

“Ethics is knowing the difference between what you have a right to do, and what is right to do”.

This is a quote from Potter Stewart and is very true when it comes to the moral principles that governs the behaviour of a person or group, in a business environment.

In this KLIP, we will cover:

Introduction to International Code of Ethics

The agenda is:

- 1) Background
- 2) Purpose of the Code
- 3) Structure and overview of the Code

1) Background

The emphasis of ethics is on how a professional should act to a situation and in the public interest.

Ethical codes

The Code sets out fundamental principles of ethics for Professional Accountants (PAs) to abide by, so as to enhance their profession, maintain public trust, and demonstrate honesty and fairness.

The International Federation of Accountants (IFAC) serves for the public interest and advocates for transparency, accountability, and comparability of financial reporting. It also helps develop the accountancy profession and communicates the importance and value of accountants to the global financial infrastructure.

As part of its public interest mandate, IFAC contributes to the development, adoption, and implementation of high-quality international ethics standards for accountants, primarily through its support of the International Ethics Standards Board for Accountants (IESBA).

Compliance with this Code is mandatory for all PAs and failure to observe the Code may result in disciplinary action.

In Singapore, Ethical Pronouncements (EP) 100 is modelled after the Code of Ethics for Professional Accountants, issued by the IESBA of the IFAC.

EP 100 also encompasses Singapore provisions included in the Code of Professional Conduct, and Ethics for Public Accountants and Accounting Entities issued by the Accounting and Corporate Regulatory Authority (ACRA).

This 2020 edition replaces the 2018 edition of the handbook and contains the following updates:

- ❖ *Revisions to Part 4B of the Code, seeks to align with the Terms and Concepts Used in International Standard on Assurance Engagements 3000 (Revised); and*
- ❖ *Revisions to the Code to Promote the Role and Mindset Expected of Professional Accountants.*

Revisions to Part 4B

Key revisions to Part 4B include:

- ♣ Revised definition of the term “assurance client”

- ♣ Amendments to certain independence requirements
- ♣ Greater clarity as to the parties involved in an assurance engagement, and their roles and responsibilities, and the related independence requirements that apply
- ♣ Clearer distinction between the types of assurance engagement covered in Part 4A (addressing independence for audit and review engagements) and Part 4B

Role and Mindset Expected

Role & Mindset provisions reaffirm the responsibility of PAs to act in the public interest and the fundamental role of the Ethics Code in meeting that responsibility.

Key revisions include:

- ♣ Reinforce the qualities of the fundamental principles of integrity, objectivity and professional behaviour.
- ♣ Raise behavioural expectations of all PAs through requiring them to have an inquiring mind as they undertake their professional activities.
- ♣ Emphasize the importance of PAs being aware of the potential influence of bias in their judgments and decisions.
- ♣ Highlight the supportive role that a positive organizational culture can play in promoting ethical conduct and business.

2. Purpose of the Code.

The Code sets out the high-quality standards of ethical behaviour expected of the Professional Accountants for adoption, to reflect their public interest responsibility. As per International Federation of Accountants (IFAC) the Code establishes the five fundamental principles to be complied with by the professional accountants.

The 5 fundamental principles are:

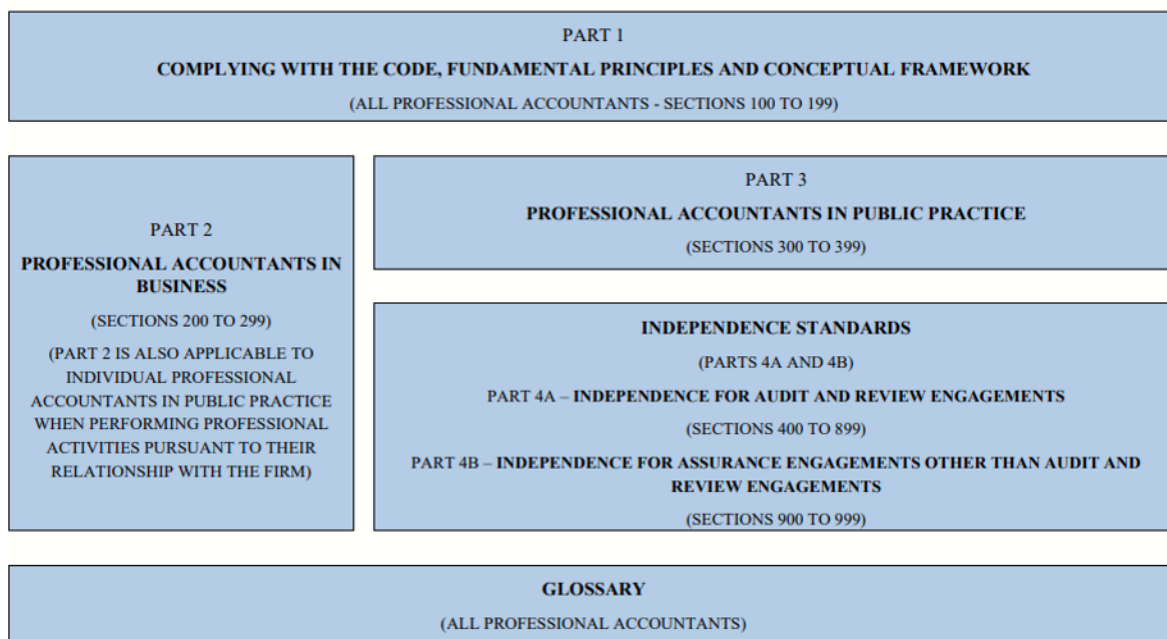
1. Integrity
2. Objectivity
3. Professional competence and due care
4. Confidentiality
5. Professional behaviour

The Code provides a conceptual framework to apply in order to identify, evaluate and address threats in compliance with the fundamental principles. The Code also applies the fundamental principles and the conceptual framework to a range of facts and circumstances that accountants might encounter, whether in business or in public practice.

3. Structure and overview of the Code

Please take a few moments to look at the structure infographic:

OVERVIEW OF THE CODE



A brief description on each parts of the Code is as follows:

Part 1

Includes the fundamental principles and the conceptual framework and is applicable to **all professional accountants**.

Part 2 & 3

The Code illustrates how the conceptual framework is to be applied in specific situations.

Part 2 applies to **professional accountants in business**; and

Part 3 applies to **professional accountants in public practice**.

Part 4

The Code sets out **additional material for independence standards**, that applies to **professional accountants in public practice when providing assurance services**.

We will discuss in detail on each parts in our following KLiPs.

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