

ICAEW CODE OF ETHICS

SECTION 1 - APPROACH, SCOPE AND AUTHORITY

(This Code of Ethics applies from 1 January 2011. Where guidance relates to projects or engagements commencing prior to that date, previous guidance may be applied up to completion of the project or engagement. Transitional arrangements are available in respect of section 290.)

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Introduction

- 1.1** *One of the principal objects of the Royal Charter is to maintain a high standard of efficiency and professional conduct by members* of ICAEW. The Code of Ethics ('this Code') applies to all members* of ICAEW (which for the purposes of this Code also includes affiliates*, provisional members*, and employees of a member firm* or an affiliate*) and member firms* where relevant. These are referred to in the remainder of this Code as professional accountants*.*
- 1.2** *Professional accountants* have a responsibility to take into consideration the public interest (considered in more detail in paragraph 100.1) and to maintain the reputation of the accountancy profession. Personal self-interest must not prevail over those duties. This Code helps professional accountants* to meet these obligations by providing them with ethical guidance. Failure to follow this Code may lead to a professional accountant* becoming liable to disciplinary action as outlined in the Disciplinary Bye-laws 4, 5, 6 and 6A available at (www.icaew.com/regulations).*

Approach

- 1.3** *Guidance is given in the form of fundamental principles and illustrations of how they are to be applied in specific situations. These are available at ICAEW's web site www.icaew.com/ethics. The fundamental principles are drawn from the duties owed by professional accountants*, whether in practice or not, and from the requirements of the Royal Charter. They are framed in broad and general terms and constitute basic requirements of professional behaviour. The illustrations provide guidance on what is expected of professional accountants* in relation to particular situations that commonly arise either in practice or in business. The value of this principles-based approach is that it avoids excessive legalism by not having to anticipate every contingency, whilst at the*

same time being helpful in giving examples of problem situations. In some instances, prohibitions or mandatory actions arise from the analysis of threats: these are considered further in paragraph 100.12.

Scope

- 1.4** *Professional accountants* shall follow the guidance contained in the fundamental principles in all of their professional and business activities whether carried out with or without reward and in other circumstances where to fail to do so would bring discredit to the profession. This Code also includes a number of specific requirements, which are shown by use of the word 'shall'. This means that a professional accountant* shall follow the requirements, including prohibitions or mandatory actions, where circumstances are the same as, or analogous to, those addressed by those requirements. Failure to follow such guidance may be justified in those rare circumstances where to follow a precise prohibition or mandated action would result in failure to adhere to the fundamental principles.*
- 1.5** *For convenience, the illustrations in this Code are grouped into parts applicable principally to professional accountants* working in public practice, business and insolvency respectively, but professional accountants* may find any of them of use in relevant circumstances.*
- 1.6** *Professional accountants* shall be guided not merely by the terms but also by the spirit of this Code and the fact that particular conduct does not appear among a list of examples does not prevent it amounting to misconduct.*
- 1.7** *Professional accountants* shall ensure that work for which they are responsible, which is undertaken by others on their behalf, is carried out in accordance with the requirements of this Code.*
- 1.8** *Member firms* are reminded that this Code applies to their employees, whether members* or not, and that they are responsible for applying this requirement.*
- 1.9** *Certain areas of work are reserved by statute to professional accountants* who are in practice, whether or not with other persons, namely investment business, insolvency and audit. In these areas professional accountants* may be subject to rules laid down by laws and regulation, breach of which can give rise to disciplinary proceedings against the professional accountant*.*
- 1.10** *If the advice in this Code conflicts with laws and regulations, professional accountants* are bound to follow the laws and regulations.*
- 1.11** *Professional accountants* working overseas shall comply with this Code unless to do so would breach local laws and regulations.*

Authority

- 1.12** *In determining whether or not a complaint is proved, the Investigation and Disciplinary Committees may have regard to any code of practice, ethical or technical, and to any regulations affecting professional accountants*, laid down or approved by the ICAEW's Council.*

1.13 *Paragraph 100.2 notes that safeguards are required to be put into place to eliminate or reduce the threats to an acceptable level*. In the event of a complaint, the Investigation and Disciplinary Committees will consider the matter, including whether a reasonable and informed third party would conclude, weighing all the specific facts and circumstances available to the professional accountant* at that time, that compliance with the fundamental principles is compromised.*

Relationship with other ethical requirements

1.14 *Except as noted below, this Code has been derived from the International Ethics Standards Board of Accountants (IESBA) Code of Ethics issued in July 2009 by the International Federation of Accountants. Accordingly, compliance with the remainder of this Code will ensure compliance with the principles of the IESBA Code. Paragraph numbering in the rest of this Code replicates that used in the IESBA Code of Ethics, except in respect of:*

- *Sections 221, 241 and Part D which have no direct equivalent in the IESBA Code of Ethics;*
- *Wording in italics in the other sections, where additional discussion and/or requirements have been considered by Council to be useful or necessary. The fact that wording is or is not in italics does not indicate any differences in the degree of importance that shall be attached to it.*
- *A direct link has been retained to paragraph numbering in the IESBA Code of Ethics. However, as a result of the additional discussion and requirements noted above, and deletion of material that is not applicable to the professional accountants* of ICAEW, the paragraph referencing in this Code is not necessarily consecutive.*

1.15 *In accordance with UK legislation, ICAEW has adopted, as regards auditor independence* requirements, the Ethical Standard for Auditors, issued by the Financial Reporting Council ('FRC'). Therefore, when conducting audit engagements* in accordance with ISAs (UK), professional accountants* shall comply with the requirements of the FRC's Ethical Standard for Auditors, (<https://www.frc.org.uk/Our-Work/Audit-and-Actuarial-Regulation/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/2016-Ethical-Standard.aspx>). For other audit and assurance engagements* ICAEW's Code may apply (see 1.17 below).*

1.16 *The FRC has stated, in its Scope and Authority of Audit and Assurance Pronouncements, that the FRC Ethical Standard for Auditors ('ES') was developed with the intent that it should adhere to the principles of the IESBA Code.*

1.17 *The independence* requirements to be adopted for different types of assurance engagement*, are set out below:*

Type of assurance engagement*	Independence* requirements to be followed¹
Audit engagements* in accordance with ISAs (UK)	The FRC's ES (https://www.frc.org.uk/Our-Work/Audit-and-Actuarial-Regulation/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/2016-Ethical-Standard.aspx)
Audit engagements* performed in accordance with other standards	Section 290 of this Code or if more convenient to apply, the independence* requirements of the FRC's ES.
Review engagements* (see appendix to section 290)	Section 290 of this Code or if more convenient to apply, the independence* requirements of the FRC's ES.
Other types of assurance engagements*	Section 291 of this Code.

1.18 Note that the Statements of Investment Circular Reporting Standards (SIRS), issued by the FRC require compliance with relevant parts of the FRC's ES. Accordingly, any professional accountant in public practice* issuing a report that states that the work has been carried out in accordance with the SIRS will need to comply with the independence* requirements of the FRC's ES.

Sources of Guidance

1.19 Professional accountants* who are in doubt as to their ethical position may seek advice from the following sources, available to all members* of ICAEW:

- ICAEW's Technical Advisory Services by e-mail: ethics@icaew.com or phone +44 (0)1908 248 250. This service is confidential and the advisors are free from the duty to report professional misconduct within ICAEW. Further information on the Technical Advisory Services can be found at www.icaew.com/ethicsadvice, along with helpsheets and answers to a number of frequently asked questions.
- The Support Members Scheme. This is wider in scope than the Technical Advisory Services. The Support Members Scheme is run by volunteer members of the ICAEW from a wide range of backgrounds. It is a confidential, free service exempt from the duty to report misconduct and provides advice and help to members* in difficulties. A member* can

¹ For audit work carried out in accordance with FRC standards, in respect of engagements relating to periods commencing before 17 June 2016, references in paragraphs 290.0a to 290.0d to the FRC's ES should be read as being references to the Auditing Practices Board's Ethical Standards for Auditors, that preceded the ES.

contact the Support Members Scheme by phone on +44 (0) 800 917 3526.

- 1.20** *Seeking advice from the Technical Advisory Services does not discharge a professional accountant's* duty to report misconduct, including their own misconduct (see 'The duty to report misconduct' at www.icaew.com/regulations).*
- 1.21** *A professional accountant* is encouraged to consider taking legal advice to resolve issues arising from the application of laws and regulations to particular situations relating to confidentiality, disclosure, privilege, self-incrimination and other areas.*
- 1.22** *Additional information on ethics, including case studies is available at www.icaew.com/ethics. These case studies provide practical guidance for resolving ethical dilemmas on topics such as conflicts of interest, confidentiality and questionable accounting and business practices.*