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Circular No. 12/ 2023

December 29, 2023

ALL MEMBERS OF THE INSTITUTE

Dear Member

**EXPOSURE DRAFT OF THE CODE OF ETHICS FOR CHARTERED ACCOUNTANTS
(REVISED 2024)**

The Institute's existing 'Code of Ethics for Chartered Accountants (Revised 2019) (ICAP Code of Ethics)' is based on IESBA's 2018 Edition of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued in July 2018, commonly termed as IESBA Code of Ethics. The latest Handbook of the IESBA Code of Ethics 2023 has been issued in September 2023.

In the IESBA's Code of Ethics issued in 2018 compared to that issued in 2023, various revisions and new requirements have been introduced by IESBA. In order to adopt the same, the Auditing Standards and Ethics Committee of the Institute (the Committee) has carried out a comprehensive study and detailed discussions on all parts of the Code of Ethics. The Committee after detailed deliberations has recommended the adoption of IESBA Code of Ethics 2023, except for few changes (contained therein) against which our local requirements are more stringent and arise from the provisions of the Chartered Accountants Ordinance, 1961 and other relevant legal frameworks.

Summary of key changes made in the IESBA Code from 2019 to 2023

- The revisions to Parts 1 and 2 of the Code (Section 100, 110, 120, 220 and glossary) which promote the role and mindset expected of chartered accountants.
- New Section 325 on 'Objectivity of an Engagement Quality Control Reviewer and Other Appropriate Reviewers' which addresses the objectivity of an engagement quality reviewer (EQR) and other appropriate reviewers to support ISQM 2, *Engagement Quality Reviews* requirements and address the eligibility of an individual to serve in an EQR role, focusing on the critical attribute of objectivity.
- The revisions relating to the definition of Engagement Team (Section 400).
- The revisions to Fee-Related Provisions (Section 400) and Non-Assurance Services (NAS) (Section 600) to strengthening requirements including:
 - A new prohibition on firms from providing a NAS to an audit client that is a public interest entity (PIE) that might create a self-review threat.
 - Strengthened provisions that specify the circumstances in which firms and network firms may or may not provide a NAS to an audit client.
 - A requirement that a firm not allow the audit fee to be influenced by the provision of services other than audit to an audit client by the firm or a network firm.
 - Strengthened provisions to address fee dependency at the firm level.
 - New provisions to stimulate greater public transparency about fees paid by PIE audit clients.
 - New provisions to promote more robust engagement between auditors and those charged with governance of PIEs about independence matters relating to NAS and fees.

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- A new section 405 on 'Group Audits' has been added which is in line with ISA 600 (Revised) requirements. ISA 600 (Revised) requires the group engagement partner to take responsibility for confirming whether the component auditors understand and will comply with the relevant ethical requirements, including those related to independence, that apply to the group audit.
- The ISQM standards related conforming amendments to the overall Code of Ethics.
- The revisions to Part 4B of the Code to reflect the terms and concepts used in the ISAE 3000 (Revised).

In addition to above, the IESBA Code 2023 contains few changes that have been approved by the Committee but shall be effective from the periods as mentioned below:

- **Revised definition of a PIE** now specifies a broader list of PIE categories, including a new category "publicly traded entity" which will replace the category of "listed entity". The revised PIE definition and related provisions will be effective for audits of financial statements for periods beginning on or after December 15, 2024.
- **Changes to the definitions of "audit client" and "group audit client"** in the 'Glossary of terms' arising from the approved revisions to the definitions of listed entity and public interest entity which will be effective for audits of financial statements and group financial statements for periods beginning on or after December 15, 2024.
- **Technology-related revisions** to Parts 1 to 3 of the Code which will be effective as of December 15, 2024. The technology-related revisions to Part 4 of the Code will be effective for periods beginning on or after December 15, 2024.

The Committee considers it imperative to obtain stakeholder's comments on the draft ICAP Code of Ethics 2024. Accordingly, the Committee in its 76th meeting held on December 13, 2023 has decided to expose the draft '*Code of Ethics for Chartered Accountants (Revised 2024)*' to the members for their comments. For your ease of reference and understanding, the amendments made to align the ethical requirements with local laws are attached as **Appendix A** to this Circular.

The full text of the '*Draft Code of Ethics for Chartered Accountants (Revised 2024)*' can be accessed at: <https://www.icap.net.pk/wp-content/uploads/2023/12/Exposure-Draft-ICAP-Code-of-Ethics-2024.pdf>

You are requested to review and send your comments on the draft revised ICAP Code 2024 to the Directorate of Technical Services at dtscomments@icap.org.pk by **January 31, 2024**.

It would be helpful if the comments include specific paragraph or section references; a clear description of the issue(s) being highlighted and provide alternative wordings supported by rationale for the suggested change.

Looking forward to your comments.

Yours truly,

Muhammad Imran Khan
Director, Technical Services

Encl: As above