

DEFINITIONS FOR PARTS A, B AND C

Acceptable level

A level at which a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances available to the professional accountant* at that time, that compliance with the fundamental principles is not compromised.

Advertising

The communication to the public of information as to the services or skills provided by professional accountants* in public practice with a view to procuring professional business.

Affiliates

A person granted affiliate status by ICAEW under its regulations.

Assurance client

The responsible party that is the person (or persons) who:

- (a) In a direct reporting engagement, is responsible for the subject matter; or
- (b) In an assertion-based engagement, is responsible for the subject matter information and may be responsible for the subject matter.

Assurance engagement

An engagement in which a professional accountant in public practice* expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the evaluation or measurement of a subject matter against criteria.

(For guidance on assurance engagements see the International Framework for Assurance engagements issued by the International Auditing and Assurance Standards Board which describes the elements and objectives of an assurance engagement and identifies engagements to which International Standards on Auditing (ISAs), International Standards on Review engagements (ISREs) and International Standards on Assurance engagements (ISAEs) apply.) www.ifac.org/IAASB/Pronouncements.php.

Assurance team

- (a) All members of the engagement team* for the assurance engagement*;
- (b) All others within a firm* who can directly influence the outcome of the assurance engagement*, including:
 - (i) those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the assurance engagement partner* in connection with the performance of the assurance engagement*;

* See Definitions for parts A, B and C

- (ii) those who provide consultation regarding technical or industry specific issues, transactions or events for the assurance engagement*; and
- (iii) those who provide quality control for the assurance engagement*, including those who perform the engagement quality control review* for the assurance engagement*.

Audit client

An entity in respect of which a firm* conducts an audit engagement*. When the client is a listed entity*, audit client will always include its related entities. When the audit client is not a listed entity*, audit client includes those related entities over which the client has direct or indirect control.

Audit engagement

A reasonable assurance engagement* in which a professional accountant in public practice* expresses an opinion whether financial statements* are prepared, in all material respects (or give a true and fair view or are presented fairly, in all material respects), in accordance with an applicable financial reporting framework, such as an engagement conducted in accordance with International Standards on Auditing. This includes a Statutory Audit, which is an audit required by legislation or other regulation.

Audit team

- (a) All members of the engagement team* for the audit engagement*;
- (b) All others within a firm* who can directly influence the outcome of the audit engagement*, including:
 - (i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the engagement partner* in connection with the performance of the audit engagement* including those at all successively senior levels above the engagement partner* through to the individual who is the firm's* Senior or Managing Partner* (Chief Executive or equivalent);
 - (ii) Those who provide consultation regarding technical or industry-specific issues, transactions or events for the engagement; and
 - (iii) Those who provide quality control for the engagement, including those who perform the engagement quality control review* for the engagement; and
- (c) All those within a network firm* who can directly influence the outcome of the audit engagement*.

Audit committee

Those charged with governance. This may be a separate committee or the full Board.*

* See Definitions for parts A, B and C

Close family

A parent, child or sibling who is not an immediate family* member.

Contingent fee

A fee calculated on a predetermined basis relating to the outcome of a transaction or the result of the services performed by the firm*. A fee that is established by a court or other public authority is not a contingent fee*.

Direct financial interest

A financial interest*:

- Owned directly by and under the control of an individual or entity (including those managed on a discretionary basis by others); or
- Beneficially owned through a collective investment vehicle, estate, trust or other intermediary over which the individual or entity has control, or the ability to influence investment decisions.

Director or officer

Those charged with the governance of an entity, or acting in an equivalent capacity, regardless of their title, which may vary from jurisdiction to jurisdiction.

Engagement partner

The partner* or other person in the firm* who is responsible for the engagement and its performance, and for the report that is issued on behalf of the firm*, and who, where required, has the appropriate authority from a professional, legal or regulatory body.

Engagement quality control review

A process designed to provide an objective evaluation, on or before the report is issued, of the significant judgments the engagement team* made and the conclusions it reached in formulating the report.

Engagement team

All partners* and staff performing the engagement, and any individuals engaged by the firm* or a network firm* who perform assurance procedures on the engagement. This excludes external experts* engaged by the firm* or a network firm*.

Existing accountant

A professional accountant in public practice* currently holding an audit appointment or carrying out accounting, taxation, consulting or similar professional services* for a client.

External expert

An individual (who is not a partner* or a member of the professional staff, including temporary staff, of the firm* or a network firm*) or organisation possessing skills, knowledge and experience in a field other than accounting or auditing, whose work in that field is used to assist the professional accountant* in obtaining sufficient appropriate evidence.

Financial interest

An interest in equity or other security, debenture, loan* or other debt instrument of an entity, including rights and obligations to acquire such an interest and derivatives directly related to such interest.

Financial statements

A structured representation of historical financial information*, including related notes, intended to communicate an entity's economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework. The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. The term can relate to a complete set of financial statements, but it can also refer to a single financial statement, for example, a balance sheet, or a statement of revenues and expenses, and related explanatory notes.

Financial statements on which the firm will express an opinion

In the case of a single entity, the financial statements* of that entity. In the case of consolidated financial statements*, also referred to as group financial statements*, the consolidated financial statements*.

Firm

- (a) *A member firm**;
- (b) An entity that controls a *member firm**, through ownership, management or other means; and
- (c) An entity controlled by a *member firm**, through ownership, management or other means.

Historical financial information

Information expressed in financial terms in relation to a particular entity, derived primarily from that entity's accounting system, about economic events occurring in past time periods or about economic conditions or circumstances at points in time in the past.

Immediate family

A spouse (or equivalent) or dependent.

* See Definitions for parts A, B and C

Independence

Independence* is:

- (a) independence of mind – the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity, and exercise objectivity and professional scepticism
- (b) independence in appearance – the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances, that a firm's*, or a member of the audit or assurance team's*, integrity, objectivity or professional scepticism has been compromised.

Indirect financial interest

A financial interest* beneficially owned through a collective investment vehicle, estate, trust or other intermediary over which the individual or entity has no control or ability to influence investment decisions.

Key audit partner

The engagement partner*, the individual responsible for the engagement quality control review*, and other audit partners*, if any, on the engagement team* who make key decisions or judgments on significant matters with respect to the audit of the financial statements on which the firm* will express an opinion*. Depending upon the circumstances and the role of the individuals on the audit, "other audit partners*" may include, for example, audit partners* responsible for significant subsidiaries or divisions.

Listed entity

An entity whose shares, stock or debt are quoted or listed on a recognised stock exchange, or are marketed under the regulations of a recognised stock exchange or other equivalent body.

Loan

A sum of money lent, whether direct or through a third party, with the intention that it will be repaid with or without interest.

Member

A member of ICAEW, an affiliate, an employee of a member firm* or affiliate*, or a provisional member.*

Member firm

This means, for the purposes of this Code:

- (a) *A member* engaged in public practice as a sole practitioner, or*

* See Definitions for parts A, B and C

- (b) *A partnership engaged in public practice of which more than 50 per cent of the right to vote on all, or substantially all, matters of substance at meetings of the partnership is held by members*;* or
- (c) *A limited liability partnership engaged in public practice of which more than 50 per cent of the rights to vote on all, or substantially all, matters of substance at meetings of the partnership is held by members*;* or
- (d) *Any body corporate (other than a limited liability partnership) engaged in public practice of which:*
 - (i) *50 per cent or more of the directors* are members*;* and
 - (ii) *More than 50 per cent of the nominal value of the voting shares is held by members*;* and
 - (iii) *More than 50 per cent of the aggregate in nominal value of the voting and non-voting shares is held by members*.*

Network

A larger structure:

- (a) That is aimed at co-operation; and
- (b) That is clearly aimed at profit or cost sharing or shares common ownership, control or management, common quality control policies and procedures, common business strategy, the use of a common brand-name, or a significant part of professional resources.

Network firm

A firm* or entity that belongs to a network*.

Partner or principal

References to a partner or principal of a firm include the following:*

- *A partner/principal;*
- *A sole-practitioner;*
- *A director* of a corporate firm*;*
- *A member of a limited liability partnership;*
- *An employee of a corporate firm* who is:*
 - *A responsible individual within the meaning of the Audit Regulations;*
 - *A licensed insolvency practitioner; or*

* See Definitions for parts A, B and C

- *Defined as such in circumstances determined by Council*

Office

A distinct sub-group, whether organised on geographical or practice lines.

Professional accountant

An individual who is a member* of an IFAC member body.

Professional accountant in business

A professional accountant* employed or engaged in an executive or non-executive capacity in such areas as commerce, industry, service, the public sector, education, the not for profit sector, regulatory bodies or professional bodies, or a professional accountant* contracted by such entities.

A professional accountant in business may be a salaried employee, a partner, director* (whether executive or non-executive), an owner manager, a volunteer, or another working for one or more employing organisations. The legal form of the relationship with the employing organisation, if any, has no bearing on the ethical responsibilities incumbent on the professional accountant in business.*

Professional accountant in public practice

A professional accountant*, irrespective of functional classification (e.g., audit, tax or consulting) in a firm* that provides professional services*. This term is also used to refer to a firm* of professional accountants in public practice.

Professional service

Services requiring accountancy or related skills performed by a professional accountant* including accounting, auditing, taxation, management consulting and financial management services.

Provisional member

A person:

- (a) *who is training under a training agreement; or has registered their period of approved training*
- (b) *who has trained under such agreement or period of approved training and is eligible either to sit for the ACA examinations of ICAEW or, having successfully sat those examinations, to apply for membership;*

and for the purposes only of this definition an order under bye-law 22(7) (d) of the Disciplinary Bye-laws (concerning eligibility to sit examinations) shall be disregarded.

* See Definitions for parts A, B and C

Public interest entity

- (a) A listed entity*; and
- (b) An entity (a) defined by regulation or legislation as a public interest entity or (b) for which the audit is required by regulation or legislation to be conducted in compliance with the same independence* requirements that apply to the audit of listed entities*. Such regulation may be promulgated by any relevant regulator, including an audit regulator.

Related entity

An entity that has any of the following relationships with the client:

- (a) An entity that has direct or indirect control over the client if the client is material to such entity;
- (b) An entity with a direct financial interest* in the client if that entity has significant influence over the client and the interest in the client is material to such entity;
- (c) An entity over which the client has direct or indirect control;
- (d) An entity in which the client, or an entity related to the client under (c) above, has a direct financial interest* that gives it significant influence over such entity and the interest is material to the client and its related entity (c); and
- (e) An entity which is under common control with the client (a “sister entity”) if the sister entity and the client are both material to the entity that controls both the client and sister entity.

Review client

An entity in respect of which a firm* conducts a review engagement*.

Review engagement

An assurance engagement*, conducted in accordance with International Standards on Review engagements or equivalent, in which a professional accountant in public practice* expresses a conclusion on whether, on the basis of the procedures which do not provide all the evidence that would be required in an audit, anything has come to the accountant’s attention that causes the accountant to believe that the financial statements* are not prepared, in all material respects, in accordance with an applicable financial reporting framework.

Review team

- (a) All members of the engagement team* for the review engagement*; and
- (b) All others within a firm* who can directly influence the outcome of the review engagement*, including:

* See Definitions for parts A, B and C

- (i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the engagement partner* in connection with the performance of the review engagement* including those at all successively senior levels above the engagement partner* through to the individual who is the firm's* Senior or Managing Partner* (Chief Executive or equivalent);
 - (ii) Those who provide consultation regarding technical or industry specific issues, transactions or events for the engagement; and
 - (iii) Those who provide quality control for the engagement, including those who perform the engagement quality control review* for the engagement; and
- (c) All those within a network firm* who can directly influence the outcome of the review engagement*.

Special purpose financial statements

Financial statements* prepared in accordance with a financial reporting framework designed to meet the financial needs of specified users

Those charged with governance

The persons with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process.

See also section 1.4 for a discussion of the use of the word 'shall'

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