### PART A - GENERAL APPLICATION OF THIS CODE

<table>
<thead>
<tr>
<th>100</th>
<th>Introduction and Fundamental Principles</th>
</tr>
</thead>
<tbody>
<tr>
<td>110</td>
<td>Integrity</td>
</tr>
<tr>
<td>120</td>
<td>Objectivity</td>
</tr>
<tr>
<td>130</td>
<td>Professional Competence and Due Care</td>
</tr>
<tr>
<td>140</td>
<td>Confidentiality</td>
</tr>
<tr>
<td>150</td>
<td>Professional Behaviour</td>
</tr>
</tbody>
</table>

*Appendix to Part A*

### SECTION 100 - INTRODUCTION AND FUNDAMENTAL PRINCIPLES

100.1 A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest.

**Acting in the public interest involves having regard to the legitimate interests of clients, government, financial institutions, employers, employees, investors, the business and financial community and others who rely upon the objectivity and integrity of the accounting profession to support the propriety and orderly functioning of commerce. This reliance imposes a public interest responsibility on the profession. Professional accountants shall take into consideration the public interest and reasonable and informed public perception in deciding whether to accept or continue with an engagement or appointment, bearing in mind that the level of the public interest will be greater in larger entities and entities which are in the public eye.**

Therefore, a professional accountant’s responsibility is not exclusively to satisfy the needs of an individual client or employer. In acting in the public interest, a professional accountant shall observe and comply with this Code. If a professional accountant is prohibited from complying with certain parts of this Code by law or regulation, the professional accountant shall comply with all other parts of this Code.

100.2 This Code contains four parts. Part A establishes the fundamental principles of professional ethics for professional accountants and provides a conceptual framework that professional accountants shall apply to:

- (a) Identify threats to compliance with the fundamental principles;
- (b) Evaluate the significance of the threats identified; and
- (c) Apply safeguards, when necessary, to eliminate the threats or reduce them to an acceptable level. Safeguards are necessary when the professional accountant determines that the threats are not at a level at which a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances available.

* See Definitions for parts A, B and C
to the professional accountant* at that time, that compliance with the fundamental principles is not compromised.

A professional accountant* shall use professional judgment in applying this conceptual framework.

Where a professional accountant* decides to accept or continue an engagement, appointment, task or employment in a situation where a significant threat to the fundamental principles has been identified, the professional accountant* is expected to be able to demonstrate that the availability and effectiveness of safeguards has been considered and that it was reasonable to conclude that those safeguards will adequately preserve their compliance with the fundamental principles. It may be useful to document the reasoning and other evidence which supports the evaluation of threats and safeguards to such an extent that it enables a reasonable and informed third party to conclude that the decisions are acceptable.

100.3 Parts B and C describe how the conceptual framework applies in certain situations. They provide examples of safeguards that may be appropriate to address threats to compliance with the fundamental principles. They also describe situations where safeguards are not available to address the threats, and consequently, the circumstance or relationship creating the threats shall be avoided. Part B applies to professional accountants* in public practice. Part C applies to professional accountants in business*. Professional accountants in public practice may also find Part C relevant to their particular circumstances. Part D deals with professional accountants* undertaking insolvency work.

100.4 The use of the word “shall” in this Code imposes a requirement on the professional accountant* or firm* to comply with the specific provision in which “shall” has been used. Compliance is required unless an exception is permitted by this Code. (See 1.4)

Fundamental Principles

100.5 A professional accountant* shall comply with the following fundamental principles:

(a) **Integrity** – to be straightforward and honest in all professional and business relationships.

(b) **Objectivity** – to not allow bias, conflict of interest or undue influence of others to override professional or business judgments.

(c) **Professional Competence and Due Care** – to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional services* based on current developments in practice, legislation and techniques and act diligently and in accordance with applicable technical and professional standards.

(d) **Confidentiality** – to respect the confidentiality of information acquired as a result of professional and business relationships and, therefore, not disclose any such information to third parties without proper and specific authority, unless there is a legal or professional right or duty to
disclose, nor use the information for the personal advantage of the professional accountant* or third parties.

(e) **Professional Behaviour** – to comply with relevant laws and regulations and avoid any action that discredits the profession.

Each of these fundamental principles is discussed in more detail in sections 110–150.

**Conceptual Framework Approach**

100.6 The circumstances in which professional accountants* operate may create specific threats to compliance with the fundamental principles. It is impossible to define every situation that creates threats to compliance with the fundamental principles and specify the appropriate action. In addition, the nature of engagements and work assignments may differ and, consequently, different threats may be created, requiring the application of different safeguards. Therefore, this Code establishes a conceptual framework that requires a professional accountant* to identify, evaluate, and address threats to compliance with the fundamental principles. The conceptual framework approach assists professional accountants* in complying with the ethical requirements of this Code and meeting their responsibility to act in the public interest. It accommodates many variations in circumstances that create threats to compliance with the fundamental principles and can deter a professional accountant* from concluding that a situation is permitted if it is not specifically prohibited.

100.7 When a professional accountant* identifies threats to compliance with the fundamental principles and, based on an evaluation of those threats, determines that they are not at an acceptable level*, the professional accountant* shall determine whether appropriate safeguards are available and can be applied to eliminate the threats or reduce them to an acceptable level*. In making that determination, the professional accountant* shall exercise professional judgment and take into account whether a reasonable and informed third party, weighing all the specific facts and circumstances available to the professional accountant* at the time, would be likely to conclude that the threats would be eliminated or reduced to an acceptable level* by the application of the safeguards, such that compliance with the fundamental principles is not compromised.

100.8 A professional accountant* shall evaluate any threats to compliance with the fundamental principles when the professional accountant* knows, or could reasonably be expected to know, of circumstances or relationships that may compromise compliance with the fundamental principles.

100.9 A professional accountant* shall take qualitative as well as quantitative factors into account when evaluating the significance of a threat. When applying the conceptual framework, a professional accountant* may encounter situations in which threats cannot be eliminated or reduced to an acceptable level*, either because the threat is too significant or because appropriate safeguards are not available or cannot be applied. In such situations, the professional accountant* shall decline or discontinue the specific professional service* involved or, when necessary, resign from the engagement (in the case of a professional accountant in public practice*) or the employing organisation (in the case of a professional accountant in business*).

* See Definitions for parts A, B and C
100.10 A professional accountant* may inadvertently violate a provision of this Code. Depending on the nature and significance of the matter, such an inadvertent violation may be deemed not to compromise compliance with the fundamental principles provided, once the violation is discovered, the violation is corrected promptly and any necessary safeguards are applied.

100.11 When a professional accountant* encounters unusual circumstances in which the application of a specific requirement of the Code would result in a disproportionate outcome or an outcome that may not be in the public interest, it is recommended that the professional accountant* consult with ICAEW (see Sources of Guidance in section 1 of this Code) or the relevant regulator.

100.12 Threats may be created by a broad range of relationships and circumstances. When a relationship or circumstance creates a threat, such a threat could compromise, or could be perceived to compromise, a professional accountant’s* compliance with the fundamental principles. A circumstance or relationship may create more than one threat, and a threat may affect compliance with more than one fundamental principle. Threats fall into one or more of the following categories:

(a) Self-interest threat — the threat that a financial or other interest will inappropriately influence the professional accountant’s* judgment or behaviour;

(b) Self-review threat — the threat that a professional accountant* will not appropriately evaluate the results of a previous judgment made or service performed by the professional accountant*, or by another individual within the professional accountant’s* firm* or employing organisation, on which the accountant will rely when forming a judgment as part of providing a current service;

(c) Advocacy threat — the threat that a professional accountant* will promote a client’s or employer’s position to the point that the professional accountant’s* objectivity is compromised;

(d) Familiarity threat — the threat that due to a long or close relationship with a client or employer, a professional accountant* will be too sympathetic to their interests or too accepting of their work; and

(e) Intimidation threat — the threat that a professional accountant* will be deterred from acting objectively because of actual or perceived pressures, including attempts to exercise undue influence over the professional accountant*.

Parts B and C of this Code explain how these categories of threats may be created for professional accountants* in public practice and professional accountants in business*, respectively. Professional accountants in public practice may also find Part C relevant to their particular circumstances. Part D deals with professional accountants* undertaking insolvency work.

Professional accountants* shall note that each of the categories of threat discussed above may arise in relation to the professional accountant’s* own person or in relation to connected persons such as members of their family or partners* or persons who are close to the professional accountants* for

* See Definitions for parts A, B and C
some other reason, for instance by reason of a past or present association, obligation or indebtedness.

Threats and Safeguards

100.13 Safeguards are actions or other measures that may eliminate threats or reduce them to an acceptable level*. They fall into two broad categories:

(a) Safeguards created by the profession, legislation or regulation; and
(b) Safeguards in the work environment.

100.14 Safeguards created by the profession, legislation or regulation include:

- Educational, training and experience requirements for entry into the profession.
- Continuing professional development requirements.
- Corporate governance regulations.
- Professional standards.
- Professional or regulatory monitoring and disciplinary procedures.
- External review by a legally empowered third party of the reports, returns, communications or information produced by a professional accountant*.

100.15 Parts B and C of this Code discuss safeguards in the work environment for professional accountants* in public practice and professional accountants in business*, respectively.

100.16 Certain safeguards may increase the likelihood of identifying or deterring unethical behaviour. Such safeguards, which may be created by the accounting profession, legislation, regulation, or an employing organisation, include:

- Effective, well-publicised complaint systems operated by the employing organisation, the profession or a regulator, which enable colleagues, employers and members of the public to draw attention to unprofessional or unethical behaviour.
- An explicitly stated duty to report breaches of ethical requirements.

Ethical Conflict Resolution

100.17 A professional accountant* may be required to resolve a conflict in complying with the fundamental principles.

100.18 When initiating either a formal or informal conflict resolution process, the following factors, either individually or together with other factors, may be relevant to the resolution process:

(a) Relevant facts;
(b) Relevant parties;
(c) Ethical issues involved;
(d) Fundamental principles related to the matter in question;
(e) Established internal procedures; and
(f) Alternative courses of action.

Having considered the relevant factors, a professional accountant* shall determine the appropriate course of action, weighing the consequences of each possible course of action. If the matter remains unresolved, the professional accountant* may wish to consult with other appropriate persons within the firm* or employing organisation for help in obtaining resolution.

*It will generally be preferable for the ethical conflict to be resolved within the employing organisation before consulting individuals outside the employing organisation.*

100.19 Where a matter involves a conflict with, or within, an organisation, a professional accountant* shall determine whether to consult with those charged with governance* of the organisation, such as the board of directors or the audit committee*.

100.20 It may be in the best interests of the professional accountant* to document the substance of the issue, the details of any discussions held, and the decisions made concerning that issue.

100.21 If a significant conflict cannot be resolved, a professional accountant* may consider obtaining professional advice from ICAEW or from legal advisors. The professional accountant* generally can obtain guidance on ethical issues without breaching the fundamental principle of confidentiality if the matter is discussed with ICAEW’s ethics helpline or with a legal advisor under the protection of legal privilege. Instances in which the professional accountant* may consider obtaining legal advice vary. For example, a professional accountant* may have encountered a fraud, the reporting of which could breach the professional accountant’s* responsibility to respect confidentiality. The professional accountant* may consider obtaining legal advice in that instance to determine whether there is a requirement to report.

*Further information on sources of guidance is available in section 1.*

100.22 If, after exhausting all relevant possibilities, the ethical conflict remains unresolved, a professional accountant* shall, where possible, refuse to remain associated with the matter creating the conflict. The professional accountant* shall determine whether, in the circumstances, it is appropriate to withdraw from the engagement team* or specific assignment, or to resign altogether from the engagement, the firm* or the employing organisation.

*More detailed guidance on the ethical conflict resolution process is available in the Appendix to Part A.*

* See Definitions for parts A, B and C
SECTION 110 - INTEGRITY

110.1 The principle of integrity imposes an obligation on all professional accountants* to be straightforward and honest in all professional and business relationships. Integrity also implies fair dealing and truthfulness.

*It follows that a professional accountant’s* advice and work must be uncorrupted by self-interest and not be influenced by the interests of other parties.

110.2 A professional accountant* shall not knowingly be associated with reports, returns, communications or other information where the professional accountant* believes that the information:

(a) Contains a materially false or misleading statement;

(b) Contains statements or information furnished recklessly; or

(c) Omits or obscures information required to be included where such omission or obscurity would be misleading.

When a professional accountant* becomes aware that the accountant has been associated with such information, the accountant shall take steps to be disassociated from that information.

110.3 A professional accountant* will be deemed not to be in breach of paragraph 110.2 if the professional accountant* provides a modified report in respect of a matter contained in paragraph 110.2.

*Further discussion on integrity, which is not part of the Code requirements, is available at www.icaew.com/ethics.*

SECTION 120 – OBJECTIVITY

120.1 The principle of objectivity imposes an obligation on all professional accountants* not to compromise their professional or business judgment because of bias, conflict of interest or the undue influence of others.

*Objectivity is the state of mind which has regard to all considerations relevant to the task in hand but no other.*

120.2 A professional accountant* may be exposed to situations that may impair objectivity. It is impracticable to define and prescribe all such situations. A professional accountant* shall not perform a professional service* if a circumstance or relationship biases or unduly influences the accountant’s professional judgment with respect to that service.

SECTION 130 – PROFESSIONAL COMPETENCE AND DUE CARE

130.1 The principle of professional competence and due care imposes the following obligations on all professional accountants*:

* See Definitions for parts A, B and C
(a) To maintain professional knowledge and skill at the level required to ensure that clients or employers receive competent professional service*; and

(b) To act diligently in accordance with applicable technical and professional standards when providing professional services*.

130.2 Competent professional service* requires the exercise of sound judgment in applying professional knowledge and skill in the performance of such service. Professional competence may be divided into two separate phases:

(a) Attainment of professional competence; and

(b) Maintenance of professional competence.

130.3 The maintenance of professional competence requires a continuing awareness and an understanding of relevant technical, professional and business developments. Continuing professional development enables a professional accountant* to develop and maintain the capabilities to perform competently within the professional environment.

Further guidance on continuing professional development is available at www.icaew.com/cpd and in the Regulations relating to learning and professional development which are available at www.icaew.com/regulations.

130.4 Diligence encompasses the responsibility to act in accordance with the requirements of an assignment, carefully, thoroughly and on a timely basis.

130.5 A professional accountant* shall take reasonable steps to ensure that those working under the professional accountant's* authority in a professional capacity have appropriate training and supervision.

130.6 Where appropriate, a professional accountant* shall make clients, employers or other users of the accountant's professional services* aware of the limitations inherent in the services.

SECTION 140-CONFIDENTIALITY

The Principle of Confidentiality

140.0 The principle of confidentiality is not only to keep information confidential, but also to take all reasonable steps to preserve confidentiality. Whether information is confidential or not will depend on its nature. A safe and proper approach for professional accountants* to adopt is to assume that all unpublished information about a client's or employer's affairs, however gained, is confidential. Some clients or employers may regard the mere fact of their relationship with a professional accountant* as being confidential.

140.1 The principle of confidentiality imposes an obligation on all professional accountants* to refrain from:

(a) Disclosing outside the firm* or employing organisation confidential information acquired as a result of professional and business
relationships without proper and specific authority or unless there is a legal or professional right or duty to disclose; and

(b) Using confidential information acquired as a result of professional and business relationships to their personal advantage or the advantage of third parties.

Professional accountants in public practice* must not disclose confidential information to a client even though the information is relevant to an engagement for, or would be beneficial to, that client.

Where professional accountants in public practice* have confidential information which affects an assurance report, or other report which requires a professional accountant* to state their opinion, the professional accountant* cannot provide an opinion which they already know, from whatever source, to be untrue. If the professional accountant in public practice* is to continue the engagement, the professional accountant* must resolve this disparity. In order to do so, the professional accountant* is entitled to apply normal procedures and to make such enquiries in order to enable the professional accountant* to obtain that same information but from another source. Under no circumstances, however, shall there be any disclosure of confidential information outside the firm*.

140.2 A professional accountant* shall maintain confidentiality, including in a social environment, being alert to the possibility of inadvertent disclosure, particularly to a close business associate or a close or immediate family* member.

140.3 A professional accountant* shall maintain confidentiality of information disclosed by a prospective client or employer.

This requirement extends not only to clients, past and present, but also to third parties from or about whom information has been received in confidence. The principle of confidentiality 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 organisation. Professional accountants* shall neither use nor appear to use special knowledge which could only have been acquired with access to confidential information. It is a matter of judgement as to the dividing line which separates experience gained from special knowledge acquired.

140.4 A professional accountant* shall maintain confidentiality of information within the firm* or employing organisation.

140.5 A professional accountant* shall take reasonable steps to ensure that staff under the professional accountant’s* control and persons from whom advice and assistance is obtained respect the professional accountant’s* duty of confidentiality.

Member firms* shall ensure that all who work on their behalf are trained in, and understand:

- The importance of confidentiality;

* See Definitions for parts A, B and C
• The importance of identifying any conflicts of interest and confidentiality issues between clients, or between themselves or the firm and a client, in relation to a current or prospective engagement; and

• The procedures the firm* has in place for the recognition and consideration of possible conflicts of interest and confidentiality issues.

140.6 The need to comply with the principle of confidentiality continues even after the end of relationships between a professional accountant* and a client or employer. When a professional accountant* changes employment or acquires a new client, the professional accountant* is entitled to use prior experience. The professional accountant* shall not, however, use or disclose any confidential information either acquired or received as a result of a professional or business relationship.

140.6a Detailed guidance on conflicts of interest, including situations where such conflicts may result in threats (or perceived threats) to preservation of confidentiality, are included in section 220.

Disclosure of Confidential Information

140.7 The following are circumstances where professional accountants* are or may be required to disclose confidential information or when such disclosure may be appropriate:

(a) Disclosure is permitted by law and is authorised by the client or the employer;

(b) Disclosure is required by law, for example:

(i) Production of documents or other provision of evidence in the course of legal proceedings; or

(ii) Disclosure to the appropriate public authorities of infringements of the law that come to light; and

Where required by law or regulations to disclose confidential information, for example as a result of anti-money laundering or anti-terrorist legislation, or in connection with legal proceedings involving either themselves or their employing organisation, professional accountants* shall always disclose that information in compliance with relevant legal requirements. Professional accountants* shall take care when communicating relevant facts to others relating to known or suspected money laundering or terrorist activities. Under the UK Money Laundering Regulations 2007, the Terrorism Act 2000 and the Terrorism Act 2006, it is a criminal offence to ‘tip off’ a money launderer or terrorist. For further discussion, please refer to the money laundering legislation and guidance available at www.icaew.com/moneylaundering.

(c) There is a professional duty or right to disclose, when not prohibited by law:

* See Definitions for parts A, B and C
(i) To comply with the quality review of ICAEW or professional regulator or professional body;

(ii) To respond to an inquiry or investigation by ICAEW or regulatory body;

(iii) To protect the professional interests of a professional accountant* in legal proceedings; or

(iv) To comply with technical standards and ethics requirements.

A professional accountant* may disclose confidential information to third parties, when not obliged to do so by law or regulations, if the disclosure can be justified in the public interest and is not contrary to laws and regulations. Before making such disclosure, professional accountants* are encouraged to obtain legal or professional advice regarding their duties and obligations in the context of their professional and business relationships, and possible protection under the UK Public Interest Disclosure Act 1998. Further guidance on disclosure in the public interest is available in ‘Professional conduct and disclosure in relation to defaults or unlawful acts’ at www.icaew.com/regulations.

Confidentiality and privilege is a complex area. For example, information which is confidential may not be privileged and, therefore, may be admissible in court proceedings. Privilege is a difficult area, quite distinct from confidentiality, and it is recommended that further advice be taken if a professional accountant* is in doubt as to the action to be taken.


140.8 In deciding whether to disclose confidential information, relevant factors to consider include:

(a) Whether the interests of all parties, including third parties whose interests may be affected, could be harmed if the client or employer consents to the disclosure of information by the professional accountant*;

(b) Whether all the relevant information is known and substantiated, to the extent it is practicable; when the situation involves unsubstantiated facts, incomplete information or unsubstantiated conclusions, professional judgment shall be used in determining the type of disclosure to be made, if any;

(c) The type of communication that is expected and to whom it is addressed; and

(d) Whether the parties to whom the communication is addressed are appropriate recipients.

(e) Whether or not the information is privileged, either under Legal Professional Privilege or in Privileged Circumstances under section...
330 of the UK Proceeds of Crime Act 2002 (see Technical Release 02/06); and

(f) The legal and regulatory obligations and the possible implications of disclosure for the professional accountant*

140.9 The paragraphs above deal with professional accountants’ treatment of confidential information belonging to a client or employer. There is another context in which professional accountants* will be given or may obtain information which they must handle sensitively. Professional accountants* may be approached in confidence with information about alleged illegal or improper actions on the part of employees or management of the business for which the informant works or with which the informant has some other relationship. Professional accountants* may receive that information because of being trusted by the informant, or may receive it in connection with work their firm* is carrying out for the informant’s employer.

Whatever the circumstances in which the information comes to professional accountants*, the professional accountants* shall:

• Advise informants to pass the information to their employer through the medium of the employer’s own internal procedures (if they exist);

• Use their best endeavours to protect the identity of the informant, taking care not to mislead the informant as to the extent to which this can be done, and shall only cause the employer to be made aware of the informant’s identity where this cannot be avoided; and

• Take care in determining the quality of the information and how best to use it, if at all.


SECTION 150 – PROFESSIONAL BEHAVIOUR

150.1 The principle of professional behaviour imposes an obligation on all professional accountants* to comply with relevant laws and regulations and avoid any action that the professional accountant* knows or should know may discredit the profession. This includes actions that a reasonable and informed third party, weighing all the specific facts and circumstances available to the professional accountant* at that time, would be likely to conclude adversely affects the good reputation of the profession.

Professional accountants* shall conduct themselves with courtesy and consideration towards all with whom they come into contact when performing their work.

* See Definitions for parts A, B and C
150.2 In marketing and promoting themselves and their work, professional accountants* shall not bring the profession into disrepute. Professional accountants shall be honest and truthful and not:

(a) Make exaggerated claims for the services they are able to offer, the qualifications they possess, or experience they have gained; or

(b) Make disparaging references or unsubstantiated comparisons to the work of others.

APPENDIX TO PART A – FURTHER GUIDANCE ON ETHICAL CONFLICT RESOLUTION

Further guidance on the matters discussed in paragraph 100.18:

(a) Relevant facts

Seek to establish the known facts of the situation and any limitations. It may not be possible to obtain all relevant facts but the professional accountant* may be able to obtain more background information to address the limitations by:

• Referring to the organisation’s policy, procedures, code of conduct and previous history;
• Discussing the matter with parties internal and external to the organisation. For example trusted managers and colleagues.

(b) Relevant parties

Consider affected parties ranging from individuals, organisations to society. The parties to be considered include, but are not limited to, employees, employers, shareholders, consumers/clients, investors, government and the community at large.

(c) Ethical issues involved

Analyse the professional, organisational and personal ethical issues of the matter.

(d) Fundamental principles related to the matter in question

Refer to the guidance contained in this Code in order to establish which fundamental principles are affected by the situation.

(e) Established internal procedures

Refer to the employing organisation’s internal procedures and also consider which parties ought to be involved in the ethical conflict resolution process, in what role and at what stage. For example, the professional accountant* needs to consider when it would be appropriate to refer to external sources for help, such as ICAEW (see paragraphs 1.19 to 1.22 of this Code for sources of advice and guidance).

* See Definitions for parts A, B and C
Professional accountants* may find it useful to discuss the ethical conflict issue within the organisation with the following parties:

- Immediate superior;
- The next level of management;
- A corporate governance body, for example, the audit committee*;
- Other departments in the organisation which include, but are not limited to, legal, audit and human resources departments.

(f) Alternative courses of action

In considering courses of action, the professional accountant* is encouraged to consider the following:

- The organisation’s policies, procedures and guidelines;
- Applicable laws and regulations;
- Universal values and principles adopted by society;
- Long term and short term consequences;
- Symbolic consequences;
- Private and public consequences.

When evaluating the suggested course of action, a professional accountant* is expected to test the adequacy of the suggested course of action by considering the following:

- Have all consequences associated with the course of action been discussed and evaluated?
- Is there any reason why the suggested course of action will not stand the test of time?
- Would a similar course of action be undertaken in a similar situation?
- Would the suggested course of action stand scrutiny from peers, family and friends?

* See Definitions for parts A, B and C