

## IESBA Code of Ethics Prohibitions Applicable to Audits of Public Interest Entities

The Code of Ethics for Professional Accountants (the Code) issued by the International Ethics Standards Board for Accountants in July 2009 contains the prohibitions summarized below that apply to the audits of public interest entities. In addition to complying with these prohibitions, professional accountants are required to apply the *conceptual framework* set out in the Code to evaluate a service, interest, or relationship that is not prohibited by the Code. This includes situations where the Code does not specifically address the service, interest, or relationship.

The conceptual framework entails (a) identifying threats to independence, (b) evaluating the significance of the threats, and (c) applying safeguards, when necessary, to eliminate the threats or reduce them to an acceptable level. The requirement to apply the conceptual framework helps to ensure that a service, interest, or relationship is not automatically deemed to be permitted simply because it is not prohibited by the Code.

### Summary of Prohibitions

#### *Prohibited Non-Assurance Services*

##### *Prohibited Without Regard to Materiality*

- Assuming a management responsibility.
- Serving as General Counsel.
- Accounting services
- Bookkeeping services
- Payroll services
- Preparing the financial statements and related financial information.
- Promoting, dealing in, or underwriting client shares.
- Negotiating for the client.
- Recruiting directors/officers, or senior management who will have significant influence over accounting records or financial statements.
- Evaluating or compensating a key audit partner based on that partner's success in selling non-assurance services to the partner's audit client.

##### *Prohibited if material to the financial statements*

- Valuation services
- Calculations of current/deferred taxes.
- Tax or corporate finance advice that depends on a particular accounting treatment/financial statement presentation with respect to which there is reasonable doubt as to its appropriateness.
- Acting as an advocate before a public tribunal or court to resolve a tax matter.
- Internal audit services relating to internal controls over financial reporting, financial accounting systems, or financial statement amounts/disclosures.
- Designing/implementing financial reporting IT systems.
- Estimating damages or other amounts as part of litigation support services.
- Acting as an advocate to resolve a dispute.

#### *Prohibited Interests and Relationships*

- Financial interests in the client.
- Financial interests in an entity in which the client has a material interest, and can significantly influence.
- Loans from a client lending institution that have not been made under normal lending procedures, terms, and conditions, or from a client that is not a lending institution and that are material.
- Material loans to a client.
- Deposits with a client not held under normal terms.
- Close business relationships with a client that are significant or entail a material financial interest.
- Audit team members whose immediate family member is a client director/officer, or an employee able to significantly influence the accounting records or financial statements.
- Former audit team members or a partner joining the client if significant connections with the firm remain.
- A key audit partner or senior/managing partner joining a client before a defined period of time.
- A key audit partner serving for more than 7 years.
- An individual being on the audit team if, during the period covered by the audit, the person was a client director/officer, or an employee able to significantly influence the accounting records or financial statements.
- Partners/employees serving as a client director or officer.
- Contingent fees for an audit or assurance engagement or, when material to the firm, for a non-assurance service to the audit client.
- Accepting gifts or hospitality from the client that are other than trivial and inconsequential.