The International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code) sets out the fundamental principles of ethics for professional accountants (PAs), reflecting the profession’s public interest responsibility. The principles apply to all PAs irrespective of their roles and responsibilities. Together with the Code’s conceptual framework, the principles provide a strong foundation for ethical decision-making.

Structure of the Code

The Code’s provisions are interconnected by design—using a “building blocks” approach and drafting conventions that minimize duplication. The conceptual framework in Part 1 applies equally across all professional activities, so this content is not repeated in Parts 2, 3 and 4. Instead, the other parts build on material covered in Part 1. This approach demonstrates the scalability of the Code’s provisions and emphasizes the overarching principles-based provisions in Part 1 that apply to all PAs in all situations.

Subsequent parts of the Code provide context-specific information relevant to specific facts and circumstances encountered by PAIBs and PAPPs. Complying with the Code requires an understanding of the relevant provisions in a particular section in the context of Part 1, together with the applicable provisions in Sections 200, 300, 400 and 900 (i.e., the general sections). Finally, the Code’s Glossary includes definitions and descriptions of terms.

Click here to learn more about the various topics that are covered in the Code.

PAPPs can’t ignore Part 2!

In addition to Parts 3 and 4, PAPPs must also follow Part 2 in certain circumstances. For example, if a PAPP sees questionable or inappropriate actions by a client, they would follow Section 360 from Part 3. If they see such actions by their own firm, they would follow Section 260 from Part 2.
The conceptual framework specifies an approach for all professional accountants to:

1. Identify threats to compliance with the fundamental principles (See Installment 2)
2. Evaluate the threats identified (See Installment 3)
3. Address the threats that are not at an acceptable level (See installment 4)

Let’s see how the Code’s building blocks fit together for a PAIB and a PAPP:

PAIB Scenario
A PAIB is under pressure from the CEO to take an aggressive approach to recognizing revenues for the current reporting period, which could cause the financial statements to be misleading. The PAIB consults Part 2 of the Code and finds that:

- Financial information needs to be presented in accordance with the appropriate financial reporting framework and cannot intentionally be misleading (see R220.4).
- Pressure from others inside or outside the organization cannot result in a breach of compliance with the fundamental principles (see R270.3).

PAPP Scenario in the Context of an Assurance Engagement
A PAPP has been offered the opportunity to attend a major sporting event with an audit or review client. The PAPP consults Parts 3 and 4A of the Code and finds that:

- A gift cannot be accepted from a client if the client is attempting to improperly influence their behavior (see R340.7).
- A gift cannot be accepted from a client unless the value is trivial and inconsequential (see R420.3).

In combination, the Code makes it clear that, even if the value is trivial and inconsequential, before deciding to accept the gift, the PAPP would need to evaluate the client’s intent.

PAPPs Versus PAIBs
A PAPP is a PA, irrespective of function or classification (e.g., audit, tax or consulting) in a firm that provides professional services. Any PA not in public practice is deemed to be “in business” (i.e., PAIB) and are required to comply with Parts 1 to 2.

Independence Versus the Fundamental Principles
As discussed in Installment 5, independence is not a fundamental principle, but the same threats to compliance with the principles can also threaten independence. The International Independence Standards include requirements and application material to explain how to apply the conceptual framework when performing audits, reviews and other assurance engagements.