundering and counter-terrorist financing for professional accountants.

Chapters C, E and F form an integral part of this Code. Members need to be aware of these additional requirements and comply with them. Additional local guidance is also provided, which is either incorporated by way of footnotes, appendices or references to the relevant sections of the Code. The basic principles, requirements and application material are to be understood and applied in the context of the entire Code.

9. It is not practical to establish ethical requirements that apply to all situations and circumstances members of the Institute may encounter. Members of the Institute should therefore consider the ethical requirements as the basic principles they should follow in performing their work.
10. Council requires members of the Institute to comply with the Code. Apparent failures by members of the Institute to comply with the Code are liable to be enquired into by the appropriate committee established under the authority of the Institute, and disciplinary action may result. Disciplinary action may include an order that the name of the member be removed from the Institute's membership register.
11. The Code is likely to be taken into account when the work of members of the Institute is being considered in a court of law or in other contested situations.

#### **Post-implementation Review**

12. The Institute actively participates in the post-implementation review ("PIR") coordinated by the IESBA where the issues are considered significant to professional accountants.
13. For locally developed pronouncements, the Institute will carry out a review of the references to local regulations and legislations every two years to consider whether the terms and references need to be updated as well as whether any consequential change to the contents in the local pronouncements is warranted.
14. In addition, the Institute has mechanisms in place to identify and address issues arising from the application of the Code. A key mechanism is to conduct an analysis every three years of qualitative and quantitative data collected over the previous three-year period. Sources of data collected include technical enquiries relating to the application of the Code, regularly soliciting feedback from relevant committees and advisory panels of the Institute or other stakeholders and publications by regulators identifying issues on the application of the Code. Based on the analysis, EC will consider whether a PIR is considered necessary for the Code.
15. The analysis of data collected would help the EC identify complex, contentious and/or significant issues as follows:
  - The number of technical enquiries on a specific standard would help indicate how widespread and significant the issue is i.e. a vast majority or only an isolated number of members not understanding the standard;
  - The nature and depth of the technical enquiries would help indicate whether there are contentious or complex issues in the implementation of the standard;
  - The issues identified from discussions at the EC, advisory panels or outreach with stakeholders would also help indicate contentious or complex issues;

- The areas of concern identified in reports issued by regulators such as the Institute's Quality Assurance Department and Financial Reporting Council may indicate their pervasiveness and significance.

16. The objectives of a PIR are to:

- Determine whether the Code is being consistently understood and implemented in a manner that achieves the intended purpose.
- Identify how practical challenges and concerns are being addressed.