

Summary of changes to IESBA 2023 International Code of Ethics for Professional Accountants

Last updated: 1 February 2024

Introduction

All members and students of the Emirates Association for Accountants and Auditors (EAAA) are required to comply with the Association's Code of Ethics and Conduct.

The EAAA Code of Ethics is a full adoption of the International Ethics Standards Board's (IESBA) 2023 International Code of Ethics for Professional Accountants (including International Independence Standards) (hereinafter - the Code) which replaces the previous 2018 Edition of the Code that was adopted by EAAA.

The 2023 Edition of the Code has been approved for adoption by EAAA Board of Directors on 25 February 2024 and is effective for all categories of EAAA members and students from 31 March 2024. The current 2023 Edition of the EAAA Code of Ethics and Conduct is published on EAAA website.

The purpose of this document

The 2023 Edition of the Code was issued by IESBA in September 2023 and incorporates a number of changes from 2022 Edition including:

- Revisions relating to definitions of "engagement team" and "group audits";
- Information related to the expiration of "jurisdictional provisions" related to long association of personnel with an audit client.

There have also been a number of changes introduced to the Code since 2018 Edition including those relating to non-assurance services, objectivity of engagement quality reviewer and other reviewers, the quality management suite of standards issued by IAASB and fee-related revisions.

The appendix of 2023 Edition includes an overview of the changes that are not yet effective and will be included into 2024 Edition of the Code and become effective for audits of financial statements and group financial statements for periods beginning on or after December 15, 2024. These changes include:

- The revised definition of a public interest entity (PIE) which, among other matters, specifies a broader list of PIE categories, including a new category "publicly traded entity" to replace the category of "listed entity";
- Changes to the definitions of "audit client" and "group audit client" in the Glossary;
- Technology-related revisions to the Code.

With a number of amendments made to the Code since 2018, this document has been developed to provide EAAA members and students a high level summary of the key changes to the 2023 International Code for Ethics for Professional Accountants as opposed to the provisions in the 2018 Edition.

The purpose of this summary is to highlight the main areas and topics which have been amended, deleted or added to the 2023 Edition which impact all professional accountants which are subject to compliance with the Code and should be considered during performance of professional duties.

This summary document is structured such that it includes a description of the amendment to the Code and the Code edition that introduces it, reference to the sections of the Code impacted by the amendments, a commentary to explain specific details of the amendments and the effective date of the amendments.

Summary of changes to the 2023 Edition of the IESBA Code from 2018 Edition

Description of amendment to the Code	Relevant Sections of the Code and commentary	Effective date
<p><i>Introduced in 2021 Edition</i></p> <p>Revisions to promote the role and mindset of the professional accountant reinforcing aspects of the principles of integrity, objectivity and professional behaviour, raising behavioural expectations of professional accountants by requiring them to have an enquiring mind, be aware of potential influence of bias on their judgements and decisions, and highlighting the supportive role of organizational culture in promoting ethical conduct and business.</p>	<p>Section 100</p> <ul style="list-style-type: none"> ▪ Emphasis made on the professional accountant’s responsibility to act in the public interest (par. 100.1); ▪ Addition of the skills and values professional accountants should have to ensure confidence in the accountancy profession (par. 100.2); ▪ Addition of guidance on the structure and use of the Code is added (par. 100.3-100.4); <p>Section 110</p> <ul style="list-style-type: none"> ▪ Emphasis is made on responsibility of acting in the public interest to comply with the principle of professional behaviour (par. 110.1 A1); ▪ Expansion on the definition of integrity (par. 111.1 A1-111.1 A2). <p>Section 120</p> <ul style="list-style-type: none"> ▪ Addition of a requirement to have an enquiring mind when applying the conceptual framework and replacement of a requirement to remain alert to new information in (par. R120.5-120.5 A3); ▪ Addition of a section on other considerations to be made when applying the conceptual framework including bias and organizational culture (par. 120.12 A1 - 120.13 A3); ▪ Expansion of the application of the principle of integrity in the context of audits and other assurance and related services (par 120.16 A2). <p>Section 200</p> <ul style="list-style-type: none"> ▪ Addition of examples of actions to promote an ethics-based culture including management processes, performance evaluation and reward criteria supporting the promotion of ethical behaviour (par. 220.5 A3). <p>Section 220</p> <ul style="list-style-type: none"> ▪ Addition of considerations of undue influence or reliance and awareness of bias to be made when preparing or in presentation of financial information (par. R220.4). 	<p>Effective in December 2021</p>

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<p><i>Introduced in 2021 Edition</i></p> <p>Revisions to Part 4B to reflect the terms and concepts of ISAE 3000 (Revised).</p>	<p>Part 4B</p> <ul style="list-style-type: none"> ▪ Expansion of examples of assurance engagements other than audit and review engagements to include: assurance on compliance with laws and regulations, performance criteria, effectiveness of internal controls, greenhouse statement (par. 900.1); ▪ Amendment of the description of an assurance engagement as one where the firm aims to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the subject matter information and inclusion of direct reference to ISAE 3000 (Revised) (par. 900.7); ▪ Inclusion of references to an attestation engagement (par. 900.7, R900.11, R900.13, R900.14, 900.15 A1, R921.5-921.8 A1, R922.3-922.4 A1, R924.3 A1-924.4, 940.3 A1-940.3 A4, 950.5 A1, 950.7 A2, 950.10 A1); ▪ Inclusion of paragraphs outlining the responsibilities of the parties in an assurance and an attestation engagement, and on prohibition of assuming management responsibilities (par R900.11-R900.14); ▪ Removal of paragraphs relating to types of assurance engagements (par. 900.18-900.21); ▪ Paragraphs relating to communication with those charged with governance added (par. 900.34 A1-900.34 A2). 	<p>Effective in June 2021</p>
<p><i>Introduced in 2022 Edition</i></p> <p>Revisions to address the objectivity of an engagement quality reviewer (EQR) and other appropriate reviewers. The EQR revisions provide guidance that support the International Standard on Quality Management (ISQM) 2, <i>Engagement Quality Reviews</i> and address the eligibility of an</p>	<p>Section 300</p> <ul style="list-style-type: none"> ▪ Introduction of a reviewer role category which can be impacted by familiarity threat when the reviewer has a close relationship with the individual who performed the services (par. 300.6 A1). <p>Section 325</p> <ul style="list-style-type: none"> ▪ Introduction of Section 325 on objectivity of engagement quality reviewer and other reviewers which includes requirements on identifying threats to objectivity of EQR, evaluating threats, addressing threats and cooling-off period provisions. <p>Section 540</p>	<p>Effective in December 2022</p>

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individual to serve in an EQR role, focusing on the critical attribute of objectivity.	<ul style="list-style-type: none"> ▪ Emphasis that requirements of Section 540 do not modify the requirements of ISQM 1 for cooling-off period as a condition before an engagement partner can assume the role of an engagement quality reviewer (par. 540.14 A1). 	
<p><i>Introduced in 2022 Edition</i></p> <p>The revised non-assurance services (NAS) and fee-related provisions including:</p> <ul style="list-style-type: none"> ▪ A new prohibition on firms from providing to an audit client that is a public interest entity (PIE) a NAS 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. 	<p>Section 120 (Fees)</p> <ul style="list-style-type: none"> ▪ Par. 120.15 A3 refers to the system of quality management at an audit firm being a factor in evaluation of threats to independence and is referenced in par. 410.4 A4 in the context of fees paid by an audit client to the firm. <p>Section 270 (Fees)</p> <ul style="list-style-type: none"> ▪ Introduction of a new category of pressure from fees where the professional accountant is pressured to provide services at a level of fee that does not allow for sufficient resources (par. R270.3). <p>Section 320 (Fees)</p> <ul style="list-style-type: none"> ▪ Introduction of the level of fees and their impact on available resources as a factor relevant to evaluating the level of self-interest threat to compliance with the principle of professional competence and due care (par. 320.3 A4). <p>Section 330 (Fees)</p> <ul style="list-style-type: none"> ▪ This section references par. 410.2 detailing application material relevant to applying the conceptual framework where the level and nature of fees might create a self-interest threat, whilst Section 410 sets out the requirements for applying the conceptual framework to identify, evaluate and address threats to independence arising from fees charged to audit clients. <p>Section 400 (Fees and NAS)</p> <ul style="list-style-type: none"> ▪ Prohibition on providing NAS to audit clients that are PIEs if there is a self-review threat unless specific conditions can be met (par. R400.32). <p>Section 410 (Fees)</p> <ul style="list-style-type: none"> ▪ Addition of guidance relating to factors relevant in evaluation of threats from fees paid by an audit client (par. 410.4 A1-410.4 A5); ▪ Addition of par. R410.6 relating to the impact of other services provided to an audit client on the evaluation of threats and the prohibition of other services being provided when they impact the audit fee; 	Effective in December 2022

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<ul style="list-style-type: none"> ▪ New provisions to promote more robust engagement between auditors and those charged with governance of PIEs about independence matters relating to NAS and fees. 	<ul style="list-style-type: none"> ▪ Addition of guidance relating to the proportion of non-audit fees to total audit fees and the impact of this fact on self-interest of the firm including the factors to consider in evaluation of threats and establishment of safeguards (par. 410.11 A1-410.11 A3); ▪ Additional guidance provided on factors to consider when evaluating threats from overdue fees (par. 410.12 A1-R410.13); ▪ Expansion of possible safeguards against self-interest and intimidation threats due to large proportion of the total fees of a partner or single office being audit fees from a single client (par. 410.14 A1 – 410.14 A7); ▪ Expansion of guidance relating to fees from non-PIE clients and inclusion of specific safeguards prescribed when fees amount to greater than 30% of total firm fees over a specified time period (par. R410.15-R410.17); ▪ Expansion of guidance on fees from audit of public interest entities and inclusion of specific actions prescribed when fees exceed 15% of total fees received by the firm over a specific period of time (par. R410.18-R410.21); ▪ Additional information included with respect to communication with those charged with governance and disclosure in relation to fees paid for audit and non-audit services provided to a PIE (par. 410.22 A1-R410.33). <p>Section 525 (NAS)</p> <ul style="list-style-type: none"> ▪ Removal of a paragraph relating to prohibition of staff loaned to an audit client performing non-assurance services (par. R525.4); ▪ Additional guidance included relating to ensuring that all independence threats are safeguarded when loaning staff to an audit client and prohibition of staff performing any services that the firm itself is prohibited from by the Code (par. R525.4). <p>Section 600 (NAS)</p> <ul style="list-style-type: none"> ▪ Emphasis made on the fact that there are specific prohibitions on providing certain services to audit clients because threats cannot be eliminated (par. 600.4); ▪ Consideration of potential differences in Code and national laws when providing NAS are highlighted (par. 600.6 A1); ▪ Amendments to the list of factors to consider when evaluating threats to include assessment whether the entity is a PIE and consideration of the level of non-assurance fees (par. 600.9 A2); 	

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	<ul style="list-style-type: none"> ▪ Inclusion of additional and more detailed information relating to self-review threat identification (par. 600.13 A1-R.600.14); ▪ Additional guidance on listed entities presented separately and includes evaluation of self-review threats, considerations when providing advice and recommendations, aspects concerning communication with those charged with governance (par. 600.15 A1-600.17 A1, par. 600.20 A1-600.25 A1); ▪ Addition of specific guidance on documentation of non-assurance services threat identification, evaluation and safeguarding (par. 600.27 A1). <p>Section 900 (NAS)</p> <ul style="list-style-type: none"> ▪ Emphasis is made on the need for communication with those charged with governance when significant judgments are made to address threats to independence in relation to an assurance engagement because the subject matter information of that engagement is the outcome of a previously performed non- assurance service (par. 900. <p>Section 905 (Fees)</p> <ul style="list-style-type: none"> ▪ Emphasis made on the fact that fees and remuneration give rise to threats of self-interest or intimidation (par. 905.2); ▪ Addition of considerations to be made when evaluating the threat to independence when fees are being proposed to the client including the impact of quality management system on evaluation of threats (par. 905.3 A3-905.3 A4); ▪ Addition of guidance on the level of fees considerations and related threats and possible safeguards (par. 905.4 A1-905.4 A3); ▪ Inclusion of factors to consider when assessing the threats of overdue fees including significance of overdue fees and length of time the fees have been overdue as well as willingness of the client to pay them (par. 905. 8 A1-905.8 A4); ▪ Changes to fee dependency provisions including the approach to calculation of the fees in such cases, additional factors to consider in threat evaluation and possible safeguards such as reducing the extent of non-assurance services (par. 905.10 A1-905.10 A8). <p>Section 950 (NAS)</p> <ul style="list-style-type: none"> ▪ Additional factors for consideration included when identifying and evaluating threats such as the manner in which the service will be provided and and whether the client is a PIE (par. 950.7 A2); 	

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	<ul style="list-style-type: none"> ▪ Prohibition of providing NAS to assurance clients which are PIEs if there is a threat of self-review (par. 950.11 A1); ▪ Expansion of information relating to safeguards against threats to independence when providing NAS to audit clients (par. 950.12 A1-950.12 A4); ▪ Shifting of paragraphs relating to prohibition of assuming management responsibility from Section 950 to Section 900. 	
<p><i>Introduced in 2022 Edition</i></p> <p>Quality management-related conforming amendments issued as a result of the suite of quality management standards.</p>	<p>Section 120</p> <ul style="list-style-type: none"> ▪ Addition of considerations of firm culture in audits and other assurance and related services in the context of ISQM 1 implementation (par. 120.14 A1, 120.15 A3). <p>Section 320</p> <ul style="list-style-type: none"> ▪ Amendment of term “quality control” to “quality management”, addition of references to ISQM 1 when evaluating threats to professional competence and due care principles and the impact of quality management system on such evaluation (par. 320.3 A4). <p>Section 330</p> <ul style="list-style-type: none"> ▪ Amendment of term “quality control” to “quality management” (par. 330.4 A2). <p>Section 400</p> <ul style="list-style-type: none"> ▪ ISQC 1 replaced by ISQM 1 (par. 400.4) and term “quality control” is replaced by “quality management” (par. 400.53 A4); ▪ Amendment concerning a case where the audit engagement is subject to an engagement quality review, then the engagement quality reviewer and any other individuals performing the engagement quality review are designated as audit team members but not engagement team members (par. 400.12). <p>Section 410</p> <ul style="list-style-type: none"> ▪ Addition of a system of quality management of a firm as a factor impacting the evaluation of threats to independence (par. 410.4 A4). <p>Section 540</p> <ul style="list-style-type: none"> ▪ Amendment of references from “quality control” to “engagement quality review” (par. R540.4, R540.5, R540.12, R540.21). <p>Section 900</p> <ul style="list-style-type: none"> ▪ Amendment to the requirements to implement ISQC 1 to requirement to implement ISQM 1 (par. 900.3). 	<p>Effective in December 2022</p>

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	<p>Section 940</p> <ul style="list-style-type: none"> ▪ Change of prohibition to “Provide quality control for the assurance engagement” to prohibition to “Perform an engagement quality review, or a review consistent with the objective of an engagement quality review, for the engagement” to address threats to self-interest or familiarity as a result of long association with a client (par. R940.4). <p>Section 990</p> <ul style="list-style-type: none"> ▪ Amendment of term “quality control” to “engagement quality review” (par. R990.7). 	
<p><i>Introduced in 2023 Edition</i></p> <p>Revisions relating to the definition of “engagement team” and “group audits”. The revisions deal with the independence and other implications of the changes made to the definition of “engagement team” in the Code to align with changes to the definition of the same term in the IAASB’s International Standards on Auditing (ISAs) and International Standards on Quality Management (ISQMs).</p> <p>Revisions also address holistically the various independence considerations in an audit of group financial statements.</p>	<p>Glossary</p> <ul style="list-style-type: none"> ▪ Change in the definition of the engagement team from “All partners and staff performing the engagement, and any individuals engaged by the firm or a network firm who perform assurance procedures on the engagement. This excludes external experts engaged by the firm or by a network firm. The term “engagement team” also excludes individuals within the client’s internal audit function who provide direct assistance on an audit engagement when the external auditor complies with the requirements of ISA 610 (Revised 2013), Using the Work of Internal Auditors” to “All partners and staff performing the engagement, and any other individuals who perform procedures on the engagement, excluding external experts and internal auditors who provide direct assistance on the engagement”. ▪ Introduction of the following definitions: <ul style="list-style-type: none"> - a “group” as “A reporting entity for which group financial statements are prepared”; - a “group audit” as “The audit of group financial statements” - a “group audit client” as “The entity on whose group financial statements the group auditor firm conducts an audit engagement. When the entity is a listed entity, group audit client will always include its related entities and any other components at which audit work is performed. When the entity is not a listed entity, group audit client includes related entities over which such entity has direct or indirect control and any other components at which audit work is performed” (the definition is effective from 15 December 2024); - a “group auditor firm” as “The firm that expresses the opinion on the group financial statements”; 	<p>Effective for audits of financial statements and audits of group financial statements for periods beginning on or after 15 December 2023.</p>

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	<ul style="list-style-type: none"> - a “group audit team” as “a) All members of the engagement team for the group audit, including individuals within, or engaged by, component auditor firms who perform audit procedures related to components for purposes of the group audit, b) All others within, or engaged by, the group auditor firm who can directly influence the outcome of the group audit, c) Any other individuals within a network firm of the group auditor firm’s network who can directly influence the outcome of the group audit, d) Any other individuals within a component auditor firm outside the group auditor firm’s network who can directly influence the outcome of the group audit”; - a “group engagement partner” as “The engagement partner who is responsible for the group audit”; - the “group financial statements” as “Financial statements that include the financial information of more than one entity or business unit through a consolidation process”. ▪ The changes affect the following sections of the Code: <ul style="list-style-type: none"> - Sections 300, 310, 320, 510, 605, 900 amended to align with the new definition of “engagement team”; - Section 360 amended to align with the terminology of ISA 600 (Revised) <i>Special considerations – the audit of group financial statements</i>; - Section 400 amended with regards to the definition of engagement team in non-assurance services and par. 400.8-400.12 on engagement team and audit team definitions, composition and roles were added; - Section 405 amended to include new provisions relating to group audits; <ul style="list-style-type: none"> - Sections 540, 800, 940, 990 amended to incorporate aspects relating to changes in quality management standards. 	
<p><i>Introduced in 2023 Edition</i></p> <p>Expiration of paragraph R540.20 addressing long association of personnel with an audit client (the “jurisdictional provision”). Under the jurisdictional provision, where a legislative or regulatory body (or</p>	<p>Section 540</p> <ul style="list-style-type: none"> ▪ The following paragraph R540.20 will not be applicable from the effective date: “Where a legislative or regulatory body (or organization authorized or recognized by such legislative or regulatory body) has established a cooling-off period for an engagement partner of less than five consecutive years, the higher of that period or three years may be substituted for the cooling-off period of five consecutive years specified in paragraphs R540.11, R540.15 and R540.17(a) provided that the applicable time-on period does not exceed seven years.” 	<p>Effective for audits of financial statements for periods beginning on or after 15</p>

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<p>organization authorized or recognized by such legislative or regulatory body) has established a cooling-off period for an engagement partner of less than five consecutive years, that shorter cooling-off period may be applied, subject to a floor of three years, provided that the applicable time-on period does not exceed seven years.</p>		<p>December 2023</p>