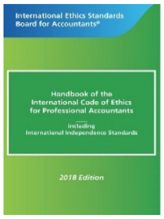
IESBA International Ethics Standards Board for Accountants®

529 Fifth Avenue, New York, NY 10017
T + 1 (212) 286-9344 F +1 (212) 286-9570
www.ethicsboard.org

Summary of Prohibitions Applicable to Audits of Public Interest Entities[1]

November 2019



The *International Code of Ethics for Professional Accountants, (including International Independence Standards)* (the Code) contains prohibitions that apply when a firm audits a public interest entity. If a service, interest, or relationship is not covered by one of the prohibitions below, the firm is required to apply the conceptual framework to comply with the International Independence Standards. The application of the conceptual framework involves a rigorous analysis of the service, interest, or relationship to identify, evaluate and address threats to independence, and involves a reasonable and informed third party test. If the service, relationship or interest creates a threat that cannot be eliminated and if safeguards are not available to reduce the threat to an acceptable level, the firm is required to decline or end the service or audit engagement.

Prohibited Non-Assurance Services

Prohibited Without Regard to Materiality

- Assuming a management responsibility
- Serving as General Counsel
- Accounting and bookkeeping services, including preparing accounting records and financial statements[2]
- Promoting, dealing in, or underwriting client shares.
- Negotiating for the client as part of a recruiting service.
- Recruiting directors/officers, or senior management who will have significant influence over accounting records or financial statements
- Evaluating or compensating a key audit partner based on that partner's success in selling non-assurance services to the partner's audit client

Prohibited if Material to the Financial Statements

- Valuation services
- Calculations of current/deferred taxes
- Tax or corporate finance advice that depends on a particular accounting treatment/financial statement presentation with respect to which there is reasonable doubt as to its appropriateness
- Acting as an advocate before a public tribunal or court to resolve a tax matter
- Internal audit services relating to internal controls over financial reporting, financial accounting systems, or financial statement amounts/disclosures
- Designing/implementing financial reporting IT systems

[1] This is high-level summary is not a substitute for reading the Code, which provides details on the application of these prohibitions. The IESBA eCode provides a complete list of the explicit prohibitions in the Code.

[2] Can only be provided to divisions/related entities if routine/mechanical, if specified conditions are met.

- Estimating damages or other amounts as part of litigation support services
- Acting as an advocate to resolve a dispute or litigation

Prohibited Interests, Relationships and Actions

- Contingent fees for an audit engagement or, when material to the firm, for a non-assurance service to the audit client
- Financial interests in the client
- Financial interests in an entity in which the client has a material interest, and can significantly influence
- Financial interests in the parent entity if the client is material to that entity
- Loans from a client lending institution that have not been made under normal lending procedures, terms, and conditions, or from a client that is not a lending institution and that are material
- Material loans to a client
- Deposits with a client not held under normal terms
- Close business relationships with a client that are significant or entail a material financial interest
- An individual being on the audit team if, during the period covered by the audit, the person was a client director/officer, or an employee able to significantly influence the accounting records or financial statements
- Audit team members whose immediate family member is a client director/officer, or an employee able to significantly influence the accounting records or financial statements
- Former audit team members or a partner joining the client if significant connections with the firm remain
- A key audit partner or senior/managing partner joining a client before a defined period of time
- Partners/employees serving as a client director or officer
- Personnel loans to a client except under predefined circumstances
- A key audit partner serving for more than 7 years
- For a key audit partner serving a cooling-off period, being on or providing quality control for the audit engagement; consulting with the engagement team or the client regarding technical or industry-specific matters affecting the audit engagement; leading/coordinating professional services provided to the audit client, or overseeing the firm's or a network firm's relationship with the audit client; or undertaking any other role or activity involving significant or frequent interaction with senior management or those charged with governance of the client, or direct influence on the outcome of the audit engagement
- Allowing a conflict of interest to compromise professional or business judgment
- Offering, or encouraging others to offer, any inducement made with intent to improperly influence the behavior of the recipient or of another individual
- Accepting, or encouraging others to accept, any inducement that the auditor concludes is made with intent to improperly influence the behavior of the recipient or of another individual
- Accepting gifts and hospitality from the client that are other than trivial and inconsequential