



# MEMBERS' HANDBOOK

## Update No. 132

(Issued 2 August 2013)

<i>Document Reference and Title</i>	<i>Instructions</i>	<i>Explanations</i>
<b><u>VOLUME I</u></b>		
<b>Contents of Volume I</b>	Discard the existing page i and replace with the new page i.	Revised contents page
<b>PROFESSIONAL ETHICS</b>		
<a href="#"><u>Code of Ethics for Professional Accountants (Revised)</u></a>	Replace the cover page, pages 37 and 193 with revised cover page, pages 37 and 193.	Note 1

### Notes:

1. At its meeting in July 2013, the HKICPA Ethics Committee considered the wording of paragraph 290.26 of the HKICPA Code of Ethics for Professional Accountants (HKICPA Code) and was of a view that the determination of an entity being a public interest entity is a public policy matter. Firms should not be imposed with a requirement to make such a determination over and above that required in the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code).
2. Accordingly, the Committee approved a revision to the HKICPA Code by restoring the "encouraged to determine" wording, as in the IESBA Code, in paragraph 290.26 of the HKICPA Code. This amendment to the HKICPA Code is effective immediately upon release.



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(Updated to August 2013)

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COE  
Revised May 2013 ~~August 2013~~

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Effective on 1 January 2011  
(including subsequent amendments as indicated)

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# Code of Ethics for Professional Accountants



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

- Training courses and facilities.

290.24 The determination of whether the professional resources shared are significant, and therefore the firms are network firms, shall be made based on the relevant facts and circumstances. Where the shared resources are limited to common audit methodology or audit manuals, with no exchange of personnel or client or market information, it is unlikely that the shared resources would be significant. The same applies to a common training endeavor. Where, however, the shared resources involve the exchange of people or information, such as where staff are drawn from a shared pool, or a common technical department is created within the larger structure to provide participating firms with technical advice that the firms are required to follow, a reasonable and informed third party is more likely to conclude that the shared resources are significant.

### Public Interest Entities

290.25 Section 290 contains additional provisions that reflect the extent of public interest in certain entities. For the purpose of this section, public interest entities are:

- (a) All listed entities; and
- (b) Any 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 in compliance with the same independence requirements that apply to the audit of listed entities <sup>1b</sup>. Such regulation may be promulgated by any relevant regulator, including an audit regulator.

290.26 Firms are encouraged to determine whether to treat additional entities, or certain categories of entities, as public interest entities because they have a large number and wide range of stakeholders. Factors to be considered include:

- The nature of the business, such as the holding of assets in a fiduciary capacity for a large number of stakeholders. Examples may include financial institutions, such as banks and insurance companies, and pension funds;
- Size; and
- Number of employees.

### Related Entities

290.27 In the case of an audit client that is a listed entity, references to an audit client in this section include related entities of the client (unless otherwise stated). 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 shall include that related entity when identifying and evaluating threats to independence and applying appropriate safeguards.

### Those Charged with Governance

290.28 Even when not required by the Code, applicable auditing standards, law or regulation, regular communication is encouraged between the firm and those charged with governance of the audit client regarding relationships and other matters that might, in the firm's opinion, reasonably bear on independence. Such communication enables those charged with governance to (a) consider the firm's judgments in identifying and evaluating threats to independence, (b) consider the appropriateness of safeguards applied to eliminate them or

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<sup>1b</sup> Currently under the legislation of Hong Kong, there is no definition of public interest entity or requirement for audit of an entity to be conducted with the same independence requirements applicable to the audit of listed entities. Hence, there is no entity falling within this part of the definition under the legislation of Hong Kong.

## APPENDIX 2

### Comparison with The IESBA Code of Ethics for Professional Accountants

Since 2005, the Institute has adopted the IESBA *Code of Ethics for Professional Accountants* (IESBA Code) as the ethical requirements for its members. Additional guidance has been incorporated to reflect local or legal requirements in Hong Kong. This version of the Code of Ethics for Professional Accountants is based on the IESBA Code.

This comparison appendix deals only with significant differences in the Code of Ethics for Professional Accountants with the IESBA Code, is produced for information only and does not form part of the Code of Ethics for Professional Accountants.

The following sets out the major textual differences between the Code of Ethics for Professional Accountants and the IESBA Code of Ethics for Professional Accountants and the reasons for the differences.

	Differences	Reasons for the Differences
1.	<b>Paragraph 240.7A, Footnote 1a and Appendix 1</b>	The paragraph reflects the legal requirement in Hong Kong and additional guidance on the application of the Prevention of Bribery Ordinance.
2.	<b>Paragraph 290.25, Footnote 1b</b>	Additional guidance on the definition of "public interest entity" under the legislation of Hong Kong.
3.	<b>Paragraphs 290.107</b> of the IESBA Code is modified by deleting or revising certain safeguards.	The Institute takes the view that the threats created in the specified circumstances would be so significant that the safeguards should be tightened or no safeguard could reduce the threat to an acceptable level.
4.	<b>Paragraph 290.148</b> of the IESBA Code is modified.	The modification reflects the legal requirement in Hong Kong.
5.	(a) <b>Part D</b> on additional ethical requirements is added. (b) <b>Paragraphs 100.2 and 100.3</b> of the IESBA Code are modified to refer to Part D.	Part D sets out the additional ethical requirements on specific areas which are primarily derived from local legal or regulatory requirements.