

Response to the IFAC Part 2, SMO Self-Assessment Questionnaire

Member Name: Bahrain Accountants Association

Country: Bahrain

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Number	Question Title/Text/Help text	Answer	Comments
IFAC Part 2 SMO Self-Assessment			
1.	SMO 1		
1.1.	Quality Assurance Program		
1.1.1.	<i>Quality Assurance Review Program</i> In your jurisdiction is there a mandatory quality assurance review program in place for members of your organization performing audits of financial statements of listed companies?	1 <input checked="" type="radio"/> Yes 2 <input type="radio"/> No	
1.2.	Responsibility for Quality Assurance - Overview		
1.2.1.	<i>Responsibility for Quality Assurance</i> Within your jurisdiction, is your organization responsible for monitoring the quality of the work of your members performing audits of financial statements? Select the answer option that is most appropriate.	1 <input type="radio"/> Yes - for all audits of financial statements 2 <input type="radio"/> Yes - for all audits except	

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		<p>those of listed entities</p> <p>3○ Our organization shares responsibility for the quality assurance program with another body</p> <p>4⊙ No, responsibility for quality assurance for all audits rests with another body</p> <p>5○ Other (please describe)</p> <p>6○ Not applicable - no members of our organization perform audits of listed entities</p>	
1.2.2.	<p><i>Name of Other Body Responsible for QA</i> State the name of the other body that is responsible for quality assurance review for all audits.</p>	<p>Ministry of Industry and Commerce (MOIC) and Central Bank of Bahrian (CBB)</p>	<p>It should be noted the all audit firms are registered with the Ministry of Industry and Commerce (MOIC) in an Auditors Register, and are licensed to operate in the Kingdom of Bahrain. The MOIC and the Central Bank of Bahrian (CBB) oversee the audit of public companies. The Bahrain Accountants Association, though not involved in setting of quality, ethical and professional standards, oversees the same based on IFAC pronouncements. An</p>

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			'Auditors Disiplinary Board' formed at the MOIC gives its opinion and advice on the ethics of the profession. This 'Auditors Disiplinary Board' can impose disciplinary penalties. Additionally a Ministerial order in 1997 prescribes the formation of 'The Auditors Affairs Committee' to prescribe professional ethics, standard accounting standards, and other rules and regulations. The Directorate of Commerce and Company Affairs has stipulated the use of International Accounting Standards.
1.2.4.	<i>Quality Assurance (Other Body) - Scope</i> Is the scope of the of the quality assurance review program implemented by another body materially narrower than the scope of the requirements of SMO1?	1 <input type="radio"/> Yes 2 <input checked="" type="radio"/> No	
1.3.	<i>Activities to promote SMO 1</i> Please describe what activities your organization undertakes to promote obligations set in SMO 1 Quality Assurance.	The current plans involve assistance to oversight bodies such as Central Bank of Bahrain, MOIC	

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		,The Auditors Disciplinary Board and the Auditors Affairs Committee. The latter two bodies are often referred cases by the MOIC and are required to resolve them during its sessions convened at the office of the MOIC.	
2.	SMO 2		
2.1.	<i>MB Membership Requirements</i> Which of the following are required for individuals to be admitted as members in your organization? Select all the options that are appropriate.	<p>1 <input type="checkbox"/> Complete a program of professional accountancy education</p> <p>2 <input type="checkbox"/> Complete a practical experience requirement</p> <p>3 <input type="checkbox"/> Complete a final assessment of the individual's professional capabilities and competencies</p> <p>4 <input checked="" type="checkbox"/> None of the above</p>	Overseas Chartered Accountant qualification
2.2.	<i>Continuous Professional Development</i> Is there a requirement for your members to develop and maintain competence through continuous professional development (CPD)?	<p>1 <input type="radio"/> Yes</p> <p>2 <input checked="" type="radio"/> No</p>	
2.3.	Professional Accountancy Education		
2.3.4.	<i>Prof Accountancy Education Follow Up</i>		

Number	Question Title/Text/Help text	Answer	Comments
	Please describe what does your organization require in terms of professional accountancy education for your members?	Chartered Accountant qualification from Commonwealth countries and CPA qualifications from certain countries.	
2.4.	Final Assessment Follow Up		
2.4.1.	<i>Final Assessment Approach Follow Up</i> Since your organization does not require completion of a final assessment, please describe how your organization assesses whether an individual has the required professional capabilities and competencies.	Every individual has to have a track record of working in a public accountant firm in addition to holding a professional qualification.	
2.4.2.	<i>Plans for Final Assessment</i> Are there plans to introduce a final assessment of professional capabilities and competence?	1 <input type="radio"/> Yes 2 <input checked="" type="radio"/> No	
2.4.4.	<i>Plans for Final Assessment Follow Up</i> Please explain why there is no plan to introduce a final assessment of professional capabilities and competence.	The profession is still in its early stage of development and such plans will be drafted in due course as the profession develops.	
2.5.	Practical Experience Follow Up		
2.5.1.	<i>Plans for Practical Experience</i> Are there plans to introduce a practical experience requirement?	1 <input type="radio"/> Yes 2 <input checked="" type="radio"/> No	
2.5.3.	<i>Practical Experience Plans Follow Up</i>		

Number	Question Title/Text/Help text	Answer	Comments
	Please explain why there is no plan to introduce a practical experience requirement.	BAA believes in regular update of professional knowledge of the members and this is ensured through various periodical update seminars. Further all the members possess practical experience even though this has not been made mandatory.	
2.6.	Continuous Professional Development Follow Up		
2.6.1.	<i>Plans to Develop CPD</i> Are there plans to introduce continuous professional development requirements?	1 <input type="radio"/> Yes 2 <input checked="" type="radio"/> No	
2.6.3.	<i>CPD Plans Follow Up</i> Please explain why there is no plan to introduce continuous professional development requirement.	Various periodical seminars are conducted for professional updates of the members of BAA. Further, BAA does not have any coercive rights over the members than to act as an oversight body to co-ordinate job of members.	
2.15.	<i>Activities to Promote IESs SMO 2</i> Please describe the activities your organization undertakes to promote and assist in implementing the pronouncements issued by IFAC's International Accounting Education Standards Board.	Periodical seminars are held on various major topics for regular update of members	

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3.	SMO 3		
3.1.	<p><i>Auditing Standards in Law/Regulation</i> Does law or regulation establish the set of auditing standards to be used in the audit of private sector listed entities and non-listed entities? Select all the answer options that are appropriate.</p> <p>Where the law / regulation establishes the auditing standards to be used by reference to the set of standards to be used by their name or by including the text of the standards in the law / regulation, please respond "yes" to this question. Section 3.8. of this module includes questions about the law / regulation.</p> <p>Where the law / regulation gives authority to a national standard-setter to establish the auditing standards, please respond "no". Section 3.2. of this module includes questions about the standard-setter and the auditing standards that are established.</p>	<p>1 <input checked="" type="checkbox"/> Yes for audits of listed entities</p> <p>2 <input checked="" type="checkbox"/> Yes for audits of non-listed entities</p> <p>3 <input type="checkbox"/> No for audits of listed entities</p> <p>4 <input type="checkbox"/> No for audits of non-listed entities</p>	
3.8.	Law/Reg and Auditing Standards		

Number	Question Title/Text/Help text	Answer	Comments
3.8.1.	<i>Law/Reg Auditing Standards - Private Sector</i> Is there only one set of auditing standards or are the auditing standards applicable to listed entities different from non-listed entities?	<p>1 <input checked="" type="radio"/> The auditing standards for listed entities and non-listed entities are the same set of standards</p> <p>2 <input type="radio"/> The auditing standards for listed entities and non-listed entities are not the same set of standards</p>	
3.8.2.	<i>Auditing Standards for Private Sector</i> Does the law/regulation require the use of IAASB pronouncements? Select the answer option that is most appropriate.	<p>1 <input checked="" type="radio"/> The law/regulation simply refers to IAASB pronouncements as the auditing standards (without bringing in the full or partial text of individual IAASB pronouncements)</p> <p>2 <input type="radio"/> The law/regulation contains the full text of each IAASB pronouncement</p> <p>3 <input type="radio"/> The law/regulation contains the basic principles and essential procedures of the IAASB pronouncement</p> <p>4 <input type="radio"/> The law / regulation has a requirement to use IAASB pronouncements using another approach (please describe)</p>	

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		5○ The law / regulation requires the use of national standards with no reference to IAASB pronouncements	
3.8.9.	<i>MB Responsibilities and IAASB SMO 3</i> Does your organization have responsibility for any of the following activities? Select all the answer options that are appropriate.	1□ Develop other authoritative pronouncements 2□ Promulgate the IAASB pronouncements established by law / regulation (e.g. by publishing or communicating the standards to the public) 3□ Other (please describe) 4☑ None of the above	
3.8.12.	<i>Other Organization Responsibilities SMO 3</i> Do any of the following organizations have responsibility for developing or implementing the auditing standards established in law / regulation?	1○ Another IFAC member body(ies) 2☉ Government or regulatory body 3○ Non-IFAC professional body 4○ Other organization	Auditor Affairs Committee and Auditors Disciplinary Board appointed by Ministry of Commerce
3.9.	Law / Reg and MB Responsibilities SMO 3		
3.9.1.	<i>Incorporation into Law/Reg SMO 3</i> Is information publicly available about the IAASB pronouncements that have been established into law/regulation, including:	1☉ Yes	

Number	Question Title/Text/Help text	Answer	Comments
	<p>The IAASB pronouncements that have been established into law / regulation; Whether the IAASB pronouncement established into law / regulation is the version in effect as at September 30, 2005; The effective date set by law / regulation where it differs from the IAASB pronouncement; The differences between the IAASB pronouncement and what was established into law / regulation; and The reasons for the differences?</p>	20 No	
3.9.2.	<p><i>Incorporation Description - Law/Reg SMO 3</i> If information about IAASB pronouncements that have been established into law / regulation is available in English, indicate this in your response and submit a copy of the information to Compliance Staff.</p> <p>If this information is not available, refer to the SMO 3 Comparison with IAASB Pronouncements.doc>SMO 3: Comparison with IAASB Pronouncements report by clicking on the link and complete it to the extent your organization is able to and submit it in Word</p>	10 Yes, information is available and in English and will be submitted to Compliance Staff	

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	<p>format to Compliance Staff.</p> <p>Indicate whether your organization will be submitting available information or the "SMO 3: Comparison with IAASB Pronouncements" report.</p>	<p>2○ No, information is not available; however our organization or jointly with another IFAC member / associate will complete the "SMO 3: Comparison with IAASB Pronouncements" report and submit it to Compliance Staff</p> <p>3○ No, information is not available</p>	
3.10.	Translation SMO 3		
3.10.1.	<p><i>Translation of IAASB Pronouncements</i></p> <p>Are the IAASB pronouncements translated into a national language?</p>	<p>1⊙ No as English is the national language or a widely spoken language</p> <p>2○ Yes, the IAASB pronouncements are translated</p> <p>3○ No and English is not an official language or is not widely spoken</p>	
3.11.	<p><i>Activities to Promote IAASB Pronouncements</i></p>		

Number	Question Title/Text/Help text	Answer	Comments
	Please describe the activities your organization undertakes to promote and assist in the implementation of IAASB pronouncements and other IAASB activities.	BAA co-ordinates conducting of periodic seminars of IAASB pronouncements and activities to update members.	
4.	SMO 4		
4.1.	Responsibility and National Ethical Requirements		
4.1.1.	<p><i>IFAC MB and Ethical Requirements</i> Does your organization establish ethical requirements (e.g. code of ethics, code of conduct, ethics rules, member regulations, etc.) to be complied with by your members?</p> <p>Help text: In some countries, ethical requirements may be established on a regional, provincial, or state basis. Where this is the case in your country for the ethical requirements that apply to your members, please contact Compliance Staff for further instruction.</p>	<p>1 <input checked="" type="radio"/> Yes, our organization does establish ethical requirements</p> <p>2 <input type="radio"/> No, our organization does not establish ethical requirements</p>	
4.1.2.	<p><i>IFAC MB and Convergence with IFAC Code</i> Has your organization implemented convergence with the IFAC Code of Ethics as an objective?</p>	<p>1 <input checked="" type="radio"/> Yes</p> <p>2 <input type="radio"/> No</p>	
4.1.9.	<p><i>IFAC MB Approach to Ethics</i> Which of the following options best describes your organization's activities to incorporate the IFAC Code?</p>	<p>1 <input type="radio"/> Our organization adopted the IFAC Code as issued without modifications</p>	

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	<p>For the purposes of the Part 2 SMO 4 module, modifications include: Deletion/omission of concepts, principles, or guidance that are established in the IFAC Code; Inclusion of concepts, principles, or guidance that are not in the IFAC Code; Other amendments that give rise to differences between your organization's ethical requirements and the IFAC Code.</p>	<p>2○ Our organization adopted the IFAC Code but with modifications 3⊙ Our organization has developed our own ethical requirements with a process to eliminate differences between our ethical requirements and the IFAC Code 4○ Our organization develops our own ethical requirements and uses another approach to incorporate the IFAC Code of Ethics</p>	
4.1.10.	<p><i>IFAC MB and Code - Eliminate Differences</i> Describe the process used to adopt the IFAC Code or the process used to eliminate</p>	<p>Reviews made to eliminate differences (if any)</p>	

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	differences between your organization's ethical requirements and the IFAC Code.		
4.2.	MB and Version of IFAC Code		
4.2.1.	<i>Version of IFAC Code</i> Which version of the IFAC Code was adopted or used as the basis for your organization's ethical requirements?	1 <input checked="" type="radio"/> The IFAC Code currently in effect, revised and issued in June 2004 2 <input type="radio"/> A version issued prior to 2004 3 <input type="radio"/> The revised IFAC Code issued and in effect June 30, 2006	
4.2.3.	<i>MB and Revised Code</i> Does your organization have plans to adopt the revised IFAC Code (effective June 30, 2006) or revise your ethical requirements to incorporate the revised IFAC Code? Select the option that is the most relevant.	1 <input type="radio"/> Our organization has already amended our ethical requirements for the revised IFAC Code (effective June 30, 2006) 2 <input checked="" type="radio"/> Our organization is in the process of amending or has included a plan to amend our ethical requirements for the revised IFAC Code (effective June 30, 2006) 3 <input type="radio"/> Our organization currently has not included in our work program a plan to amend our ethical requirements for the revised IFAC Code (effective	

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		June 30, 2006) 4○ Other (please describe)	
4.2.5.	<i>MB and Revision Plans</i> Please describe the work program timetable.	The work program of updating IFAC code into our program is in progress and would be completed within fixed time frame	
4.3.	<i>Ethical Requirements by Gov / Reg Bodies</i> In addition to the ethical requirements established by your organization, are there also laws or regulations that set out ethical requirements to be complied with by your members?	1⊙ Yes 2○ No	
4.4.	Gov / Reg Bodies and Ethical Requirements		
4.4.1.	<i>Gov/Reg Bodies - Ethical Requirements</i> Where ethical requirements applicable to your members are established in law or regulation, do they include any of the following types of laws and regulations? Select all the answer options that are appropriate.	1☑ There is a law / regulation (e.g. Audit Law, Accountants Law) that sets out ethical requirements to be complied with by all professional accountants 2☐ There is a law / regulation that sets out ethical requirements to be complied with by professional	

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		<p>accountants who audit listed entities</p> <p>3 <input type="checkbox"/> There is a law / regulation that sets out ethical requirements to be complied with by professional accountants who audit entities other than listed entities</p> <p>4 <input type="checkbox"/> There is a law / regulation that sets out ethical requirements to be complied with by professional accountants who provide services to the public (other than as auditors of listed or other entities)</p> <p>5 <input type="checkbox"/> There is a law / regulation that sets out ethical requirements for professional accountants employed in business</p> <p>6 <input type="checkbox"/> None of the above</p>	
4.4.3.	<p><i>Describe Law / Reg - Prof Accountants</i> Regarding your response to question 4.4.1 and the law / regulation for professional accountants, please: State the law / regulation's name; Provide a general description of the law / regulation; Describe how the law / regulation sets out</p>	<p>Bahrain Commercial Companies Law of 2001, Bahrain Audit Law of 1996, Disclosure Standards as issued by the Bahrain Monetary Agency in December 2003, Bahrain Stock Exchange Law of 1987. The Bankruptcy & Composition Law</p>	

Number	Question Title/Text/Help text	Answer	Comments
	the scope of professional accountants that it applies to.	(11 of 1987), Bahrain Stock Exchange Law (4 of 1987), Insurance Companies and Organisations Law(17 of 1987), Bahrain Monetary Agency Law(23 of 1973 as amended).	
4.4.7.	<i>Gov/Reg and Convergence</i> Please explain whether your organization has undertaken any activities to promote the IFAC Code of Ethics to the relevant government or regulatory body that sets ethical requirements. Include in your explanation descriptions of any specific activities and the outcome or the reasons why such activities have not been undertaken.	Periodical recommendations in the meeting with relevant government/regulatory body made to promote IFAC Code of Ethics	
4.5.	<i>Comparison of Requirements SMO 4</i> Does your organization have information that identifies any differences between the IFAC Code of Ethics currently in effect or the revised Code and the national ethical requirements? In responding to this question, differences include: Principles, concepts, and guidance in the IFAC Code that are not addressed in the national ethical requirements; Principles, concepts, and guidance in the	1 <input type="radio"/> Yes, our organization has this information and it will be submitted	

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	<p>IFAC Code that are not equivalent to the national ethical requirements; Principles, concepts, rules, regulations, laws, or other mandatory ethical requirements in national ethical requirements that are not addressed in the IFAC Code.</p> <p>The phrase "national ethical requirements" as used in this questionnaire refers to the totality of ethical requirements established by your organization and others including government and regulatory bodies that are applicable to your members.</p>	<p>2○ This information will be submitted by another IFAC member body</p> <p>3⊙ No, the information is not available</p>	
4.6.	Fundamental Principles - National		
4.6.1.	Integrity - Principle		
4.6.1.1.	<p><i>Integrity</i></p> <p>Do the national ethical requirements require professional accountants to comply with the fundamental principle "integrity" as described in the revised IFAC Code?</p>	<p>1○ Yes, professional accountants are required to comply with the same principle</p> <p>2⊙ Yes, professional accountants are required to comply with a similar or equivalent principle</p> <p>3○ The same or similar / equivalent principle has not</p>	

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			been established
4.6.1.2.	<i>Integrity Requirement</i> Is the principle set out in your organization's ethical requirements and / or in laws and regulations? Select all the answer options that are appropriate.	<input checked="" type="checkbox"/> Our organization's ethical requirements <input type="checkbox"/> Law that regulates professional accountants and / or auditors <input type="checkbox"/> Securities regulation <input checked="" type="checkbox"/> Other laws and / or regulation	
4.6.1.3.	<i>Integrity - Other</i> Please state the term used to describe this principle and how this principle is defined.	Definition covered in regulatory law issued by Ministry of Commerce	
4.6.2.	Objectivity - Principle		
4.6.2.1.	<i>Objectivity</i> Do the national ethical requirements require professional accountants to comply with the fundamental principle "objectivity" as described in the revised IFAC Code?	<input type="radio"/> Yes, professional accountants are required to comply with the same principle <input checked="" type="radio"/> Yes, professional accountants are required to comply with a similar or equivalent principle <input type="radio"/> The same or similar / equivalent principle has not been established	
4.6.2.2.	<i>Objectivity Requirement</i> Is the principle set out in your organization's	<input checked="" type="checkbox"/> Our organization's ethical	

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	ethical requirements and / or in laws and regulations? Select all the answer options that are appropriate.	<p>requirements</p> <p>2 <input type="checkbox"/> Law that regulates professional accountants and / or auditors</p> <p>3 <input type="checkbox"/> Securities regulation</p> <p>4 <input checked="" type="checkbox"/> Other laws and / or regulation</p>	
4.6.2.3.	<i>Objectivity - Other</i> Please state the term used to describe this principle and how this principle is defined.	The Objectivity term covered by Ministry of Industry & Commerce regulations	
4.6.3.	Professional Competence / Due Care - Principle		
4.6.3.1.	<i>Prof Competence / Due Care</i> Do the national ethical requirements require professional accountants to comply with the fundamental principle "professional competence and due care" as described in the revised IFAC Code?	<p>1 <input type="radio"/> Yes, professional accountants are required to comply with the same principle</p> <p>2 <input checked="" type="radio"/> Yes, professional accountants are required to comply with a similar or equivalent principle</p> <p>3 <input type="radio"/> The same or similar / equivalent principle has not been established</p>	
4.6.3.2.	<i>Prof Competence / Due Care Req</i> Is the principle set out in your organization's ethical requirements and / or in laws and	1 <input checked="" type="checkbox"/> Our organization's ethical requirements	

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	regulations? Select all the answer options that are appropriate.	<p>2 <input type="checkbox"/> Law that regulates professional accountants and / or auditors</p> <p>3 <input type="checkbox"/> Securities regulation</p> <p>4 <input checked="" type="checkbox"/> Other laws and / or regulation</p>	
4.6.3.3.	<i>Prof Competence / Due Care - Other</i> Please state the term used to describe this principle and how this principle is defined.	Coverage made under regulations of Ministry of Commerce provisions	
4.6.4.	Confidentiality - Principle		
4.6.4.1.	<i>Confidentiality</i> Do the national ethical requirements require professional accountants to comply with the fundamental principle "confidentiality" as described in the revised IFAC Code?	<p>1 <input type="radio"/> Yes, professional accountants are required to comply with the same principle</p> <p>2 <input checked="" type="radio"/> Yes, professional accountants are required to comply with a similar or equivalent principle</p> <p>3 <input type="radio"/> The same or similar / equivalent principle has not been established</p>	
4.6.4.2.	<i>Confidentiality Requirement</i> Is the principle set out in your organization's ethical requirements and / or in laws and regulations? Select all the answer options that are appropriate.	<p>1 <input checked="" type="checkbox"/> Our organization's ethical requirements</p> <p>2 <input type="checkbox"/> Law that regulates</p>	

Number	Question Title/Text/Help text	Answer	Comments
		professional accountants and / or auditors 3 <input type="checkbox"/> Securities regulation 4 <input checked="" type="checkbox"/> Other laws and / or regulation	
4.6.4.3.	<i>Confidentiality - Other</i> Please state the term used to describe this principle and how this principle is defined.	Coverage made under the regulations of Ministry of Commerce Articles	
4.6.5.	Professional Behavior - Principle		
4.6.5.1.	<i>Professional Behavior</i> Do the national ethical requirements require professional accountants to comply with the fundamental principle "professional behavior" as described in the revised IFAC Code?	1 <input type="radio"/> Yes, professional accountants are required to comply with the same principle 2 <input checked="" type="radio"/> Yes, professional accountants are required to comply with a similar or equivalent principle 3 <input type="radio"/> The same or similar / equivalent principle has not been established	
4.6.5.2.	<i>Professional Behavior Requirement</i> Is the principle set out in your organization's ethical requirements and / or in laws and regulations? Select all the answer options that are appropriate.	1 <input checked="" type="checkbox"/> Our organization's ethical requirements 2 <input type="checkbox"/> Law that regulates professional accountants and / or auditors	

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		3 <input type="checkbox"/> Securities regulation 4 <input checked="" type="checkbox"/> Other laws and / or regulation	
4.6.5.3.	<i>Professional Behavior - Other</i> Please state the term used to describe this principle and how this principle is defined.	Coverage made through Auditors disciplinary Board and Auditors Affairs Committee regulations	
4.7.	Threats and Safeguards - National		
4.7.1.	<i>Threats and Safeguards</i> Do the national ethical requirements establish a framework or principle similar or equivalent to the threats and safeguards framework as described in the revised IFAC Code (effective June 30, 2006)? Select the answer option that is the most appropriate.	1 <input type="radio"/> Yes, our organization has a threats and safeguards framework or similar / equivalent framework in our ethical requirements 2 <input type="radio"/> Yes, a threats and safeguards framework or similar / equivalent framework is in the ethical requirements established in law and / or regulation 3 <input checked="" type="radio"/> No, a threats and safeguards framework, or similar / equivalent framework has not been established in the national ethical requirements	
4.7.2.	<i>Threats and Safeguards Follow Up</i> Please explain whether your organization plans to introduce the "threats and	The areas covered and monitored by Auditors Disciplinary Board and	

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	<p>safeguards" concept into the ethical requirements.</p> <p>Where there are no plans to introduce this concept, please describe the special challenges, impediments, or conditions that are relevant to this matter.</p>	Auditors Affairs Committee of MOIC	
4.8.	Ethical Behavior Resolution		
4.8.1.	<p><i>Identifying and Resolving Unethical Behavior</i></p> <p>Are there specific requirements and guidance provided to assist your members in identifying and resolving ethical matters? Select all of the answer option that are appropriate.</p>	<p>1 <input type="checkbox"/> Yes, our organization has developed requirements for identifying and resolving ethical matters</p> <p>2 <input checked="" type="checkbox"/> Yes, government, regulatory, or oversight bodies have developed requirements for identifying and resolving ethical matters</p> <p>3 <input type="checkbox"/> No, there is no such requirements or guidance</p>	
4.8.3.	<p><i>Gov/Reg/Oversight and Ethical Conflict Resolution</i></p> <p>Are the ethical conflict resolution requirements and guidance established by government, regulators adopted from the IFAC Code or similar / equivalent to the</p>	1 <input type="radio"/> Yes, the requirements and guidance are adopted from the IFAC Code	

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	guidance in the Code? Select the answer option that is the most appropriate.	<p>2 <input type="radio"/> Yes, the IFAC Code was used as a model in developing the requirements</p> <p>3 <input checked="" type="radio"/> Yes, the requirements are similar / equivalent to the IFAC Code</p> <p>4 <input type="radio"/> No, the requirements differ from the IFAC Code</p>	
4.9.	Independence and Threats So Significant		
4.9.1.	<p><i>Provisions and Threats to Independence</i></p> <p>The "SMO 4: Provisions Relating to Threats to Independence" report refers to specific provisions of Section 290 of the revised IFAC Code of Ethics that are currently in effect. Section 290 requires members of assurance teams, firms, and when applicable, network firms be independent of assurance clients and describes specific circumstances that may give rise to threats to independence.</p>	<p>1 <input checked="" type="radio"/> Our organization will complete the "SMO 4: Provisions Relating to Threats to Independence" report</p>	
	<p>Where Section 290 is applicable to your members, the SMO 4: Provisions Relating to Threats to Independence report should be completed and submitted to Compliance Staff. Alternatively, where this information</p>		

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	<p>is available in another format it can be submitted instead of the report. Select the option below to confirm the information to be submitted.</p> <p>Help text: Section 290 of the revised Code of Ethics is currently in effect. Section 290 describes specific provisions that may give rise to threats to independence that are so significant, no safeguards are available to reduce the threat to an acceptable level. For some provisions the Code describes the actions that are available to address the threat.</p>	<p>2 <input type="radio"/> Our members provide assurance services; however, another IFAC member body will complete the "SMO 4; Provisions Relating to Threats to Independence" report or provide the relevant information to Compliance Staff.</p> <p>3 <input type="radio"/> Our members do not provide assurance services; therefore, Section 290 and the Provisions Relating to Threats to Independence is not applicable to our organization.</p>	
4.10.	National Ethical Requirements - Other		
4.10.1.	National - Prof Accountants		
4.10.1.1.	<p><i>National Additional - Prof Accountants</i> Are there rules, regulations, laws, or other mandatory ethical requirements established by your organization, government, regulatory or other bodies that your members must comply with but are not</p>	1 <input type="radio"/> Yes	

Number	Question Title/Text/Help text	Answer	Comments
	addressed in the revised IFAC Code (effective June 30, 2006)?	2⊙ No	
4.10.1.2.	<i>National Conflicts - Prof Accountants</i> Are there principles, concepts, and guidance in the revised IFAC Code (effective June 30, 2006) that conflict with national ethical requirements applicable to your requirements?	1⊙ Yes 2⊙ No	
4.10.2.	National - Public Practice		
4.10.2.1.	<i>National Additional - Public Practice</i> Are there rules, regulations, laws, or other mandatory ethical requirements established by your organization, government, regulatory or other bodies that are applicable to your members who are professional accountants in public practice that are not addressed in the revised IFAC Code (effective June 30, 2006)?	1⊙ Not applicable as our members do not operate as professional accountants in public practice	The MIOC in the Kingdom of Bahrain introduced the new Bahrain Commercial Companies Law which was effective from 1 January 2002. The BMA in conjunction with the Bahrain Stock Exchange (BSE) has currently introduced the Disclosure Standards applicable for all public listed companies with effect from January 2004. The MOC has currently initiated the process of collating electronically the financial information for all companies which are registered with them with the

Number	Question Title/Text/Help text	Answer	Comments
		<input type="radio"/> Yes <input checked="" type="radio"/> No	<p>intention of monitoring the timely submission and preparation of financial statements. The MOC has also issued Corporate Governance Guidelines applicable to all companies regulated by the Companies Act. eTransaction Law(22 of 2002) has been promulgated which regulates ecommerce companies and transactions and activities . Further, ecommerce activities are now regulated through a Ministerial Order No. (4 Of 2004) with respect to 'Accreditation and Supervision of Certification Service Providers'. There are no other amendments on the anvil presently.</p>
4.10.2.2.	<p><i>National Conflicts - Public Practice</i> Are there principles, concepts, and guidance in the revised IFAC Code (effective June 30, 2006) that conflict with national ethical requirements applicable to your members who are professional accountants in public</p>	<input type="radio"/> Not applicable as our members do not operate as professional accountants in public practice	

Number	Question Title/Text/Help text	Answer	Comments
	practice?	2 <input type="radio"/> Yes 3 <input checked="" type="radio"/> No	
4.10.3.	National - Business		
4.10.3.1.	<i>National Additional - Business</i> Are there rules, regulations, laws, or other mandatory ethical requirements established by your organization, government, regulatory or other bodies that are applicable to your members who are professional accountants in business that are not addressed in the revised IFAC Code (effective June 30, 2006)?	1 <input type="radio"/> Not applicable as our members do not operate as professional accountants employed in business 2 <input type="radio"/> Yes 3 <input checked="" type="radio"/> No	
4.10.3.2.	<i>National Conflicts - Business</i> Are there principles, concepts, and guidance in the revised IFAC Code (effective June 30, 2006) that conflict with national ethical requirements applicable to your members who are professional accountants employed in business?	1 <input type="radio"/> Not applicable as our members do not operate as professional accountants employed in business 2 <input type="radio"/> Yes 3 <input checked="" type="radio"/> No	
4.11.	<i>Translation of IFAC Code</i> Has your organization or others (e.g. government or regulatory body) translated the IFAC Code (in effect) or earlier versions of the Code? Select all the answer options that are appropriate.	1 <input checked="" type="checkbox"/> No, as English is an official language or widely spoken language	

Number	Question Title/Text/Help text	Answer	Comments
		<input type="checkbox"/> Yes, our organization has translated the IFAC Code <input type="checkbox"/> Yes, a government, regulatory, or other body has translated the IFAC Code <input type="checkbox"/> No, the IFAC Code has not been translated and English is not an official language or widely spoken language	
4.15.	<i>Activities to Promote IFAC Code of Ethics</i> Please describe the activities your organization undertakes to promote and assist in implementing the pronouncements (e.g. IFAC Code of Ethics) and work of IFAC's International Ethics Standards Board for Accountants.	Recommendations made during the course of meeting with relevant regulatory authorities by BAA representatives	
5.	SMO 5		
5.1.	<i>Public Sector Accounting Standards - Objective</i> Has the federal government / national government established convergence with International Public Sector Accounting Standards (IPSASs) as an objective?	<input type="radio"/> Yes <input type="radio"/> No <input checked="" type="radio"/> Information is not available or not known	
5.4.	<i>Activities to Promote IPSASB Pronouncements</i> Please describe the activities your	BAA does not have regulatory	

Number	Question Title/Text/Help text	Answer	Comments
	organization undertakes to promote pronouncements issued by the International Public Sector Accounting Standards Board. Please provide an explanation where such activities have not been undertaken because they are not within the scope of your organization's objectives or work program.	powers to introduce fresh pronouncements. All fresh pronouncements are discussed with regulatory authorities in meetings conducted for suitable adoption by the regulatory bodies	
6.	SMO 6		
6.1.	<i>Investigation and Discipline Program</i> In your jurisdiction is there a program for investigating and disciplining members of your organization for misconduct, including breaches of professional standards and rules?	1 <input checked="" type="radio"/> Yes	
		2 <input type="radio"/> No	
6.3.	Responsibility for Investigation and Discipline		
6.3.1.	<i>Body Responsible for Investigation and Discipline</i> Is your organization responsible for investigation and discipline of misconduct, including breaches of professional standards and rules by its individual members (and, if local laws and practices permit, by firms)? Select the answer option that is most appropriate.	1 <input type="radio"/> Yes, our organization has this responsibility	
		2 <input checked="" type="radio"/> No, responsibility for	

Number	Question Title/Text/Help text	Answer	Comments
		<p>investigation and discipline rests solely with an external body</p> <p>3○ Our organization shares responsibility for investigation and discipline with an external body</p> <p>4○ Other</p>	
6.3.2.	<p><i>Name of Body Responsible for Investigation and Discipline</i> Provide the name(s) of the external body responsible for investigation and discipline or the name of the body sharing this responsibility with the member body.</p>	<p>Auditors Disciplinary Board and the Auditors Affairs and Auditors Affairs Committee of Ministry of Commerce conducts required investigations</p>	
6.4.	<p><i>Activities to Promote SMO 6</i> Please describe what activities your organization undertakes to promote obligations set in SMO 6, Investigation and Discipline.</p>	<p>Recommendations are made by BAA representatives in their meeting with relevant regulatory authorities</p>	
7.	<p>SMO 7</p>		
7.1.	<p><i>Accounting Standards in Law/Regulation</i> Does law or regulation establish the set of accounting standards to be used for preparation of financial statements of private sector listed entities and non-listed entities? Select all the answer options that are appropriate.</p>	<p>1☑ Yes, for financial statements of listed entities</p>	

Number	Question Title/Text/Help text	Answer	Comments
	<p>Where the law / regulation establishes the accounting standards to be used by reference to the set of standards to be used by their name or by including the text of the standards in the law / regulation, please respond "yes" to this question. Section 7.8. of this module includes questions about the law / regulation.</p> <p>Where the law / regulation gives authority to a national standard-setter to establish the accounting standards, please respond "no". Section 7.2. of this module includes questions about the standard-setter and the accounting standards that are established.</p>	<p>2 <input checked="" type="checkbox"/> Yes, for financial statements of non-listed entities</p> <p>3 <input type="checkbox"/> No, for financial statements of listed entities</p> <p>4 <input type="checkbox"/> No, for financial statements of non-listed entities</p>	
7.8.	Law/Reg and Accounting Standards		
7.8.1.	<p><i>Law/Reg Accounting Standards - Private Sector</i></p> <p>Is there only one group of accounting standards or are the accounting standards applicable to listed entities different from non-listed entities?</p>	<p>1 <input checked="" type="radio"/> The accounting standards for listed entities and non-listed entities are the same set of standards</p> <p>2 <input type="radio"/> The accounting standards for</p>	

Number	Question Title/Text/Help text	Answer	Comments
		listed entities and non-listed entities are not the same set of standards	
7.8.2.	<p><i>Accounting Standards for Private Sector</i> Does the law/regulation require the use of International Financial Reporting Standards and other pronouncements issued by the International Accounting Standards Board? Select the answer option that is most appropriate.</p>	<p>1 <input checked="" type="radio"/> The law/regulation simply refers to International Financial Reporting Standards as the accounting standards (without bringing in the full or partial text of individual IFRSs)</p> <p>2 <input type="radio"/> The law/regulation contains the full text of each IFRS</p> <p>3 <input type="radio"/> The law/regulation contains the main principles of the IFRSs</p> <p>4 <input type="radio"/> The law / regulation has a requirement to use IFRSs using another approach (please describe)</p> <p>5 <input type="radio"/> The law / regulation requires the use of national standards with no reference to IFRSs</p>	
7.8.9.	<p><i>MB Responsibilities and IASB SMO 7</i> Does your organization have responsibility for any of the following activities? Select all the answer options that are appropriate.</p>	<p>1 <input type="checkbox"/> Develop other authoritative pronouncements</p> <p>2 <input type="checkbox"/> Promulgate the IFRSs established by law / regulation (e.g. by publishing</p>	

Number	Question Title/Text/Help text	Answer	Comments
		<p>or communicating the standards to the public)</p> <p>3 <input type="checkbox"/> Other (please describe)</p> <p>4 <input checked="" type="checkbox"/> None of the above</p>	
7.8.12.	<p><i>Other Organization SMO 7</i></p> <p>Do any of the following organizations have responsibility for developing or implementing the accounting standards established in law / regulation?</p>	<p>1 <input type="radio"/> Another IFAC member body(ies)</p> <p>2 <input checked="" type="radio"/> Government or regulatory body</p> <p>3 <input type="radio"/> Non-IFAC professional body</p> <p>4 <input type="radio"/> Other organization</p>	Ministry of Commerce
7.9.	Law/Reg and IASB Pronouncements		
7.9.1.	<p><i>Incorporation into Law/Reg SMO 7</i></p> <p>Is information publicly available about IFRSs and other IASB pronouncements that have been established into law/regulation, including:</p> <p>IFRSs and other IASB pronouncements that have been established into law / regulation; Whether the IFRS or IASB pronouncement established into law / regulation is the version in effect as at September 30, 2005; The effective date set by law / regulation where it differs from the IFRS or IASB pronouncement; The differences between IFRSs and IASB pronouncements and what was established</p>	<p>1 <input checked="" type="radio"/> Yes</p>	IFRS is mandated by the Audit LAW of Bahrain

Number	Question Title/Text/Help text	Answer	Comments
	into law / regulation; and The reasons for the differences?	2○ No	
7.9.2.	<p><i>Incorporation Description - Law/Reg SMO 7</i></p> <p>If the information about the status of IFRSs and other IASB pronouncements that have been established into law is available in English, indicate this in your response and submit a copy of the information to Compliance Staff.</p> <p>If this information is not available, complete the SMO 7 Comparison with IASB Pronouncements.doc SMO 7: Comparison with IASB Pronouncements report and submit it in Word format to Compliance Staff.</p> <p>Indicate whether your organization will be submitting available information or the "SMO 7: Comparison with IASB Pronouncements" report.</p>	<p>1○ Yes, information is available and in English and will be submitted to Compliance Staff</p> <p>2○ No, information is not available; however our organization or jointly with another IFAC member / associate will complete the "SMO 7: Comparison with IASB Pronouncements" and</p>	<p>The law is in Arabic and only the Arabic version has the force of law.</p>

Number	Question Title/Text/Help text	Answer	Comments
		<p>submit it to Compliance Staff</p> <p>3 <input checked="" type="radio"/> No, information is not available</p>	
7.10.	Translation SMO 7		
7.10.1.	<p><i>Translation of IFRSs</i></p> <p>Are the IFRSs and other IASB pronouncements translated into national language?</p>	<p>1 <input checked="" type="radio"/> No, as English is an official language or widely spoken language</p> <p>2 <input type="radio"/> Yes, the IFRSs are translated</p> <p>3 <input type="radio"/> No and English is not an official language or is not widely spoken</p>	
7.11.	<p><i>Promotion Activities SMO 7</i></p> <p>Please describe the activities your organization undertakes to promote and assist in the implementation of IFRSs and other IASB pronouncements and activities.</p>	<p>Periodical Seminars conducted in the Kingdom of Bahrain and discussions made with regulatory authorities</p>	
8.	Certification of Chief Executive		
8.1.	<p><i>Complete Certification</i></p> <p>Once all required questions have been completed, the Certification of Chief Executive should be signed and submitted to Compliance Staff. Click here to download a copy of the Certification form.</p>	<p>1 <input checked="" type="checkbox"/> Yes, the Certification of Chief Executive has been submitted</p> <p>2 <input type="checkbox"/></p>	

SMO 4: Provisions Relating to Threats to Independence

Section 290 of the revised IFAC Code of Ethics describe circumstances and relationships that may give rise to threats to independence so significant that no safeguard could reduce the threat to an acceptable level. Section 290 of the revised IFAC Code of Ethics is applicable to assurance engagements when the assurance report is dated on or after June 30, 2006.

The purpose of this report is to understand whether your country's national ethical requirements currently contain the same, equivalent or similar requirements as the revised IFAC Code of Ethics. If not, the report provides a basis for IFAC member bodies to explain whether the revised Section 290 is currently under development or how the national ethical requirements differ from the IFAC Code of Ethics.

Appendix 1 includes an extract of the relevant paragraphs of Section 290 of the revised IFAC Code of Ethics. It is necessary to refer to the full text of the Code of Ethics and the definitions as extracts do not include relevant concepts and definitions.

SMO 4: Provisions Relating to Threats to Independence

In completing this report, IFAC members and associate should refer to the terms defined in the revised IFAC Code of Ethics (see Definitions)

	Paragraph (refer to the full text of the relevant paragraph in the revised IFAC Code of Ethics)	Does the same /equivalent or similar national ethical requirement exist? Answer Options: 1. Yes 2. No 3. Under development – please describe 4. Other – please describe	Describe differences between the revised IFAC Code and the national ethical requirements including differences in scope of application and required actions and safeguards by the professional accountant.	Comment Box for additional information
	General:			It is emphasized here that national ethical requirements are not present in the Kingdom of Bahrain. However, in case of companies regulated by the Central Bank which included all financial institutions, money changers and listed companies stringent independence requirements exist which comply in all respects with the IFAC Code of Ethics.
1.	290.13	3 & 4	none	
2.	290.21	3 & 4	None	
	Restricted Use Reports:			
3.	290.19	No	NA	As above. Further, as most recognized firms in

	Paragraph (refer to the full text of the relevant paragraph in the revised IFAC Code of Ethics)	Does the same /equivalent or similar national ethical requirement exist? Answer Options: 1. Yes 2. No 3. Under development – please describe 4. Other – please describe	Describe differences between the revised IFAC Code and the national ethical requirements including differences in scope of application and required actions and safeguards by the professional accountant.	Comment Box for additional information
				Bahrain are well known international firms restricted use reports follow precisely IFAC ethical standards in the absence of local pronouncements.
	Engagement Period:			
4.	290.31	No	NA	As discussed above each firm and member of BAA takes independent measures to comply with the IFAC code of ethics
5.	290.32	No	NA	
6.	Provisions Applicable to All Assurance Clients:			
7.	290.106	No	NA	As discussed above each firm and member of BAA takes independent measures to comply with the IFAC code of ethics
	Provisions Applicable to			

	Paragraph (refer to the full text of the relevant paragraph in the revised IFAC Code of Ethics)	Does the same /equivalent or similar national ethical requirement exist? Answer Options: 1. Yes 2. No 3. Under development – please describe 4. Other – please describe	Describe differences between the revised IFAC Code and the national ethical requirements including differences in scope of application and required actions and safeguards by the professional accountant.	Comment Box for additional information
	Financial Statement Audit Clients:			
8.	290.113	No	NA	As discussed above each firm and member of BAA takes independent measures to comply with the IFAC code of ethics
9.	290.114	No	NA	
10.	290.115	No	NA	
11.	290.117	No	NA	
12.	290.119	No	NA	
13.	290.121	No	NA	
	Provisions Applicable to Non-Financial Statement Audit Assurance Clients:			
14.	290.122	No	NA	As discussed above
15.	290.123	No	NA	As discussed above
16.	290.124	No	NA	As discussed above
	Loans and Guarantees:			
17.	290.129	No	NA	As discussed above
18.	290.130	No	NA	As discussed above
19.	290.131	No	NA	As discussed above
20.	Close Business			

	Paragraph (refer to the full text of the relevant paragraph in the revised IFAC Code of Ethics)	Does the same /equivalent or similar national ethical requirement exist? Answer Options: 1. Yes 2. No 3. Under development – please describe 4. Other – please describe	Describe differences between the revised IFAC Code and the national ethical requirements including differences in scope of application and required actions and safeguards by the professional accountant.	Comment Box for additional information
	Relationships With Assurance Clients:			
21.	290.132	No	NA	As discussed above
	Family and Personal Relationships:			
22.	290.136	No	NA	As discussed above
	Recent Service with Assurance Clients:			
23.	290.147	No	NA	As discussed above
	Serving as an Officer or Director on the Board of Assurance Clients:			
24.	290.149	No	NA	As discussed above
25.	290.151	No	NA	As discussed above
	Financial Statement Audit Clients That are Listed Entities:			
26.	290.154	No	NA	As discussed above
	Provision of Non-Assurance services			

	Paragraph (refer to the full text of the relevant paragraph in the revised IFAC Code of Ethics)	Does the same /equivalent or similar national ethical requirement exist? Answer Options: 1. Yes 2. No 3. Under development – please describe 4. Other – please describe	Describe differences between the revised IFAC Code and the national ethical requirements including differences in scope of application and required actions and safeguards by the professional accountant.	Comment Box for additional information
	to Assurance Clients:			
27.	290.158	No	NA	As discussed above
28.	290.159	No	NA	As discussed above
29.	Preparing Accounting Records and Financial Statements:			
30.	290.167	No	NA	As discussed above
31.	290.171	No	NA	As discussed above
	Valuation Services:			
32.	290.176	No	NA	As discussed above
	Provision of Internal Audit Services to Financial Statement Audit Clients:			
33.	290.185	No	NA	As discussed above
	Provision of IT Systems Services to Financial Statement Audit			

	Paragraph (refer to the full text of the relevant paragraph in the revised IFAC Code of Ethics)	Does the same /equivalent or similar national ethical requirement exist? Answer Options: 1. Yes 2. No 3. Under development – please describe 4. Other – please describe	Describe differences between the revised IFAC Code and the national ethical requirements including differences in scope of application and required actions and safeguards by the professional accountant.	Comment Box for additional information
	Client:			
34.	290.188	No	NA	As discussed above
	Temporary Staff Assignments to Financial Statement Audit Clients:			
35.	290.192	No	NA	As discussed above
36.	290.200	No	NA	As discussed above
37.	290.202	No	NA	As discussed above
38.	290.204	No	NA	As discussed above
	Pricing:			
39.	290.209	No	NA	As discussed above
	Contingent Fees:			
40.	290.11	No	NA	As discussed above
	Gifts and Hospitality:			
41.	290.213	No	NA	As discussed above

Appendix 1: Section 290 Provisions

The following paragraphs from section 290 of the revised IFAC Code of Ethics describe circumstances and relationships that may give rise to threats to independence so significant that no safeguard could reduce the threat to an acceptable level. The provisions are effective.

General

- 290.13 The nature of the threats to independence and the applicable safeguards necessary to eliminate the threats or reduce them to an acceptable level differ depending on the characteristics of the individual assurance engagement: whether it is a financial statement audit engagement or another type of assurance engagement; and in the latter case, the purpose, subject matter information and intended users of the report. A firm should, therefore, evaluate the relevant circumstances, the nature of the assurance engagement and the threats to independence in deciding whether it is appropriate to accept or continue an engagement, as well as the nature of the safeguards required and whether a particular individual should be a member of the assurance team.
- 290.21 The threats and safeguards identified in this section are generally discussed in the context of interests or relationships between the firm, network firms, members of the assurance team and the assurance client. In the case of a financial statement audit client that is a listed entity, the firm and any network firms are required to consider the interests and relationships that involve that client's related entities. Ideally those entities and the interests and relationships should be identified in advance. For all other assurance clients, when the assurance team has reason to believe that a related entity of such an assurance client is relevant to the evaluation of the firm's independence of the client, the assurance team should consider that related entity when evaluating independence and applying appropriate safeguards.

Restricted Use Reports

- 290.19 In the case of an assurance report in respect of a non-financial statement audit client expressly restricted for use by identified users, the users of the report are considered to be knowledgeable as to the purpose, subject matter information and limitations of the report through their participation in establishing the nature and scope of the firm's instructions to deliver the services, including the criteria against which the subject matter are to be evaluated or measured. This knowledge and the enhanced ability of the firm to communicate about safeguards with all users of the report increase the effectiveness of safeguards to independence in appearance. These circumstances may be taken into account by the firm in evaluating the threats to independence and considering the applicable safeguards necessary to eliminate the threats or reduce them to an acceptable level. At a minimum, it will be necessary to apply the provisions of this section in evaluating the independence of members of the assurance team and their immediate and close family. Further, if the firm had a material financial interest,

whether direct or indirect, in the assurance client, the self-interest threat created would be so significant no safeguard could reduce the threat to an acceptable level. Limited consideration of any threats created by network firm interests and relationships may be sufficient.

Objective and Structure of This Section

290.24 The objective of this section is to assist firms and members of assurance teams in:

- (a) Identifying threats to independence;
- (b) Evaluating whether these threats are clearly insignificant; and
- (c) In cases when the threats are not clearly insignificant, identifying and applying appropriate safeguards to eliminate or reduce the threats to an acceptable level.

Consideration should always be given to what a reasonable and informed third party having knowledge of all relevant information, including safeguards applied, would reasonably conclude to be unacceptable. In situations when no safeguards are available to reduce the threat to an acceptable level, the only possible actions are to eliminate the activities or interest creating the threat, or to refuse to accept or continue the assurance engagement.

Engagement Period

290.31 The members of the assurance team and the firm should be independent of the assurance client during the period of the assurance engagement. The period of the engagement starts when the assurance team begins to perform assurance services and ends when the assurance report is issued, except when the assurance engagement is of a recurring nature. If the assurance engagement is expected to recur, the period of the assurance engagement ends with the notification by either party that the professional relationship has terminated or the issuance of the final assurance report, whichever is later.

290.32 In the case of a financial statement audit engagement, the engagement period includes the period covered by the financial statements reported on by the firm. When an entity becomes a financial statement audit client during or after the period covered by the financial statements that the firm will report on, the firm should consider whether any threats to independence may be created by:

- Financial or business relationships with the audit client during or after the period covered by the financial statements, but prior to the acceptance of the financial statement audit engagement; or
- Previous services provided to the audit client.

Similarly, in the case of an assurance engagement that is not a financial statement audit engagement, the firm should consider whether any financial or business relationships or previous services may create threats to independence.

Provisions Applicable to All Assurance Clients

- 290.106 If a member of the assurance team, or their immediate family member, has a direct financial interest, or a material indirect financial interest, in the assurance client, the self-interest threat created would be so significant the only safeguards available to eliminate the threat or reduce it to an acceptable level would be to:
- (a) Dispose of the direct financial interest prior to the individual becoming a member of the assurance team;
 - (b) Dispose of the indirect financial interest in total or dispose of a sufficient amount of it so that the remaining interest is no longer material prior to the individual becoming a member of the assurance team; or
 - (c) Remove the member of the assurance team from the assurance engagement.

Provisions Applicable to Financial Statement Audit Clients

- 290.113 If a firm, or a network firm, has a direct financial interest in a financial statement audit client of the firm the self-interest threat created would be so significant no safeguard could reduce the threat to an acceptable level. Consequently, disposal of the financial interest would be the only action appropriate to permit the firm to perform the engagement.
- 290.114 If a firm, or a network firm, has a material indirect financial interest in a financial statement audit client of the firm a self-interest threat is also created. The only actions appropriate to permit the firm to perform the engagement would be for the firm, or the network firm, either to dispose of the indirect interest in total or to dispose of a sufficient amount of it so that the remaining interest is no longer material.
- 290.115 If a firm, or a network firm, has a material financial interest in an entity that has a controlling interest in a financial statement audit client, the self-interest threat created would be so significant no safeguard could reduce the threat to an acceptable level. The only actions appropriate to permit the firm to perform the engagement would be for the firm, or the network firm, either to dispose of the financial interest in total or to dispose of a sufficient amount of it so that the remaining interest is no longer material.
- 290.117 If other partners, including partners who do not perform assurance engagements, or their immediate family, in the office in which the engagement partner practices in connection with the financial statement audit hold a direct financial interest or a material indirect financial interest in that audit client, the self-interest threat created would be so significant no safeguard could reduce the threat to an acceptable level. Accordingly, such partners or their immediate family should not hold any such financial interests in such an audit client.

- 290.119 If other partners and managerial employees who provide non-assurance services to the financial statement audit client, except those whose involvement is clearly insignificant, or their immediate family, hold a direct financial interest or a material indirect financial interest in the audit client, the self-interest threat created would be so significant no safeguard could reduce the threat to an acceptable level. Accordingly, such personnel or their immediate family should not hold any such financial interests in such an audit client.
- 290.121 A self-interest threat may be created if the firm, or the network firm, or a member of the assurance team has an interest in an entity and a financial statement audit client, or a director, officer or controlling owner thereof also has an investment in that entity. Independence is not compromised with respect to the audit client if the respective interests of the firm, the network firm, or member of the assurance team, and the audit client, or director, officer or controlling owner thereof are both immaterial and the audit client cannot exercise significant influence over the entity. If an interest is material, to either the firm, the network firm or the audit client, and the audit client can exercise significant influence over the entity, no safeguards are available to reduce the threat to an acceptable level and the firm, or the network firm, should either dispose of the interest or decline the audit engagement. Any member of the assurance team with such a material interest should either:
- (a) Dispose of the interest;
 - (b) Dispose of a sufficient amount of the interest so that the remaining interest is no longer material; or
 - (c) Withdraw from the audit.
- 290.122 If a firm has a direct financial interest in an assurance client that is not a financial statement audit client the self-interest threat created would be so significant no safeguard could reduce the threat to an acceptable level. Consequently, disposal of the financial interest would be the only action appropriate to permit the firm to perform the engagement.
- 290.123 If a firm has a material indirect financial interest in an assurance client that is not a financial statement audit client a self-interest threat is also created. The only action appropriate to permit the firm to perform the engagement would be for the firm to either dispose of the indirect interest in total or to dispose of a sufficient amount of it so that the remaining interest is no longer material.
- 290.124 If a firm has a material financial interest in an entity that has a controlling interest in an assurance client that is not a financial statement audit client, the self-interest threat created would be so significant no safeguard could reduce the threat to an acceptable level. The only action appropriate to permit the firm to perform the engagement would be for the firm either to dispose of the financial interest in total or to dispose of a sufficient amount of it so that the remaining interest is no longer material.

Loans and Guarantees

- 290.129 If the firm, or a member of the assurance team, makes a loan to an assurance client, that is not a bank or similar institution, or guarantees such an assurance client's borrowing, the self-interest threat created would be so significant no safeguard could reduce the threat to an acceptable level, unless the loan or guarantee is immaterial to both the firm or the member of the assurance team and the assurance client.
- 290.130 Similarly, if the firm or a member of the assurance team accepts a loan from, or has borrowing guaranteed by, an assurance client that is not a bank or similar institution, the self-interest threat created would be so significant no safeguard could reduce the threat to an acceptable level, unless the loan or guarantee is immaterial to both the firm or the member of the assurance team and the assurance client.
- 290.131 The examples in paragraphs 290.126 through 290.130 relate to loans and guarantees between the firm and an assurance client. In the case of a financial statement audit engagement, the provisions should be applied to the firm, all network firms and the audit client.
- 290.132 In the case of a financial statement audit client, unless the financial interest is immaterial and the relationship is clearly insignificant to the firm, the network firm and the audit client, no safeguards could reduce the threat to an acceptable level. In the case of an assurance client that is not a financial statement audit client, unless the financial interest is immaterial and the relationship is clearly insignificant to the firm and the assurance client, no safeguards could reduce the threat to an acceptable level. Consequently, in both these circumstances the only possible courses of action are to:
- (a) Terminate the business relationship;
 - (b) Reduce the magnitude of the relationship so that the financial interest is immaterial and the relationship is clearly insignificant; or
 - (c) Refuse to perform the assurance engagement.

Unless any such financial interest is immaterial and the relationship is clearly insignificant to the member of the assurance team, the only appropriate safeguard would be to remove the individual from the assurance team.

Family and Personal Relationships

- 290.136 When an immediate family member of a member of the assurance team is a director, an officer or an employee of the assurance client in a position to exert direct and significant influence over the subject matter information of the assurance engagement, or was in such a position during any period covered by the engagement, the threats to independence can only be reduced to an acceptable level by removing the individual from the assurance team. The

closeness of the relationship is such that no other safeguard could reduce the threat to independence to an acceptable level. If application of this safeguard is not used, the only course of action is to withdraw from the assurance engagement. For example, in the case of an audit of financial statements, if the spouse of a member of the assurance team is an employee in a position to exert direct and significant influence over the preparation of the audit client's accounting records or financial statements, the threat to independence could only be reduced to an acceptable level by removing the individual from the assurance team.

Recent Services with Assurance Clients

290.147 If, during the period covered by the assurance report, a member of the assurance team had served as an officer or director of the assurance client, or had been an employee in a position to exert direct and significant influence over the subject matter information of the assurance engagement, the threat created would be so significant no safeguard could reduce the threat to an acceptable level. Consequently, such individuals should not be assigned to the assurance team.

Serving as an Officer or Director on the Board of Assurance Clients

290.149 If a partner or employee of the firm serves as an officer or as a director on the board of an assurance client the self-review and self-interest threats created would be so significant no safeguard could reduce the threats to an acceptable level. In the case of a financial statement audit engagement, if a partner or employee of a network firm were to serve as an officer or as a director on the board of the audit client the threats created would be so significant no safeguard could reduce the threats to an acceptable level. Consequently, if such an individual were to accept such a position the only course of action is to refuse to perform, or to withdraw from the assurance engagement.

290.151 If a partner or employee of the firm or a network firm serves as Company Secretary for a financial statement audit client the self-review and advocacy threats created would generally be so significant, no safeguard could reduce the threat to an acceptable level. When the practice is specifically permitted under local law, professional rules or practice, the duties and functions undertaken should be limited to those of a routine and formal administrative nature such as the preparation of minutes and maintenance of statutory returns.

Financial Statement Audit Clients That are Listed Entities

290.154 Using the same engagement partner or the same individual responsible for the engagement quality control review on a financial statement audit over a prolonged period may create a familiarity threat. This threat is particularly relevant in the context of the financial statement audit of a listed entity and safeguards should be applied in such situations to reduce such threat to an acceptable level. Accordingly in respect of the financial statement audit of listed entities:

- (a) The engagement partner and the individual responsible for the engagement quality control review should be rotated after serving in either capacity, or a combination thereof, for a pre-defined period, normally no more than seven years; and
- (b) Such an individual rotating after a pre-defined period should not participate in the audit engagement until a further period of time, normally two years, has elapsed.

Provision of Non-assurance Services to Assurance Clients

290.158 Firms have traditionally provided to their assurance clients a range of non-assurance services that are consistent with their skills and expertise. Assurance clients value the benefits that derive from having these firms, which have a good understanding of the business, bring their knowledge and skill to bear in other areas. Furthermore, the provision of such non-assurance services will often result in the assurance team obtaining information regarding the assurance client's business and operations that is helpful in relation to the assurance engagement. The greater the knowledge of the assurance client's business, the better the assurance team will understand the assurance client's procedures and controls, and the business and financial risks that it faces. The provision of non-assurance services may, however, create threats to the independence of the firm, a network firm or the members of the assurance team, particularly with respect to perceived threats to independence. Consequently, it is necessary to evaluate the significance of any threat created by the provision of such services. In some cases it may be possible to eliminate or reduce the threat created by application of safeguards. In other cases no safeguards are available to reduce the threat to an acceptable level.

290.159 The following activities would generally create self-interest or self-review threats that are so significant that only avoidance of the activity or refusal to perform the assurance engagement would reduce the threats to an acceptable level:

- Authorizing, executing or consummating a transaction, or otherwise exercising authority on behalf of the assurance client, or having the authority to do so.
- Determining which recommendation of the firm should be implemented.
- Reporting, in a management role, to those charged with governance.

Preparing Accounting Records and Financial Statements

290.167 It is the responsibility of financial statement audit client management to ensure that accounting records are kept and financial statements are prepared, although they may request the firm to provide assistance. If firm, or network firm, personnel providing such assistance make management decisions, the self-

review threat created could not be reduced to an acceptable level by any safeguards. Consequently, personnel should not make such decisions. Examples of such managerial decisions include:

- Determining or changing journal entries, or the classifications for accounts or transaction or other accounting records without obtaining the approval of the financial statement audit client;
- Authorizing or approving transactions; and
- Preparing source documents or originating data (including decisions on valuation assumptions), or making changes to such documents or data.

Financial Statement Audit Clients That are Listed Entities

290.171 The provision of accounting and bookkeeping services, including payroll services and the preparation of financial statements or financial information which forms the basis of the financial statements on which the audit report is provided, on behalf of a financial statement audit client that is a listed entity, may impair the independence of the firm or network firm, or at least give the appearance of impairing independence. Accordingly, no safeguard other than the prohibition of such services, except in emergency situations and when the services fall within the statutory audit mandate, could reduce the threat created to an acceptable level. Therefore, a firm or a network firm should not, with the limited exceptions below, provide such services to a listed entity that is a financial statement audit client.

Valuation Services

290.176 If the valuation service involves the valuation of matters material to the financial statements and the valuation involves a significant degree of subjectivity, the self-review threat created could not be reduced to an acceptable level by the application of any safeguard. Accordingly, such valuation services should not be provided or, alternatively, the only course of action would be to withdraw from the financial statement audit engagement.

Provision of Internal Audit Services to Financial Statement Audit Clients

290.185 Safeguards that should be applied in all circumstances to reduce any threats created to an acceptable level include ensuring that:

- (a) The audit client is responsible for internal audit activities and acknowledges its responsibility for establishing, maintaining and monitoring the system of internal controls;
- (b) The audit client designates a competent employee, preferably within senior management, to be responsible for internal audit activities;
- (c) The audit client, the audit committee or supervisory body approves the scope, risk and frequency of internal audit work;

- (d) The audit client is responsible for evaluating and determining which recommendations of the firm should be implemented;
- (e) The audit client evaluates the adequacy of the internal audit procedures performed and the findings resulting from the performance of those procedures by, among other things, obtaining and acting on reports from the firm; and
- (f) The findings and recommendations resulting from the internal audit activities are reported appropriately to the audit committee or supervisory body.

Provision of IT Systems Services to Financial Statement Audit Clients

290.188 The self-review threat is likely to be too significant to allow the provision of such services to a financial statement audit client unless appropriate safeguards are put in place ensuring that:

- (a) The audit client acknowledges its responsibility for establishing and monitoring a system of internal controls;
- (b) The audit client designates a competent employee, preferably within senior management, with the responsibility to make all management decisions with respect to the design and implementation of the hardware or software system;
- (c) The audit client makes all management decisions with respect to the design and implementation process;
- (d) The audit client evaluates the adequacy and results of the design and implementation of the system; and
- (e) The audit client is responsible for the operation of the system (hardware or software) and the data used or generated by the system.

Temporary Staff Assignments to Financial Statement Audit Client

290.192 The lending of staff by a firm, or network firm, to a financial statement audit client may create a self-review threat when the individual is in a position to influence the preparation of a client's accounts or financial statements. In practice, such assistance may be given (particularly in emergency situations) but only on the understanding that the firm's or network firm's personnel will not be involved in:

- (a) Making management decisions;
- (b) Approving or signing agreements or other similar documents; or
- (c) Exercising discretionary authority to commit the client.

Each situation should be carefully analyzed to identify whether any threats are created and whether appropriate safeguards should be implemented. Safeguards

that should be applied in all circumstances to reduce any threats to an acceptable level include:

- The staff providing the assistance should not be given audit responsibility for any function or activity that they performed or supervised during their temporary staff assignment; and
- The audit client should acknowledge its responsibility for directing and supervising the activities of firm, or network firm, personnel.

Provision of Legal Services to Financial Statement Audit Clients

290.200 Acting for a financial statement audit client in the resolution of a dispute or litigation in such circumstances when the amounts involved are material in relation to the financial statements of the audit client would create advocacy and self-review threats so significant no safeguard could reduce the threat to an acceptable level. Therefore, the firm should not perform this type of service for a financial statement audit client.

290.202 The appointment of a partner or an employee of the firm or network firm as General Counsel for legal affairs to a financial statement audit client would create self-review and advocacy threats that are so significant no safeguards could reduce the threats to an acceptable level. The position of General Counsel is generally a senior management position with broad responsibility for the legal affairs of a company and consequently, no member of the firm or network firm should accept such an appointment for a financial statement audit client.

Corporate Finance and Similar Activities

290.204 The provision of corporate finance services, advice or assistance to an assurance client may create advocacy and self-review threats. In the case of certain corporate finance services, the independence threats created would be so significant no safeguards could be applied to reduce the threats to an acceptable level. For example, promoting, dealing in, or underwriting of an assurance client's shares is not compatible with providing assurance services. Moreover, committing the assurance client to the terms of a transaction or consummating a transaction on behalf of the client would create a threat to independence so significant no safeguard could reduce the threat to an acceptable level. In the case of a financial statement audit client the provision of those corporate finance services referred to above by a firm or a network firm would create a threat to independence so significant no safeguard could reduce the threat to an acceptable level.

Contingent Fees

290.211 A contingent fee charged by a firm in respect of an assurance engagement creates self-interest and advocacy threats that cannot be reduced to an

acceptable level by the application of any safeguard. Accordingly, a firm should not enter into any fee arrangement for an assurance engagement under which the amount of the fee is contingent on the result of the assurance work or on items that are the subject matter information of the assurance engagement.

Gifts and Hospitality

290.213 Accepting gifts or hospitality from an assurance client may create self-interest and familiarity threats. When a firm or a member of the assurance team accepts gifts or hospitality, unless the value is clearly insignificant, the threats to independence cannot be reduced to an acceptable level by the application of any safeguard. Consequently, a firm or a member of the assurance team should not accept such gifts or hospitality.