

CPC
(Issued 7.88)



Code of Professional Conduct

SECTION D

*Matters applicable mainly to members
providing public accounting services*

NOTE: Members who provide public accounting services under By-Law 703.2 must not represent to the public that they provide such services. "Representation" is explained in By-Law 701. D.4, D.5 and D.11 therefore should in practice have limited or no application to such members provided that they have complied with the constraints placed on them by By-Law 703.2

D.1 *Professional Fees*

Professional fees must reflect fairly and equitably the value of work performed for the client.

Members are referred to Professional Statement F.5 in Section F of this Code for the approved principles relating to the charging of fees.

D.2 *Advisory Services – Fees and Commissions*

Members may charge a client a fee for advisory services and/or may receive commissions from third parties in respect of advisory services provided to a client. Where an agency, commission or other form of arrangement has been entered into with a third party, the member shall inform the client in writing of the existence of such arrangement, the identity of the other party or parties and the method of calculation of the agency fee, commission or other benefit accruing directly or indirectly to the member. The onus of proof that disclosure has been made is on the member.

Members are referred to Professional Statement F.5 in Section F of this Code for the approved principles relating to the charging of fees.



D.3 Funds held in Trust and Clients' Moneys

Members who hold funds in trust must keep records necessary to show that the funds have been correctly administered. Members are referred to Professional Statement F.6 in Section F of this Code for the approved principles relating to the custody of clients' moneys.

D.4 Practice Names and Descriptions

Members are prohibited from using a practice name which is false, misleading or deceptive. Practice names and descriptions must be in good taste and must not reflect adversely on the profession.

D.5 Advertising and Publicity

Members are permitted to advertise or obtain publicity for their services provided that the content or nature of such advertising or publicity is not false, misleading or deceptive and is consistent with the dignity of the profession.

D.6 Deleted: National Council resolution August 1992

D.7 Changes

Members must not accept an appointment with respect to any public accounting function, in replacement of another accountant providing public accounting services without first communicating with that accountant and enquiring as to whether there are any circumstances they should take into account in deciding whether or not to accept the appointment. Members must also supply any successor with reasonable information pertaining to the work involved. Members are referred to Professional Statement F.3 in Section F of this Code for approved principles and detailed procedures in this regard.

D.8 Referrals

Members who accept a special assignment from the client of an accountant providing public accounting services or direct from that accountant must not do anything which will impair the position of that accountant in his continuing work for the client. Members are referred to Professional Statement F.4 in Section F of this Code for the approved principles and detailed procedures in this regard.

D.9 Incompatible Business

Members engaged in the provision of professional services must not at



a conflict of interests in rendering such services or which is detrimental to the public good or the dignity of the profession.

D.10 *Attention to Correspondence and Enquiries*

Members must reply to professional correspondence and enquiries expeditiously.

D.11 *Stationery and Signboards*

Members' stationery and signboards must be professional, in good taste and appropriate to their practice. Members who provide public accounting services and engage in any other business activity must use separate letterheads, business cards and appropriate stationery in connection with that other business activity.

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AUSTRALIAN SOCIETY OF CPAs

Code of Professional Conduct

SECTION E

*Statements and By-Laws contained in other
parts of the Members' Handbook and relevant
to specific aspects of Professional Conduct*

Article 5(2) stipulates that any applicant for membership "shall agree that if admitted as a member he will be bound by the provisions of the Memorandum and Articles of Association of the Society and of the By-Laws, regulations and pronouncements of National Council then in force or which may thereafter from time to time be in force".

Members in Public Practice are required under By-Law 704.1(c) to "hold a current Members' Handbook issued by the Society and be conversant with its contents" as one of the conditions for the issue and retention of a Public Practice Certificate.

All members are required to be thoroughly familiar with the contents of the Members' Handbook, particularly the Accounting and Auditing Standards and the Auditing Guidance Statements, and to keep abreast of any changes that may be effected from time to time.

In this Section of the Code of Professional Conduct, and as an integral part of it, the following Statements, contained in other parts of the Members' Handbook, are listed as having special relevance to questions of professional conduct:

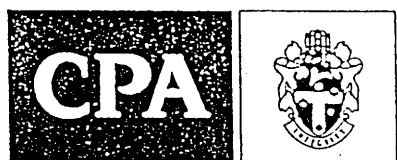
Statements and By-Laws applicable to all members

- APS 1 — Conformity with Accounting Standards and UIG Consensus Views
- APS 1.1 — Conformity with Auditing Standards
- AUS — Auditing Standards (operative from 1.7.1996)

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- | AUS 1 — Statement of Auditing Standards (operative until 30.6.1996)
- APS 6 — Statement of Taxation Standards
- APS 8 — Statement of Management Consulting Services Standards
- PP 3 — Preparation of Legal Documents
- By-Laws 601 to 604 — Professional Conduct
- By-Law 713 — Outside Employment
- Statements and By-Laws applicable mainly to members providing public accounting services*
- APS 2 — Engagement Letters to Clients (non-audit)
- | AUP 9 — Audit Engagement Letters (operative until 30.6.1996)
- | AUS 204 — Terms of Audit Engagements (operative from 1.7.1996)
- APS 4 — Statement of Quality Control Standard
- APS 5 — Quality Control Policies and Procedures
- APS 7 — Statement of Insolvency Standards
- By-Law 702 — Forms of Practice
- By-Law 709 — Practice Descriptions
- By-Law 711 — Partnerships
- By-Law 712 — Practice through Trusts
- By-Law 901 — Incorporation

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AUSTRALIAN SOCIETY OF CPAs

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SECTION F

Professional Statements

Professional Statements which detail the requirements on some matters of particular importance are set out below.

Professional Statement applicable to all members

F.1 — Professional Independence

Professional Statements applicable mainly to members providing public accounting services

F.2 — Prospectuses and Reports on Profit Forecasts

F.3 — Changes in Professional Appointments

F.4 — Referrals

F.5 — Professional Fees

F.6 — Clients' Moneys

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PROFESSIONAL STATEMENT F.1

Professional Independence

- 1 This statement is confined to the professional aspects of independence as distinct from any requirements which may be imposed by law. It applies to all members including those providing public accounting services under the provisions of By-Law 703.2.

Definitions

- 2 The following expressions, when used in this statement, have the meanings assigned to them in this paragraph:

- (a) "Practice" is a firm or other organisation (incorporated or otherwise) which offers accountancy services to the public and "person in a practice" includes—
- (i) a sole practitioner;
 - (ii) each partner or other principal in a practice;
 - (iii) any consultant or retired principal having a continuing relationship within a practice in that he or she is under an obligation to earn his or her consulting fee by rendering services to the practice when called upon to do so;
 - (iv) each employee engaged in the professional work of a practice;
 - (v) each sub-contractor to a practice in relation to work sub-contracted to him or her;
 - (vi) any person engaged in any of the above capacities with any related practice.

A practice is "related" to another practice if the practices have:—

- one or more principals in common, or
- a continuing financial or commercial relationship or arrangement with each other which might impair the professional independence of the practice in relation to a client.

- (b) "Company" includes the parent company and all subsidiaries of that parent.

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- (c) "Near relative" includes spouse or minor child or any other close relative or person who is financially dependent upon the person in the practice or upon the spouse of that person.
 - (d) References to beneficial ownership of or interest in shares include rights to acquire such ownership or interest.
 - (e) "Report" or "reporting function" means an opinion on financial information by a person in a practice.
3. It is not possible to give a definition of "material" which would cover all circumstances where materiality is referred to in this statement. In such circumstances regard will be had to the effect which an interest might have or be seen to have on the objectivity of a person in a practice.

Principles

- 4. Professional independence is a concept fundamental to the accounting profession requiring a member to observe integrity in and an objective approach to professional work.
- 5. In each professional assignment undertaken, a member in public practice must be and be seen to be free of any interest which is incompatible with objectivity. This is self evident in the exercise of the reporting function but also applies to all other professional work. In determining whether a member in public practice is or is not seen to be free of any interest which is incompatible with objectivity, the criterion should be whether a reasonable person, having knowledge of the relevant facts, could conclude that the member has placed himself or herself in a position where his or her objectivity would or could be impaired.
- 6. A member not in public practice has a duty to be objective in carrying out his or her professional work whether or not the appearance of professional independence is attainable. Thus a member performing professional work in commerce, industry or the public service must recognise the problems created by personal relationships or financial involvements which by reason of their nature or degree might threaten his or her objectivity.

Rules

General

The following rules are not intended to limit the generality of the above principles.

Reporting

7. A member must present or report on information objectively. That duty is the essence of professionalism and is appropriate to all accountants in public practice, in commerce, in industry and in the public sector.
8. No person in a practice shall personally take part in the exercise of the reporting function in respect of a client if, during the period in respect of which the report is to be made or at any time in the twelve months prior to the first day of the period in respect of which the report is to be made, the person or a near relative has been an officer (other than an auditor), partner or employee of the client or had any financial or commercial relationship with the client which might impair the person's professional independence.

Audits (See also the prohibition in paragraph 21(a)(ii) below)

9. Notwithstanding the absence of any legal prohibition on such an appointment, a practice must not act as auditor of a company if any person in the practice is an employee, director or other officer of that company.

The application of this rule to exempt proprietary companies may not be warranted, in certain circumstances. It may be disregarded, in cases where it is believed appropriate to do so, having regard to such factors as the ownership, size and nature of the company's activities and/or external borrowings. At all times the onus will be on the member to demonstrate that departure from the rule was warranted. In cases where the restriction imposed is not applied, and the member is acting as auditor, any relevant interest or relationship must be:

- [i] made known to and be approved by the client, and
- [ii] adequately disclosed in the audit report as set out in paragraph 29 of this statement.

Material Beneficial Interest in Audit Clients

10. A practice must not have as an audit client a company in which any person in the practice, or a near relative of any person in the practice, is the beneficial owner of shares forming a material part of the equity share capital of the company, or forming a material part of the assets of that person.



The application of this rule to exempt proprietary companies may not be warranted in certain circumstances. It may be disregarded, in cases where it is believed appropriate to do so, having regard to such factors as the ownership, size and nature of the company's activities and/or external borrowings. At all times the onus will be on the member to demonstrate that departure from the rule was warranted. In cases where the restriction imposed is not applied, and the member is acting as auditor, any relevant interest or relationship must be:

- (i) made known to and be approved by the client, and
 - (ii) adequately disclosed in the audit report as set out in paragraph 29 of this statement.
11. A material beneficial interest in an audit client may be involuntarily acquired, for example where a person in a practice inherits such shares or marries a shareholder or acquires shares as a result of a takeover or when a new employee engaged in professional work owns such shares when joining the practice. If the audit appointment is to be retained, immediate steps must be taken to reduce such beneficial interest to a level which is not material.

Material Beneficial Interest in Non-Audit Clients

12. Where a practice is asked to report on a company otherwise than as auditor, no person in the practice who has a material beneficial interest in, or is a near relative of a person who has a material beneficial interest in, the company shall personally take part in that assignment.
13. Paragraphs 10, 11 and 12 are not intended to prevent any person in a practice from having a material beneficial interest in a public unit trust or listed company which holds shares in a client company, provided that such unit trust or company is not an audit client of the practice nor has a material beneficial interest in the client company.

Trustee Shareholders in Audit Clients

14. A practice must not have a company as an audit client if any person in the practice, or a near relative of any person in the practice, is a trustee of a trust having a material interest in that company. Where the practice is asked to report other than as auditor, the person concerned must not personally take part in that assignment.

The application of this rule to exempt proprietary companies may not be warranted in certain circumstances. It may be disregarded, in cases where it is believed appropriate to do so, having regard to such factors as the ownership, size and nature of the company's activities and/or external borrowings. At all times the onus will be on the member to demonstrate that departure from the rule was warranted. In cases where the restriction imposed is not applied, and the member is acting as auditor, any relevant interest or relationship must be:

- (i) made known to and be approved by the client, and
- (ii) adequately disclosed in the audit report as set out in paragraph 29 of this statement.

Loans to or from Clients

17. No person in a practice, or near relative of any person in the practice, shall accept or make or guarantee a loan from or to a client except for a loan negotiated at arms length in the ordinary course of the client's business. A transaction so negotiated must not be entered into without full consideration of its effects on actual and apparent professional independence. In the case of an audit client company, the restrictions under the companies legislation must be observed.

Commission

18. Acceptance of commission by a practice or by any person in a practice could impair the professional independence required of members. Members are referred to paragraph D.2 in the Society's Code of Professional Conduct.

Goods and Services from Clients

19. No person in a practice, or near relative of any person in the practice, shall accept from a client goods or services on terms more favourable than those generally available to others. Hospitality or gifts on a scale which is not commensurate with normal courtesies of social life must not be accepted.

Conflicts

20. It is recognised that from time to time unavoidable conflicts of interest or of duty will occur. Conflicts are generally of two types. On the one hand,

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The application of this rule to exempt proprietary companies may not be warranted in certain circumstances. It may be disregarded, in cases where it is believed appropriate to do so, having regard to such factors as the ownership, size and nature of the company's activities and/or external borrowings. At all times the onus will be on the member to demonstrate that departure from the rule was warranted. In cases where the restriction imposed is not applied, and the member is acting as auditor, any relevant interest or relationship must be:

- (i) made known to and be approved by the client, and
- (ii) adequately disclosed in the audit report as set out in paragraph 29 of this statement.

Corporate Trustee

15. Prohibitions similar to those set out in paragraph 14 apply where any person in a practice is a director or employee of a company which acts as a trustee of a trust having a material interest in the client company.

The application of this rule to exempt proprietary companies may not be warranted in certain circumstances. It may be disregarded, in cases where it is believed appropriate to do so, having regard to such factors as the ownership, size and nature of the company's activities and/or external borrowings. At all times the onus will be on the member to demonstrate that departure from the rule was warranted. In cases where the restriction imposed is not applied, and the member is acting as auditor, any relevant interest or relationship must be:

- (i) made known to and be approved by the client, and
- (ii) adequately disclosed in the audit report as set out in paragraph 29 of this statement.

Nominee Shareholdings

16. A material interest in an audit client company held by any person in a practice as nominee may not, in fact, be a threat to professional independence, but may well impair the appearance of professional independence and if the audit appointment is to be retained immediate steps must be taken to procure the appointment of a nominee unconnected with the practice.