

# National institute of Accounting Technicians

## FOR ALL MEMBERS

### SECTION 1

#### *Integrity and Objectivity*

- 1.1 Integrity implies not merely honesty but fair dealing and truthfulness. The principle of objectivity imposes the obligation on all members as professional accountants to be fair, intellectually honest and free of conflicts of interest.
- 1.2 **Members** serve in many different capacities and should demonstrate their objectivity in varying circumstances. Members in public practice undertake reporting assignments, and render tax and other management advisory services. Other members prepare financial statements as a subordinate of others, perform internal auditing services and serve in financial management capacities in industry, commerce, the public sector and education. They also educate and train those who aspire to admission into the profession. Regardless of service or capacity, members should protect the integrity of their professional services and maintain objectivity in their judgement.
- 1.3 In selecting the situations and practices to be specifically dealt with in ethical requirements relating to objectivity, adequate consideration should be given to the following factors:
- a) Members are exposed to situations which involve the possibility of pressures being exerted on them. These pressures may impair their objectivity.
  - b) It is impracticable to define and prescribe all such situations where these possible pressures exist. Reasonableness should prevail in establishing standards for identifying relationships that are likely to, or appear to, impair a member's objectivity.
  - c) Relationships should be avoided which allow prejudice, bias or influences of others to override objectivity or where not practicable, assignments should not be undertaken.
  - d) Members have an obligation to ensure that personnel engaged to perform professional services adhere to the principle of objectivity.
  - e) Members should neither accept nor offer gifts or entertainment which might reasonably be believed to have a significant and improper influence on their professional judgement or those with whom they deal.

### SECTION 2

#### *Resolution of Ethical Conflicts*

2.1 From time to time members encounter situations which give rise to conflicts of interest. Such conflicts may arise in a wide variety of ways, ranging from the relatively trivial dilemma to the extreme case of fraud and similar illegal activities. It is not possible to attempt to itemise a comprehensive checklist of potential cases where conflicts of interest might occur. A member should be constantly conscious of and be alert to factors which give rise to conflicts of interest. It should be noted that an honest difference of opinion between a professional accountant and another party is not in itself an ethical issue. However, the facts and circumstances of each case need investigation by the parties concerned.

2.2 It is recognised, however, that there can be particular factors which occur when the responsibilities of a member may conflict with internal or external demands of one type or another. Hence:

- There may be the danger of pressure from an overbearing supervisor, manager, director or partner; or when there are family or personal relationships which can give rise to the possibility of pressures being exerted upon them. Indeed, relationships or interests which could adversely influence, impair or threaten a member's integrity should be discouraged.
- A member may be asked to act contrary to technical and/or professional standards.
- A question of divided loyalty as between the member's superior and the required professional standards of conduct could occur.
- Conflict could arise when misleading information is published which may be to the advantage of the employer or client and which may or may not benefit the member as a result of such publication.

2.3 In applying standards of ethical conduct members may encounter problems in identifying unethical behaviour or in resolving an ethical conflict. When faced with significant ethical issues, members should follow the established policies of the employing organisation to seek a resolution of such conflict. Members are expected to take all reasonable steps to resolve ethical problems internally and if necessary to consult the Institute in order to seek objective advice.

If those policies do not resolve the ethical conflict, the following should be considered:

- Members should discuss the problem with their immediate superior. If this does not result in a satisfactory resolution then their immediate superior should be notified of the decision to communicate with a more senior management level. In cases where the organisation has an agreed grievance procedure, this should be used if meeting with one's immediate superior does not achieve a satisfactory solution to the problem;
- In circumstances where it appears that the member's immediate superior is involved in an unlawful act then it may be necessary to go immediately to a higher level of management, the Board of directors, or the Audit Committee;
- If an ethical conflict still exists after fully exhausting all levels of internal review members in such a situation as a last resort may conclude that they have no alternative but to resign. Employees should normally state their reasons for doing

so to the employer but their duty of confidentiality normally precludes them from communicating the issue to others (unless legally or professionally required to do so). Before resigning it is strongly recommended that members should obtain appropriate legal advice.

- Seek counseling and advice on a confidential basis with an independent advisor or the Institute to be guided on the possible course of action.
- In some case or statute, regulations or professional standards may require certain serious matters to be reported to an external body.
- It is important to keep a written record of all meetings and discussions, which take place in seeking to resolve an ethical conflict.

2.4 Any member in a senior position should endeavor to ensure that policies are established within his or her employing organisation to seek resolution of conflicts.

2.5 The Institute will make available counseling and advice to members who experience ethical conflicts.

### **SECTION 3**

#### ***Professional Competence***

3.1 Members should not portray themselves as having expertise or experience they do not possess.

3.2 Professional competence may be divided into two separate phases:

a) Attainment of professional competence

The attainment of professional competence requires initially a high standard of general education followed by specific education, training and examination in professionally relevant subjects, and whether prescribed or not, a period of work experience. This should be the normal pattern of development for a member.

b) Maintenance of professional competence

i) The maintenance of professional competence requires a continuing awareness of development in the accountancy profession including relevant local and international pronouncements on accounting, auditing and other relevant regulations and statutory requirements.

ii) A member should adopt a programme designed to ensure quality control in the performance of professional services consistent with appropriate local and international pronouncements.

### **SECTION 4**

## ***Confidentiality***

- 4.1 Members have an obligation to respect the confidentiality of information about a client's or employer's affairs acquired in the course of professional services. The duty of confidentiality continues even after the end of the relationship between the member and the client or employer.
- 4.2 Confidentiality should always be observed by a member unless specific authority has been given to disclose information or there is a legal or professional duty to disclose.
- 4.3 Members have an obligation to ensure that staff under their control and other persons from whom advice and assistance is obtained respect the principle of confidentiality.
- 4.4 Confidentiality is not only a matter of disclosure of information. It also requires that a member acquiring information in the course of performing professional services neither uses nor appears to use that information for personal advantage or for the advantage of a third party.
- 4.5 A member has access to much confidential information about a client's or employer's affairs not otherwise disclosed to the public. Therefore, the member should be relied upon not to make unauthorised disclosure to other persons of such information in order properly to discharge the member's responsibility according to the profession's standards.
- 4.6 It is in the interest of the public and the profession that the profession's standards relating to confidentiality be defined and guidance given on the nature and extent of the duty of confidentiality and the circumstances in which disclosure of information acquired during the course of providing professional services shall be permitted or required.
- 4.7 It should be recognised, however, that confidentiality of information is part of statute or common law and therefore detailed ethical requirements in respect thereof will depend on the applicable laws.
- 4.8 The following are examples of the points which should be considered in determining whether confidential information may be disclosed:
- a) When disclosure is authorised:  
When authorisation to disclose is given by the client or the employer the interests of all the parties including those third parties whose interests might be affected should be considered.
  - c) When disclosure is required by law:  
Examples of when a member is required by law to disclose confidential information are:
    - i) To produce documents or to give evidence in the course of legal proceedings; and

- ii) To disclose to the appropriate public authorities infringements of the law which come to light.
- d) When there is a professional duty or right to disclose:
- i) To comply with technical standards, regulations and ethics requirements; such disclosure is not contrary to this section;
  - ii) To protect the professional interests of the member in legal proceedings;
  - iii) To comply with the quality (or peer) review of the Institute or professional body; and
  - iv) To respond to an inquiry or investigation by the Institute or regulatory body.

4.9 When the member has determined that confidential information can be disclosed, the following points should be considered:

- Whether or not all the relevant facts are known and substantiated, to the extent it is practicable to do so; when the situation involves unsubstantiated fact or opinion, professional judgement should be used in determining the type of disclosure to be made, if any;
- What type of communication is expected and the addressee; in particular, the member should be satisfied that the parties to whom the communication is addressed are appropriate recipients and have the responsibility to act on it; and
- Whether or not the member would incur any legal liability having made a communication and the consequence thereof.

In all such situations, the member should consider the need to consult legal counsel and/or the Institute or professional organisation(s) concerned.

## **SECTION 5**

### ***Tax Practice***

5.1 A member rendering professional tax services is entitled to put forward the best position in favor of a client, or an employer, provided the service is rendered with professional competence, does not in any way impair integrity and objectivity, and is in the opinion of the member consistent with the law. Doubt may be resolved in favour of the client or the employer if there is reasonable support for the position.

5.2 A member should not hold out to a client or an employer the assurance that the tax return prepared and the tax advice offered are beyond challenge. Instead, the member should ensure that the client or the employer is aware of the limitations attaching to tax advice and services so that they do not misinterpret an expression of opinion as an assertion of fact.

- 5.3 A member who undertakes or assists in the preparation of a tax return should advise the client or the employer that the responsibility for the content of the return rests primarily with the client or employer. The member should take the necessary steps to ensure that the tax return is properly prepared on the basis of the information received.
- 5.4 Tax advice or opinions of material consequence given to a client or an employer should be recorded, either in the form of a letter or in a memorandum for the files.
- 5.5 A member should not be associated with any return or communication in which there is reason to believe that it:
- a) Contains a false or misleading statement;
  - b) Contains statements or information furnished recklessly or without any real knowledge of whether they are true or false; or
  - c) Omits or obscures information required to be submitted and such omission or obscurity would mislead the revenue authorities.
- 5.6 A member may prepare tax returns involving the use of estimates if it is impractical under the circumstances to obtain exact data. When estimates are used, they should be presented as such in a manner so as to avoid the implication of greater accuracy than exists. The member should be satisfied that estimated amounts are reasonable under the circumstances.
- 5.7 In preparing a tax return, a member ordinarily may rely on information furnished by the client or employer, provided that the information appears reasonable. Although an examination of documents or other evidence in support of the information is not required, the member should encourage, when appropriate, such supporting data to be provided.
- In addition, the member:
- a) should make use of the client's returns for prior years whenever feasible;
  - b) is required to make reasonable inquiries when the information presented appears to be incorrect or incomplete; and
  - c) is encouraged to make reference to the books and records of the business operations.
- 5.8 When a member learns of a material error or omission in a tax return of a prior year (with which the member may or may not have been associated), or of the failure to file a required tax return, the member has a responsibility to:
- a) promptly advise the client or employer of the error or omission and recommend that disclosure be made to the revenue authorities. The member is not obligated to inform the revenue authorities, nor may this be done without permission, except when specifically required by law. In these circumstances the member should advise the client or employer of the position before informing the authorities and should give no additional information to the authorities without the consent of the client or the employer. \

- b) if the client or the employer does not correct the error the member:
  - i) should inform the client or the employer that it is not possible to act for them in connection with that return or other related information submitted to the authorities; and
  - ii) should consider whether continued association with the client or employer in any capacity is consistent with professional responsibilities.
- c) if the member concludes that a professional relationship with the client or employer can be continued, all reasonable steps should be taken to ensure that the error is not repeated in subsequent tax returns.

## **SECTION 6**

### ***Cross Border Activities***

6.1 When considering the application of ethical requirements in cross border activities a number of situations may arise. Whether a professional accountant is a member of the profession in one country only or is also a member of the profession in the country where the services are performed should not affect the manner of dealing with each situation.

6.2 A member may reside outside Philippines or may be temporarily visiting another country to perform professional services. In all circumstances, the member should carry out professional services in accordance with the relevant technical standards and ethical requirements. The particular technical standards which should be followed are not dealt within this section. In all other respects, however, the member should be guided by the ethical requirements set out below.

6.3 When a member performs services in a country other than Jamaica and differences on specific matters exist between ethical requirements of the two countries the following provisions should be applied:

- a) When the ethical requirements of the country in which the services are being performed are less strict than the Philippine Code of Ethics, then the Philippine Code of Ethics should be applied.
- b) When the ethical requirements of the country in which services are being performed are stricter than the Philippine Code of Ethics, then the ethical requirements in the country where services are being performed should be applied.

## **SECTION 7**

### ***Publicity***

In the marketing and promotion of themselves and their work, Members should:

- a) not use means which brings the profession into disrepute;

- b) not make exaggerated claims for the services they are able to offer, the qualifications they possess, or experience they have gained; and
- c) not denigrate the work of other accountants.

## **SECTION 8**

### ***Second and other opinions***

Where the opinion of a member, whether in practice or otherwise, is sought on the application of accounting standards or principles to specific circumstances or transactions, either completed or contemplated, of an entity with which the member does not have an ongoing professional relationship to provide audit services, he should be alert to the possibility of his opinion creating undue pressure on the judgement and objectivity of the auditor. Accordingly, he should seek to minimize the risk of giving inappropriate guidance by ensuring that he has access to all relevant information.

# National Institute of Accounting Technicians

## CODE OF ETHICS

### FOR MEMBERS IN PUBLIC PRACTICE

#### SECTION 9

##### *Independence*

- 9.1 Members in public practice when undertaking a **reporting assignment**, should be and appear to be free of any interest which might be regarded, whatever its actual effect, as being incompatible with integrity, objectivity and independence.
- 9.2 The following paragraphs indicate some of those situations which, because of the actual or apparent lack of independence, would give a reasonable observer grounds for doubting the independence of a member in public practice. They also apply to all professional employees engaged in the reporting assignment, and all managerial employees located in an office participating in a significant part of the reporting assignment.

##### *By Direct Financial Interest In The Client*

- 9.3 Any beneficial interest on the part of a member in public practice or anyone closely connected with a member in public practice's audit firm, in a client company will constitute an impairment of independence. A member in public practice therefore should not hold shares in a client company.
- 9.4 A beneficial interest is a beneficial shareholding or other direct investment in the company. Shares and shareholding include debenture and other loan stock and the equivalent, and rights to acquire shares, debenture or other loan stock. Shareholdings also include options to purchase or sell such securities. A person's holdings include holdings by a nominee on behalf of that person or by a trust created by that person for his or her personal benefit. Shareholdings in parent, subsidiary or associated companies of a client company should normally be regarded on the same basis as shareholdings in the client company itself. However, if the member in public practice or the relevant firm is auditor only of a company or companies which taken together constitute an insignificant part of a group, independence of the parent, or subsidiary or associated companies is not required.
- 9.5 Where an employee, or a person closely connected with an employee, has such a beneficial interest, the employee should not take part in the audit of the client company.

9.6 The foregoing paragraph (9.4) is not intended to preclude a member in public practice or person closely connected with the member from holding or continuing to hold, in the normal course of business and on normal commercial terms, an insurance or pension policy with a client insurance company or society, though an engagement partner should not take out a new policy with such a client.

9.7 Paragraph 9.4 does not preclude a member in public practice or a person closely connected with the member from having a beneficial holding in an authorised unit trust or mutual fund or similar managed fund which holds shares in a client company, provided that the firm does not report upon the trust.

9.8 Where a member in public practice inherits shares or marries a shareholder, or a relevant investment occurs as a result of a takeover, the investment should be disposed of at the earliest practicable date, being a date at which the transaction would not amount to insider dealing. Similar action should be taken where a beneficial investment is held in a company becoming an audit client. Where the necessary disposal cannot be achieved within the timescale envisaged the member in public practice or relevant firm should not continue as auditor.

#### ***By Indirect Material Financial Interest in a Client***

9.9 When a member in public practice holds or advises on investing in shares in an audit client on behalf of a third party, for example a trust, the appearance of independence is at risk as responsibilities to the third party may conflict with responsibilities to the audit client. In the case of trustee shareholdings, if a member in public practice or employee of a firm or person closely connected to the member in public practice or employee is a trustee of a trust with a holding in shares material to the size of the issued share capital of the company or the total assets of the trust, the practice should not accept the audit of that company. This also applies in the case of those who serve as executors and administrators of any estate. A shareholding in excess of ten percent of the issued share capital of a company would normally be considered material.

#### ***By Loans to or from the Client or Any Officer, Director or Principal Shareholder of a Client Company***

9.10 A member in public practice or relevant audit firm or a closely connected person of a member in public practice should not directly or indirectly make any loan to, or receive a loan from a client or give or accept any guarantee in relation to a debt of the client, firm, member in public practice or closely connected person of a member in public practice.

#### ***By Holding a Financial Interest in a Joint Venture with a Client or Employee(s) of a Client***

9.11 A mutual business interest or joint venture between a member in public practice with a client company or with an officer or employee of the company would be considered to impair the member's independence with respect to the client.

Where such a mutual business interest exists the engagement should not be accepted or continued.

9.12 Where a member in public practice has an immaterial financial interest in a non-client investor and the non-client investor has a financial relationship with the client, this would not impair the member's independence provided the member could not reasonably be expected to have knowledge of the financial interests or joint venture.

***By Having a Financial Interest Considered Material in a Non-client That Has an Investor or Investee Relationship with the Client.***

9.13 When a non-client investee is material to client investor, any direct or material indirect financial interest of the member in public practice in the non-client investee would be considered to impair the member's independence with respect to the client. Likewise, where a client investee is material to a non-client investor, any direct or material indirect financial interest of the member in public practice in the nonclient investor would be considered to impair the member's independence with respect to the client.

***Appointments in Companies***

9.14 When a member in public practice is or are, within the period under current review or immediately preceding an assignment:

(a) a member of the board, an officer or employee of a company; or

(b) a partner of, or in the employment of, a member of the board or an officer or employee of a company;

he or she would be regarded as having an interest which could detract from independence when reporting on that company.

9.15 A member should not personally take part in the conduct of an audit of a company if he or she has, during the period upon which the report is to be made, or at any time in the two years prior to the first day thereof, been a member of the board, an officer (other than auditor) or employee of that company.

9.16 Paragraph 9.14 applies where a member has been a partner of, or in the employment of, a member of the board or an officer or employee of a company in the two years prior to the commencement of the period being audited.

9.17A firm's independence may be impaired because of the participation in the conduct of an audit by a member in public practice or senior employee who intends to join the client. The firm's guidelines should include the requirement for immediate notification to the firm by a member in public practice or senior employee involved in a client's audit of his or her intention or any discussions concerning the possibility of joining the client.

9.18 Where a member in public practice or senior employee is to join the client or is involved in substantive negotiations with the client he or she should be removed from the audit team and the significant audit decisions made by the member or senior employee should be reviewed.

## ***Provision of Other Services to Audit Clients***

- 9.19 When a member in public practice, in addition to carrying out an audit or other reporting function, provides other services to a client, care should be taken not to perform management functions or make management decisions, responsibility for which remains with the board of directors and management.
- 9.20 In all cases in which independence is required and in which a member in public practice is concerned in the preparation of accounting records for a client, the following should be observed:
- (a) The member in public practice should not have any relationship or combination of relationships with the client or any conflict of interest which would impair integrity or independence.
  - (b) The client should accept responsibility for the statements.
  - (c) The member in public practice should not assume the role of employee or of management conducting the operations of an enterprise.
  - (d) Staff assigned to the preparation of accounting records ideally should not participate in the examination of such records. The fact that the member in public practice has processed or maintained certain records does not eliminate the need to make sufficient audit tests.

## ***Personal and Family Relationships***

- 9.21 Personal and family relationships can affect independence. There is a particular need to ensure that an independent approach to any assignment is not endangered as a consequence of any personal or family relationships.
- 9.22 Family relationships which always pose an unacceptable threat to independence are those in which an officer or senior employee of an audit client is closely connected to a member in public practice or an employee engaged on the assignment. Closely connected includes the spouse, dependent child or relative living in a common household but may include an extended family member to whom regular financial assistance is given or who is otherwise indebted financially to the member in public practice.

## ***Fees***

- 9.23 When the receipt of recurring fees from a client or group of connected clients, represents a substantial proportion of the total gross fees of a member in public practice or of the practice as a whole, the dependence on that client or group of clients should inevitably come under scrutiny and could raise doubts as to independence.
- 9.24 A branch office which is auditing the financial statements of a client of the practice as a whole and that client forms a major part of the business of the branch office, in such circumstances, professional services for that client or group should be reviewed by a partner from another office.

## ***Goods and Services***

- 9.25 Acceptance of goods and services from a client may be a threat to independence. Acceptance of undue hospitality poses a similar threat.
- 9.26 Goods and services should not be accepted by members in public practice or their immediate family or persons closely connected to the member in public practice, except on business terms no more favourable than those generally available to others. Hospitality and gifts on a scale which is not commensurate with the normal courtesies of social life should not be accepted.

## ***Ownership of the Capital***

- 9.27 Ideally, the capital of a practice should be owned entirely by members in public practice. However, ownership of capital by others may be permitted provided that the majority of both the ownership of the capital and the voting rights lies only with the members in public practice.

## ***Former Partners***

- 9.28 A partner in a practice may leave the practice by resignation, termination, retirement, or sale of the practice. Such a partner may accept an appointment with a client of the practice, of which he or she is a former partner, when an audit or other reporting function is being performed by the practice of which he or she is a former partner. In such circumstances the independence of the practice would not be impaired, if –
- (a) Payments of the amounts due to a former partner for his or her interest in the practice and for unfunded, vested retirement benefits are made in accordance with a schedule that is fixed as to both payment dates and amounts. In addition, the amounts owed should be such that they do not cause a substantial doubt about the practices' ability to continue as a going concern.
  - (b) The former partner does not participate or appear to participate in the practice's business or professional activities whether or not compensated. Indications of participation include the provision of office space and related amenities to the former partner by the practice.

## ***Actual or Threatened Litigation***

- 9.29 Litigation involving a member in public practice and a client may cause concern that the normal relationship with the client is affected to the extent that the member's independence and objectivity may be impaired.
- 9.30 The existence of legal action (or threat of action) may affect the willingness of the management of the company to disclose relevant information to the member in public practice. It is not possible to specify precisely the point at which it would become improper for the member in public practice to continue to report. However, he or she should have regard to circumstances when litigation might be perceived by the public as likely to affect the member's independence.

## ***Long Association of Senior Personnel with Audit Clients***

- 9.31 The use of the same senior personnel on an audit engagement over a prolonged period of time may pose a threat to independence. The member in public practice should take steps, outlined in paragraphs 9.32 to 9.36, to ensure that objectivity and independence are maintained on an engagement.
- 9.32 Professional firms should provide for an orderly rotation of the audit engagement partner and of senior personnel serving on an engagement. The timing and nature of rotation of engagement personnel, especially the engagement partner, depends on many practical considerations. Such a rotation should, however provide for an orderly blend of experienced and replacement personnel as well as an orderly transition.
- 9.33 Firms should ensure that no audit engagement partner remains in charge of an audit for a period exceeding seven consecutive years for publicly listed companies and ten consecutive years for private companies. An audit engagement partner who has ceased under this provision to act as such, should not return to that role in relation to that audit until a minimum of two years has passed but is not precluded from other involvement with the client.
- 9.34 A limited degree of flexibility over timing may be acceptable in circumstances where audit engagement partner continuity is especially important. Examples could include major changes to a company's structure or management, or its involvement in a takeover, which would otherwise coincide with the partner change.
- 9.35 Senior audit staff should not be assigned to an audit for a period exceeding seven consecutive years and should not be reassigned to that audit until a minimum of two years has passed.
- 9.36 Rotation may be impracticable in small offices or when there are specialisations relating to assignments. In such cases, alternative safeguards should be applied, such as the setting up of standing arrangements to consult externally with another suitably experienced member.

## **SECTION 10**

### **Professional Competence and Responsibilities Regarding the Use of Non-Accountants**

- 10.1 A member in public practice should refrain from agreeing to perform professional services which they are not competent to carry out unless competent advice and assistance is obtained so as to enable them to satisfactorily perform such services. If a member does not have the competence to perform a specific part of the professional service, technical advice may be sought from experts such as other members of the Institute, lawyers, actuaries, engineers, geologists, valuers.
- 10.2 In such situations, although the member is relying on the technical competence of the expert, the knowledge of the ethical requirements cannot be automatically

- assumed. Since the ultimate responsibility for the professional service rests with the member, he or she should see that the requirements of ethical behaviour are followed.
- 10.3 When using the services of experts who are not professional accountants, the member must take steps to see that such experts are aware of ethical requirements. Primary attention should be paid to the fundamental principles. These principles would extend to any assignment in which such experts would participate.
- 10.4 The degree of supervision and the amount of guidance that will be needed will depend upon the individuals involved and the nature of the engagement. Examples of such guidance and supervision might include:
- asking individuals to read the appropriate ethical codes
  - requiring written confirmation of understanding of the ethical requirements, and
  - providing consultation when potential conflicts arise.
- 10.5 The member should also be alert to specific independence requirements or other risks unique to the engagement. Such situations will require special attention and guidance to see that ethical requirements are met.
- 10.6 If at any time the member is not satisfied that proper ethical behaviour can be respected or assured, the engagement should not be accepted; or, if the engagement has commenced, it should be terminated.

## **SECTION 11**

### ***Fees and Commissions***

- 11.1 Members who undertake professional services for a client, assume the responsibility to perform such services with integrity and objectivity and in accordance with the appropriate technical standards. That responsibility is discharged by applying the professional skill and knowledge which members have acquired through training and experience. For the services rendered, the member is entitled to remuneration.
- 11.2 Professional fees should be a fair reflection of the value of the professional services performed for the client, taking into account:
- (a) the skill and knowledge required for the type of professional services involved.
  - (b) The level of training and experience of the persons necessarily engaged in performing the professional services.
  - (c) The time necessarily occupied by each person engaged in performing the professional services.
  - (d) The degree of responsibility that performing those services entails.
- 11.3 Professional fees should normally be computed on the basis of appropriate rates per hour or per day for the time of each person engaged in performing professional services. These rates should be based on the fundamental premise that the organisation and conduct of the member and the services provided to clients are well planned, controlled and managed. They should take into account

- the factors set out in paragraph 11.2. It is for each member to determine the appropriate rates.
- 11.4 A member should not make a representation that specific professional services in current or future periods will be performed for either a stated fee, estimated fee, or fee range if it is likely at the time of the representation that such fees will be substantially increased and the prospective client is not advised of that likelihood.
- 11.5 When performing professional services for a client it may be necessary or expedient to charge a pre-arranged fee, in which event the member should estimate a fee taking into account the matters referred to in paragraphs 11.2 to 11.4.
- 11.6 It is not improper for a member to charge a client a lower fee than has previously been charged for similar services, provided the fee has been calculated in accordance with the factors referred to in paragraphs 11.2 to 11.4.
- 11.7 Fees should not be charged on a percentage, contingent\* or similar basis in respect of audit work, reporting assignments, due diligence and similar non-audit roles incorporating professional opinions and expert witness assignments. Even for other work such methods of charging may be perceived as a threat to objectivity and should therefore only be adopted after careful consideration.
- 11.8 In bankruptcies, liquidations, receiverships, administrations, voluntary arrangements and similar work the remuneration may, by statute or tradition, be based on a percentage of realisations or a percentage of distributions. Consequently, it may not be possible to negotiate a fee in advance or base it on the principle in paragraph 11.7 above. In some circumstances, such as advising on a management buy-in or buy-out, the raising of venture capital, acquisition searches or sales mandates, where no professional opinion is given, it may not be appropriate to charge fees save on a contingent fee basis: to require otherwise might deprive potential clients of professional assistance, for example where the capacity of the client to pay is dependent upon the success or failure of the venture.
- 11.9 Where work is subject to a fee on a contingent, percentage or similar basis the capacity in which a member has worked and the basis of his remuneration should be made clear in any document prepared by the member in contemplation that a third party may rely on it.
- 11.10 The foregoing paragraphs relate to fees as distinct from reimbursement of expenses. Out-of-pocket expenses, in particular travelling expenses, attributable directly to the professional services performed for a particular client would normally be charged to that client in addition to the professional fees.
- 11.11 It is in the best interests of both the client and the member that the basis on which fees are computed and any billing arrangements are clearly defined, preferably in writing, before the commencement of the engagement to help in avoiding misunderstandings with respect to fees.

11.12 The payment or receipt of a commission by a member could impair objectivity and independence. A member should not, therefore, pay a commission to obtain a client nor should a commission be accepted for referral of a client to a third party. A member should not accept a commission for the referral of the products or services of others.

11.13 Payment and receipt of referral fees between members when no services are performed by the referring accountant are regarded as commissions for the purpose of paragraph 11.12.

11.14 A member may enter into an arrangement for the purchase of the whole or part of an accounting practice requiring payments to individuals formerly engaged in the practice or payments to their heirs or estates. Such payments are not regarded as commissions for the purpose of paragraph 11.12.

## **SECTION 12**

### ***Activities Incompatible with the Practice of Accountancy***

12.1 A member in public practice should not concurrently engage in any business, occupation or activity which impairs or might impair integrity, objectivity or independence, or the good reputation of the profession and therefore would be incompatible with the rendering of professional services.

12.2 The rendering of two or more types of professional services concurrently does not by itself impair integrity, objectivity or independence.

12.3 The simultaneous engagement in another business, occupation or activity unrelated to professional services which has the effect of not allowing the member properly to conduct a professional practice in accordance with the fundamental ethical principles of the accountancy profession should be regarded as inconsistent with the practice of accountancy.

## **SECTION 13**

### ***Clients' Monies***

13.1 A member in public practice should not hold clients' monies if there is reason to believe that they were obtained from, or are to be used for, illegal activities.

13.2 A member entrusted with monies belonging to others should:

- (a) keep such monies separately from personal or firm monies;
- (b) use such monies only for the purpose for which they are intended; and
- (c) at all times, be ready to account for those monies to any persons entitled to such accounting.

13.3A member should maintain one or more bank accounts for clients' monies. Such bank accounts may include a general client account into which the monies of a number of clients may be paid.

- 13.4 An account maintained for clients' money or as a separate account for a trust should be so named or identified.
- 13.5 Appropriate notice of the nature of the accounts should be given to the bank concerned. This ensures that the bank would not have the right of set off against the member's other accounts nor would a trustee in bankruptcy be able to effect sequestration of the monies in the clients' account.
- 13.6 Clients' monies received by a member in public practice should be deposited without delay to the credit of a client account, or – if in the form of documents of title to money and documents of title which can be converted into money – be safeguarded against unauthorised use.
- 13.7 Monies may only be drawn from the client account on the instructions of the client.
- 13.8 Fees due from a client may be drawn from the client's monies provided the client, after being notified of the amount of such fees, has agreed to such withdrawal.
- 13.9 Payments from a client account shall not exceed the balance standing to the credit of the client.
- 13.10 When it seems likely that the client's monies remain on the client account for a significant period of time, the member should, with the concurrence of the client, place such monies in an interest bearing account within a reasonable time.
- 13.11 All interest earned on clients' monies should be credited to the client account.
- 13.12 Members should keep such books of account as will enable them, at any time, to establish clearly their dealings with client's monies in general and the monies of each individual client in particular. A statement of account should be provided to the client at least once per year.

## **SECTION 14**

### ***Relations with Other Members in Public Practice 1*** ***Accepting New Assignments***

- 14.1 The extension of operations of a business undertaking frequently results in the formation of branches or subsidiary companies at locations where an existing accountant does not practice. In these circumstances the client or existing accountant in consultation with the client may request a receiving accountant practicing at those locations to perform such professional services as necessary to complete the assignment.
- 14.2 Referral of business may also arise in the area of special services or special tasks. The scope of the services offered by members continues to expand and the depth of knowledge which is needed to serve the public
- 14.3 Members should only undertake such services which they can expect to complete with professional competence. It is essential therefore for the profession in

general and in the interests of their clients that members are encouraged to obtain advice when appropriate from those who are competent to provide it.

- 14.4 A member without a particular skill may however be reluctant to refer a client to another member who may possess that skill, because of the fear of losing existing business to the other member. As a result, clients may be deprived of the benefit of advice which they are entitled to receive.
- 14.5 The wishes of the client should be paramount in the choice of professional advisers, whether or not special skills are involved. Accordingly, a member should not attempt to restrict in any way the client's freedom of choice in obtaining special advice, and when appropriate should encourage a client to do so.
- 14.6 The services or advice of a member having special skills may be sought in one of the following ways:
- (a) by the client
    - (i) after prior discussion and consultation with the member
    - (ii) on the specific request or recommendation of the existing member; or
    - (iii) without reference to the existing member; or
  - (b) by the existing member with due observance of the duty of confidentiality.
- 14.7 When a member is asked to provide services or advice, inquiries should be made as to whether the prospective client has an existing accountant. In cases where there is an existing accountant who will continue to provide professional services, the procedures set out in paragraphs 14.8 – 14.14 should be observed. If the appointment will result in another member being superseded, the procedures set out in paragraphs 14.15 – 14.26 should be followed.
- 14.8 The receiving accountant should limit the services provided to the specific assignment received by referral from the existing accountant or the client unless otherwise requested by the client. The receiving accountant also has the duty to take reasonable steps to support the existing accountant's current relationship with the client and should not express any criticism of the professional services of the existing accountant without giving the latter an opportunity to provide all relevant information.
- 14.9 A receiving accountant who is asked by the client to undertake an assignment of a type which is clearly distinct from that being carried out by the existing accountant or from that initially received by referral from the existing accountant or from the client, should regard this as a separate request to provide services or advice. Before accepting any appointments of this nature, the receiving accountant should advise the client of the professional obligation to communicate with the existing accountant and should immediately do so preferably in writing, advising of the approach made by the client and the general nature of the request as well as seeking all relevant information, if any, necessary to perform the assignment.
- 14.10 Circumstances sometimes arise when the client insists that the existing accountant should not be informed. In this case, the receiving accountant should decide whether the client's reasons are valid. In the absence of special

circumstances a mere disinclination by the client for communication with the existing accountant would not be a satisfactory reason.

14.11 The receiving accountant should:

- (a) comply with the instructions received from the existing accountant or the client to the extent that they do not conflict with relevant legal or other requirements; and
- (b) ensure, insofar as it is practicable to do so, that the existing accountant is kept informed of the general nature of the professional services being performed.

14.12 When there are two or more other accountants performing professional services for the client concerned it may be appropriate to notify only the relevant accountant depending on the specific services being performed.

14.13 When appropriate the existing accountant, in addition to issuing instructions concerning referred business, should maintain contact with the receiving accountants and cooperate with them in all reasonable requests for assistance.

14.14 When the opinion of a member, other than the existing accountant, is sought on the application of accounting, auditing, reporting or other standards or principles to specific circumstances or transactions, the receiving accountant should be alert to the possibility of the opinion creating undue pressure on the judgment and objectivity of the existing accountant. An opinion given without full and proper facts can cause difficulty to the receiving accountant if the opinion is challenged or the receiving accountant is subsequently appointed by the company. Accordingly, the member should seek to minimise the risk of giving inappropriate guidance by ensuring that he or she has access to all relevant information. When there is a request for an opinion in the above circumstances there is a requirement for communication with the existing accountant. It is important that the existing accountant, with the permission of the client, provide the receiving accountant with all requested relevant information about the client. With the permission of the client, the receiving accountant should also provide a copy of the final report to the existing accountant. If the client does not agree to these communications, then the engagement should ordinarily not be performed.

### ***Superseding Another Member in Public Practice***

14.15 The proprietors of a business have an indisputable right to choose their professional advisers and to change to others should they so desire. While it is essential that the legitimate interests of the proprietors are protected, it is also important that a member who is asked to replace another member has the opportunity to ascertain if there are any professional reasons why the appointment should not be accepted. This cannot effectively be done without direct communication with the existing accountant. In the absence of a specific request, the existing accountant should not volunteer information about the client's affairs.

14.16 Communication enables a member to ascertain whether the circumstances in which a change in appointment is proposed are such that the appointment can properly be accepted and also whether there is a wish to undertake the

engagement. In addition such communication helps to preserve the harmonious relationships which should exist between all members in public practice on whom clients rely for professional advice and assistance.

- 14.17 The extent to which an existing member can discuss the affairs of the client with the proposed member in public practice depends on:
- (a) whether the client's permission to do so has been obtained; and/or
  - (b) the legal or ethical requirements relating to such disclosure.
- 14.18 The proposed member should treat in the strictest confidence and give due weight to any information provided by the existing member in public practice.
- 14.19 The information provided by the existing accountant may indicate, for example, that the ostensible reasons given by the client for the change are not in accordance with the facts. It may disclose that the proposal to make a change was made because the existing accountants stood their ground and properly carried out the duties as professional accountants despite opposition or evasion on an occasion on which important differences of principles or practice have arisen with the client.
- 14.20 Communication between the parties serves:
- (a) To protect a member from accepting an appointment in circumstances where all the pertinent facts are not known
  - (b) To protect the minority proprietors of a business who may not be fully informed of the circumstances in which the change is proposed.
  - (c) To protect the interests of the existing accountant when the proposed change arises from, or is an attempt to interfere with, the conscientious exercise of the existing accountant's duty to act as an independent professional.
- 14.21 Before accepting an appointment involving recurring professional services hitherto carried out by another member, the proposed member should:
- (a) Ascertain if the prospective client has advised the existing accountant of the proposed change and has given permission, preferably in writing, to discuss the client's affairs fully and freely with the proposed member.
  - (b) When satisfied with the reply received from the prospective client, request permission to communicate with the existing accountant. If such permission is refused or the permission referred to in (a) above is not given, the proposed member should, in the absence of exceptional circumstances of which there is full knowledge, and unless there is satisfaction as to the necessary facts by other means, decline the appointment.
  - (c) On receipt of permission, ask the existing accountant, preferably in writing:
    - (i) to provide information on any professional reasons which should be known before deciding whether or not to accept the appointment, if there are such matters; and
    - (ii) to provide all the necessary details to be able to come to a decision.
- 14.22 The existing member, on receipt of the communication referred to in paragraph 14.21(c) should forthwith:
- (a) Reply, preferably in writing, advising whether there are any professional reasons why the proposed member should not accept the appointment.

- (b) If there are any such reasons or other matters which should be disclosed, ensure that the client has given permission to give details of this information to the proposed member. If permission is not granted the existing member should report that fact to the member.
- (c) On receipt of permission from the client disclose all information needed by the proposed member to be able to decide whether or not to accept the appointment. It is not sufficient to state that unspecified factors exist.
- (d) Discuss freely with the proposed member all matters relevant to the appointment of which the latter should be aware.

14.22.1.1 Matters referred to in paragraph 14.22(d) above would, where relevant, include the following:

- (a) reasons for the change advanced by the client of which the existing member is aware are not in accordance with the facts (as understood by the latter);
- (b) the proposal to displace the existing member arises in his opinion because he has carried out his duties in the face of opposition or evasion/s in which important differences of principle or practice had arisen with the client;
- (c) the client, its directors, or employees may have been guilty of some unlawful act or default, or that any aspect of their conduct which is relevant to the carrying out of an audit or assignment ought, in the opinion of the existing member, to be investigated further by the appropriate authority;
- (d) the existing member has unconfirmed suspicions that the client or its directors or employees have defrauded the Inland Revenue, Customs & Excise or others;
- (e) the existing member has serious doubts regarding the integrity of the directors and/or senior managers of the client company;
- (f) the client, its directors, or employees have deliberately withheld information required by the existing member for the performance of his duties or have limited or attempted to limit the scope of his work;
- (g) the existing member proposes to bring to the attention of shareholders or creditors circumstances surrounding the proposed change of auditor.

14.24 If the receiving accountant does not receive, within a reasonable time, a reply from the existing accountant and there is no reason to believe that there are any exceptional circumstances surrounding the proposed change, the receiving accountant should endeavour to communicate with the existing accountant by some other means. If unable to obtain a satisfactory outcome in this way, the receiving accountant should send a further letter, stating that there is an assumption that there is no professional reason why the appointment should not be accepted and that there is an intention to do so.

14.25 The fact that there may be fees owing to the existing accountant is not a professional reason why another receiving accountant should not accept the appointment.

14.26 The existing accountant should promptly transfer to the receiving accountant all books and papers of the client which are or may be held after the change in appointment has been effected and should advise the client accordingly unless the existing accountant has a legal right to withhold them.

14.27 Certain organisations, either because of legislative requirements or otherwise, call for submissions or tenders, e.g. competitive bids, in relation to professional services offered by members. In reply to a public advertisement or an unsolicited request to make a submission or submit a tender, a member, if the appointment may result in the replacement of another member, state in the submission or tender that before acceptance, the opportunity to contact the other member in public practice is required so that inquiries may be made as to whether there are any professional reasons why the appointment should not be accepted. If the submission or tender is successful, the existing accountant should then be contacted.

## **SECTION 15**

### ***Advertising and Solicitation***

15.1 Subject to the rules which follow a member may seek publicity for his services and achievements and may advertise his services and products in any way he thinks fit.

15.2 A member may inform the public of the services he is capable of providing by means of advertising or other forms of promotion subject to the general requirement that the medium should not, in the opinion of Council, reflect adversely on the member, the Institute or the accountancy profession nor should the advertisement or promotional, in the opinion of Council:

- (a) as to content or presentation, bring the Institute into disrepute or bring discredit to the member, firm or accountancy profession;
- (b) discredit the services offered by others whether by claiming superiority for the member's or firm's own services or otherwise;
- (c) be misleading, either directly or by implication;
- (d) fall short of the local advertising codes notably as to legality, decency, clarity, honesty and truthfulness;

15.3 An advertisement should be clearly distinguishable as such.

### ***Fees***

15.4 If reference is made in promotional material to fees, the basis on which fees are calculated, or to hourly or other charging rates, the greatest care should be taken to ensure that such reference does not mislead as to the precise range of services and time commitment that the reference is intended to cover. Members should not make comparisons in such material between their fees and the fees of other accounting practices, whether members or not.

15.5 The danger of giving a misleading impression is particularly pronounced when constraints of space limit the amount of information which can be given. For this reason it will seldom be appropriate to include information about fees in short advertisements.

15.6 A member may offer a free consultation at which levels of fees will be discussed.

### ***Promotional Material***

15.7 Promotional material may contain any factual statement the truth of which a member is able to justify but should not make unflattering references to or unflattering comparisons with the services of others.

### ***Introductions***

15.8 A member should not give or offer any commission, fee or reward to a third party, not being either his employee or public accountant in return for the introduction of a client. The purpose of this paragraph is to ensure that introductions made by third parties should only be made by persons governed by ethical standards comparable to those observed by members.

### ***Responsibility for Promotional Activities***

15.9 For the purposes of this section, promotional activities carried out in the name of a firm should be construed as promotional services carried out by the individual members of that practice, whether carried out personally or through agents.

# National Institute of Accounting Technicians

## CODE OF ETHICS

### FOR MEMBERS NOT IN PUBLIC PRACTICE

#### **SECTION 16**

##### ***Conflict of Loyalties***

Members not in public practice owe a duty of loyalty to their employer as well as to their profession and there may be times when the two are in conflict. An employee's normal priority should be to support his or her organization's legitimate and ethical objectives and the rules and procedures drawn up in support of them. However, an employee cannot legitimately be required to:

- (a) break the law;
- (b) breach the rules and standards of their profession;
- (c) lie to or mislead (including misleading by keeping silent) those acting as auditors to the employer, or
- (d) put their name to or otherwise be associated with a statement which materially misrepresents the facts.

#### **SECTION 17**

##### ***Support for Professional Colleagues***

A member, particularly one having authority over others, should give due weight for the need for their professional colleagues to develop and hold their own judgement in accounting matters and should deal with differences of opinion in a professional way.

#### **SECTION 18**

##### ***Professional Competence***

18.1 A member not in public practice may be asked to undertake significant tasks for which he or she has not had sufficient specific training or experience. When asked to undertake such work the member should not mislead the employer as to the degree of expertise or experience he or she possesses.

18.2 Members not in public practice should not accept or perform work which they are not competent to undertake unless they obtain such advice and assistance as will enable them competently to carry out the work.

18.3 In agreeing to carry out professional work, members imply that there is a level of competence necessary to perform those services and that their knowledge, skill and experience will be applied with reasonable care and diligence.

18.4 There is a continuing duty on members to maintain their professional knowledge and skill at a level required to ensure that an employer receives the advantage of competent professional services based on up-to-date developments in practice, legislation and techniques.

## **SECTION 19**

### ***Presentation of Information***

19.1 Members are expected to present financial information fully, honestly and professionally so that it will be understood in its context.

19.2 Financial and non-financial information should be maintained in a manner that describes clearly the true nature of business transactions, assets or liabilities and classifies and records entries in a timely and proper manner. Members should do everything that is within their power to ensure that this is the case.

19.3 Any report for which members are responsible, whether or not it bears their signature, should be prepared with integrity and objectivity. This means, for example, that while a report prepared by a member may properly present one side of the case and may present that case to its best advantage, the report should be accurate, truthful, and within its scope, both complete and balanced. It should not rely on ambiguities or half-truths but should be objectively justifiable and should not be based on unreasonable assumptions.

19.4 When members have sole responsibility for the preparation and approval of information, including management information, which is to be made public or which is to become available on however restricted a basis outside the organization to which it refers, they should ensure that such information complies with applicable Statements of Standard Accounting Practice and if it does not so comply that the reasons for non-compliance are stated truthfully, unambiguously and fairly.

19.5 When it is not their sole responsibility, members should use their best endeavors to achieve compliance with the relevant standards or, where the information does not comply with applicable Statements of Standard Accounting Practice, to ensure that the reasons for non-compliance are stated truthfully, unambiguously and fairly.

## **SECTION 20**

### ***Fidelity***

20.1 Members not in public practice owe certain legal duties to their employers. Members have a duty of fidelity which requires them to be fully committed to furthering the legitimate interests of their employer. While this duty continues throughout the period of working for an organization it also applies when members wish to change employment.

- 20.2 The duty of fidelity clearly does not prevent an employee from using the skills acquired while working with a former employer in undertaking a new role with a different organization. On the other hand members should neither use nor appear to use special knowledge that could only have been acquired with access to confidential information. For example members should refrain from using knowledge gained about a former employer's likely offer price in the bid for a contract.
- 20.3 Although some judgement is required as to the dividing line which separates experience gained from special knowledge acquired, the overriding principles that should be observed are integrity, and professionalism. In addition the actions of members with regards to the handling of special knowledge gained should not bring discredit to the Institute but should be consistent with the good reputation of the profession.