

IESBA Code of Ethics High Level Summary¹ of Prohibitions and Limitations Applicable to Audits of Entities That Are Not Public Interest Entities

The 2009 International Ethics Standards Board for Accountants (IESBA) *Code of Ethics for Professional Accountants* (IESBA Code) specifies prohibited services, interests and relationships, and those that are permitted subject to appropriate safeguards, with respect to audits of non-public interest entities. These are summarized below. If a service, interest, or relationship is not covered by one of the categories below, the professional accountant is required to apply the *conceptual framework* set out in the IESBA Code to evaluate it. The conceptual framework entails a rigorous analysis of the service, interest, or relationship from the perspective of a reasonable and informed third party to determine whether it is permissible or should not be entered into because there are no adequate safeguards.

Non-Assurance Services to an Audit Client

Prohibited Without Regard to Materiality

- Assuming a management responsibility.
- Serving as General Counsel.
- Promoting, dealing in, or underwriting client shares.
- Negotiating for the client.
- Evaluating or compensating a key audit partner based on that partner's success in selling non-assurance services to the partner's audit client.

Prohibited If Material to the Financial Statements

- Valuation services, if significant subjectivity
- Tax or corporate finance advice that depends on a particular accounting treatment/financial statement presentation with respect to which there is reasonable doubt as to its appropriateness.
- Acting as an advocate before a public tribunal or court to resolve a tax matter.
- Estimating damages or other amounts as part of litigation support services.
- Acting as an advocate to resolve a dispute.

Permitted Subject to Safeguards

- Accounting services
- Bookkeeping services
- Payroll services
- Preparing the financial statements and related financial information.
- Calculations of current/deferred taxes.
- Internal audit services relating to internal controls over financial reporting, financial accounting systems, or financial statement amounts/disclosures.
- Designing/implementing financial reporting IT systems.

Interests and Relationships

Prohibited Without Regard to Materiality

- Financial interests in the client.
- Financial interests in an entity in which the client has a material interest, and can significantly influence.
- Loans from a client lending institution that have not been made under normal lending procedures, terms, and conditions.
- Material loans to a client.
- Deposits with a client not held under normal terms.
- Close business relationships with a client that are significant or entail a material financial interest.
- Audit team members whose immediate family member is a client director/officer, or an employee able to significantly influence the accounting records or financial statements.
- Former audit team members or a partner joining the client if significant connections with the firm remain.
- An individual being on the audit team if, during the period covered by the audit, the person was a client director/officer, or an employee able to significantly influence the accounting records or financial statements.
- Partners/employees serving as a client director or officer.
- Contingent fees for an audit or assurance engagement or, when material to the firm, for a non-assurance service to the audit client.
- Accepting gifts or hospitality from the client that are other than trivial and inconsequential.

Prohibited if Material

- Loans from a client that is not a lending institution and that are material.

Permitted Subject to Safeguards

- Long association of senior personnel.

¹ This high level summary is not a substitute for reading the IESBA Code, which provides details on the application of these prohibitions. Please refer to <http://web.ifac.org/publications/international-ethics-standards-board-for-accountants/code-of-ethics>