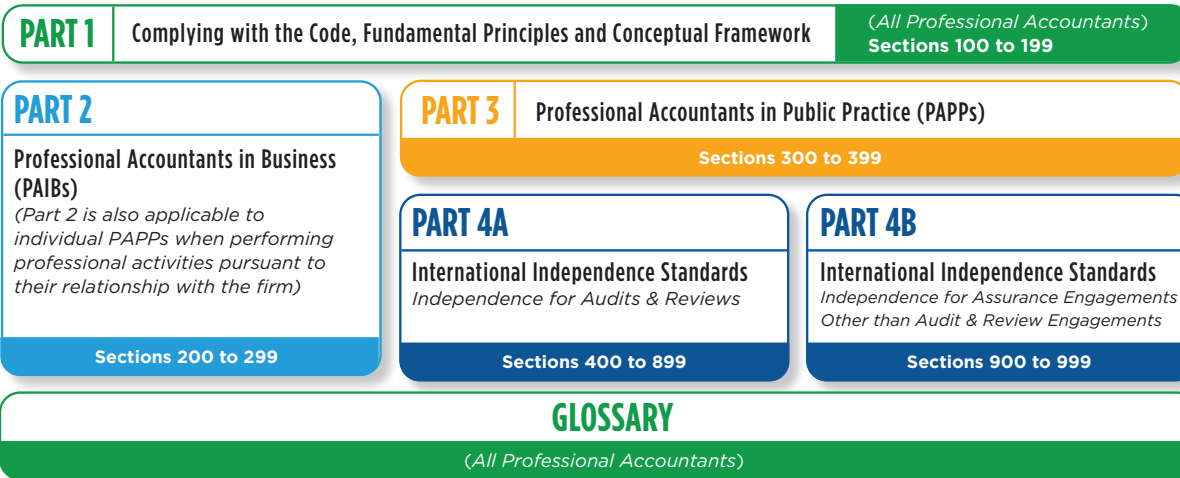


EXPLORING THE IESBA CODE

The Building Blocks Installment



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.

The building blocks approach demonstrates the interconnected structure of the Code.

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:

Identify threats to compliance with the fundamental principles (See [Installment 2](#))

Evaluate the threats identified (See [Installment 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.

The introductory paragraphs in each Section of the Code remind PAs to apply the **conceptual framework** to identify, evaluate and address threats to compliance with the fundamental principles. These paragraphs also highlight the different types of threats that might arise and the fundamental principle that might be impacted. In this way, the structure of the Code always keeps the PA focused on applying the conceptual framework, no matter the situation.

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.*

WHERE TO GET ASSISTANCE?



More information and an overview of the topics covered in the Code is included in the publication titled, ***Overview of the IESBA Code - Parts and Sections.***

The eCode, which is available at www.IESBAeCode.org is an on-line resource for accountants and other users of the Code. It provides quick and efficient access to the Code, making it easier to use, implement, and enforce.

