The Institute of
Chartered Accountants
of Pakistan

CA
PAKISTAN

HEAD OFFICE

Circular No. 06/2019

October 30, 2019

ALL MEMBERS OF THE INSTITUTE

Dear Member

CODE OF ETHICS FOR CHARTERED ACCOUNTANTS (REVISED 2019)

On the recommendation of the Auditing Standards and Ethics Committee (the Committee), the Council of the Institute in its 316th meeting held on July 25-26, 2019 has adopted the *Code of Ethics for Chartered Accountants (Revised 2019)*, effective from July 01, 2020.

Background

The code of ethics sets out the fundamental principles of ethics for professional accountants, reflecting the accountancy profession's recognition of its public interest responsibility.

The Institute is a member of International Federation of Accountants (IFAC). The International Ethics Standards Board for Accountants (IESBA) of IFAC is an independent standard-setting board, responsible for developing an internationally appropriate and recognised code of ethics for professional accountants. The Institute for its Code of Ethics for Chartered Accountants has been adapting the IESBA issued Code of Ethics for Professional Accountants.

IESBA issues Revised Code of Ethics

In July 2018, IESBA issued the revised and restructured code of ethics through the Handbook of *International Code of Ethics for Professional Accountants - including International Independence Standards* (revised IESBA Code of Ethics). The revised IESBA Code of Ethics has replaced the earlier version of the IESBA issued Code of Ethics for Professional Accountants.

The revisions and restructuring of the IESBA Code of Ethics is a result of major international review resulting in a significant revision to the ethical framework of accountancy profession. As a result of this review IESBA has completely re-written and re-structured the code of ethics with the objective to make it easier to navigate, understand and enforce. In addition to the new structure the revised IESBA Code of Ethics brings together key ethics advances of the last few years.

The Institute's Code of Ethics for Chartered Accountants (Revised 2019)

Adoption due process

The Committee undertook a comprehensive study and review of the IESBA issued revised Code of Ethics for the updation and revision of the Institute's Code of Ethics for Chartered Accountants. The Committee made few necessary changes in the IESBA Code of Ethics to develop the *Code of Ethics for Chartered Accountants (Revised 2019)* (revised ICAP Code of Ethics). These changes were necessary to align the ethical requirements with the provisions of the Chartered Accountants Ordinance, 1961 and relevant local laws.

Further to the Committee's deliberations, the draft revised ICAP Code of Ethics was exposed to the members for their comments (vide Circular No. 1 dated April 3, 2019). Furthermore, the Institute as part of outreach and consultation activities organised seminars on the draft revised ICAP Code of Ethics, in Karachi, Lahore and Islamabad. Members from Karachi, Lahore, Islamabad and other cities participated in these seminars.

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Significant changes in the revised ICAP Code of Ethics

The revised ICAP Code of Ethics is based on the latest version of IESBA Code of Ethics issued in July 2018. Consequently, it brings in following key enhancements in comparison to the extant ICAP Code of Ethics for Chartered Accountants:

- Completely re-written and structured in four parts for ease of use and navigation. The requirements are identified with the letter 'R', while the application guidance paragraphs are denoted with the letter 'A'.
- Contains an enhanced and more prominently featured conceptual framework.
- Provides the framework to guide the chartered accountants as to what actions to take in the public interest when they become aware of a potential illegal act (known as Non Compliance with Laws and Regulations (NOCLAR).
- Strengthens independence provisions relating to the long association of personnel with an audit or assurance client. Now the required cooling off period is:
  - 5 years for Engagement Partner
  - 3 years for Engagement Quality Control Reviewer
  - 2 years for other Key Audit Partner
- Strengthens the provisions pertaining to the offering or accepting of inducements, including gifts and hospitality.
- Brings in new application material to emphasize the importance of understanding facts and circumstances when exercising professional judgment.
- Outlines new and revised sections dedicated to chartered accountants in business relating to (a) preparing and presenting information; and (b) pressure to breach the fundamental principles.

The revised ICAP Code of Ethics can be downloaded from the Institute's website using the following link:

http://www.icap.net.pk/wp-content/uploads/2019/10/Code-of-Ethics-for-Chartered-Accountants-Revised-2019-Final-for-website.pdf

Members are requested to file the revised ICAP Code of Ethics in the Members' Handbook, Part IV, Section 6 *Directives & Decisions.*

Effective date

The revised ICAP Code of Ethics replaces the extant ICAP Code of Ethics for Chartered Accountants, effective from **July 01, 2020.**

Useful publications and presentations

For the members and other stakeholders facilitation relevant and useful presentations and publications on the revised Code of Ethics have also been compiled on the Institute's website. You can access these at: https://www.icap.net.pk/icap-code-of-ethics-2019

Yours truly

Sohail Malik
Director Technical Services

Enclosed: as above