

## **Introduction**

1. This Code of Ethics is established on the basis that unless a limitation is specifically stated the objectives and fundamental principles are equally valid for all chartered accountants, whether they are in practice, industry, commerce, the public sector or education.
2. A profession is distinguished by certain characteristics including:-
  - 2.1 Mastery of a particular intellectual skill, acquired by training and education;
  - 2.2 Acceptance of a duty to society as a whole in addition to duties to the client or employer;
  - 2.3 An outlook which is essentially objective;
  - 2.4 Rendering personal services to a high standard of conduct and performance.
3. The specialized knowledge and skills and the training and experience required to be a proficient chartered accountant, and the personal nature of the services that chartered accountants render, ordinarily make it difficult for those who depend upon chartered accountants to assess the responsibilities for and the quality of their professional services and the standards used in the performance of such services.

## **The Public Interest**

4. A distinguishing mark of a profession is acceptance of its responsibility to the public. The accountancy profession's public consists of clients, credit grantors, governments, employers, employees, investors, the business and financial community, and others who rely on the objectivity and integrity of chartered accountants to maintain the orderly functioning of commerce. This reliance imposes a public interest responsibility on the accountancy profession. The public interest is defined as the collective well-being of the community of people and institutions the chartered accountant serves.
5. A chartered accountant's responsibility is not exclusively to satisfy the needs of an individual client or employer. The standards of the chartered accountancy profession are heavily determined by the public interest, for example:-
  - 5.1 Independent audits help to maintain the integrity and efficiency of the financial statements presented to financial institutions in partial support for loans and to shareholders for obtaining capital;
  - 5.2 Financial executives serve in various financial management capacities in organizations and contribute to the efficient and effective use of the organization's resources;
  - 5.3 Internal auditors provide assurance about a sound internal control system which enhances the reliability of the external financial information of the employer;
  - 5.4 Tax experts help to establish confidence and efficiency in and the fair application of the tax system.
  - 5.5 Management consultants have responsibility toward the public interest in

advocating sound management decision making.

6. Chartered accountants have an important role in society. Investors, creditors, employers and other sectors of the business community, as well as the government and the public at large rely on chartered accountants for sound financial accounting and reporting, effective financial management and competent advice on a variety of business and taxation matters. The attitude and behavior of chartered accountants in providing such services have an impact on the economic well-being of the community and country.
7. Chartered accountants can remain in this advantageous position only by continuing to provide the public with these unique services at a level which demonstrates that the public confidence is firmly founded. It is in the best interest of the worldwide accountancy profession to make known to users of the services provided by chartered accountants that they are executed at the highest level of performance and in accordance with ethical requirements that strive to ensure such performance.
8. In formulating this code of ethics, the Council has therefore considered the public service and user expectations of the ethical standards of chartered accountants and taken their views into account. By doing so, any existing "expectation gap" between the standards expected and those prescribed can be addressed or explained.

## **Objectives**

9. The Code recognizes that the objectives of the chartered accountancy profession are to work to highest standards of professionalism, to attain the highest levels of performance and generally to meet the public interest requirement set out above. These objectives require four basic needs to be met:-

### *9.1 Credibility*

In the whole of society there is a need for credibility in information and information systems.

### *9.2 Professionalism*

There is a need for individuals who can be clearly identified by clients, employers and other interested parties as professional persons in the chartered accountancy field.

### *9.3 Quality of Services*

There is a need for assurance that all services obtained from a chartered accountant are carried out to the highest standards of performance.

### *9.4 Confidence*

Users of the services of chartered accountants should be able to feel confident that there exists a framework of professional ethics which governs the provision of those services.

## **Fundamental Principles**

10 In order to achieve the objectives of the chartered accountancy profession, chartered accountants have to observe a number of prerequisites or fundamental principles.

11. The fundamental principles are:-

### *11.1 Integrity*

A chartered accountant should be straight forward and honest in performing professional services.

### *11.2 Objectivity*

A chartered accountant should be fair and should not allow prejudice or bias or influence of others to override objectivity.

### *11.3 Professional Competence, Due Care and Timeliness*

A chartered accountant should perform professional services with due care, competence and diligence and has a continuing duty to maintain professional knowledge and skill at a level required to ensure that a client or employer receives the advantage of competent professional service based on up-to-date developments in practice, legislation and techniques. Further all professional obligations should be completed in a timely manner.

### *11.4 Confidentiality*

A chartered accountant should respect the confidentiality of information acquired during the course of performing professional services and should not use or disclose any such information without proper and specific authority or unless there is a legal or professional right or duty to disclose.

### *11.5 Professional Behaviour*

A chartered accountant should act in a manner consistent with the good reputation of the profession and refrain from any conduct which might bring discredit to the profession.

### *11.6 Technical Standards*

A chartered accountant should carry out professional services in accordance with the relevant technical and professional standards. Chartered accountants have a duty to carry out with care and skill, the instructions of the client or employer insofar as they are compatible with the requirements of integrity, objectivity and, in the case of a chartered accountant in practice, independence. In addition they should conform with the technical and professional standards promulgated by:-

- IFAC (e.g. International Standards on Auditing);
- International Accounting Standards Committee (International Accounting Standards);

- The Institute of Chartered Accountants of Pakistan (Directives, TRs, ATRs, SAPs, SSAPs, etc.)
  - Relevant Legislation
12. In addition to observing the fundamental principles listed above chartered accountants in practice, when undertaking a reporting assignment, should be and appear to be free of any interest which might be regarded, whatever its actual effect, as being incompatible with integrity, objectivity and independence.
13. The objectives as well as the fundamental principles are of a general nature and are not intended to be used to solve a chartered accountant's ethical problems in a specific case. However, the Code provides some guidance as to the application in practice of the objectives and the fundamental principles with regard to a number of typical situations occurring in the chartered accountancy profession.

### **The Code**

14. The Code set out below is divided into three parts:-
- Part A applies to all chartered accountants unless otherwise specified.
  - Part B applies only to chartered accountants in practice.
  - Part C applies to employed chartered accountants, and may also apply, in appropriate circumstances, to chartered accountants employed in public practice.