

Draft Code of Ethics for Chartered Accountants (Revised 2024) **Revisions made to align with local laws**

The Auditing Standards & Ethics Committee of the Institute (the Committee) has approved to expose the '*Draft Code of Ethics for Chartered Accountants*' (Revised 2024) (Draft Revised ICAP Code) to the members for their comments.

The Draft Revised ICAP Code is based on the *2023 Edition of the Handbook of the International Code of Ethics for Professional Accountants (including International Independence Standards)* (termed as *IESBA Code 2023*). The Draft Revised ICAP Code will supersede the currently applicable Code of Ethics for Chartered Accountants (Revised 2019) (termed as *ICAP Code 2019*). The proposed effective date of the Draft Revised ICAP Code is periods beginning on or after June 15, 2024.

This Annexure outlines the amendments made to the IESBA Code 2023 to make the Draft Revised ICAP Code. The amendments have been made to align the requirements given under local law, particularly the Chartered Accountants Ordinance, 1961. These amendments are in following forms:

- a. Insertion/additions of wordings in the IESBA Code 2023;
- b. Substitution of a paragraph of IESBA Code 2023 with the paragraph of the extant ICAP Code 2019; and
- c. Deletion of a paragraph of the IESBA Code 2023.

The changes made in the Draft Revised Code along with an explanation to the same are presented from the next page.

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Reference of the Part, section and Paragraph of the Draft Revised ICAP Code of Ethics	Revised paragraph, through additional wordings in the IESBA Code 2023	Brief explanation for the amendment to the IESBA Code 2023
Part 4 A Section 540 - Long Association of Personnel (Including Partner Rotation) With an Audit Client		
R540.5	<p>Subject to paragraphs R540.7 to R540.9, in respect of an audit of a public interest entity, an individual shall not act in any of the following roles, or a combination of such roles, for a period of more than seven cumulative years <u>unless the law prescribes a shorter period</u> (the “time-on” period):</p> <ul style="list-style-type: none"> (i) The engagement partner; (ii) The individual appointed as responsible for the engagement quality control review; or (iii) Any other key audit partner role. 	<p>In paragraph R540.5 wordings “<i>unless the law prescribes a shorter period</i>” have been inserted.</p> <p>These were also added in the extant ICAP Code 2019 because Public Interest Entities (PIEs) includes listed and non-listed entities.</p> <p>Rotation of audit partner after 5 years is applicable on listed companies through the Listed Companies (Code of Corporate Governance) Regulations, 2019 and companies falling under the definition of “Public Sector Company” as per Public Sector Companies (Corporate Governance) Rules, 2013.</p> <p>Therefore, seven years period will be applicable for the partner rotation for other than listed PIE audit clients.</p>

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Reference of the Part, section and Paragraph of the Draft Revised ICAP Code of Ethics	Revised paragraph, through additional wordings in the IESBA Code 2023	Brief explanation for the amendment to the IESBA Code 2023
Part 4 A Section 410 - Contingent Fees		
410.8 A1	Contingent fees are fees calculated on a predetermined basis relating to the outcome of a transaction or the result of the services performed. A contingent fee charged through an intermediary is an example of an indirect contingent fee. In this section, a fee is not regarded as being contingent if established by a court or other public authority.	The Contingent Fees is not allowed in the Chartered Accountants Ordinance, 1961. Below words have been added for clarity in sub-sections 410.8 and 905.5 of the revised ICAP Code on 'Contingent Fees':
R410.9	A firm shall not charge directly or indirectly a contingent fee for an audit engagement.	"[The Contingent Fees is not allowed in the Chartered Accountants Ordinance, 1961 (clause 9 of Schedule I of Part I). Relevant provision is reproduced below:
R410.10	A firm or network firm shall not charge directly or indirectly a contingent fee for a non-assurance service provided to an audit client, if: (a) The fee is charged by the firm expressing the opinion on the financial statements and the fee is material or expected to be material to that firm; (b) The fee is charged by a network firm that participates in a significant part of the audit and the fee is material or expected to be material to that firm; or (c) The outcome of the non-assurance service, and therefore the amount of the fee, is dependent on a future or contemporary judgment related to the audit of a material amount in the financial statements.	" <i>A Chartered Accountant in practice shall be deemed to be guilty of professional misconduct, if he- (9) charges or offers to charge, accepts or offers to accept in respect of any professional employment fees which are based on a percentage of profits or which are contingent upon the findings or results of such employment except in cases which are permitted under any law for the time being in force or by an order of the Government;</i> ".

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410.10 A1	Paragraphs R410.9 and R410.10 preclude a firm or a network firm from entering into certain contingent fee arrangements with an audit client. Even if a contingent fee arrangement is not precluded when providing a non-assurance service to an audit client, it might still impact the level of the self-interest threat.	
410.10 A2	<p>Factors that are relevant in evaluating the level of such a threat include:</p> <ul style="list-style-type: none"> • The range of possible fee amounts. • Whether an appropriate authority determines the outcome on which the contingent fee depends. • Disclosure to intended users of the work performed by the firm and the basis of remuneration. • The nature of the service. • The effect of the event or transaction on the subject matter information. 	
410.10 A3	<p>Examples of actions that might be safeguards to address such a self-interest threat include:</p> <ul style="list-style-type: none"> • Having an appropriate reviewer who was not involved in performing the non-assurance service review the relevant assurance work. • Obtaining an advance written agreement with the client on the basis of remuneration. 	

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Part 4 B Section 905 - Contingent Fees		
905.5 A1	Paragraphs R905.7 and R905.8 preclude a firm from entering into certain contingent fee arrangements with an assurance client. Even if a contingent fee arrangement is not precluded when providing a non-assurance service to an assurance client, a self-interest threat might still be created.	
R905.6	A firm shall not charge directly or indirectly a contingent fee for an audit engagement.	
R905.7	<p>A firm or network firm shall not charge directly or indirectly a contingent fee for a non-assurance service provided to an audit client, if:</p> <ul style="list-style-type: none"> (a) The fee is charged by the firm expressing the opinion on the financial statements and the fee is material or expected to be material to that firm; (b) The fee is charged by a network firm that participates in a significant part of the audit and the fee is material or expected to be material to that firm; or (c) The outcome of the non-assurance service, and therefore the amount of the fee, is dependent on a future or contemporary judgment related to the audit of a material amount in the financial statements. 	
905.7 A1	Paragraphs R410.9 and R410.10 preclude a firm or a network firm from entering into certain contingent fee arrangements with an audit client. Even if a contingent fee arrangement is not precluded when providing a non-assurance service to an audit client, it might still impact the level of the self-interest threat.	

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905.7 A2	<p>Factors that are relevant in evaluating the level of such a threat include:</p> <ul style="list-style-type: none">• The range of possible fee amounts.• Whether an appropriate authority determines the outcome on which the contingent fee depends.• Disclosure to intended users of the work performed by the firm and the basis of remuneration.• The nature of the service.• The effect of the event or transaction on the subject matter information.	
905.7 A3	<p>Examples of actions that might be safeguards to address such a self-interest threat include:</p> <ul style="list-style-type: none">• Having an appropriate reviewer who was not involved in performing the non-assurance service review the relevant assurance work.• Obtaining an advance written agreement with the client on the basis of remuneration.	

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Part 4 A Section 600 - Provision of Non-Assurance Services to An AdClient		
600.6A1	<p><i>Assurance Services Provisions in Laws or Regulations</i></p> <p>Paragraphs R100.6 to 100.7 A1 set out requirements and application material relating to compliance with the Code. If there are laws and regulations in a jurisdiction relating to the provision of non-assurance services to audit clients that differ from or go beyond those set out in this section, firms providing non-assurance services to which such provisions apply need to be aware of those differences and comply with the more stringent provisions.</p>	<p>The Committee decided to add below wordings after the end of paragraph 600.6 A1 of the IESBA Code 2023 to link the list of prohibited services specified under paragraph 5.10.3 of the PSX Rule book with the requirements given under the Revised ICAP Code 2024.</p> <p><i>“(For further guidance regarding list of prohibited non-assurance services which the auditor of listed company is not allowed to provide, refer paragraph 5.10.3 of the ‘Rule Book of the Pakistan Stock Exchange Limited)”</i></p>

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Reference of the Part, section and Paragraph of the Draft Revised ICAP Code of Ethics	Substitution of paragraph of the IESBA Code 2023 with a paragraph of the extant ICAP Code 2019	Brief explanation for the amendment to the IESBA Restructured Code
Glossary, including lists of abbreviations	Chartered Accountant in Practice "As defined in the Chartered Accountant Ordinance, 1961"	The definition is aligned with the Chartered Accountants Ordinance, 1961. It replaces the definition of " <i>Professional Accountants in Public Practice</i> " of the IESBA Code.
Throughout the draft revised ICAP Code	The terms 'Professional Accountant' and 'Public Practice' have been substituted with the terms 'Chartered Accountant' and 'Practice', respectively.	IESBA Code uses the term "Professional Accountants" and " <i>Professional Accountants in Public Practice.</i> " However, the Chartered Accountants Ordinance, 1961, uses the terms " <i>Chartered Accountants</i> " and " <i>Chartered Accountants in Practice</i> ". Therefore, these terms have been used in the draft Revised ICAP Code. These terms have also been used in the extant ICAP Code.

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<p>Part 3</p> <p>Section 330 - Fees and Other Types of Remuneration</p>		
<p>R330.3</p>	<p>When entering into negotiations regarding professional services, a chartered accountant in practice may quote whatever fee is deemed to be appropriate commensurate with the nature and service to be rendered. However, in such cases, chartered accountants in practice should be careful not to quote fee lower than that charged by the chartered accountants in practice previously carrying out the audit unless scope and quantum of work materially differs from the scope and quantum of work carried out by the previous auditor, as it could then be regarded as undercutting.</p>	<p>Proposed paragraph R330.3 substitutes paragraph 330.3A2 of the IESBA Code 2023. The proposed paragraph was also added in the extant ICAP Code 2019.</p> <p>As per clause (11) of Part I of Schedule I of the Chartered Accountants Ordinance, 1961, undercutting is a professional misconduct. However, IESBA Code through paragraph 330.3A2 allows quoting a fee lower than another accountant.</p> <p>Due to the undercutting related provision in the Chartered Accountants Ordinance, 1961, existing provision of the extant ICAP Code 2019 has been carried forward through proposed paragraph R330.3.</p>

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Reference of the Part, section and Paragraph of the Draft Revised ICAP Code of Ethics	Substitution of paragraph of the IESBA Code 2023 with a paragraph of the extant ICAP Code 2019	Brief explanation for the amendment to the IESBA Restructured Code
Part 3 Section 370 - Public Notices, Announcements and Communications Undue Publicity be Avoided		
R370.1	<p>In any communications, announcements and public notices, chartered accountants should not:</p> <ol style="list-style-type: none"> a) use means, which bring the profession into disrepute; b) make exaggerated claims for the services they are able to offer, the qualifications they possess, or experience they have gained; and c) denigrate the work of other accountants. <p>A chartered accountant preparing or authorizing the issue of matter falling within this Section should do so with a due sense of responsibility to the profession and to the public as a whole. In particular, such material should be in good taste both as to content and presentation and should not belittle services offered by others, whether members or not, either by claiming superiority for the services of a particular member or otherwise. The same attitude should be adopted towards activities mentioned in subsequent paragraphs.</p>	<p>Paragraphs R370.1 and R370.2 substitute paragraphs R115.2 and 115.2 A1 of the IESBA Code 2023. These paragraphs were also added in the extant ICAP Code 2019.</p> <p>As per clause (5) & (6) of Part I of Schedule I and clause (1) & (2) of Part II of Schedule I of Chartered Accountants Ordinance, 1961, marketing or advertising the professional services by certain means is a considered as a professional misconduct.</p>
R370.2	<p>All communications, announcements and public notices be issued in such manner and within the limits prescribed in the following paragraphs so that the provisions of Clauses (5) and (6) of Part 1 and Clauses (1) and (2) of Part 2 of Schedule-I of the Chartered Accountants Ordinance, 1961, are not violated:</p> <ol style="list-style-type: none"> a. All announcements, communications and public notices should: <ol style="list-style-type: none"> (i) be aimed at informing the recipients or the public in an objective manner; (ii) conform to the basic principles of legality, decency, clarity, honesty and truthfulness; and (iii) not project an image, which is inconsistent with that of a professional person bound to high ethical and technical standards. b. Activities which may expressly be considered not to meet the above criteria and are therefore prohibited include those that: 	<p>Due to the above restrictions in Chartered Accountants Ordinance, 1961, existing provisions of the extant Code have been carried forward through proposed paragraphs R370.1 & R370.2.</p>

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- (i) create false, deceptive or unjustified expectations of favorable results;
- (ii) imply the ability to influence any court, tribunal, regulatory agency or similar body or official;
- (iii) consist of self-laudatory statements that are not based on verifiable facts;
- (iv) make comparisons with other chartered accountants in practice;
- (v) contain testimonials or endorsements;
- (vi) contain any other representations that would be likely to cause a reasonable person to misunderstand or be deceived; and
- (vii) make unjustified claims to be an expert or specialist in a particular field of accountancy.

c. The examples which follow are illustrative of circumstances in which communications, announcements, public notices, etc., are acceptable and the matters to be considered in connection therewith subject always to the overriding requirements mentioned in the preceding paragraphs:

(i) Appointments and Awards

It is in the interests of the public and the profession that any appointment or other activity of a chartered accountant in a matter of national or local importance, or the award of any distinction to a member, should receive publicity and that membership of the Institute should be mentioned. However, the chartered accountant should not make use of any of the aforementioned appointments or activities for personal professional advantage.

(ii) Chartered Accountants Seeking Employment or Professional Business

A chartered accountant may inform interested parties through any medium that a partnership or salaried employment of an accountancy nature is being sought. The chartered accountants should not, however, publicize for subcontract work in a manner, which could be interpreted

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as seeking to procure professional business. Public announcements or public notices seeking subcontract work may be acceptable if placed only in the professional press and provided that neither the chartered accountant's name, address or telephone number appears in the public announcements or public notices. A chartered accountant may write a letter or make a direct approach to another chartered accountant when seeking employment or professional business.

(iii) Directories & Internet

A chartered accountant and his firm may be listed in the directories **including electronic professional platforms, such as LinkedIn** both alphabetically and in lead type and in classified list under "Chartered Accountants" in the directories. He can however, use the classification "Accountants and Auditors" when the directories do not have specific classification for "Chartered Accountants". Entries should be limited to name, address, telephone numbers, internet address, e-mail address, professional description and any other information necessary to enable the users of the directories to make contact with the chartered accountant and his firm may also develop and maintain a web site on the internet provided the contents comply with the requirements of paragraphs 250.1, (a) and (b) of 250.2 and (ix) of 250.2(d).

(iv) Books, Articles, Interviews, Lectures, and Electronic Media

A member who is author of a book or articles on a professional subject, may state his name and professional qualifications and give the name of his firm but shall not give any information as to the services that the firm provides.

Similar provisions are applicable to participation by a chartered accountant in practice in a lecture, interview or a radio or television program on a professional subject. What practicing member write or say, however, should not be promotional of themselves or their firm but should be an objective professional view of the topic under consideration. Practicing members are responsible for using their best endeavors to ensure that what ultimately goes before the public complies with these requirements.

When interviewed by a writer or reporter, the chartered accountant should observe the limitations imposed on him by this Section. The

In order to include the use of social media for marketing/ advertisement, the Committee decided to include the underlined and bold words in the sub- paragraph c(iii) of paragraph R370.2.

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chartered accountant may not provide the press with any information for publication that he could not publish himself.

(v) Training Courses, Seminars, etc.

A chartered accountant may invite clients, their staff and the general public to attend training courses or seminars conducted for imparting professional education. However, undue prominence should not be given to the name of a chartered accountant in any booklets or documents issued in connection therewith.

(vi) Professional Literature and Publications

Any professional literature bearing the name of a chartered accountant or his firm giving technical information for the assistance of staff and clients may be issued to any other firm or persons.

A publication developed / authored by a firm may be published in the firm's name but it shall not give any information as to the services that the firm provides.

Such professional literature and publications can also be placed on the website of the firm.

(vii) Staff Recruitment

Genuine vacancies for staff may be communicated to the public through any medium in which comparable staff vacancies normally appear. The fact that a job specification necessarily gives some detail as to one or more of the services provided by the chartered accountant or his firm is acceptable but it should not contain any promotional element. There should not be any suggestion that the services offered are superior to those offered by other chartered accountants as a consequence of size, associations, or for any other reason.

In publications such as those specifically directed to schools and other places of education to inform students and graduates of career opportunities in the profession, services offered to the public may be described in a businesslike way.

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More latitude may also be permissible in a section of a newspaper devoted to staff vacancies than would be allowed if the vacancy appears in a prominent position elsewhere in a newspaper on the grounds that it would be most unlikely that a potential client would use such media to select his professional adviser.

(viii) Recruitment on behalf of Clients

A member may advertise on behalf of clients. However, he should ensure that the emphasis in the advertisement is directed towards the objectives to be achieved for the client. The designation of any services provided by the practice as being of specialist nature is not permitted.

(ix) Brochures and Firm Directories

A Chartered Accountant in practice may issue:

- (a) A factual and objectively worded account of the services provided, the firm's resources (human and other, specifying qualifications and experience of personnel where appropriate), existing clients (unless this breaches client confidentiality) and of professional assignments undertaken and;
- (b) A directory setting out names of partners, office addresses and names and addresses of associated firms and correspondents.

(x) Stationery and Nameplates

Stationery of chartered accountants in practice should be of an acceptable professional standard and comply with the requirements of the directives issued by the Council of the Institute from time to time as to names of partners, principals and others who participate in the practice, use of professional descriptions and designatory letters, cities or countries where the practice is represented, logotypes, etc. The designation of any services provided by the practice as being of specialist nature is not permitted. Similar provisions apply to nameplates.

(xi) Newspaper announcements

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Appropriate newspapers or magazines may be used to inform the public of the establishment of a new practice, of changes in the composition of a partnership, or of any alteration in the address and telephone number of a practice.

Such announcements should be limited to a bare statement of facts and consideration given to the appropriateness of the area of distribution of the newspaper or magazine and number of insertions.

- (xii) Inclusion of the name of a Chartered Accountant in practice in a document issued by a client

When a client proposes to publish a report by a chartered accountant in practice dealing with the client's existing business affairs or in connection with the establishment of a new business venture, chartered accountant in practice should take steps to ensure that the context in which the report is published is not such as might result in the public being misled as to the nature and meaning of the report. In these circumstances, practicing member should advise the client that permission should first be obtained before publication of the document.

Similar consideration should be given to other documents proposed to be issued by a client containing the name of a chartered accountant in practice acting in an independent professional capacity.

This does not preclude the inclusion of the name of a chartered accountant in practice in the annual report of a client.

When chartered accountant in practice in their private capacity are associated with, or hold office in, an organization, the organization may use their name and professional status on stationery and other documents. The chartered accountant in practice should ensure that this information is not used in such a way as might lead the public to believe that there is a connection with the organization in an independent professional capacity.

- (xiii) Advertising Material used to promote a course, which he has been asked to conduct

It is of value to prospective students and course participants to know the instructor's background - such as degrees he holds, professional body

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	<p>affiliations, and the name of his firm. The chartered accountant has the responsibility to ascertain that all promotional efforts are within the bounds of this Section.</p> <p>(xiv) The Use of the CA title on an Employer's Stationery</p> <p>The use of the CA title on an employer's stationery by a chartered accountant not in practice is proper. It would also be proper for the CA title of the member to appear in paid advertisements of the employer that list the officers and directors.</p> <p>(xv) Greeting and Invitation Cards</p> <p>Greeting and invitation cards may be sent in the name of a chartered accountant or his firm. Professional qualifications may be indicated but no information shall be given regarding the services that the chartered accountant or the firm provides.</p>	
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Reference of the Part, Section and Paragraph of the Draft Revised ICAP Code of Ethics	Deleted paragraphs of IESBA Code 2023	Brief explanation for the amendment to the IESBA Code 2023
Subsection 115 - Professional Behavior		
	<p>R115.2 When undertaking <u>marketing or promotional activities</u>, a professional accountant shall not bring the profession into disrepute. A professional accountant shall be honest and truthful and shall not make:</p> <p>a) Exaggerated claims for the services offered by, or the qualifications or experience of, the accountant; or</p> <p>b) Disparaging references or unsubstantiated comparisons to the work of others.</p>	<p>The IESBA Code provisions with respect to marketing or promotion have not been adopted by ICAP due to restriction in marketing/promotion activities in CA Ordinance (clause 5 and 6 of Part 1 of schedule 1)</p> <p>Owing to restrictions in CA Ordinance, Section 370, Public Notices, Announcements and Communications, was developed by ICAP since beginning and has been applicable.</p>
	<p>115.2A1 If a professional accountant is in doubt about whether a form of advertising or marketing is appropriate, the accountant is encouraged to consult with the relevant professional body.</p>	
Part 3 Section 330 - Contingent Fees		
330.4 A1	<p>Contingent fees are used for certain types of non-assurance services. However, contingent fees might create threats to compliance with the fundamental principles, particularly a self-interest threat to compliance with the principle of objectivity, in certain circumstances.</p>	<p>The draft Revised ICAP Code does not contain IESBA Restructured Code paragraphs relating to the contingent fee.</p>
330.4 A2	<p>Factors that are relevant in evaluating the level of such threats include:</p> <ul style="list-style-type: none"> • The nature of the engagement. • The range of possible fee amounts. • The basis for determining the fee. 	<p>Contingent fee-based arrangement is not allowed under clause (9) of Part I of Schedule I of the Chartered Accountants Ordinance, 1961 (CA Ordinance). Therefore, IESBA Code 2023 paragraphs relating to contingent fee have been deleted.</p>

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	<ul style="list-style-type: none"> • Disclosure to intended users of the work performed by the professional accountant and the basis of remuneration. • Quality control policies and procedures. • Whether an independent third party is to review the outcome or result of the transaction. • Whether the level of the fee is set by an independent third party such as a regulatory body. 	<p>In their place, the Committee decided to continue with the heading with the proposed wordings to link with requirements of CA Ordinance:</p> <p><i>[The requirements on Contingent Fees as given in paragraphs 330.4A1 to 330.4A4 of the IESBA Code 2023 have not been adopted by ICAP. This is due to the reason that Contingent Fees is not allowed in the Chartered Accountants Ordinance, 1961 (clause 9 of Schedule I of Part I). Relevant provision is reproduced below:</i></p>
330.4 A3	<p>Examples of actions that might be safeguards to address such a self-interest threat include:</p> <ul style="list-style-type: none"> • Having an appropriate reviewer who was not involved in performing the non-assurance service review the work performed by the professional accountant. • Obtaining an advance written agreement with the client on the basis of remuneration. 	<p><i>“A Chartered Accountant in practice shall be deemed to be guilty of professional misconduct, if he- (9) charges or offers to charge, accepts or offers to accept in respect of any professional employment fees which are based on a percentage of profits or which are contingent upon the findings or</i></p>
330.4 A4	<p>Requirements and application material related to contingent fees for services provided to audit or review clients and other assurance clients are set out in International Independence Standards.</p>	

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		<p><i>results of such employment except in cases which are permitted under any law for the time being in force or by an order of the Government;”].</i></p> <p>The above para has also been added in section 410.8 and 905.5.</p>