جمعية المحاسبين ومدققي الحسابات
Accountants & Auditors Association

Code of Ethics and Conduct Guidance

Version 1

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Introduction

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 Code).

The Code of Ethics and Conduct is a full adoption of the International Ethics Standards Board's (IESBA) 2023 International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code). The Code is published on EAAA website.

The Code requires EAAA members and students to act in the public interest by upholding the five fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. It is a conceptual framework rather than a set of rules designed to identify, evaluate and address threats such as self-interest, familiarity, intimidation and advocacy which may create circumstances where a professional accountant is tempted to act against the fundamental principles. The Code requires understanding of the spirit of its provisions and their underlying concepts and reasoning, and although it contains some prescriptive requirements, it cannot and is not designed to address every possible occasion.

The Code also sets out International Independence Standards which relate to addressing threats to independence when performing audits, reviews and other assurance engagements.

The purpose of this Guidance

This Guidance provides support to professional accountants, who are members or students of EAAA, in applying the Code through familiarisation with the key principles and provisions of the Code and their practical aspects. Both the Code and this Guidance cannot cover every possible issue and circumstance that a professional accountant may encounter in their work and it is up to the individual to understand the Code's principles and ensure they are diligently applied when making decisions and judgements.

In situations where there is uncertainty about a particular circumstance or an ethical dilemma, EAAA will aim to provide support and advice to its members and students in resolving the issue.

This Guidance uses the term "professional accountant" which is applicable to all categories of roles whether it is accountant, chief financial director, internal auditor, external auditor, financial controller etc. The Guidance also refers to "you" which covers all categories of EAAA members and students.

The Code of the Ethics and Conduct outlines the minimum requirements expected of professional accountants by EAAA. Non-compliance may lead to the individual being subject to EAAA's disciplinary action. This Guidance will provide information about these minimum requirements.

Why is ethical behaviour important?

Ethics is a choice between right and wrong from a personal and a professional perspective. Everyday there are risks and threats to an individual's moral stance and professionalism. Professional ethics are very important because a professional accountant has a responsibility to serve the public interest and the interests of their client or employer.

The public places its trust in the professional accountant to do the right thing which means that the professional accountant owes the public a high level of integrity, objectivity, professional competence and behaviour and confidentiality in performing their duties. Being a member or student of a professional organization such as EAAA means that every individual who is a member or a student must comply with the ethical principles in practice and in spirit.

Structure of the Code

The Code's provisions are interconnected by design and the Code uses a "building blocks" approach to avoid any repetition or duplication. It has four parts:

- Part 1 "*Complying with the Code, Fundamental Principles and Conceptual Framework*" applies to all professional accountants across all professional activities. The following parts of the Code build on Part 1;
- Part 2 "*Professional Accountants in Business (PAIBs)"* provides context-specific guidance relevant for PAIBs, where a PAIB is a professional accountant working in a setting that is not a firm providing professional services;
- Part 3 "*Professional Accountants in Public Practice (PAPPs)*" provides context-specific guidance relevant for PAPPs. PAPPs must also follow some of the provisions of Part 2 for example, Section 260 relating to non-compliance with laws and regulations by their own firms and hence, must not ignore Part 2. In this context a PAPP is a professional accountant working in a firm that provides professional services, irrespective of the function (e.g. audit, tax, advisory);
- Parts 4A and 4B comprise the *International Independence Standards* which focus on the requirements for professional accountants in public practice who perform audit, review and other assurance services, and include:
  - Part 4A "*Independence for Audit and Review Engagements*" which applies to the performance of audit and review engagements;
  - Part 4B "*Independence for Assurance Engagements Other than Audit and Review Engagements*" which applies to the performance of assurance engagements which are not audits or reviews.

The Parts of the Code are split into numbered Sections which focus on specific topics. Each section has an introduction setting out the general principles and the subject matter of the section. It includes the requirements which are designated the letter "R" and mostly use the word "shall" identifying that the provision is an obligation and must be complied with.

Each section also includes application material designated with the letter "A" which provides explanations, illustrations and suggestions on the application of the Code and the conceptual framework. Although in itself, this material is not obligatory in application, it must be considered when applying the provisions of the Code in order to do so holistically and properly.

Who does the Code apply to?

It is expected that all EAAA members and students will be familiar with Part 1. In Part 1, the Conceptual Framework specifies an approach for all professional accountants to identifying threats to compliance with the fundamental principles, evaluating and addressing the threats which are above an acceptable level.

Part 2 applies to those professional accountants working in business such as commerce, industry, service, education, not-for-profit, public sector and regulatory and professional bodies. This part will be applicable to the majority of EAAA members and students and thus it is expected that these individuals will be familiar with this section of the Code. It also applies to those who work in professional services firms in respect of their firms as owners, employees or contractors.

Those professional accountants who work in professional services firms such as audit firms, regardless of the business function must be familiar with Parts 1-3 and auditors are specifically required to familiarise themselves with Part 4A and 4B.

Part 1: Complying with the Code, Fundamental Principles and Conceptual Framework

Fundamental principles

A professional accountant is responsible for acting in the public interest and maintaining public, government and business confidence in the accountancy profession. This confidence is ensured by the professional accountant by:

- Adhering to ethical principles and professional standards;
- Using business acumen;
- Applying expertise on technical and other matters;
- Exercising professional judgement.

The Code establishes five fundamental principles that all professional accountants must comply with to ensure that the expected level of confidence and trust is maintained. These five principles are:

Integrity – which involves being straightforward and honest; includes fair dealing, truthfulness and having the strength of character to act appropriately, even when facing pressure to do otherwise or when doing so might create potential adverse personal or organizational consequences.

Objectivity – which requires a professional accountant to exercise professional or business judgment without being compromised by bias, conflict of interest or undue influence or undue reliance on, individuals, organizations, technology or other factors.

Professional competence and due care – which requires the professional accountant to attain and maintain professional knowledge and skills at the level required to ensure that a client or their employing organization receives competent professional service, and act diligently and in accordance with applicable technical and professional standards.

Confidentiality – which requires the professional accountant to respect the confidentiality of information acquired as a result of professional and business relationships, be alert to the possibility of inadvertent disclosure, not disclose confidential information without proper authority and not use confidential information for personal gain.

Professional behaviour – which requires the professional accountant to comply with relevant laws and regulations, behave in a manner consistent with the profession's responsibility to act in the public interest and avoid any conduct that the professional accountant knows or should know might discredit the profession.

The fundamental principles of ethics establish the standard of behaviour expected of a professional accountant. A professional accountant might face a situation in which complying with one fundamental principle conflicts with complying with one or more other fundamental principles and such cases a consultation from an expert third party may be sought. However, such consultation does not relieve the professional accountant from using professional judgement to resolve the ethical dilemma or even disassociate themselves from the subject of the dilemma.

Threats

The Conceptual Framework requires the professional accountant to identify threats to compliance with the fundamental principles, evaluate the threats identified and address the threats by eliminating them or reducing them to an acceptable level.

When applying the Conceptual Framework, you, as a professional accountant must have an inquiring mind, exercise professional judgement and use a third party test where you assess whether a reasonable and informed third party would reach the same conclusions as you.

There are a number of threats to the fundamental principles that you may encounter during the performance of your work duties. These threats can be:

- Self-interest threat – the threat that a financial or other interest will inappropriately influence your judgment or behavior;
- Self-review threat – the threat that you will not appropriately evaluate the results of a previous judgment made, or an activity performed on which you will rely when forming a judgment as part of performing the current activity;
- Advocacy threat – the threat that you will promote a client's or your employer's position to the point that your objectivity is compromised;
- Familiarity threat – the threat that due to a long or close relationship with a client, or employer, you will be too sympathetic to their interests or too accepting of their work;
- Intimidation threat – the threat that you will be deterred from acting objectively because of actual or perceived pressures, including attempts to exercise undue influence over you.

A situation may lead to one or more threats materializing or compliance with one or more fundamental principles may be affected. Once the threats are identified you must evaluate each one to decide whether it is at an acceptable level, which is a level where you will be compliant with the fundamental principles.

A number of factors, both qualitative and quantitative can be considered when evaluating the threats individually and in aggregate. These factors can include:

- corporate government structures;
- experience and training requirements;
- prior breaches of ethical principles;
- complaints and disciplinary procedures in place.

Safeguards

Once the threats are identified and evaluated, you will have to address them by:

- Eliminating a threat completely;
- Reducing it to an acceptable level by eliminating the source of the threat;
- Reducing it to an acceptable level by putting safeguards in place;
- Stopping the activity that leads to the threat.

Professional judgement considerations

Professional judgement is required to identify, evaluate and address threats but it can be affected by various types of bias, such as:

- Anchoring bias – a tendency to use an initial piece of information as an anchor against which subsequent information is inadequately assessed;
- Automation bias – a tendency to favour output generated from automated systems, even when human reasoning or contradictory information raises questions as to whether such output is reliable or fit for purpose;
- Availability bias – a tendency to place more weight on events or experiences that immediately come to mind or are readily available than on those that are not;
- Confirmation bias – a tendency to place more weight on information that corroborates an existing belief than information that contradicts or casts doubt on that belief;

- Groupthink – a tendency for a group of individuals to discourage individual creativity and responsibility and as a result reach a decision without critical reasoning or consideration of alternatives;
- Overconfidence bias – a tendency to overestimate one's own ability to make accurate assessments of risk or other judgments or decisions;
- Representation bias – a tendency to base an understanding on a pattern of experiences, events or beliefs that is assumed to be representative;
- Selective perception – a tendency for a person's expectations to influence how the person views a particular matter or person.

Bias can be overcome by seeking consultations and expert advice as well as obtaining training to identify bias as part of continuous professional development.

Considerations for audits, reviews and other assurance and related services

1. A robust system of quality management in line with ISQM 1 can be an important factor in supporting compliance with fundamental principles in an audit or review setting;
2. Independence is linked to objectivity and integrity and is critical when performing audits, reviews or other assurance engagements. The International Independence Standards set out the requirements for maintaining independence which can be disaggregated into two types:
    a. Independence of mind – the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity, and exercise objectivity and professional scepticism;
    b. Independence in appearance – the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude that a firm's or an audit or assurance team member's integrity, objectivity or professional scepticism has been compromised.
3. Professional scepticism is required to be applied when performing audits, reviews and other assurance services and is closely related to the fundamental principles. Compliance with the fundamental principles supports the exercise of professional scepticism such as maintaining integrity by being open in raising a concern or ensuring objectivity by considering the impact of familiarity with the client on evaluating audit evidence.

Part 2: Professional Accountants in Business

Part 2 of the Code deals with various situations a professional accountant may encounter in a business setting. A professional accountant in business might be an employee, contractor, partner, director (executive or non-executive), owner-manager, or volunteer of an employing organization. Investors, creditors, employing organizations and other sectors of the business community, as well as governments and the general public, might rely on the work of professional accountants in business. Hence, as a professional accountant in business you must comply with the fundamental principles and apply the Conceptual Framework when identifying, evaluating and addressing threats to compliance with the fundamental principles.

Conflicts of interest

As a professional accountant you cannot allow a conflict of interest to compromise professional or business judgment for example, selecting a supplier for your employer when your immediate family member might benefit financially from the selection. An effective way to avoid conflict of interest is to segregate certain roles and responsibilities or obtain oversight from an independent party. It is always a good idea to seek guidance from your professional organization, employer or another professional.

Preparation and presentation of information

Professional accountants at all levels in an employing organization are involved in the preparation or presentation of information both within and outside the organization. In such cases you must ensure that:

- Information is prepared or presented in accordance with a relevant reporting framework and is neither misleading or influences contractual or regulatory outcomes inappropriately;
- Professional judgment is exercised so that facts are presented accurately and completely in all material respects, the true nature of business transactions is described clearly and information is recorded and classified in a timely and proper manner;
- No information is omitted to mislead or influence contractual or regulatory outcomes inappropriately;
- Undue influence of, or undue reliance on, individuals, organizations or technology is avoided as well as risk of bias is recognized.

An example of a breach of these principles may be when a professional accountant manipulates the timing of transactions in order to mislead such as timing a sale of an asset near the end of the reporting period. Consultation with other professionals, independent oversight and correction of any errors would all be appropriate to mitigate the threats.

Acting with sufficient expertise

As a professional accountant you cannot intentionally mislead your employer as to the level of expertise or experience you have in order to avoid the threat of self-interest and comply with the principle of professional competence and due care. To address this threat, it is important to obtain relevant training and ensure that sufficient time is allowed to perform assigned tasks where expertise is required. If it is not possible to mitigate the threat to professional competence and due care, you may have to decline the offer to perform the assigned tasks.

Financial interests

As a professional accountant you cannot manipulate information or use confidential information for personal gain or for the financial gain of others for example, a threat may arise if your performance bonus is directly related to particular decisions you make or if you hold financial interest in a client. In such instances disclosure may be necessary to those charged with governance, internal policies may also act as safeguards against threats to integrity.

Inducements

An inducement is an object or means used to influence someone's behaviour such as gifts, hospitality, donations, entertainment, employment opportunities. Even if inducements are not prohibited by laws as is the case in many jurisdictions, they can still create a threat to fundamental principles such as integrity. As a professional accountant, you cannot offer or encourage others to offer, accept or encourage others to accept any inducement that is made with the intention to influence the behaviour of the recipient improperly. To assess whether this is the case or not, it may be required to consider aspects such as the value, nature, timing of the inducement, whether it is a customary practice, whether it is limited to an individual or available to a wider group, the transparency of the offer of inducement and the reputation of the offeror. It may be the case that as a result of the offer the relationship with the offeror may need to be terminated.

There might still be threats of self-interest, familiarity or intimidation even if there is no intention by the offeror to influence the recipient's behaviour improperly. To safeguard from such threats, it is proper to decline offer of inducement or transfer the decision-making to another individual who is independent of the circumstances. If accepted, it is appropriate to donate the inducement to charity and/or log it in a log and disclose it to those charged with governance. Special attention must be paid to inducements offered by or offered to close family members of the professional accountant.

Non-compliance with laws and regulations (NOCLAR)

In cases of non-compliance with laws and regulations threats of self-interest or intimidation to professional behaviour and integrity arise. Non-compliance with laws and regulations comprises acts of omission or commission, intentional or unintentional, which are contrary to the prevailing laws or regulations committed by the employer of the professional accountant, those charged with governance, management or another party under the direction of the employer. Non-compliance can include laws relating to fraud and corruption, anti-money laundering, securities markets, banking sector, data protection, tax, environmental protection, public health and safety.

As a professional accountant you must comply with all relevant laws and regulations. In cases of suspected or actual breach, you must understand the relevant legal provisions including the reporting requirements and prohibitions on alerting the offending party. The response to such instances should be based on the internal policies of your employer. Senior accounting professionals must discuss the matter with their immediate superiors to decide how to address the matter, take appropriate steps to communicate the matter to those charged with governance, have the consequences of the breach remediated or mitigated, comply with the reporting requirements, act to reduce the risk of re-occurrence. Depending on the nature and extent of the. matter the senior accountant may have to inform the management of the parent entity, report to an appropriate authority, resign from their role.

Pressure to breach the fundamental principles

As a professional accountant you shall not allow pressure from others to result in non-compliance with the fundamental principles or place pressure on others that would result in the other individuals not complying with the fundamental principles. An example of such pressure might be pressure from a family member bidding for a supplier contract with your employer, or pressure to report misleading financial results by your superior.

Evaluation of the level of threat may require consultations with others including those exerting the pressure, or escalating the matter to an appropriate level within the organization, or consulting with a legal counsel. Segregation of duties and responsibilities may be an effective mitigation to address such threats.

Part 3: Professional Accountants in Public Practice

Part 3 of the Code deals with instances such as conflicts of interest, professional appointments, second opinions, objectivity of an engagement quality reviewer, fees, inducements, custody of client assets and non-compliance with laws and regulations for professional accountants in public practice.

The same fundamental principles and Conceptual Framework apply in such case and the professional accountant must identify, evaluate and address the threats to compliance with the fundamental principles. A wide variety of situations may arise and it is your responsibility, as well as of your firm and engagement team to ensure compliance.

Conflict of interest

A professional accountant shall not allow a conflict of interest to compromise professional or business judgment. For example, a conflict of interest may arise when the professional accountant provides services to a seller and a buyer in relation to the same transaction, or preparing valuations of assets for two parties who are in an adversarial position with respect to the assets. To address such conflicts of interest, it may be reasonable to have separate teams who are provided with clear policies and procedures on maintaining confidentiality or have an appropriate reviewer, who is not involved in providing the services.

Professional appointments

Acceptance of a new client relationship or changes in an existing engagement might create a threat to compliance with one or more of the fundamental principles such as integrity and professional behaviour because of client activities such as client involvement in illegal activities, dishonesty, questionable financial reporting practices or other unethical behaviour.

To safeguard against such threats, it may be appropriate to assign sufficient engagement personnel with the necessary competencies or agree on a realistic time frame for the performance of the engagement and use experts where necessary. For a recurring client engagement, a professional accountant must periodically review whether to continue with the engagement as threats may arise after accepting the client relationship.

Second opinions

A professional accountant might be asked to provide a second opinion on the application of accounting, auditing, reporting or other standards. Providing a second opinion to an entity that is not an existing client might create a self-interest threat to professional competence and due care by providing a second opinion that is not based on the same facts that the existing or predecessor accountant had, or that is based on inadequate evidence.

To safeguard from such threats, it may be appropriate to obtain information from the existing or predecessor accountant with the client's permission, describing the limitations surrounding any opinion in communications with the client, providing the existing or predecessor accountant with a copy of the opinion.

Objectivity of the engagement quality reviewer and other appropriate reviewers

Appointing an engagement quality reviewer (EQR) who has involvement in the work being reviewed or close relationships with those responsible for performing that work might create threats to compliance with the principle of objectivity. To evaluate the level of threats the role and seniority of the potential EQR, their relationship with the engagement team, nature and complexity of the issues that required significant judgement from the potential EQR in their previous involvement in the engagement should be considered. As safeguards, a cooling-off period and reassigning of responsibilities may be appropriate.

Fees and other types of remuneration

The level and nature of fees and other remuneration arrangements might create a self-interest threat. The level of fees might impact a professional accountant's ability to perform professional services in accordance with technical and professional standards. The fees must align to the scope of the engagement and a reviewer may be engaged to review the work performed as a safeguard against self-interest threat. Specific provisions are made by the Code for contingent fees and commissions.

Inducements

Offering or accepting inducements might create self-interest, familiarity or intimidation threats. A professional accountant shall not offer or encourage others to offer, accept or encourage others to accept any inducement that is made with the intention to influence the behaviour of the recipient improperly. There might still be a threat of self-interest, familiarity or intimidation even if there is no intention by the offeror to influence the recipient’s behaviour improperly.

To safeguard from such threats, it is proper to decline the offer of inducement or transfer the decision-making to another individual who is independent. If the offer is accepted, it is reasonable to donate the inducement to charity, log it in a log and disclose it to those charged with governance. Special attention must be paid to inducements offered by or offered to close family members of the professional accountant.

Custody of client assets

A professional accountant shall not assume custody of client money or other assets unless permitted to do so by the law and in accordance with any conditions under which such custody may be taken. Holding assets belonging to others creates threats of self-interest to objectivity and professional behaviour.

Responding to non-compliance with laws and regulations (NOCLAR)

A self-interest or intimidation threat to compliance with the principles of integrity and professional behaviour is created when a professional accountant becomes aware of non-compliance or suspected non-compliance with laws and regulations. Non-compliance with laws and regulations comprises acts of omission or commission, intentional or unintentional, which are contrary to the prevailing laws or regulations committed by the client, those charged with governance, management or another party under the direction of the client. The non-compliance can include laws relating to fraud and corruption, anti-money laundering, securities markets, banking sector, data protection, tax, environmental protection, public health and safety.

In cases of suspected or actual breach, a professional accountant must understand the relevant legal provisions including the reporting requirements and prohibitions on alerting the client. The response to such instances should be made with regard to the nature of the matter and the potential harm to the interests of the firm, investors, creditors, employees or the general public.

International Independence Standards (Parts 4A and 4B)

Parts 4A and 4B deal with the issue of independence in the context of audit and review engagements and other assurance engagements.

Part 4A: Independence for audit and review engagements

Part 4A includes the following sections:

- Group audits – focuses on ISA 600 (Revised) requirements for 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;
- Fees – focuses on specific requirements and application material relevant to applying the Conceptual Framework to identify, evaluate and address threats to independence arising from fees charged to audit clients;
- Compensation and evaluation policies – focuses on dealing with the self-interest threat arising from the firm's evaluation or compensation policies;
- Gifts and hospitality – focuses on self-interest, familiarity or intimidation threats arising from gifts and hospitality received from an audit client where there is a direct prohibition on accepting such gifts and hospitality unless they are trivial;
- Actual or threatened litigation – focuses on threats of self-interest and intimidation when litigation with an audit client occurs, or appears likely;
- Financial interests – deals with self-interest threats when holding financial interest in an audit client;
- Loans and guarantees – deals with the self-interest threat arising from a loan or a guarantee of a loan with an audit client;
- Business relationships – focuses on threats arising from close business relationships with an audit client or its management;
- Family and personal relationships - focuses on threats arising from family or personal relationships with client personnel;
- Recent service with an audit client – focuses on self-interest, self-review or familiarity threats arising in cases when an audit team member has recently served as a director or officer, or employee of the audit client;
- Serving as a director or officer of an audit client – focuses on self-review and self-interest threats arising when a partner or an employee of the firm or a network firm served as a director or officer of an audit client which is prohibited by the Code;
- Employment with an audit client – deals with threats arising from employment relationships with an audit client such as when director or officer of the audit client or an employee in a position to exert significant influence over the preparation of the client's accounting records or financial statements on which the firm will express an opinion, has been an audit team member or partner of the firm or a network firm;
- Temporary personnel assignments – focuses on self-review, advocacy or familiarity threats arising from the loan of personnel to an audit client;
- Long association of personnel with an audit client – focuses on threats created in cases when an individual is involved in an audit engagement over a long period of time as it leads to familiarity with the audit client and its operations, audit client's senior management or financial statements on which the firm will express an opinion;
- Provision of non-assurance services to an audit client – focuses on identification, evaluation and addressing of threats to independence when providing non- assurance

services to audit clients, including specific requirements for certain types of non-assurance services;

- Reports on special purpose financial statements that include a restriction on use and distribution – includes modifications of requirements in Part 4A which are permitted in certain circumstances involving audits of special purpose financial statements where the report includes a restriction on use and distribution.

Part 4B: Independence for assurance engagements other than audit and review engagements

Part 4B includes requirements and application material to deal with threats to fundamental principles in the context of assurance engagements other than audits and reviews arising from the following factors:

- fees;
- gifts and hospitality;
- actual and threatened litigation;
- financial interests;
- loans and guarantees;
- business, family and personal relationships;
- recent service with an assurance client;
- serving as director or officer of an assurance client;
- employment with an assurance client;
- long association of personnel with an assurance client;
- provision of non-assurance services to an assurance client;
- reports that include restrictions on use and distribution.

Both parts 4A and 4B are applicable to those working in public practice as auditors and must be complied with. Professional services firms often have their own provisions relating to independence drawn from relevant supervisory body guidance, which will overlay with the Code and IAASB requirements and this fact must be taken into consideration.