

## **Comparison of the Code of Ethics (Revised July 2009) to the Code of Ethics (Revised July 2006))<sup>1</sup>**

1. This paper details the principal changes between the Code of Ethics (revised July 2009) and the Code of Ethics (Revised July 2006).
2. This is not a paragraph by paragraph comparison but is intended to direct Member Bodies, Firms and other readers to the principal changes and to provide reference points in the revised and existing Code.
3. A number of changes, particularly those relating to the “drafting conventions” project, affect many areas of the Code. These changes are not detailed in every affected section/paragraph. Nearly every paragraph in the Code has been subject to some change, even if minor, and thus are too numerous to mention.
4. The split of Section 290 between revised Sections 290 and 291 has resulted in changes to the Code as the subject matters of the relevant engagements are different. The resulting changes (eg new 290.128) are not detailed herein. The split has also necessitated moving some existing material (particularly the explanation of an “assurance engagement”) to Section 291; these changes are not detailed herein.
5. A number of changes to Section 290 (as detailed herein) also affect Section 291 – these are not detailed in the comments on Section 291.

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<sup>1</sup> This document has been prepared by the IESBA staff to assist people with implementation. It is a non-authoritative document issued for information purposes.

## GENERAL MATTERS

Section/Ref	Change
Drafting conventions	<p>Use of “consider”, “evaluate” and “determine”: these terms are not defined in the Code itself but the ED included the following explanation:</p> <p>The IESBA is proposing changes to the Code consistent with the following principles of drafting:</p> <ul style="list-style-type: none"><li>• “Consider” will be used where the accountant is required to think about several matters;</li><li>• “Evaluate” will be used when the accountant has to assess and weigh the significance of a matter; and</li><li>• “Determine” will be used when the accountant has to conclude and make a decision.</li></ul>
Structure	<p>Split current 290 into two sections: 290 – Audit and review engagements 291 – Other assurance engagements</p> <p>All materials relating solely to other assurance engagements have been moved to Section 291. This has also resulted in some reorganisation of the introductory parts of Section 290 (not detailed herein).</p>

## GENERAL APPLICATION OF THE CODE

Revised Section/Ref	Existing Section/Ref	Change
100.1 – 100.11	100.1 – 100.9	Enhanced explanation of the “conceptual framework approach”.
100.2	100.2	Application of safeguards is required, when necessary, to eliminate threats or to reduce them to ‘an acceptable level’ (previously safeguards had to be considered if a threat was other than “clearly insignificant”, although safeguards were not required if a threat was already below an acceptable level.)  Subsequent references to ‘clearly insignificant’ eliminated.
100.4	–	Use of the word “shall” to denote “requirements” to be complied with. A drafting convention.
100.5	100.4	Modified description of the Fundamental Principles.
100.11	–	New paragraph stating:  “When a professional accountant encounters unusual circumstances in which 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, it is recommended that the professional accountant consult with a member body or the relevant regulator.”
100.12	100.10	Modified description of “threats” to compliance with the fundamental principles.
Sections 110 – 150	Sections 110 – 150	Drafting conventions changes only. See in particular 110.2, 150.1.

## PROFESSIONAL ACCOUNTANTS IN PUBLIC PRACTICE

Revised Section/Ref	Existing Section/Ref	Change
200.1	200.1	Modified introduction, including deletion of reference to “examples”.
200.2	200.2	Modified “A professional accountant in public practice shall not knowingly engage in any business, occupation, or activity that impairs or might impair integrity, objectivity or the good reputation of the profession and as a result would be incompatible with the fundamental principles.”  Previously “incompatible with the rendering of professional services”
200.4 – 200.8	200.4 – 200.8	Modified examples of “circumstances” creating threats.
Sections 210 – 280	Sections 210 - 280	Drafting conventions changes only and some re-ordering.
290.1 and 290.3	290.1	“Reviews of a complete set of financial statements and a single financial statement” (for non-audit clients) to be subject to the same independence requirements as “audits of financial statements”. Reference to “audit” throughout this Section includes “review”.  Review is defined as: An assurance engagement, conducted in accordance with International Standards on Review Engagements or equivalent, in which a professional accountant in public practice expresses a conclusion on whether, on the basis of the procedures which do not provide all the evidence that would be required in an audit, anything has come to the accountant’s attention that causes the accountant to believe that the financial statements are not prepared in all material respects, in accordance with an applicable financial reporting framework.



<b>Revised Section/Ref</b>	<b>Existing Section/Ref</b>	<b>Change</b>
290.2	-	Restricted use and distribution reports: New paragraph stating that modifications (to the independence requirements) are not permitted in the case of an audit required by law or regulation.
290.12	-	Responsibilities of individuals; reference to requirements of ISQC1 and International Standards on Auditing.
290.25	290.39 290.41	Introduces new definition of “public interest entities” to which additional provisions will apply. This includes “listed entities”.
290.26	290.41	Encourages firms and member bodies to consider whether to treat other entities, or categories of entities, as PIEs (eg due to nature of business, size).
290.27	290.34	Reference in the Code to a “non-listed” audit client includes those related entities over which the client has direct or indirect control. (NB – In the case of listed entities, the reference continues to include all its related entities. Otherwise as existing).
290.28	290.42 – 290.43	Extends consideration of need for discussion with those “charged with governance” beyond listed entities. Focus on requirements of Auditing Standards, law/regulation. Eliminates specific reference to ‘listed’ entities.
290.29	290.40	Enhanced documentation requirement and more explicit guidance as to what shall be documented.
290.33 – 290.38	-	New provisions dealing with the implication of client “mergers and acquisitions”.
290.101	-	In assessing “materiality” to individuals (eg of financial interests), may take account of combined net worth of the individual and immediate family members.
Financial Interests		Adoption of more direct language to denote a requirement (eg 290.104).

Revised Section/Ref	Existing Section/Ref	Change
290.103	290.105	Modified dealing with “type” of financial interest.
290.106	290.115	Modified requirement: If a member of the audit team, a member of that individual’s immediate family, or a firm has a <u>direct or material indirect</u> financial interest in an entity that has a controlling interest in the audit client, and the client is material to the entity, the self-interest threat created would be so significant that no safeguards could reduce the threat to an acceptable level....
290.112 – 290.113	290.121	Modified guidance. No substantive change.
290.115	290.113	Modified dealing with interests held by “others” including examples of safeguards.
290.116	290.107	Modified safeguards where a financial interest is received eg by way of gift/inheritance.
290.117	290.111	Modified requirements dealing with inadvertent violations relating to financial interests.
290.124	290.132	Close Business Relationships – Modified such that such relationships are prohibited unless the financial interest is immaterial and the business relationship is insignificant (previously “clearly insignificant”) to the firm, the client and its management.
290.139	-	New prohibition on a “Key Audit Partner” (KAP) joining a PIE audit client, in certain positions (eg Director):  Independence would be deemed to be compromised unless, subsequent to the partner ceasing to be a key audit partner, the public interest entity had issued audited financial statements covering a period of not less than twelve months and the partner was not a member of the audit team with respect to the audit of those financial statements.
290.140	-	Similar prohibition on the firm’s senior or

<b>Revised Section/Ref</b>	<b>Existing Section/Ref</b>	<b>Change</b>
		managing partner joining a PIE audit client of that firm within 12 months of being in that position.
290.141	-	New provision dealing with the affect of business combinations in relation to 290.139 and 140.
290.142	290.192	Temporary staff assignments – moved from sub-section dealing with non-assurance services.
290.151	290.154	Extends rotation requirement to all PIEs (no change to 7 year, 2 year off rule). Extends rotation to all KAPs. Clarifies restrictions during the two year period of the audit.
290.152	290.152	Specifies the possibility of maximum one additional year before rotation required “in unusual circumstances outside the firm’s control”, subject to additional safeguards. Narrower than existing.
290.153	-	Extends threats/safeguard analysis to “other partners” on the audit (as regards a need to rotate).
290.154	290.155	Extends discussion on rotation to all PIEs regarding the impact of an audit client first becoming a PIE (eg on listing). Modified transitional arrangements.
290.155	290.157	Modifies any other exception from rotation requirements to when a regulator has provided an exemption and when specified regulatory safeguards are applied.
290.156 – 158	290.158 – 290.162	Modified introduction to “Provision of Non-Assurance Services to Audit Clients”.
290.158	290.158	Adds in relation to analysis of threats:  In evaluating the significance of any threat created by a particular non-assurance service, consideration shall be given to any threat that the audit team has reason to believe is created by providing other related non-assurance services.



<b>Revised Section/Ref</b>	<b>Existing Section/Ref</b>	<b>Change</b>
-	290.159	Deleted. In effect, now covered by 290.162 – 290.166.
290.160	-	Includes a provision which allows services that would otherwise be restricted to upstream and “sister” related entities of an audit client: “If it is reasonable to conclude that (a) the services do not create a self-review threat because the results of the services will not be subject to audit procedures and (b) any threats that are created by the provision of such services are eliminated or reduced to an acceptable level by the application of safeguards.
290.161	-	Addresses situations where an audit client first becomes a PIE.
290.162 – 290.166	In part, 290.159, 290.161  290.166	Focus on a “management responsibility” concept including a more extensive discussion of activities that would generally be prohibited.  An audit firm shall not assume a management responsibility.  Adds:  “Activities that are routine and administrative, or involve matters that are insignificant, generally are deemed not to be a management responsibility”.  Drops explicit reference to “having custody of an audit client’s assets”.  To avoid the risk of assuming a management responsibility when providing nonassurance services to an audit client, the firm shall be satisfied that a member of management is responsible for making the significant judgments and decisions that are the proper responsibility of management, evaluating the results of the service and accepting responsibility for the actions to be taken arising from the results of the service. This reduces the risk of the firm inadvertently making any significant judgments or decisions on behalf of management. The risk is further reduced when the

<b>Revised Section/Ref</b>	<b>Existing Section/Ref</b>	<b>Change</b>
		firm gives the client the opportunity to make judgments and decisions based on an objective and transparent analysis and presentation of the issues.
-	290.163	Deleted. Now covered in Part A and the specific Topics.
290.167 – 290.170	290.166 – 290.169	Modified introductory paragraphs to “Preparing Accounting Records and Financial Statements”.
290.172 and 290.173	290.171 and 290.172	Extends prohibition on accounting, bookkeeping and payroll to all PIEs.
290.174	290.173	Narrows application of “emergency situations” exception clause regarding above.
290.178	290.178	Modified: “If a firm is requested to perform a valuation to assist an audit client with its tax reporting obligations or for tax planning purposes and the results of the valuation will not have a direct effect on the financial statements, the provisions included in paragraph 290.191 apply.”
290.180	290.176 – 290.177	Prohibition on performing a valuation for a PIE that is material, separately or in the aggregate, to the financial statements. Drops reference to “and involves a significant degree of subjectivity”.
290.181 – 290.194	290.180	These paragraphs contain new provisions related to threats that are created by certain tax services. The provisions address tax services under four broad headings. The factors which influence whether a threat exists and its significance are described. In the case of PIE audit clients the threats are deemed so significant that a prohibition on certain services results.
290.183	-	Tax return preparation services “do not generally create a threat to independence if management takes responsibility for the returns including any significant judgements made”.
290.184	-	Threats and safeguards approach to tax calculations for the purpose of preparing

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		accounting entries for non-PIEs.
290.185	-	New restriction – a firm shall not prepare tax calculations of tax liabilities (or assets) for the purpose of preparing accounting entries that are material to the financial statements of a PIE.
290.186	-	“Emergency” exception added, similar to bookkeeping.
290.187 – 290.189	-	Threats and safeguards approach to tax planning and other advisory services.
290.190	-	Prohibition on service where the tax advice depends upon a particular accounting treatment or presentation and there is a reasonable doubt thereon, and effect on the financial statements is material.
290.191	-	Introduces provisions dealing with valuations to assist a client with tax reporting obligations or for tax planning purposes. If the valuation will have a direct effect on the financial statements, the valuation services provisions of 290.175-180 will apply. If no direct effect on financial statements then it would not generally create threats to independence if immaterial or subject to external review. If material and not subject to external review, apply threats and safeguards approach.
290.193	-	Prohibition on acting as an advocate for any audit client before a public tribunal or court in resolution of tax matters that are material to the financial statements.
290.195 – 290.199	290.181 – 290.186  290.199	Enhanced discussion of the nature of internal audit services, threats, examples of services involving management responsibilities and safeguards required.  Also references the requirement to evaluate the adequacy of internal audit work in accordance with International Standards on Auditing.  When a firm uses the work of an internal audit function, International Standards on Auditing

Revised Section/Ref	Existing Section/Ref	Change
		require the performance of procedures to evaluate the adequacy of that work
290.200	-	<p>New prohibition for PIE audit clients:</p> <p>In the case of an audit client that is a public interest entity, a firm shall not provide internal audit services that relate to:</p> <ul style="list-style-type: none"> <li>(a) A significant part of the internal controls over financial reporting;</li> <li>(b) Financial accounting systems that generate information that is, separately or in the aggregate, significant to the client's accounting records or financial statements on which the firm will express an opinion; or</li> <li>(c) Amounts or disclosures that are, separately or in the aggregate, material to the financial statements on which the firm will express an opinion.</li> </ul>
290.201	290.187	Modified introduction to Provision of IT System Services.
290.202	-	Specifies certain IT services not deemed to create a threat, provided the firm does not assume a management responsibility.
290.206	-	<p>New prohibition for PIE audit clients:</p> <p>In the case of an audit client that is a public interest entity, a firm shall not provide services involving the design or implementation of IT systems that (a) form a significant part of the internal control over financial reporting or (b) generate information that is significant to the client's accounting records or financial statements on which the firm will express an opinion.</p>
290.208	290.194	Modified Where a litigation support service

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		involves estimating damages or other amount that affect the financial statements, the valuation services provisions apply. Otherwise, adopt a threats and safeguards approach.
-	290.195	Deleted. Covered by provisions on management responsibilities.
290.209 – 290.213	290.196 – 290.202	Modified guidance, but no substantive change.
290.215	-	<p>New prohibition for PIE audit clients:</p> <p>A firm shall not provide the following recruiting services to an audit client that is a public interest entity with respect to a director or officer of the entity or senior management in a position to exert significant influence over the preparation of the client’s accounting records or the financial statements on which the firm will express an opinion:</p> <ul style="list-style-type: none"> <li>• Searching for or seeking out candidates for such positions; and</li> <li>• Undertaking reference checks of prospective candidates for such positions.</li> </ul>
290.216 – 290.217, 290.219	290.203 – 290.205	Enhanced discussion of nature of Corporate Finance Services, the threats created, factors to consider and potential safeguards.
290.218	-	Similar new prohibition on corporate finance services to an audit client as 290.190 (where advice depends upon a particular accounting treatment or presentation and there is a reasonable doubt thereon and effect on financial statements is material).
290.222	-	Introduces required safeguards (pre or post issuance reviews) if fees from a PIE audit client and its related entities exceed 15% of the firm’s total revenues for two consecutive years or more.

Revised Section/Ref	Existing Section/Ref	Change
-	290.209	Provisions on pricing deleted.
290.226	-	<p>New prohibition on contingent fees for a non-assurance service to an audit client if:</p> <ul style="list-style-type: none"> <li>(a) The fee is charged by the firm expressing the opinion on the financial statements and the fee is material or expected to be material to that firm;</li> <li>(b) The fee is charged by a network firm that participates in a significant part of the audit and the fee is material or expected to be material to that firm; or</li> <li>(c) The outcome of the non-assurance service, and therefore the amount of the fee, is dependent on a future or contemporary judgment related to the audit of a material amount in the financial statements.</li> </ul>
290.228	-	Discussion of threats created when/if a member of the audit team is evaluated on <u>or</u> compensated for selling non-assurance services to that audit client.
290.229	-	<p>New requirement: A key audit partner shall not be evaluated on or compensated based on that partner's success in selling non-assurance services to the partner's audit client. This is not intended to prohibit normal profit-sharing arrangements between partners of a firm.</p>
290.500 – 290.514	290.32	<p>Significantly more discussion of the modified independence requirements relating to audit reports that include a restriction on use and distribution. Inter alia:</p> <p>Now apply only to audit of certain special purpose financial statements</p> <ul style="list-style-type: none"> <li>• Modification cannot be applied to an audit required by law or regulation</li> <li>• 290.508 financial interest provisions</li> </ul>

<b>Revised Section/Ref</b>	<b>Existing Section/Ref</b>	<b>Change</b>
		<p>apply to the engagement team</p> <ul style="list-style-type: none"> <li>• Threats/safeguards approach to other members of the audit team, and others</li> <li>• Specifies provisions relating to PIEs, related entities, Network Firms, Financial Interests etc, Employment and non-audit services.</li> </ul>
General 291	Not applicable	The provisions in the current Code relating to other assurance engagements have been moved to a separate new Section 291. Many of the changes made to Section 290 have impacted the revised language in Section 291 (eg revised 291.119). These are not detailed. Otherwise, there are no significant changes relating to the independence requirements.
291.21 – 291.27	Not applicable	Enhanced discussion of “restricted use and distribution reports”.
291.29	Not applicable	Enhanced documentation requirements (as per audit).
291.143	Not applicable	Similarly, enhanced discussion of management responsibilities.

## SECTION 300 – PART C

Revised Section/Ref	Existing Section/Ref	Change
General	-	<p>The changes to Section 300 are solely as a result of the Drafting Conventions project.</p> <p>Particular attention is drawn to the more numerous changes in paragraphs:</p> <ul style="list-style-type: none"><li>• 300.6</li><li>• 300.7</li><li>• 300.10</li><li>• 320.6</li><li>• 350.4</li></ul>



## DEFINITIONS

Revised Section/Ref	Existing Section/Ref	Change
Acceptable level	-	<p>New definition:</p> <p>“A level at which a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances available to the professional accountant at that time, that compliance with the fundamental principles is not compromised.”</p>
Audit client	-	<p>New definition:</p> <p>“An entity in respect of which a firm conducts an audit engagement. When the client is a listed entity, audit client will always include its related entities. When the audit client is not a listed entity, audit client includes those related entities over which the client has direct or indirect control.”</p>
Audit engagement	-	<p>New definition:</p> <p>“A reasonable assurance engagement in which a professional accountant in public practice expresses an opinion whether financial statements are prepared, in all material respects (or give a true and fair view or are presented fairly, in all material respects,), in accordance with an applicable financial reporting framework, such as an engagement conducted in accordance with International Standards on Auditing. This includes a Statutory Audit, which is an audit required by legislation or other regulation.”</p>
	Clearly insignificant	Deleted.
Director or officer	Director or officer	“Country” changed to “jurisdiction”.

<b>Revised Section/Ref</b>	<b>Existing Section/Ref</b>	<b>Change</b>
Engagement team	Engagement team	Modified to:  “All partners and staff performing the engagement, and any individuals engaged by the firm or a network firm who perform assurance procedures on the engagement. This excludes external experts engaged by the firm or a network firm.”
External expert	-	New definition:  “An individual (who is not a partner or a member of the professional staff, including temporary staff, of the firm or a network firm) or organization possessing skills, knowledge and experience in a field other than accounting or auditing, whose work in that field is used to assist the professional accountant in obtaining sufficient appropriate evidence.”
	Financial statement audit client	Deleted.
	Financial statement audit engagement	Deleted.
Financial statements	Financial statements	Modified to:  “A structured representation of historical financial information, including related notes, intended to communicate an entity’s economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework. The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. The term can relate to a complete set of financial statements, but it can also refer to a single financial statement, for example, a balance sheet, or a statement of revenues and expenses, and related explanatory

<b>Revised Section/Ref</b>	<b>Existing Section/Ref</b>	<b>Change</b>
		notes.”
Financial statements on which the firm will express an opinion	-	New definition:  “In the case of a single entity, the financial statements of that entity. In the case of consolidated financial statements, also referred to as group financial statements, the consolidated financial statements.”
Historical financial information		New definition:  Information expressed in financial terms in relation to a particular entity, derived primarily from that entity’s accounting system, about economic events occurring in past time periods or about economic conditions or circumstances at points in time in the past.
Indirect financial interest		Modified to include “ability to influence investment decisions”.
Key audit partner	-	New definition:  “The engagement partner, the individual responsible for the engagement quality control review, and other audit partners, if any, on the engagement team who make key decisions or judgments on significant matters with respect to the audit of the financial statements on which the firm will express an opinion. Depending upon the circumstances and the role of the individuals on the audit, “other audit partners” may include, for example, audit partners responsible for significant subsidiaries or divisions.”
Public interest entity	-	New definition:  “(a) listed entity; and  (b) An entity (a) defined by regulation or legislation as a public interest entity or (b) for which the audit is required by regulation or legislation to be conducted

Revised Section/Ref	Existing Section/Ref	Change
		in compliance with the same independence requirements that apply to the audit of listed entities. Such regulation may be promulgated by any relevant regulator, including an audit regulator.”
Review client	-	New definition:  “An entity in respect of which a firm conducts a review engagement.”
Review engagement	-	New definition:  “An assurance engagement, conducted in accordance with International Standards on Review Engagements or equivalent, in which a professional accountant in public practice expresses a conclusion on whether, on the basis of the procedures which do not provide all the evidence that would be required in an audit, anything has come to the accountant’s attention that causes the accountant to believe that the financial statements are not prepared, in all material respects, in accordance with an applicable financial reporting framework.”
Review team		New definition:  (a) All members of the engagement team for the review engagement; and (b) All others within a firm who can directly influence the outcome of the review engagement, including: (i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the engagement partner in connection with the performance of the review engagement including those at all successively senior levels above the engagement partner through to the individual who is the firm’s Senior or Managing Partner (Chief Executive or equivalent);

Revised Section/Ref	Existing Section/Ref	Change
		<p>(ii) Those who provide consultation regarding technical or industry specific issues, transactions or events for the engagement; and</p> <p>(iii) Those who provide quality control for the engagement, including those who perform the engagement quality control review for the engagement; and</p> <p>(c) All those within a network firm who can directly influence the outcome of the review engagement.</p>
Special purpose financial statements		<p>New definition:</p> <p>Financial statements prepared in accordance with a financial reporting framework designed to meet the financial information needs of specified users.</p>
Those charged with governance		<p>New definition:</p> <p>The persons with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process.</p>