

## *Approach, Scope and Authority*

*(This Code of Ethics applies from 1 September 2006. Where guidance relates to projects commencing prior to that date, previous guidance may be applied up to completion of the project)*

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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 the Institute. The Code of Ethics ('this Code') applies to all members\* of the Institute (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.*

### ***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 the Institute's web site [www.icaew.co.uk/membershandbook](http://www.icaew.co.uk/membershandbook). 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*

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\* See Definitions

*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 100.10 below.*

### **Scope**

**1.4** *Professional accountants\* are expected to 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. A professional accountant\* should also follow the requirements in the illustrations, including prohibitions or mandatory actions, where circumstances are the same as, or analogous to, those addressed by those illustrations. 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 and business respectively; but professional accountants\* may find any of them of use in relevant circumstances.*

**1.6** *Professional accountants\* should 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. Professional accountants\* should 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. Member firms\* are reminded that this Code applies to their employees, whether members\* or not and that they are responsible for applying this requirement.*

**1.7** *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\*.*

**1.8** *Should the advice in this Code conflict with laws and regulations, professional accountants\* are bound to follow the laws and regulations.*

**1.9** *Professional accountants\* working overseas should comply with this Code unless to do so would breach local laws and regulations.*

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\* See Definitions

### *Authority*

**1.10** *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 Council.*

**1.11** *Paragraph 100.2 notes that safeguards are required to be put into place where the threats to adherence of the fundamental principles are other than clearly insignificant.\* Thus, significance will be relevant in determining whether there has been a breach of the guidance. Where the intent behind and consequences of the action in question are trivial and inconsequential, the requirements of this Code will not have been breached. In the event of a complaint, the Investigation and Disciplinary Committees will consider the matter, including perceptions of a reasonable and informed third party, having knowledge of all relevant information and will be the arbiter.*

### *International Federation of Accountants Code of Ethics*

**1.12** *Except as noted below, this Code has been derived from the International Federation of Accountants (IFAC) Code of Ethics. Accordingly, compliance with the remainder of this Code will ensure compliance with the principles of the IFAC Code. Paragraph numbering in the rest of this Code replicates that used in the IFAC Code of Ethics, except in respect of:*

- *Sections 221, 241 and Part D which have no direct equivalent in the IFAC 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 should be attached to it.*

*A direct link has been retained to paragraph numbering in the IFAC 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 the Institute, the paragraph referencing in this Code is not necessarily consecutive.*

**1.13** *The Auditing Practices Board (APB) has stated, in ISA (UK and Ireland) 200, that it is not aware of any significant instances where the relevant parts of the International Federation of Accountants (IFAC) Code of Ethics are more restrictive than the APB's Ethical Standards.*

**1.14** *If professional accountants\* are conducting assurance engagements other than audit, whether provided to audit clients or others, they should follow the ethical guidance on assurance engagements contained in Section 290.*

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\* See Definitions

**1.15** Legislation has required the Institute to adopt, as regards auditor independence requirements, the Ethical Standards for Auditors, issued by the Auditing Practices Board ('APB'). Accordingly, as considered in further detail at the start of Section 290, when conducting audit engagements\* in the UK and the Republic of Ireland, professional accountants\* should comply with the requirements of the APB's Ethical Standards for Auditors. When performing audit engagements\* elsewhere, professional accountants\* should comply with the requirements of Section 290 of the IFAC Code of Ethics ([www.ifac.org/Store/](http://www.ifac.org/Store/)).

### ***Other Sources of Guidance***

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

- The Institute's Ethics Advisory Services by e-mail: [ethics@icaew.co.uk](mailto:ethics@icaew.co.uk) or phone +44 (0)1908 248258. The Ethics Advisory Services are confidential and free from the duty to report professional misconduct within the Institute. Further information on the Ethics Advisory Services can be found at [www.icaew.co.uk/ethicsadvice](http://www.icaew.co.uk/ethicsadvice), along with helpsheets and answers to a number of frequently asked questions.
- The Institute's money laundering helpline, by e-mail: [m enquiries@icaew.co.uk](mailto:m enquiries@icaew.co.uk) or telephone +44 (0)1908 248320. This provides advice on general issues concerning the regulations or specific issues, which can be discussed anonymously.
- The Support Members Scheme. This is wider in scope than the Ethics Advisory Services. The Support Members Scheme is run by volunteer members of the Institute 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 contact the Support Members Scheme by phone on 0800 917 3526.

**1.17** Seeking advice from the Ethics Advisory Services does not discharge a professional accountant's\* duty to report misconduct, including their own misconduct (see Section 2.7, 'The duty to report misconduct' in the Members' Handbook ([www.icaew.co.uk/membershandbook](http://www.icaew.co.uk/membershandbook))).

**1.18** A professional accountant\* should 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.

**1.19** Additional support material and case studies on ethics are included in the Institute's Continual Professional Development (CPD) website at [www.icaew.co.uk/cpd](http://www.icaew.co.uk/cpd).

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\* See Definitions