



THE INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
OF UGANDA

# Code of Ethics

This Code is issued by the Council of the  
Institute and applies to all members





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## *MISSION STATEMENT*

The Mission of the Institute of Certified Public Accountants of Uganda is to develop and promote the accountancy profession in Uganda and beyond through an internationally recognised qualification ensuring high ethical and professional accounting and auditing standards.

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## **1. PREAMBLE**

### **1.1 FOREWORD**

No matter how their livings are earned, members will often need ethical guidance in relation to particular circumstances. The 4th Schedule of The Accountants Statute, 1992 “The Professional Code of Conduct” (See Section 2) prohibits members from doing a number of things. It is the function of the Institute’s Code of Ethics to explain those provisions. Those Members of the Institute engaged in professional practice, or who in any way provide professional services to clients, may on occasion, need guidance on the correct course to pursue in their dealings with clients or their clients’ affairs. The purpose of this code is to provide such guidance, and to lay down standards against which conduct may be assessed.

Members in salaried employment are subject to the terms (including terms implied by law) of contracts of employment. In certain respects, (for example, standards of professional competence) they are in a very similar position to practitioners in practice.

References in this code to “members” or to “accountants” relate to all members unless specifically said to relate to a particular category of members. All members of the Institute are under an obligation to avoid conduct which would bring discredit on themselves, the Institute or the accountancy profession. Such conduct may involve disciplinary proceedings in terms of section 28 of The Accountants Statute 1992. In any such proceedings the Disciplinary Committee of the Council may have regard to this Code of Ethics or to any other code of practice, or technical standards and regulations affecting members and member firms. A member is expected in normal circumstances to follow the guidance contained in the Fundamental Principles and in the Statements as part of the ethical standards expected of him or her as a Certified Public Accountant. Whereas failure to follow the Code of Ethics is not a disciplinary matter in itself,

such departure would place the onus firmly on the member to justify his or her actions. However, in view of the wide-ranging nature of the subjects and areas covered by the Code, it is emphasised that it should be regarded as a recommended code of conduct, to which additions or alterations may be made from time to time.

Members who may have any doubts as to their proper course of action in a particular case may apply to the Chief Executive of the Institute at Head Office for advice.

## **1.2 INTRODUCTION.**

- 1.2.1. The Institute of Certified Public Accountants of Uganda (ICPAU or The Institute) was established in accordance with THE ACCOUNTANTS STATUTE 1992.
- 1.2.2 The Statute says: “The functions of the Institute shall be-
- (a) to regulate and maintain the standard of accountancy in the country; and
  - (b) to prescribe or regulate the “Conduct of Accountants in Uganda.”
- 1.2.3 The Statute also says; “The governing body of the Institute shall be a Council.....”
- 1.2.4 The functions of the Council include/ among others:-
- To regulate the conduct and promote good ethical standards and discipline of members of the Institute;
  - To make bye-laws of the Institute.
- 1.2.5 The Fourth Schedule to the Accountants Statute contains “The Professional Code of Conduct” as codified by the Statute. Members may be guilty of misconduct for breach of the Code of Conduct. This Code is reproduced in section 2. In so far as its individual contents are concerned/ each of the 22 provisions is followed by those of this Code of Ethics.
- 1.2.6 This Code of Ethics is explanatory of the Code of Conduct, expands on the principles set out in it, and is binding on all members (except where it is otherwise stated). Members are subject to such ethical, technical and professional standards as the Council shall from time to time prescribe. The Code of Ethics is based on (i) five Fundamental Principles, (The Fundamental Principles never change. They are the “bedrock” on which all of the members’ actions are based.)

- (ii) Statements deriving from the Fundamental Principles and
- (iii) Explanatory Notes. The purpose of the Code of Ethics is to make more explicit members' responsibilities. It should be noted that should any of the terms of the Ethical Guide be inconsistent with those of the Code of Conduct, the latter prevails.

## **2. THE PROFESSIONAL ODE OF CONDUCT**

- 2.1 No Certified Public Accountant shall-
- (a) allow a person who is not a Certified Public Accountant to practise in his name;
  - (b) allow a Certified Public Accountant who is not his partner or employee to practise in his name; or
  - (c) enter into partnership for any professional business with a person who is not a Certified Public Accountant.
- 2.2 No Associate Accountant shall-
- (a) allow a person who is not an associate accountant to practise in his name;
  - (b) allow an associate accountant who is not his partner or employee to practise in his name; or
  - (c) enter into partnership for any professional business with a person who is not an Associate Accountant.
- 2.3 No accountant shall pay, allow to pay or agree to pay a share or commission brokerage out of the fee or profits for his professional services to a person other than a certified public accountant, an associate accountant, a retired partner or a nominee; or legal representative of a retired partner.
- 2.4 No accountant shall accept any part of the profits of professional work of a legal practitioner, auctioneer, broker or other agent who is not a certified public accountant or an associate accountant.
- 2.5 No accountant shall solicit clients or professional work either directly or indirectly.
- 2.6 No accountant shall advertise professional services.
- 2.7 No accountant shall disclose information acquired in the course of his professional engagement to a person other than the client without the consent of the client.

- 2.8 No accountant shall accept any professional engagement as an auditor which was previously held by another accountant without first communicating with that accountant in writing.
- 2.9 No accountant shall accept any appointment as an auditor of a company without first ascertaining from the company whether the requirements of the law relating to appointment of auditors have been complied with.
- 2.10 No accountant shall certify or submit a report on financial statements which financial statements are not examined by him, his partner or employee of his firm.
- 2.11 No accountant shall permit his name or the name of his firm to be used in a manner leading to a belief that he vouches for the accuracy of estimates of earnings of a future transaction.
- 2.12 No accountant shall give his opinion on financial statements or business in which he, his firm or his partner has a substantial interest unless he discloses the nature of interest when expressing his opinion.
- 2.13 An accountant shall not charge fees which are based on a percentage of profits or which are based on results except for professional employment in insolvency or receivership.
- 2.14 An accountant shall disclose all material facts which are missing from a financial statement non disclosure of which would make the financial statement misleading.
- 2.15 An accountant shall report all material mis-statements which appear in a financial statement and shall invite attention to any material departure from the generally accepted procedure of audit.
- 2.16 An accountant shall keep all clients moneys on a separate banking account and shall use that money for the purposes for which it is intended.
- 2.17 No accountant shall knowingly submit a false statement, return or form to a client or the Council.

- 2.18 No accountant shall express a professional opinion on a matter without obtaining sufficient information on the matter.
- 2.19 An accountant who conducts his professional duties with gross negligence commits an offence of professional misconduct and shall be dealt with under section 25 and 28 of the Statute.
- 2.20 An accountant may enter into partnership with a person outside Uganda who is a member of a society or an institute of accountants approved by the Council as being a society or institute with a status equivalent to that of the Institute under subsection (1) of section 6 of the Statute.
- 2.21 An accountant may:
- (a) secure professional business through a partnership under paragraph 2.20;
  - (b) pay to any partner of a partnership under paragraph 20 shares out of the fees or profits for professional services.
- 2.22 Any partnership between a person who becomes a certified public accountant and a person who becomes an associate accountant at the commencement of the Statute, which subsisted on the 31st day of December, 1988, shall continue in force and existence.

### **3. FUNDAMENTAL PRINCIPLES**

#### **3.1 THE PRINCIPLES**

- 3.1.1 A member should behave with integrity in all professional and business relationships. Integrity implies not merely honesty but fair dealing and truthfulness.
- 3.1.2 A member should strive for objectivity in all professional business and judgements. Objectivity is the state of mind which has regard to all considerations relevant to the task in hand but no other.
- 3.1.3 A member should not accept or perform work which he or she is not competent to undertake unless he or she obtains such advice and assistance as will enable him or her competently to carry out the work.
- 3.1.4 A member should carry out his or her professional work with due skill, care, diligence and expedition and with proper regard for the technical and professional standards expected of him/her as a member.
- 3.1.5 A member should conduct himself or herself in a manner that portrays a positive image of the profession.

#### **3.2 NOTE**

A member should observe these Fundamental Principles. In general/ in circumstances not provided for by the Code he or she should conduct himself or herself in a manner consistent with the good reputation of the profession and the Institute.

## **4. THE STATEMENTS AND EXPLANATORY NOTES**

### **4.1. STATEMENT 1 - INTEGRITY, OBJECTIVITY AND INDEPENDENCE. (CODE OF CONDUCT PRINCIPLES 10, 11,12,14,15, AND 17).**

**Statement I applies to all members.**

#### **Section A - Objectivity and Independence regarding an Auditor**

Section A of this Statement deals with the Objectivity and Independence regarding an auditor. It starts with an analysis of potential threats to an auditor's objectivity and of the safeguards available and continues with detailed guidance relating to specific areas of threat.

#### **Objectivity and Independence in other Financial Reporting Roles**

Section B calls for a similar degree of objectivity and independence to be exercised by the member in financial reporting and similar roles outside the audit.

#### **Objectivity in other situations**

Section C deals with situations outside the areas dealt with in Sections A & B where the member must remain conscious of the need to preserve his or her objectivity and to observe appropriate safeguards so that his judgement is not swayed by considerations of self-interest or other improper factors.

#### **Members in Business**

Objectivity in relation to members in business is dealt with in Statement 20, The Ethical Responsibilities of Members in Business.

#### **Conflict of interest**

Conflicts of Interest have an important bearing on objectivity and independence.

#### **4.1.1 Integrity:**

**The Fundamental Principles require that a member should behave with integrity in all professional relationships. Integrity implies not merely honesty but fair dealing and truthfulness. In conforming with this standard, a member should not knowingly mislead or misrepresent facts to others and should use due care to avoid doing so unintentionally.**

#### **4.1.2 Objectivity:**

**Is essential for any member exercising professional judgement, whatever capacity he is working in. Objectivity is the state of mind which has regard to all considerations relevant to the task in hand but no other. It is sometimes referred to as “Professional Independence.” The need for objectivity is self-evident in reporting assignments, or any others in which information is presented to, or used by, others. The need for objectivity is particularly evident in the case of a practising accountant carrying out an audit or some other reporting role where his or her professional opinion is likely to affect rights between parties and the decisions they take.**

#### **Framework**

The Council believes the following “Framework” will assist members in identifying actual or potential “threats” to objectivity and to decide whether they can introduce ‘safeguards’ to deal with those threats.

**Statement 4.2.2.1 (a)-(z) deals with the questions of Objectivity and Professional Independence and audit and similar reporting roles. It includes an analysis of “threats” and “safeguards”. The clause applies only to members in public practice.**

#### **Objectivity: Threats and Safeguards**

In order to safeguard their objectivity, members should consider the following before they decide whether to accept any appointment/ including:

- (i) The expectations of those directly affected by the work. (This means the existence of any relationship or situation affecting a member or firm, or any business interest held by the member or firm which may threaten or appear to threaten objectivity. Disclosure of that relationship, situation or interest to the affected parties will be necessary, giving them the opportunity to object to the member acting. It should be carefully noted, however, that some relationships or circumstances will disentitle the member from taking appointment even though he or she has made disclosure, because the threat (or perceived threat) to objectivity is so great.
- (ii) The public interest and its bearing on the work. (This” means whether there is any overriding interest of society generally).
- (iii) Threats to objectivity. (These may be general in nature, or related to the specific circumstances of an assignment or role). They need to be carefully considered in the light of what the engagement involves.
- (iv) Safeguards against the impairment of objectivity. Sometimes the member’s own integrity and working environment will be enough to deal with the threat; in others safeguards must be added.

The threats manifest themselves in these ways:

- (a) The self-interest threat a threat to objectivity may arise from a financial or other self-interest conflict. This might arise, for example, from a direct or indirect interest in a client or from a fear of losing a client.
- (b) The self-review threat: it is difficult to maintain objectivity when conducting a ‘self-review threat; if any judgement of a previous report needs to be challenged or re-evaluated in reaching fresh conclusions.

- (c) The advocacy threat: there is an apparent threat to objectivity if a member becomes an advocate for (or against) his client's position in any adversarial proceedings or situations.
- (d) The familiarity or trust threat: a member may become over-influenced by the personality and qualities of those who comprise the entity he is reporting on, and consequently too sympathetic to their interest.
- (e) The intimidation threat: a member may become intimidated by threat, by dominating personality, or by other pressures by those on whose affairs he is commenting.

Safeguards against these threats include:

- i this Code of Ethics.
- ii. the ethical support provided by the Institute
- iii. the disciplinary proceedings of the Institute in terms of Section 28 of the Statute.
- iv. having strong internal procedures within firms, such as insuring that staff are adequately trained and instructed to refer any issue of objectivity to, if the member is in public practice on his own, a qualified colleague for review or to other principals in a larger firm;
- v. rotation of those involved in the assignment over a period of years;
- vi. assessing the integrity of the client's management and accountancy competence at any given stage of the assignment.

In the final analysis it may be necessary for the member not to act if the threats to his objectivity are so great, or even if they are generally perceived to be so.

## **4.2 STATEMENT 2 - PROFESSIONAL INDEPENDENCE**

### **4.2.1 The Statement**

**It is the duty of an accountant to 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 service.**

**A member has a duty to be objective in carrying out professional work, and should maintain an independent approach to that work. Thus a member performing professional work in public practice, commerce, industry or the public sector, should recognise the problems created by personal relationships or financial involvements which by reason of their nature or degree may threaten his or her objectivity.**

In the guidance that follows, section 4.2.2.1, sub-sections (a) to (z) concern largely, but not exclusively, members in public practice. Section 4.2.2.2 deals exclusively with the position of members not in public practise.

### **4.2.2 Explanatory Notes**

#### **4.2.2.1 Guidance on Specific Areas of Threat**

It is the responsibility of practising members to use their best endeavours to ensure that the guidance given in sub-sections (a) to (z) below is followed in their professional work.

##### **(a) Fees**

It is undesirable that a practice should derive a substantial part of its professional income from one client or group of connected clients, since it will be seen to be unduly dependent on one source of income. This is a self-interest threat. A practice, therefore, should endeavour to ensure that the recurring fees paid by one client or group of connected clients is not disproportionate in relation to the income of the practice as a whole.

It is recognised that a new practice seeking to establish itself or an old practice running down may well not, in the short term, be able to comply with this criterion and such practices should take particular care to implement the safeguards mentioned above.

## **(b) Family and Personal relationships**

Family and Personal relationships can affect objectivity. There are potential self-interest or familiarity threats here. There is a particular need, therefore, for a practice to ensure that its objective approach to any assignment is not endangered as a consequence of any personal relationship. For example, (i) problems may arise where the same partner or senior staff member works for a number of years on the same audit. Members should establish adequate review machinery as a safeguard, along the lines contained in (1.3.2 to 1.3.9) in order to satisfy themselves that an engagement may be accepted (or continued); (ii) Where anyone in the practice has a mutual business interest with an officer or employee of a client or has an interest in a joint venture with a client; (iii) such problems can also exist in cases of close friendship or relationship (3.2, to 3.7) or where work is being done for a company dominated by one individual.

### **Mutual Business Interest**

Where such an interest is an element of an engagement, the engagement should not be accepted or continued unless appropriate safeguards can be set up within the firm (3.2 to 3.8)

Financial involvement with a client may affect objectivity. Such involvement can arise in a number of ways, of which a shareholding in a company upon which the practice is retained to report, is a typical example.

These threats may be overcome by using “safeguards” but in any event in addition there should be adequate disclosure of any conflicts of interest to all relevant parties.

**(c) Beneficial share-holdings and other investments – audit clients**

A practice should ensure that it does not have as an audit client a company in which a partner in the practice, the spouse or minor child of such partner, is the beneficial holder of share investments. This is an insurmountable self-interest threat. The practice should not employ on the audit any member of staff who is a beneficial holder of such shares.

Shares in an audit client may be involuntarily acquired as where, for example, a partner inherits such shares or marries a shareholder or in a take over situation. In such cases the shares should be disposed of at the earliest practicable date. Until this is achieved sub-section (i) applies. Where the necessary disposal cannot be achieved within the time scale envisaged the practice should not continue as auditor. Similar action should be taken where shares are held in a company becoming an audit client.

**(d) Beneficial share-holdings-clients upon which a practice reports other than as auditor**

Where a practice is asked to report on a company other than as auditor, every effort should be made to ensure that no partner or member of staff engaged on the assignment, or the spouse or minor child of such a partner, has any beneficial interest in the company. If it is discovered that such is the case immediate steps should be taken to remove from the assignment as soon as possible the partner or staff member concerned.

### **(e) Beneficial share-holdings - general exceptions**

The guidance given in sub-section (c) and (d) is not intended to preclude:

- (i) deposits with clients who are registered financial institutions, or investments in building society clients on the same terms as are available to the general public.
- (ii) investments in loan stocks of public utility corporation clients.

### **(f) Trustee share-holdings - public companies**

A Practice should not have as an audit client a public company if a partner in the practice, or the spouse of a partner, is a trustee of a trust holding shares in that company and the holding is in excess of 10 per cent of the issued share capital of the company or of the total assets comprised in the trust. In other cases, unless the trust is an approved charity, a partner who is a trustee or is the spouse of the trustee should not personally take part in the audit and the share-holding should be disclosed in the accounts or in the Directors' Report, or if not so disclosed, in the Audit Report. Where more than one trust is involved it is sufficient that the number of trusts and aggregate holding is disclosed. Where a practice is asked to report on a company other than as auditor, the principles set out in sub-section (d) apply.

### **(g) Trustee share-holdings - private companies**

Where a practice is retained to report as auditor or otherwise of a private company, shares of which are held by a trust of which a partner or the spouse of a partner in the practice is a trustee, the share-holding should be disclosed in the accounts or in the Directors' Report, or if not so disclosed, in the report made by the practice. Where possible a review of the files in such a case should be undertaken by another partner.

## **(h) Corporate trustees**

Similar considerations to those set out in sub-sections (e) and (g) apply when a partner or spouse of a partner is a director or employee of a trust company which acts as trustee, other than a mere custodian trustee, of a trust holding shares in a company on which the practice reports.

## **(i) Voting on audit appointments**

Where a principal or employee of an audit practice holds shares in an audit client company they should not be voted at any general meeting of the company in relation to the appointment, removal or remuneration of auditors. To do so would give rise to a conflict of interest

## **(j) Beneficiaries' interests in trusts**

A partner should not personally take part in the audit of a client company if he, his spouse or minor child, is a beneficiary drawing income or entitled to accumulated income from a trust which, to his knowledge, holds shares in the company. Similar principles apply where a practice is asked to report on a company other than as auditor.

## **(k) Nominee share-holdings**

Similar considerations to those set out in sub-section (f) apply to nominee share-holdings in public companies on which the practice reports.

## **(l) Practice loans**

A self-interest will arise if an audit practice directly or indirectly makes any loan to, or receives a loan from a client. Neither should a practice give a loan to a client, or have borrowings guaranteed by a client. This guidance does not apply to a practice having a current account or a deposit account with a client commercial bank or similar financial institution.

### **(m) Individual loans**

Neither a partner in a practice, nor the spouse or child of a partner, should make a loan to a client, or guarantee a client's borrowings, or accept a loan from a client or have borrowings guaranteed by a client. This guidance is not intended to preclude loans between close relations such as may be regarded as a normal consequence of family life. In the context of this sub-paragraph, the word 'loan' does not include a current or deposit account with a commercial bank or similar financial institution, nor does it include a loan or overdraft from a commercial bank.

**N.B.** A loan from or overdraft with a commercial bank does not preclude a member from being appointed by that bank to be a receiver.

### **(n) Goods and services**

Acceptance of goods or services from a client may be a threat to independence. These should not be accepted by a partner, his spouse or minor child or by the staff of the practice save on terms no more favourable than those available to the generality of the employees of the client and provided the value of the benefit is modest. Acceptance of undue hospitality poses a similar threat

A member should be aware of the difficulties which may arise from the offer or the acceptance of any gift, favour or hospitality which may be interpreted as intended to influence the recipient

### **(o) Commission**

Where advice given to a client is such that, if acted upon, it will result in commission being earned by the practice or anyone in it, special care should be taken that the advice is in fact in the best interests of the client. The client should be informed, in writing, both of the fact that commission

will be received and, as soon as practicable, of the amount and terms of such commission. The client should consent in writing to that commission before it is retained by the member.

**(p) Conflicts of interest**

**(i) General**

In cases where conflicts of interest arise there should be a full and frank explanation to those involved, coupled with any action necessary to disengage from one or both positions, the conflicting interests of which have occasioned the difficulty. Conflicts should, so far as possible, be avoided by not accepting any appointment or assignment in which conflict seems likely to occur.

A member should always make full and proper disclosure of any conflict of interest unless to do so would be inconsistent with the advice given in the explanatory notes to the Statement on Confidentiality.

**(ii) Competing clients**

As an example, a practice which advises a company upon the figures on which it bases a tender for a contract should avoid the conflict of interest which would arise if it knowingly became involved in advising a rival company tendering for the same contract

**(iii) Clients in dispute**

Another example is where a practice which is financial adviser to a company also deals with the personal affairs of its directors and there is a dispute between the company and one of those directors. In such a case a practice should select which of its clients it is to advise. It should not advise both and it may well be preferable that it advises neither although it may,

if asked by both clients, put forward proposals for settling the dispute. Similar considerations apply in the case of a partnership dispute.

**(q) Preparation of accounting records**

In all cases in which a practice is concerned in the preparation of accounting records of an audit client particular care must be taken to ensure that the client accepts full responsibility for such records and that objectivity in carrying out the audit is not impaired.

**(r) Current appointment in a company reported on.**

A practice should not report on a company if a partner or employee of the practice is an officer or employee of the company.

**(s) Previous appointment in a company reported on**

No member should personally take part in the exercise of the reporting function on a company if he has, during the period upon which the report is to be made, or at any time in the two years prior to the first day thereof, been an officer (other than auditor) or employee of that company.

**(t) Liquidations following receiverships**

Where a partner in or an employee of a practice is, or in the previous two years has been, receiver of any of the assets of a company, no partner in or employee of the practice should accept appointment as liquidator of the company.

**(u) Liquidations generally**

Where a practice or a partner in or employee of it has, or during the previous two years had, a continuing professional relationship (see-section (x) with a company, no partner or employee of the practice should accept appointment as liquidator of the company if the company is insolvent. Where the company is solvent such appointment should

not be accepted without careful consideration being given to the implications of acceptance in that particular case. It should be noted that the same considerations of 'continuing professional relationship' relate to the appointment of a member as a trustee in the bankruptcy of any individual.

**(v) Receiverships**

Where a practice or a partner or employee of it has, or during the previous two years has had, a continuing professional relationship (see Sub section (x)) with a company, no partner in or employee of the practice should accept appointment as receiver or as receiver and manager of that company.

**(w) Assets of a Company in Liquidation and of a bankrupt**

(i) Liquidation or receivership assets, i.e. assets coming into the control of a member by virtue of his or her appointment as liquidator or receiver, should not be lent to or used in any way to the benefit of the member or his/her firm, a partner or employee thereof, or any close relative of his/her.

(ii) No asset being part of the assets of a company in liquidation or receivership, or of a bankrupt debtor, should be acquired by any member being the receiver or liquidator of the Company or trustee of the bankrupt owning the asset or by any partner or employee or close relative of any of them whether by private treaty, public auction or otherwise other than in the case of assets sold in the normal course of trade by a retail business provided the terms of sale are those available to the general public and generally in circumstances which clearly do not impair his objectivity.

(iii) A member may not solicit for insolvency work, nor make any offer of payment or reward to anyone in return for the introduction of insolvency appointments.

**(x) Continuing professional relationship**

Such continuing professional relationship as is referred to in sub-sections (u) and (v) above does not arise where the relationship is one which results from the appointment of the practice by, or at the instigation of, a creditor or other party having an actual or potential financial interest in the company to investigate, monitor or advise on its affairs.

**(y) Audit following receivership**

Where a partner in or an employee of a practice has been receiver of any of the assets of a company, neither the practice nor any partner in or employee of the practice should accept appointment as auditors of the company, or of any company which was under the control of the receiver, for any accounting period during which the receiver acted or exercised control.

**(z) New client**

Whenever a practice is asked to accept an appointment, consideration will need to be given to whether acceptance might give rise to a situation in which independence may be compromised whether by a prospective conflict of interest or otherwise. All reasonable steps should be taken to establish that acceptance is unlikely to threaten independence.

**4.2.2.2 Responsibility of members not in practice**

As was stated in the paragraph 4.2.1 members who are not in practice have a duty to be objective in carrying out their professional work. Thus a member performing professional work in commerce, industry or the public service should recognise the problems created by personal relationships or financial involvements which by reason of their nature or degree might threaten his objectivity in respect of his work. He/ like the member in practice/ must observe the high standard of

conduct, integrity and objectivity expected of the membership of the profession. Further guidance is given in Statement 18. Non-practising members should always be aware of threats to objectivity arising from the employer -employee relationship itself.

## **4.3 STATEMENT 3-CONFIDENTIALITY**

### **4.3.1 IMPROPER DISCLOSURE**

#### **4.3.1.1 The Statement**

**Information confidential to a client or employer acquired in the course of professional work should not be disclosed except where consent has been obtained from the client, employer or other proper source, or where there is a legal right or duty to disclose.**

#### **4.3.1.2 Explanatory Note**

Where a member is in doubt as to whether he or she has a right or duty to disclose he should, if appropriate, initially discuss the matter fully within his firm or organisation. If that is not appropriate, or if it fails to resolve the problem, he should consider taking legal advice and/or consult the Institute.

### **4.3.2 IMPROPER USE OF INFORMATION**

#### **4.3.2.1 The Statement**

**A member acquiring or receiving confidential information in the course of his or her professional work should neither use nor appear to use that information for his personal advantage or for the advantage of a third party.**

#### **4.3.2.2 Explanatory Notes**

- (i) When a member changes his or her firm or employment he is entitled to use experience gained in the previous firm or employment but not confidential information acquired there.
- (ii) A member should not deal in the shares of a company with which he has a professional association at such a time or in such a manner as might make it seem that he was turning to his own advantage information obtained by him in his professional capacity.

(iii) It may be a criminal offence in certain circumstances to use confidential information for an improper purpose.

#### 4.3.2.3 **Fidelity**

Employed members owe certain legal duties to their employers. Further, members have a duty of fidelity which requires them to be fully committed to furthering the legitimate interests of their employer. While this duty continues throughout the period of working for an organisation it also applies when members wish to change employment.

The duty of fidelity clearly does not prevent an employee from using the skills acquired while working with a former employer in undertaking a new role with a different organisation. Members should neither use nor appear to use special knowledge which would only have been acquired with access to confidential information (see paragraphs 3.0 to 3.2 above). It is a matter of judgement as to the dividing line which separates experience gained, from special knowledge acquired.

## **4.4 STATEMENT 4 - TECHNICAL STANDARDS**

### **4.4.1 The Statement**

**In relation to Published Information when a member has sole responsibility for the preparation and approval of information, including management information, which is to be made public or is to become available, on however restricted a basis, outside the organisation to which it refers he should ensure that such information complies with professional pronouncements or, if it does not so comply, that the reasons for non-compliance are stated truthfully, unambiguously and fairly.**

### **4.4.2 Explanatory Notes**

- (i) When his is not the sole responsibility/ he should use his best endeavours to achieve compliance or, if the information does not comply with professional pronouncements, that the reasons for non-compliance are stated truthfully, unambiguously and fairly.
- (ii) Professional pronouncements include, for example, Accounting Standards and the Rules and Regulations of the Capital Market.

## **5.5 STATEMENT 5 - PROFESSIONAL COMPETENCE**

### **4.5.1 The Statement**

**A member has a duty to maintain a high level of professional competence throughout his career. He should not undertake or continue professional work which he is not himself competent to perform unless he obtains such advice and assistance as will enable him competently to carry out his task.**

## **4.6 STATEMENT 6 - ADVERTISING AND PUBLICITY**

### **4.6.1 The Statement**

**Members of the Institute are subject to the Accountants Statute which forbids the advertisement of their professional services. The following notes have been prepared for their guidance, but in all cases of doubt they should refer to the Council of the Institute.**

### **2.2.2 Explanatory Notes**

#### **(i) Advertising**

Members are forbidden from seeking professional work by means of advertising, the issue of circulars or cards or by any other form of solicitation. They should refrain from seeking to bring their names to the notice of the public in any way tending to reflect adversely on the profession. Members are also responsible for ensuring that other persons do not engage in such activities on their behalf or for their advantage and to take immediate action to prevent the repetition of any such acts which may have been done without their knowledge.

#### **(ii) Solicitation**

A member should not in any circumstances obtain or seek professional work for himself or another member in any unprofessional manner. Former employees of practising accountants leaving to become independent practitioners should avoid the initiation of communication with clients of former employers telling them of their new activities.

#### **(iii) Articles and letters in the press**

A Member submitting articles, letters or other contributions to the press may use their professional designation and/or designatory letters. In practice, they may also mention the name of their firm, except that they should not

normally do so in the non-professional press unless the subject is one in which the firm, as such, may properly claim an interest, e.g. a professional matter, a local issue, etc. Excessive contributions to the non professional press may be deemed an improper form of publicity.

**(iv) Radio and television programmes**

Members participating in radio or television programmes may do so under their own name and may use their professional designation and/or designatory letters. In the case of relatively isolated appearances reference to the member's firm may be allowable, but if the member is participating in a series, no such reference should be made.

**(v) Authorship of books**

A member writing a book, monograph, pamphlet, etc., may quote therein his designation and/or designatory letters, together with such other personal particulars as are usual, viz., education, hobbies and interests, other qualifications and previous publications.

**(vi) Appointments**

Publicity is desirable for the appointment of members to positions of national or local importance, as well as to the boards of companies, and there is no restriction on the provision of such information to the press, general or professional.

**(vii) Appointments to trade and similar associations**

A member appointed to an office with a trade or similar organisation must ensure that he does not take advantage of his position to acquire professional work. In particular, where the trade association offers for the benefit of members an advisory service on accountancy,

taxation, etc., which is serviced by a member of the Institute, the latter should ensure that:

- (a) there is no reference to the member by name in literature issued by the organisation;
- (b) there is no direct contact between the member of the Institute and the individual member of the trade or other organisation requiring advice;
- (c) where, on very rare occasions, such direct contact is essential, the professional adviser retained by the member of the organisation is informed;
- (d) advice is given to the trade or other organisation and not to any individual member thereof.

### **(viii) Booklets**

A member may prepare a booklet specifying the services he provides and the name and address of his firm. Circulation of booklets must be restricted to clients and to those who have requested them. Booklets should not be circulated to the general public or to any section thereof.

Documents of this kind should be issued with a covering letter which should emphasise that they are for the use of that person and should not be passed on to others.

If desired, the reason for restriction may be given, namely that failure on the part of the recipient to comply may involve the issuer in allegations of contravention of the Institute's ethical requirements. The contents should be, as far as possible, factual and objective. Technical literature produced for the information of clients and others may also be displayed in the waiting room.

### **(ix) Names, descriptions and addresses on envelopes**

The name, description and addresses of a member or his firm (either printed or produced by franking machine) may appear on business envelopes, provided that the inscription conforms both in size and otherwise to the normal standards of professional good taste.

**(x) Changes in partnership or address, commencement in practice, etc**

Changes such as the retirement or admission of a partner, change of address, amalgamation with another firm and the like should normally be notified to clients and business associations by letter. Such information may also be published in the press as a paid announcement provided that the member's name or firm name is not given undue prominence or mentioned more than once and that the content of the announcement is appropriate in size and presentation. Announcements of commencement in practice are permitted on the same conditions.

**(xi) Advertisements for sub-contract work.**

Advertisements for sub-contract work may be inserted only in the Institute's Journal. A member may also make a direct approach to another member of the profession informing him of the service he offers. This approach may be made by letter or circular provided that in the latter case the circular is in content and presentation in conformity with normal standards of professional good taste. Members seeking sub-contract work must hold a practising certificate.

**(xii) Advertisements for a partnership or salaried employment**

A member is free to advertise for a partnership or salaried employment either in the professional or non-professional press.

**(xiii) Advertisements for staff/Clients staff**

Particular care is necessary in preparing advertisements for staff which are to appear in the non-professional press, otherwise such notices can often be criticised as constituting an advertisement of the member or his firm and/or of the professional services he provides.

The following guidelines should therefore be observed:

- (a) the name of the member or firm should not appear with undue prominence or frequency;
- (b) the duties to be performed may be described in reasonable detail but should not be capable of being regarded as constituting an advertisement of the services provided by the member or his firm.

**(xiv) Advertisements relating to property or business**

A member or firm who is acting for a client in the buying or selling of property or a business may advertise in this connection provided that his name, description and address is not given undue prominence. The same applies when a member advertises property, etc./ in the course of professional work as a trustee, liquidator/ receiver, etc.

**(xv) Member as an election candidate**

A member who is a candidate at a national or local election may quote his designation and/or designatory letters in any election literature. A member who is in practice may state the town in which he practices and the name of his firm. A member who is not in practice may give whatever details he likes regarding his employment.

**(xvii) Entries in directories**

The name and addresses of practising members and/ or of their firms may appear in directories, whether local or national, general or specialised. Such entries must not either by reference to size or presentation be capable of being construed as an advertisement and should not normally contain more than the member's name, address and professional description, together with telephone/ telex or similar information.

**(xviii) Use of a members name by a client**

- (a) If a company or other client wishes to make use of the name and description of their auditor in any business document or literature other than their financial statements for which the auditor accepts responsibility, the member should make it clear that his approval must be obtained.
- (b) It is only rarely that such permission can be justified. In those cases, the member should ensure that his name is not given undue prominence in the document. In the same way a member's name and description, either as auditor or in some other professional capacity, should not be permitted to appear on a client's notepaper.
- (c) Audit reports on headed notepaper in facsimile form should not be included in published accounts.
- (d) The above applies only where the member is acting in some professional capacity. It does not apply to a member who is appointed chairman, director, treasurer, secretary or other officer of a company or as an employee, in which case his name and designatory letters may appear in any document issued by the organisation.
- (e) A member making for publication a report on, for example, net sales or newspaper circulation figures, should be careful to ensure that his report deals only with ascertained facts. If this report is quoted in any literature by the organisation or in the press, it should not be presented in such a way, either as to size or presentation, as to be capable of being regarded as an advertisement for the member and should not include his practising address. Such a report on headed notepaper should not be reproduced in a facsimile form.

## **4.7 STATEMENT 7- OBTAINING PROFESSIONAL WORK**

### **4.7.1 The Statement**

**A member should not solicit clients or professional work either directly or indirectly, by circular, advertisement, personal communication or interview or by any other means.**

### **4.7.2 Explanatory Notes**

- (i) A member, who is an employee, other than an employee of a Certified Public Accountant, should not, on behalf of his employer, carry on in his own name, any business which is normally carried on by a Certified Public Accountant
- (ii) A member, who is employed by another member or by a firm of Certified Public Accountants engaged in public practice should not undertake professional work on his own account or in partnership with another member(s) without the written consent of his employer.
- (iii) There may be cases in which members in practice are retained by organisations, which, in their turn, offer advice to their members on accountancy matters. The member retained by the organisation may, in relation to matters referred to him by the organisation, deal only with the organisation itself and not directly with any of its members. The member should ensure that in any relevant literature issued by the organisation neither his name nor the name of his firm is given undue publicity.

## **4.8 STATEMENT 8 - CHANGES IN A PROFESSIONAL APPOINTMENT**

This Statement applies only to practising members, and where appropriate, employees of practising firms.

### **4.8.1 RECURRING WORK**

#### **4.8.1.1 The Statement**

**Clients have the right to choose their auditors and other professional advisers, and to change to others if they so desire. Nevertheless it is necessary in the interests of both the public and the existing auditor or adviser and prospective auditor or adviser for a member who is asked to act by a prospective client in respect of an audit or recurring reporting assignment, or the provision of recurring accounting services and taxation work of a compliance nature, to communicate with the existing auditor or adviser, and for the latter to reply promptly as to any considerations which might affect the prospective auditor or advisees decision whether or not to accept appointment.**

**Members invited to undertake work additional to that carried out by another professional adviser should consult sub-sections 4.14.1 (below).**

#### **4.8.1.2 Explanatory Notes**

- (i) The purpose of finding out the background to the proposed change is to enable the member to determine whether, in all the circumstances, it would be proper for him or her to accept the assignment. In particular, members nominated as auditors will wish to ensure that they do not unwittingly become the means by which any unsatisfactory practices of the company or any impropriety in the conduct of its affairs may be enabled to continue or may be concealed from shareholders or other legitimately interested persons. Communication is meant to ensure that all relevant facts

known to the member who, having considered them, is then entitled to accept the nomination if he wishes so to do. The need to communicate exists whether or not the existing auditor or adviser intends to make representations to the proprietors/ including his statutory right to make representations to the shareholders, and whether or not he or she still continues to act. Communication of the facts to a prospective auditor or adviser cannot relieve the existing auditor or adviser of his duty to continue to press on the client his views on any technical or ethical matters which may have led him into dispute with the client, nor does it affect the freedom of the client to exercise his right to a change of auditor or adviser.

- (ii) When a member is first approached by a prospective client he should explain that he has a professional duty, if asked to act or be nominated, to communicate with the existing auditor or adviser.
- (iii) When nominated or asked to act the member should ask the client to inform the existing auditor or adviser of the proposed change and, at the time, to give the latter written authority to discuss the clients affairs with the member.
- (iv) The member should then write to the existing auditor or adviser, seeking information which could influence his decision as to whether or not he may properly accept appointment. The existing auditor or adviser has no responsibility for that decision, and there is no “professional clearance” which he can give or withhold.
- (v) If the client fails or refuses to grant the existing auditor or adviser permission to discuss the client’s affairs with the proposed successor the existing auditor or adviser should report that fact to the prospective auditor or adviser who should not accept nomination/ appointment.

- (vi) The existing auditor or adviser should answer without delay the communication from the prospective auditor or adviser. If there are no matters of which the latter should be aware, the existing auditor or adviser should write to say that this is the case. If, however, there are such matters (see sub-section (xi) below) he should inform the prospective successor of those factors within his knowledge of which, in his opinion, the latter should be aware. It is not sufficient to state that unspecified factors exist. The existing auditor or adviser might prefer to explain these factors orally and the prospective auditor or adviser should be prepared to confer with the existing auditor or adviser if the latter so desires, and each should make their own record of such a discussion.
- (vii) If an issue of conflicting viewpoints between the client and himself has been raised by the existing auditor or adviser in his reply, the prospective successor should discuss the conflict with the client and satisfy himself either that the client's view is one which he can accept as reasonable, or that the client will accept that he might have to express a contrary opinion.
- (viii) Where the existing auditor or adviser does not respond within a reasonable time the prospective successor should endeavour to contact the existing auditor or adviser by some other means, for instance by telephone or by facsimile. Should this fail, and where the prospective successor has no reason to believe there are untoward circumstances surrounding the change, he should send a final letter by recorded delivery service stating that unless he receives a reply within a specified time he will assume that there are no matters of which the existing auditor or adviser is aware that should be brought to his attention. A member who accepts nomination in such circumstances is not precluded from complaining to the Institute that the existing auditor or adviser did not respond to his enquiry letter.

- (ix) If the prospective auditor or adviser is satisfied that he can properly act, and is prepared to accept nomination/ appointment, he should so inform the client
- (x) Where the member decides to accept nomination/ appointment having been given notice of any matters which are the subject of contention between the existing auditor or adviser and the client he should be prepared, if requested to do so, to demonstrate to the Investigation Committee that proper consideration has been given by him to those matters.
- (xi) The matters referred to in sub-section (vi) above would, where relevant, include the following, that:
  - (a) reasons for the change advanced by the client of which the existing auditor or adviser is aware are not in accordance with the facts (as understood by the latter);
  - (b) the proposal to displace the existing auditor or adviser arises in his opinion because he has carried out his duties in the face of opposition or evasions in which important differences of principle or practice had arisen with the client;
  - (c) the client, its directors, -or employees may have been guilty of some unlawful act or default, or that any aspect of their conduct which is relevant to the carrying out of an audit or assignment ought, in the opinion of the existing auditor or adviser, to be investigated further by the appropriate authority.
  - (d) the existing auditor or adviser has unconfirmed suspicions that the client or its directors or employees have defrauded the URA.
  - (e) the existing auditor or adviser has serious doubts regarding the integrity of the directors and/or senior managers of the client company;

- (f) the client, its directors, or employees have deliberately withheld information required by the existing auditor or adviser for the performance of his duties or have limited or attempted to limit the scope of his work;
  - (g) the existing auditor proposes to bring to the attention of members or creditors circumstances surrounding the proposed change of auditor.
- (xii) The incumbent should not refuse to communicate, or delay his reply, on the grounds that:
- (a) a prospective auditor has obtained nomination in contravention of this guidance; or
  - (b) the incumbent auditor or adviser has a genuine belief, whether justified or not, of having been unfairly treated by the client.
- (xiii) The existence of unpaid fees is not of itself a reason why a prospective auditor or adviser should not accept nomination/appointment. If he does accept, it may be appropriate for him to assist in any way open to him towards achieving a settlement of outstanding fees; whether or not he does so is entirely a matter for his own judgement in the light of all the circumstances.
- (xiv) The prospective auditor or adviser should ordinarily treat in confidence any information provided by the existing auditor or adviser. However, it may be essential to the fulfillment of a prospective auditor's or adviser's obligations that he should disclose such information. It may, for example, be unavoidable for the prospective auditor or adviser to disclose to officers or to employees of the client matters brought to his attention by the predecessor firm which need to be properly investigated. Such disclosure should be no wider than is necessary.

- (xv) Counsel has advised that an existing auditor or adviser who communicates to a prospective successor matters damaging to the client or to any individuals concerned with the clients business will have a strong measure of protection were any action for defamation to be brought against him, in that the communication will be protected by qualified privilege. This means that he should not be liable to pay damages for defamatory statements even if they turn out to be untrue, provided that they are made without malice. The chances of an incumbent being held to have acted maliciously are remote provided that:
- (i) he states only what he sincerely believes to be true; and
  - (ii) he does not make reckless imputations against a client or individuals connected with it which he can have no reason for believing to be true-
- (xvi) A member whose firm is nominated as a joint auditor should communicate with all existing auditors and be guided by similar principles to those set out in relation to nomination as an auditor. Where it is proposed that a joint audit appointment becomes a sole appointment, the surviving auditor should communicate formally with the other joint auditor as though for a new appointment
- (xvii) A member whose firm is invited to accept nomination on the death of a sole practitioner auditor should endeavour to obtain such information as he may need from the latter's alternate (where appropriate), the administrators of the estate or other source.
- (xviii) A replaced auditor or adviser should transfer promptly to the Client, or to his successor after the latter has been duly appointed, all books and papers which are in his possession and which belong to the client unless he is exercising a lien thereon for unpaid fees. Members should

be aware that the courts in U.K have held that no lien can exist over books or documents of a registered company which, either by statute or by articles of association of the company, have to be available for public inspection.

- (xix) The incoming auditor or adviser often needs to ask his predecessor for information as to the client's affairs, lack of which might prejudice the client's interests. Such information should be promptly given and unless there is good reason to the contrary, such as a significant amount of work involved, no charge should be made.

## **4.9 STATEMENT 9-FEES**

### **4.9.1 THE STATEMENT**

- (a) **The principle is that the independence objectivity and judgement of the member should not be impaired by the hope of financial gain. Hence any basis of fees which may influence the practising member's judgement or findings or which may even subject him in the public mind to the suspicion that his judgement was improperly influenced is to be excluded.**
- (b) **In order to carry out the professional service for which he is engaged, a practising member must first consider the instructions of his client in conjunction with any statutory duty relating thereto and then discharge his responsibility by applying to the affairs of his client the professional skill and knowledge which he and his staff have acquired by training and experience. His fees for that service should provide him with appropriate remuneration for the time and skill which he has personally devoted to his client's affairs and the responsibility he has accepted together with reimbursement of and a suitable margin of profit on his overhead expenses and the salaries of his staff for whose work he takes responsibility. Fees should therefore normally be computed by reference to:**
- (i) the skill and knowledge required for the type of work involved;**
  - (ii) the seniority of the persons necessarily engaged on the work (principals, managers, senior clerks, audit assistants and other clerks);**
  - (iii) the time necessarily occupied by each person engaged on the work;**
  - (iv) the nature of the responsibility which the work entails.**

## 4.9.2 Explanatory Notes

- (i) For much of the work of a practising member it is therefore appropriate to compute charges on the basis of appropriate rates per day or per hour for the time of each person engaged on it. It is for each member to decide upon the appropriate rates and these will vary according to the nature of the service.
- (ii) The rates applicable to the member's staff will be related primarily to the salaries paid to the staff and the relative overhead expenses. In this connection it is essential to consider the number of 'chargeable days' which are available out of the 365 days of the year. After deducting Sundays, Saturdays, public holidays, annual holidays, absence through illness, leave for study and examinations and an allowance for the time occupied in general duties not chargeable to any particular client, the number of 'chargeable days' is reduced to considerably below 365 and may be no more than 220. It is in relation to the effective days that the salaries paid to a member's staff and the overhead expenses must be considered in deciding upon rates which will show a margin of profit appropriate to the responsibility involved.
- (iii) In Statement (b) reference is made to the seniority of the persons necessarily engaged on the work and the time necessarily occupied by each person. The word 'necessarily' is important. Moreover, the work should be planned and controlled in such a way that time is not spent unnecessarily on detailed work which could be dispensed with by the use of more suitable methods of enquiry and examination.
- (iv) When undertaking work for a new client it may be necessary or expedient to charge a pre-arranged fee, in which event the member should estimate as best as he can, the work and responsibility involved and the time it is likely to occupy. It is however desirable, where possible,

to avoid the fixing of an annual fee in this manner until one year's work has been performed.

- (v) The foregoing paragraphs relate to fees as distinct from reimbursement of expenses. Out-of-pocket expenses, in particular travelling expenses, attributable directly to the work done for a particular client would normally be charged to that client in addition to the professional fees; otherwise they would fail to be considered as an additional item under statement (b) above.
- (vi) In bankruptcies, liquidations, receiverships and similar work the remuneration is dependent upon the manner of appointment and the relevant statutes. The remuneration is often calculated by a percentage of realisations and a percentage of distributions/ but this basis should be avoided where possible and practicable. There is no reason why a member should not have regard to the considerations listed in statement (b) in determining what he regards as suitable percentages which when applied to the realisations and distributions will produce adequate remuneration for this highly technical and responsible work. The matter rests however with those who have the power to fix the remuneration and it is unlikely that they will approve percentages which appear to be excessive even though lower percentages will produce an inadequate reward/ for example where a great amount of difficult and responsible work has been involved but the value of the assets is small. It must therefore be recognised by members who undertake insolvency work that some of it may prove particularly remunerative and some of it may be highly unprofitable. Work of this kind is subject to a certain amount of jurisdiction by/ or appeal to/ the courts and it must be accepted that by long-standing custom and sometimes by statutory requirement a percentage basis is often

used. Members who act as liquidators or trustees should not make any arrangements whereby their remuneration is shared with representatives or creditors or with any other persons other than their partners. This does not preclude payment for professional services rendered to liquidators or trustees.

- (vii) It must not however be assumed that a member cannot properly have regard to the value of the work to the client. The professional services rendered by practising members are usually closely related to industrial, commercial or financial operations, that is to say the business transactions of their clients; and accordingly there is no reason why the value of the work to the client should not be taken into consideration provided that the fees are essentially computed by reference to the time, responsibility, skill and knowledge involved. Where for example an investigation has been carried out in connection with a client's business project which has proved successful the member's fees may well be greater than they would have been if the client's project had proved abortive. Again, most members have some clients for whom they may wish to reduce their fees below what would be adequate remuneration for the service provided. This applies particularly to charitable bodies and to the personal taxation and other affairs of some private individuals where business accounts are not involved; for clients of this kind the amount of work involved is often out of all proportion to the client's income and resources. Any reduction of fees for such clients is entirely a matter for the member to consider in the light of the particular circumstances.
- (viii) It is neither usual nor necessary for bills submitted to clients to be fully detailed but the member's records should be adequate to enable this to be done if required either to satisfy the client or to satisfy the Court if costs

are being taxed or in the unfortunate and rare event of it becoming necessary to take legal proceedings to recover unpaid fees. Members may consider it appropriate in a letter of engagement to mention fees and the general basis on which fees are normally computed. It is desirable that fees should be charged separately for each main class of work carried out for the client (eg. auditing, accounting, taxation services and other services) and that the client should be so informed. If thought appropriate, mention might also be made of interim statements being rendered and payment being made on account of work in progress.

- (ix) A member should furnish, either in the fee account or subsequently on request, such details as are reasonable to enable the client to understand the basis on which the fee account has been prepared.

## **4.10 STATEMENT 10 - CLIENTS' MONIES**

### **4.10.1 The Statement**

**The term “Clients’ Monies” includes all monies received by a practice to be held or disbursed by it on the instructions of the person from whom or on whose behalf they are received and which is not immediately due and payable on demand to the firm for its own account. The basic principle is that when a member handles a client’s money, he is in a fiduciary position towards him and therefore he shall not take any remuneration or any financial benefit not authorised by the law or by his contract or by the trust deed under which he acts, as the case may be. A practice shall hold Clients’ Monies only in accordance with this Statement.**

### **4.10.2 Explanatory Notes**

- (i) When a member receives on behalf of clients monies which he is to hold at the clients disposition, these monies should be paid forthwith into a client bank account. Whether they are paid into a general client or a client account designated by the name of a specific client (see (ii) below) is a matter for the judgement of the member and will depend on such circumstances as the amount and the period for which it is to be held. In all cases, the word “client” must be used in the title of the account. Trust monies should generally be paid into a separate trust account.
- (ii) No monies other than clients’ monies should be paid into a client account. A client bank account is an account at a bank in the name of the practice which may be either a general account or one designated by the name of a specific client.
- (iii) In the absence of express agreement to the contrary, interest received on clients’ monies is the property of the client. Where monies of several clients are held in the same account, interest received should be apportioned between them.

- iv) Accounts maintained for Clients' Monies or trust funds should be suitably named and identified and the bank should be specifically notified of the nature of the accounts/ requiring it to acknowledge in writing that it accepts the terms of the notice. This will prevent the exercise of any set off by the bank against the member's other accounts or sequestration in bankruptcy.
- v) No payment to or on behalf of a client in excess of the balance standing to his credit should be made from an account carrying the monies of more than one client.
- vi) Monies held by a member as a stakeholder should be treated as Clients' Money and paid into a separate stakeholders' account or into a client bank account. In law such monies do not belong to any client specifically until the contingency envisaged has happened; it follows therefore that there is no legal requirement to account to the client for any interest earned thereon up to the date of that event.
- vii) Every member in practice should at all times maintain records so as to show clearly the money he has received/ held or paid on account of his clients, and the details of any other money dealt with by him through a client bank account, clearly distinguishing the money of each client from the money of any other client and from his own money. A firm shall, at least once every month reconcile the total balances on all its clients bank accounts with the total corresponding credit balances in respect of its clients, as recorded by it, and where any difference arises, correct it forthwith. A firm shall, at the same time as carrying out foregoing reconciliations, reconcile the balance on each client bank account, as recorded by it, with the balance on that account as set out in the statement issued by the bank and, where any difference arises, correct it forthwith, unless the difference arises

solely as a result of differences between the accounting and settlement system of the bank and the firm.

Records kept in accordance with the foregoing shall be preserved for at least 6 years from the date on which they were made and the firm shall hold them available for inspection.

To enable it to ascertain whether or not the requirements of clause 4.10.2 are being adhered to, the Council, or its nominee, may, at its discretion, inspect the books and records of the firm or any of its principals.

## **4.11 STATEMENT 11 - CONSULTANCY**

### **4.11.1 The Statement**

**Where a practising member retains another member on a consultancy basis on behalf of a client, the consultant or any practising firm with which he or his consultancy organisation is associated should not accept from the client any work which at the time of consultation was being carried out by the practitioner unless:**

- (a) the practitioner consents; or**
- (b) a period of at least three years has elapsed since completion of the consultancy assignment; or**
- (c) exceptionally, where in the opinion of the Council the interests of the client would otherwise be prejudiced.**

### **4.11.2 Explanatory Notes**

- (i) The Council will regard the consultant member as being under a positive obligation to refrain from any action tending to change the relationship between the practitioner and his client.**
- (ii) The same considerations apply where a practising member introduces one of his clients to the consultant for the purposes of consultancy.**
- (iii) The description ‘Consultant’ is also used in another connection, i.e., where a practitioner has disposed of his practice, but for the sake of continuity and the benefit of the purchaser maintains a connection with it.**

## **4.12 STATEMENT 12 - DESCRIPTIONS AND DESIGNATORY LETTERS**

### **4.12.1 The Statement**

- (i) A member may not use words of description additional to “Certified Public Accountant” or “Certified Public Accountant of Uganda” implying specialisation in professional work.**

**A member who holds a degree or another professional qualification or civil or military honours is entitled to use appropriate designatory letters on his professional stationery if he so wishes.**

- (ii) If any person named on the letterhead of a firm of practising accountants is not a full member of the Institute, the firm cannot describe itself on its letterhead or elsewhere as “Certified Public Accountants” or “Certified Public Accountants of Uganda.”**

- (in) A person or persons who have obtained a licence of practice under the Accountants Statute may describe himself or themselves as ASSOCIATE ACCOUNTANTS OF UGANDA, (AA (U)).**

## **4.13 STATEMENT 13 - MIXED ACCOUNTANCY PRACTICES.**

### **4.13.1 The Statement**

**As provided for in paragraph 22 of the Fourth Schedule to the Accountants Statute only full members of the Institute who on 31-12-88 were in partnership with persons who have become associate members of the Institute may continue in partnership. A firm of such partnership may not describe itself as “CERTIFIED PUBLIC ACCOUNTANTS OF UGANDA”**

### **4.13.2 Explanatory Notes**

- (i) Except as stated in the above statement, a full member of the Institute cannot enter into partnership, as accountants, with an associate member of the Institute. This, however, does not stop an associate accountant being employed by a firm of certified public accountants.
- (ii) An associate accountant of Uganda cannot enter into partnership, as accountants, with a person who is not .an associate accountant or a certified public accountant.

## **4.14 STATEMENT 14 - ADDITIONAL WORK**

### **4.14.1 The Statement**

**A member invited to undertake recurring or non-recurring work which is additional to and related to continuing work carried out by another professional adviser should notify that other professional adviser of the work he has been asked to undertake.**

### **4.14.2 Explanatory Notes**

- (i) It is generally in the interest of the client that the existing auditor or adviser be aware of the nature of the additional work being undertaken. The existing adviser will be provided with the opportunity to communicate with the member to provide information, lack of which might otherwise prevent the additional work from being carried out effectively. Additionally, such notification could affect the way an existing auditor or adviser discharges his continuing responsibilities to his client.
- (ii) Notification should always be given unless the client advances reasons which persuade the firm that, in all the circumstances, the existing adviser should not be informed.

## **4.15 STATEMENT 15 -AGENCIES**

### **4.15.1 The Statement**

**A member contemplating acceptance of an appointment as agent of a building society, insurance company or other organisation which invites the public to place funds in its hands by way of deposit, investment or otherwise should:**

- (a) satisfy himself that such acceptance is not made inappropriate by reason of:
  - (i) the nature of the services he is to provide as agent;**
  - (ii) the manner in which those services may be brought to the attention of the public;**
  - (iii) the manner in which he or his firm may be publicised;****
- (b) take all reasonable steps to assure himself that the undertaking he may represent is properly conducted and financially sound.**
- (c) satisfy himself that the relevant legislation permits him to be so appointed.**

### **4.15.2 Explanatory Notes**

#### **(i) General**

Members acting as agents should have in mind the principles set out in Statement 7 that they must neither obtain nor seek professional work in an unprofessional manner. It follows that a member should not use an agency in such a way as improperly to attract work to his practice.

- (ii) Members are also reminded that the expression ‘member’ includes ‘firm’.**

(iii) Advertising and publicity to the undertaking and/or agency. A practising member appointed as agent may permit the name and address of his firm, but not the description 'Accountants' or "Certified Public Accountants" to appear in any literature or advertisement published by the undertaking/ provided that the appointment is not referred to or used in such a way as might be considered promotional of his professional skills or services. In the case of an advertisement or circular describing the facilities available through the agency/ the member's details should appear without undue prominence in relation to the rest of the wording and should follow some such description as 'local agent'.

**(iv) Commission - disclosure to clients**

The attention of members is drawn to Sub-section (o) of the Explanatory Notes to Statement 2.

**(v) Audit of undertaking**

It would be in conflict with the advice contained in Sub-section (p) (i) of the Explanatory Notes to Statement 2 on independence for a member to accept the appointment as agent of an undertaking of which he is auditor.

## **4.16 THE NAMES AND LETTERHEADS OF PRACTISING FIRMS**

This Statement applies only to practising members.

For the purpose of this Statement the term ‘firm’ includes a partnership/ and a sole practitioner, the main business of which is the provision of services customarily provided by accountants and the term ‘letterhead’ means any part of the firm’s notepaper and documents used by the firm for communicating with clients or other parties.

### **4.16.1 THE STATEMENT**

- (a) Subject to the following guidance, a member may practise under whatever name or title he or she sees fit.**
- (b) A practice name should be consistent with the dignity of the profession in the sense that it should not project an image inconsistent with that of a professional practice bound to high ethical and technical standards.**
- (c) A practice name should not be misleading.**

### **4.16.2 Explanatory Notes**

- (i) It would be misleading for a firm with very few offices to describe itself as ‘international’ merely on the ground that one of them was overseas. Similarly it would be misleading for a sole practitioner to add the suffix ‘and Associates’ to the name of his or her practice unless formal arrangements were agreed with two or more firms.
- (ii) A practice name would be misleading if in all the circumstances there was a real risk that it could be confused with the name of another firm, even if the member(s) of the practice could lay justifiable claim to the name.
- (iii) It has been the custom of the profession for members to practise under a firm’s name based on the names of past or present members of the firm itself or of a firm with which it has merged or amalgamated. A practice name so derived will usually be in conformity with this guidance.

## **4.17 STATEMENT 17- SECOND AND OTHER OPINIONS**

### **Statement 17A Specific Circumstances**

**Where the opinion of a member, whether in practice or otherwise, is sought on the application of accounting standards or principles to specific circumstances or transactions, either completed or contemplated, of an entity with which the member does not have an ongoing professional relationship to provide audit services, he should be alert to the possibility of his opinion acting undue pressure on the judgement and objectivity of the auditor. Accordingly he should seek to minimise the risk of giving inappropriate guidance by ensuring that he has access to all relevant information.**

### **Explanatory Notes**

- (i) When the opinion of a member is sought on an accounting treatment by or on behalf of a company or entity which is not an existing audit client, there is a danger that the opinion he expresses may not be based on the same set of facts as is available to the auditor, or may be based on inadequate evidence and that the opinion may be difficult to modify if further facts come to light. It is important, therefore, that the member whose opinion is sought in such cases should ascertain the circumstances of his being consulted and all the other available facts relevant to formulating a professional judgement. For this purpose he should contact the auditor to provide an opportunity for the latter to bring to his attention any relevant facts and should be prepared, given his client's permission, to provide a copy of his opinion to the auditor. If the company or entity seeking the opinion will not permit the member to communicate with the auditor then he should decline to act.
- (ii) Not at issue are opinions provided pursuant to litigation, expert testimony and assistance provided to other firms and their clients jointly.

## **Statement 17.B General Circumstances**

**A member giving an opinion on the application of accounting standards or principles, relating to a hypothetical situation and not based on the specific facts or circumstances of a particular organisation, should ensure that the specific nature of the opinion is made clear.**

#### **4.18 STATEMENT 18 - THE ETHICAL RESPONSIBILITIES OF MEMBERS IN BUSINESS**

This Statement applies only to Members in Business.

References in this Statement to an 'employed member' include reference to members whether employed or not, who are engaged in work relevant to their qualification as, a member otherwise than in a practising office.

##### **Statement 18 A - General**

**An employed member owes certain legal duties towards his or her employer. Additionally, he or she has ethical duties towards his or her Institute and, in particular, he or she should observe the same Fundamental Principles and the same standards of behaviour and competence as apply to all other members of the Institute.**

##### **Explanatory Notes**

- (i) Unless specifically stated all the statements in this code apply to all members. However, it is necessary to emphasise areas of special application to members not in practice. That is the purpose of this statement.
- (ii) All members, whether in business or not, are liable to disciplinary action under the Accountants Statute and this Code.

##### **Statement 18 B Objectivity**

**The concept of independence, which is central to the role of the auditor, has no direct relevance to the employed member. (Even for the practising accountant independence is not an end in itself: it is essentially a means of securing a more important end, namely an objective approach to work). The requirement for objectivity, however, is of equal application to all members. Without the capacity of being fully independent of his employer it is all the more important that the employed member should strive constantly to maintain objectivity in every aspect of his work.**

## **Explanatory Notes**

- (i) Objectivity is described in Fundamental Principle 2 as the state of mind which has regard to all considerations relevant to the task in hand but no other. It follows that the interests of a member's employer should no more affect the objectivity of a member's judgement in a professional matter than his own interests.
- (ii) Any report for which an employed member is responsible (whether it bears his or her signature or not) should be prepared with integrity and objectivity. This means for example that, while a report prepared by an employed member may properly present only one side of the case (for example his employer's) and may present that case to its best advantage, the report should be accurate, truthful and, within its scope both complete and balanced. It should not rely on ambiguities or half truths but should be objectively justifiable and should not be based on unreasonable assumptions.
- (iii) While an employed member must observe the terms of his employment, these cannot require him to be implicated in any dishonest transaction. If he is instructed or encouraged to engage in any activity which is unlawful he is entitled and required to decline.

### **Statement 18 C - Financial and Other Involvement**

**An employed member should recognise the problems which may be created by financial involvements or personal relationships which, whether sanctioned by his or her contract of employment or not, could nevertheless by reason of their nature or degree threaten his objectivity. Where any doubt exists the involvement or relationship should be disclosed to the employer.**

#### **Explanatory Note**

An employed member should be aware of the difficulties which may arise from the offer or the acceptance of any gift,

favour or hospitality which may be intended to influence the recipient or which could be interpreted by a reasonable person in full possession of the facts as likely to have that effect. Subject to this, gifts, favours and hospitality of modest value may be accepted to the extent that they may be permitted by the member's employer.

### **Statement 18 D - Professional and Technical Standards**

**Fundamental Principle 4 calls for a member to carry out his or her professional work with proper regard for the technical and professional standards expected of him as a member. However, an employed member who, in the performance of his professional work, may be subject to directions from his employers, may be faced with a conflict of loyalties in seeking to apply this Fundamental Principle. The difficulty is of particular importance where the outcome of the work is to be published.**

### **Explanatory Notes**

- (i) When a member has sole responsibility for the preparation and approval of information, including management information, which is to be made public or is to become available, on however restricted a basis, outside the organisation to which it refers he or she should ensure that such information complies with the standards referred to in Fundamental Principle 4 or, if it does not so comply, that the reasons for non-compliance are stated truthfully, unambiguously and fairly.
- (ii) When his is not the sole responsibility, the employed member should use his best endeavours to achieve compliance or, if the information does not comply with the standards to ensure that the reasons for non-compliance are stated truthfully, unambiguously and fairly.

- (iii) While the considerations set out above apply to all employed members the more senior the position occupied by the member the greater will be his or her opportunity to influence events, practices and attitudes and thus the more onerous will be his responsibilities.
- (iv) An employed member faced with an ethical problem may call upon the Institute for confidential advice.



**The Institute of Certified Public Accountants of Uganda**

42 Bukoto Street, Kololo, P.O. Box 12464, Kampala

Tel: 256-414-540125, 256-312-262333, Fax: 256-414-540389

E-mail: [icpau@icpau.co.ug](mailto:icpau@icpau.co.ug)

[www.icpau.co.ug](http://www.icpau.co.ug)