



IESBA

International Ethics Standards Board for Accountants
AN IFEA BOARD

IESBA Staff Publication

Proportionality of the IESBA Code



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IESBA

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1. Ethics Is Not Proportionate – The IESBA Ethics Code Is

Ethics is not proportionate: all professional accountants (PAs) are required to act ethically by adhering to the IESBA International Code of Ethics for Professional Accountants™ (including the International Independence Standard™) (the Code). The Code is a robust, global ethical framework that underpins public trust and confidence in the accountancy profession. It is what makes the profession stand apart.

One of the Code's defining features is its approach to proportionality, explicitly embedding mechanisms that account for the circumstances of the individual PAs and firms and the level of public interest in their work. In other words, while ethics is not proportionate, the Code is.

This document explains how the Code maintains a high ethical bar while allowing for proportionate application in varying circumstances, thereby supporting consistent ethical behavior across the profession.

1.1 Your Instrument to Do the Right Thing. How?

PAs often face complex, real-world situations that are not black and white. The Code establishes a robust ethical framework to guide PAs' mindset and behavior and helps them uphold their responsibility to act in the public interest, even in nuanced situations.

The Code is designed as a principles-based framework, the application of which takes into account the specific facts and circumstances. This enables the Code to be applied by all PAs and firms.

The proportionality embedded in the Code does not mean reduced standards for some PAs. PAs working in all sizes of firms and businesses are required to meet the same fundamental principles. This consistency is essential to maintaining public trust in PAs' work and ensuring that the profession speaks with a single ethical voice.

Proportionality, therefore, should not be misconstrued as lowering the bar for some PAs, but rather as a means of adaptability that preserves both rigor and relevance for each situation.

1.2 The Code's Approach to Proportionality

Proportionality in the Code is achieved through its principles-based design and its scalable structure, including:

- The use of a building-blocks approach that connects the different parts of the Code in a scalable way;
- An architecture comprised of different parts and sections, the applicability of which varies depending on whether the PA is in business or in public practice, and the type of professional activity (e.g., tax planning or external reporting) or service being performed (e.g., audit, assurance, or non-assurance);
- A simple conceptual framework, which is a flexible and adaptable approach to comply with the fundamental principles or, where applicable, be independent, given the facts and circumstances associated with the professional activity or service; and
- Clearly differentiated provisions proportionate to the nature of the professional activity or service, and the role and seniority of the PA.

1.3 Structure of the Code – Building-Blocks Approach

The Code's provisions are interconnected by design, using a building-blocks approach that sets the foundational blocks and scales the application of the Code depending on the role of the PA and the nature of the professional activity or service.

Overview of the IESBA Code

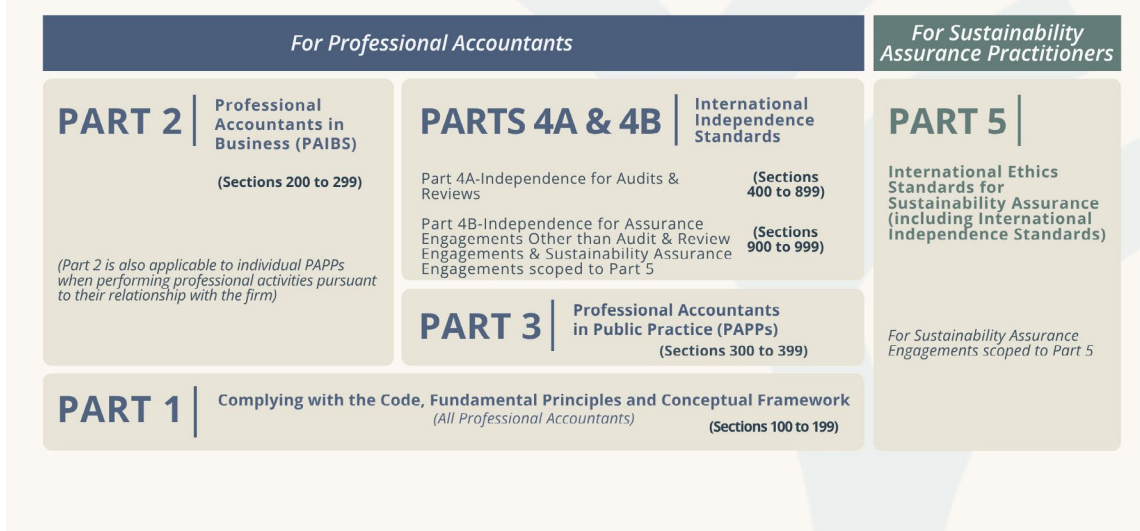


Figure 1: Overview of the IESBA Code

This means that:

- The fundamental principles and conceptual framework in Part 1¹ of the Code apply equally across all professional activities and services. This is the foundational block. It is not repeated in the other parts of the Code. Instead, these other parts build on material covered in Part 1, reflecting the scalability of the Code from the simplest to the most complex circumstances, and emphasizing the relevance of the overarching principles-based provisions in Part 1 in all the different circumstances.
- Part 2, dedicated to Professional Accountants in Business (PAIBs), builds on Part 1. Further, Section 200² sets out provisions relating to the application of the conceptual framework for all PAIBs and provides a building block for other sections in Part 2.
- Part 3, dedicated to Professional Accountants in Public Practice (PAPPs),³ builds on Part 1 and forms a building block for Parts 4A and 4B. Further, Section 300⁴ sets out provisions relating to the application of the conceptual framework for all PAPPs and provides a building block for other sections in Parts 3, 4A and 4B.
- Part 4A sets out International Independence Standards (IIS) applicable to individual PAPPs and firms performing audit and review engagements. Part 4A builds on Parts 1 and 3. In addition, Section 400⁵ sets out provisions relating to the application of the conceptual framework to independence for audit and review engagements, and provides a building block for other sections in Part 4A.
- Part 4B sets out IIS applicable to individual PAPPs and firms performing other assurance engagements. Part 4B builds on Parts 1 and 3. In addition, Section 900⁶ sets out provisions relating to the application of the conceptual framework to independence for assurance engagements other than audit and review engagements, and provides a building block for other sections in Part 4B.

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

2 Section 200, *Applying the Conceptual Framework – Professional Accountants in Business*

3 In the Code, the term “professional accountant in public practice” is also used to refer to a firm.

4 Section 300, *Applying the Conceptual Framework – Professional Accountants in Public Practice*

5 Section 400, *Applying the Conceptual Framework to Independence for Audit and Review Engagements*

6 Section 900, *Applying the Conceptual Framework to Independence for Assurance Engagements Other than Audit Engagements, Review Engagements, and Sustainability Assurance Engagements Addressed in Part 5*

- Part 5 is dedicated to sustainability assurance practitioners and has a similar scalable building-blocks design.

In other words, Part 2, Part 3, Part 4A and Part 4B provide context-specific, scalable provisions for professional accountants and, as applicable, firms. To comply with the Code, PAs need to understand the relevant provisions in Part 1 together with the further provisions in:

- a. Part 2 for PAIBs; or
- b. Part 3 and Part 4A or Part 4B for PAPPs,

that are applicable depending on their particular circumstances, and for firms, depending on the nature of, and level of public interest in, the professional service.

Part 5 of the Code includes the International Ethics Standards for Sustainability Assurance™ (Including International Independence Standards™) (IESSA™). The IESSA provides standalone ethics and independence standards applicable when sustainability assurance practitioners, including PAs, perform sustainability assurance engagements.⁷

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One of the Code’s defining features is its approach to proportionality, explicitly embedding mechanisms that account for the circumstances of the individual PAs and firms and the level of public interest in their work. In other words, while ethics is not proportionate, the Code is.

⁷ With respect to the IESSA, please refer to the [IESBA Staff Publication](#) which explains the proportionality of the IESSA.

2. Proportionality at the Core of the Ethics and Independence Standards

Regardless of the professional activities they undertake or the services they provide, all PAs are required to comply with the five Fundamental Principles set out in Part 1.⁸

The circumstances in which a PA works can create threats to the PA's ability to comply with the fundamental principles.

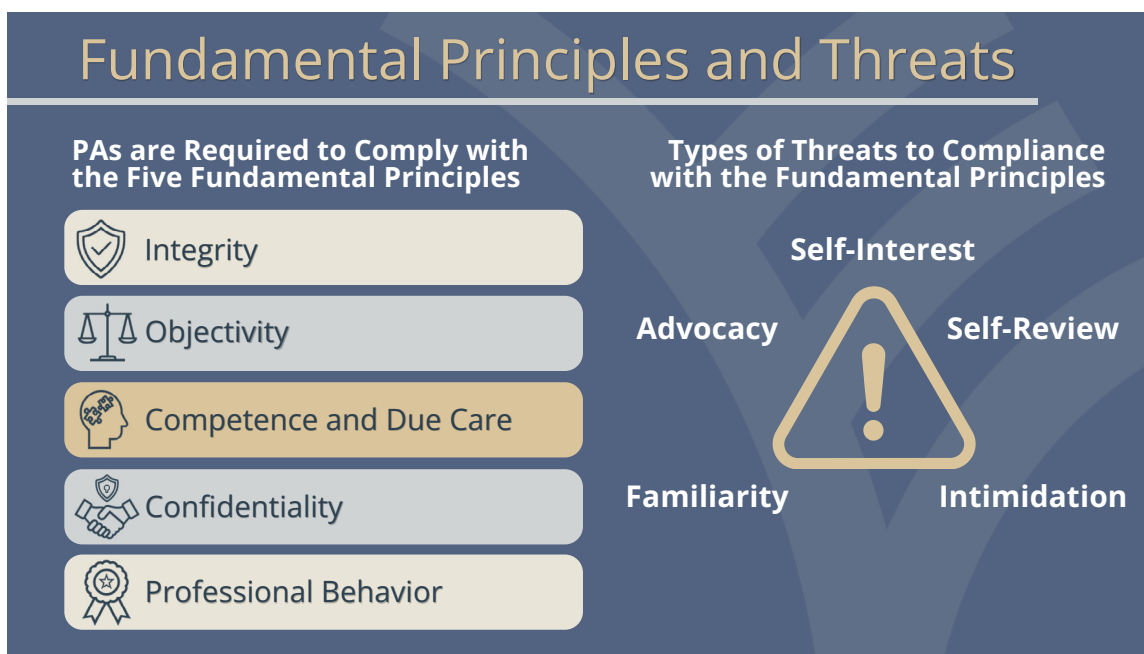


Figure 2: The Fundamental Principles and Types of Threats

So, the Code requires the PA to apply the Conceptual Framework to identify, evaluate and address such threats.

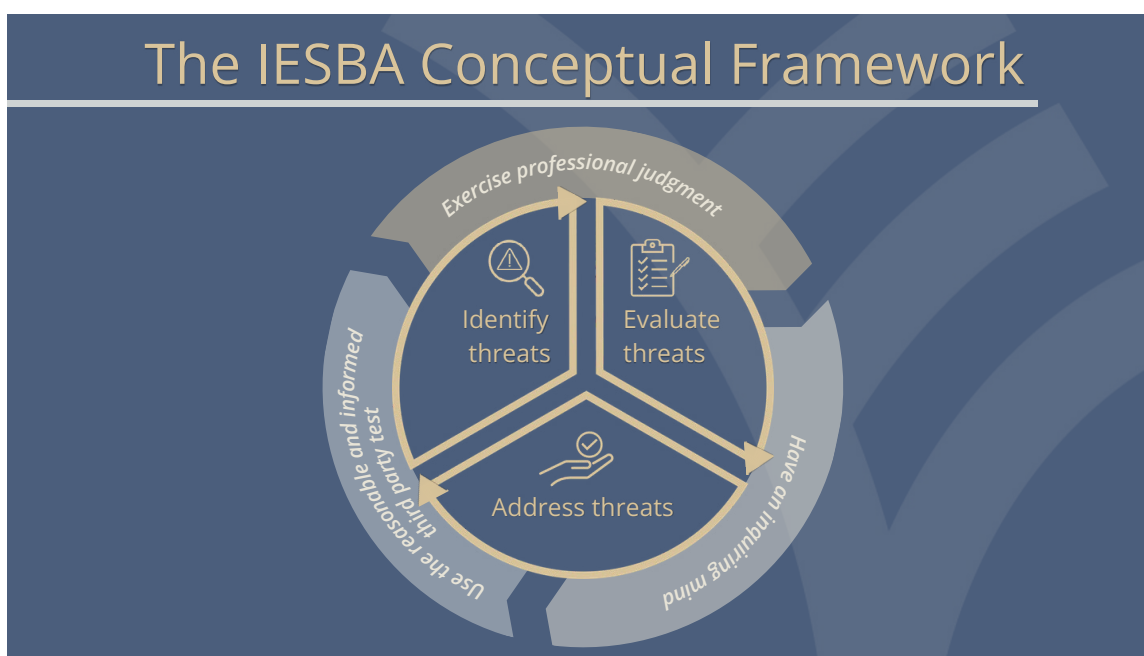


Figure 3: The IESBA Conceptual Framework

8 To learn more about the fundamental principles and the application of the conceptual framework, please refer to the [Exploring the IESBA Code series](#).

The application of the conceptual framework is inherently scalable. The requirement to identify, evaluate, and address threats to compliance with the fundamental principles is not a one-size-fits-all methodology. Instead, it allows the PA to adapt their approach to complying with the Code based on the specific nature and complexity of their activities. This is a defining proportionality mechanism of the Code, as it ensures that the PA's response remains effective and appropriate without creating unnecessary burdens or unintended consequences for less complex environments.

- Context is important. As part of identifying threats, PAs are required to understand the specific facts and circumstances, such as whether there is significant judgment involved in the professional activity or service, undue pressure, the potential for bias, or financial interests or personal or business relationships which create or might create threats.
- The evaluation of the level of a threat takes into account a variety of factors depending on the particular situation. This is inherently proportionate. For example, the level of a self-review threat created by providing a tax service to an audit client depends on factors such as the particular characteristics of the tax service and the degree of judgment in performing the service. The less complex a tax advisory service is, the lower the self-review threat is likely to be.
- The Code does not prescribe uniform actions to address threats. It allows actions that might be safeguards⁹ to vary in nature and extent, provided they are effective in mitigating the identified threats. The emphasis is not on the formality or complexity of the safeguard, but on its effectiveness.

The Code provides guidance on relevant factors to consider in identifying and evaluating threats, as well as examples of actions that might eliminate the threats or be safeguards.

The requirement in the conceptual framework to use the reasonable and informed third party test¹⁰ is designed to guide the PA to apply an impartial lens to the PA's identification and evaluation of threats and the PA's determination as to whether the threats have been adequately addressed.



The application of the conceptual framework is inherently scalable. The requirement to identify, evaluate, and address threats to compliance with the fundamental principles is not a one-size-fits-all methodology. Instead, it allows the PA to adapt their approach to complying with the Code based on the specific nature and complexity of their activities.

9 Safeguards are actions, individually or in combination, that the PA takes that effectively reduce threats to compliance with the fundamental principles to an acceptable level.

10 The reasonable and informed third party test is a consideration by the PA about whether the same conclusions would likely be reached by another party. Such consideration is made from the perspective of a reasonable and informed third party, who weighs all the relevant facts and circumstances that the PA knows, or could reasonably be expected to know, at the time that the conclusions are made. The reasonable and informed third party does not need to be an accountant, but would possess the relevant knowledge and experience to understand and evaluate the appropriateness of the PA's conclusions in an impartial manner.

3. Applicability of the Different Parts of the Code

Leveraging its building-blocks architecture, the Code allows PAs and firms to start with universal principles as set out in Part 1 and then apply increasingly specific or more stringent provisions only as needed, based on the specific professional activity they perform or the professional service they provide. This helps avoid unnecessary burden and limits the number of provisions that the PA or firm needs to consider and apply.

The diagram below shows the applicability of the different parts of the Code based on the nature of the PA's professional activity or service.

Category of Professional Accountant	Part 1	Part 2	Part 3	Part 4A	Part 4B	Part 5
PAIBs	✓	✓	X	X	X	X
PAPPs not performing assurance services	✓	X	✓	X	X	X
PAPPs performing audit and review engagements	✓	X	✓	✓	X	X
PAPPs performing assurance engagements other than audit, review and sustainability assurance engagements addressed in Part 5	✓	X	✓	X	✓	X
PAPPs performing professional activities pursuant to their relationship with the firm, whether as a contractor, employee or owner	✓	✓	X	X	X	X
PAs (or other sustainability assurance practitioners) performing sustainability assurance engagements	X	X	X	X	X	✓

Figure 4 : Applicability of different parts in the Code

Take note: PAs working as a CFO, providing an accounting service to a client, or performing an audit of financial statements apply only relevant and specific parts of the Code.

- A PAIB who is a CFO of a manufacturing company needs to comply only with Parts 1 and 2 of the Code with respect to their professional activities at the company.
- A PA in an accounting firm performing a compilation engagement for a client needs to comply only with Parts 1 and 3 of the Code with respect to the service.
- An engagement partner at a firm performing an assurance engagement on the effectiveness of an entity's internal control needs to comply with the IIS in Part 4B, in addition to Parts 1 and 3 of the Code.



Within the specific Parts, the Code tailors the ethics and independence provisions to specific activities and services as set out in sections 4 to 6 below.

4. Proportionality in Action for Professional Accountants in Business

Sections in Part 2 of the Code

Section 200 – Applying the Conceptual Framework

Section 210 – Conflicts of Interest

Section 220 – Preparation and Presentation of Information

Section 230 – Acting with Sufficient Expertise

Section 240 – Financial Interests, Compensation and Incentives Linked to Financial Reporting and Decision Making

Section 250 – Inducements, Including Gifts and Hospitality

Section 260 – Responding to Non-compliance with Laws and Regulations

Section 270 – Pressure to Breach the Fundamental Principles

Section 280 – Tax Planning Activities

Section 290 – Using the Work of an External Expert

In line with the building-blocks approach, PAIBs need to comply with the provisions in Part 2 of the Code, in addition to complying with the fundamental principles and applying the conceptual framework in Part 1.

Part 2, Section 200, provides more specific guidance on applying the conceptual framework in a PAIB context.

The remaining sections of Part 2 deal with:

- Specific topics such as conflicts of interest, pressure to breach the fundamental principles, and responding to non-compliance with laws and regulations (NOCLAR®); or
- Specific professional activities such as preparing and presenting information, and tax planning.

4.1 Proportionality in the Application of the Conceptual Framework

The Code recognizes that a PAIB's identification and evaluation of the level of a threat is impacted by the nature and scope of the professional activity.¹¹ For example, for a PAIB working in a small local company who is preparing a simple tax return for the company using widely available tax preparation software, the evaluation of any identified threats will be much simpler and more straightforward than for a PAIB working in a large multi-national company who is involved in a complex financial modeling exercise using an artificial intelligence (AI) tool as a basis for a major investment decision.

The Code also recognizes that a PAIB's identification and evaluation of the level of a threat might be impacted by the work environment within the employing organization and its operating environment.¹² In the context of a small owner-managed company, this means that while the same ethical principles apply, the application of the conceptual framework might rely more on an intimate knowledge of the company and its operations and the day-to-day involvement of the owner-manager in the business, and less on a consideration of the impact of any formal structures, policies and procedures.

¹¹ Paragraphs 120.6 A1 and 200.7 A2

¹² Paragraphs 120.6 A1 and 200.7 A3

4.2 Proportionality in the Application of Other Provisions in Part 2

It is important for PAIBs to have a good understanding of Part 2 of the Code to know which sections are relevant and applicable to their particular circumstances. For example, if a PAIB is not facing any conflicts of interest, inducements or undue pressure, Sections 210, 250 and 270 are not relevant. Conversely, if the PAIB is facing any of these situations, the relevant section will apply.

In addition, some provisions of the Code are proportionate to the position and seniority of a PAIB within their employing organization. For example, the Code indicates that to the extent that they are able to do so, taking into account their position and seniority in the organization, PAIBs are expected to encourage and promote an ethics-based culture in the organization.¹³

Take note: *Specific provisions apply to seniority and tax planning.*

- A PA who is a financial accountant at a company and participates in the preparation of the company's financial statements and the financial reporting process but not in tax planning for the company does not need to comply with Section 280, which is applicable only when a PAIB performs tax planning activities.
- Section 260 addresses responding to NOCLAR. It contains provisions that are proportionate depending on whether or not a PAIB is a senior PAIB. The response framework for a PAIB who is not a senior PAIB is simpler and much more straightforward than for a senior PAIB, recognizing the differences in their roles, positions and spheres of influence within the employing organization.



The Code recognizes that a PAIB's identification and evaluation of the level of a threat is impacted by the nature and scope of the professional activity.

5. Proportionality in Action for Professional Accountants in Public Practice

The Code recognizes that PAPPs provide professional services to a wide variety of entities in the private, public and non-profit sectors, and that their work fundamentally underpins stakeholders' trust and confidence in those entities and the financial markets in which they operate.

Consequently, in addition to the provisions in Part 1, the Code requires PAPPs to comply with the provisions in Part 3 and, as applicable, Parts 4A or 4B, with respect to the professional services they provide to clients. (Part 5 applies separately on a standalone basis to individual PAPPs and firms performing sustainability assurance engagements.)

Sections in Part 3 of the Code

Section 300 – Applying the Conceptual Framework

Section 310 – Conflicts of Interest

Section 320 – Professional Appointments

Section 321 – Second Opinions

Section 325 – Objectivity of an Engagement Quality Reviewer and Other Appropriate Reviewers

Section 330 – Fees and Other Types of Remuneration

Section 340 – Inducements, Including Gifts and Hospitality

Section 350 – Custody of Client Assets

Section 360 – Responding to Non-compliance with Laws and Regulations

Section 380 – Tax Planning Services

Section 390 – Using the Work of an External Expert

5.1 Proportionality in the Application of the Conceptual Framework

The Code recognizes that a PAPP's identification and evaluation of the level of a threat is impacted by the nature and scope of the professional service.¹⁴ For example, for a small and medium practice (SMP) that is compiling a financial report for a small owner-managed client for purposes of developing budgets, the evaluation of any identified threats will be much simpler and more straightforward than for a large firm undertaking a complex valuation of assets using the work of an external expert for a client planning a significant merger or acquisition.

The Code also recognizes that a PAPP's identification and evaluation of the level of a threat created while providing a professional service to a client might be assisted or influenced by the existence of conditions, policies and procedures relating to:

- a. The client and its operating environment; and
- b. The firm and its operating environment.¹⁵

In the context of an SMP that serves mainly small clients, this means that while the same ethical principles apply, the application of the conceptual framework might rely more on an intimate knowledge of the firm and greater familiarity with the client and its management and operations, and less on a consideration of the impact of any formal structures, policies and procedures at both the client and the firm. This recognizes the firm's simpler structure and operations, and the generally less complex nature of its clients compared with large firms that serve larger and more complex clients.

¹⁴ Paragraphs 120.6 A1 and 300.7 A2

¹⁵ Paragraphs 102.6 A1 and 300.7 A1

5.2 Proportionality in the Application of Other Provisions in Part 3

The relevance and applicability of other provisions in Part 3 depend on the specific facts and circumstances, in particular:

- The type of service the PAPP provides to the client. For example, if the PAPP does not provide tax planning services, Section 380 is not relevant.
- The facts and circumstances of the specific service. For example, if a firm does not use the work of an external expert when performing an engagement, Section 390 is not relevant. Likewise, if the firm has determined not to appoint an engagement quality reviewer (EQR) for an assurance engagement pursuant to relevant quality management standards, Section 325 does not apply.
- Whether or not the PAPP is providing an audit or assurance service to the client. Part 3 includes certain more specific or stringent provisions in the context of assurance engagements, particularly audits of financial statements, reflecting the heightened level of public interest in those engagements.

It is therefore important for PAPPs to have a good understanding of Part 3 of the Code to know which provisions are relevant and applicable to their particular situations.

Take note: *Firms performing audits of financial statements follow a more stringent response framework in the context of NOCLAR, and a more rigorous approach to the objectivity of an external expert when using the work of that expert, compared to other professional services.*

- The provisions on responding to NOCLAR or suspected NOCLAR are more extensive in the case of an audit of financial statements, including with respect to obtaining an understanding of the matter, escalating it with management and/or those charged with governance (TCWG), considering the implications for the auditor's report, considering communication of the matter to component auditors in the case of a group audit, and the nature and extent of any further action in the public interest.
- Where the firm plans to use the work of an external expert, the information required to be obtained from the external expert to enable the firm to evaluate the external expert's objectivity is more extensive in the case of an audit engagement, and especially when the client is a public interest entity (PIE).



Part 4A and Part 4B set out International Independence Standards for individual PAPPs and firms¹⁶ when they perform audit, review and other assurance engagements.

¹⁶ As set out in paragraph 400.4 of the Code, many of the provisions of the IIS do not prescribe the specific responsibility of individuals within the firm for actions related to independence, instead referring to "firm" for ease of reference.

6. Proportionality of the International Independence Standards

In addition to complying with the fundamental principles, the Code requires PAPPs to be independent when performing audits, reviews or other assurance engagements. Independence is essential for these engagements given the reliance investors and other users place on the audit, review or assurance reports for their capital allocation or other decisions. Independence permits the auditor or assurance practitioner to carry out their work without being affected by influences that compromise professional judgment, thereby allowing them to act with integrity and exercise objectivity and professional skepticism. Independence also helps to avoid facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude that a firm's, or an audit, review or assurance team member's, integrity, objectivity or professional skepticism has been compromised.

Independence is not a fundamental principle, but the same threats to compliance with the fundamental principles can also threaten independence.

Each of the threats to independence identified must be evaluated and, if deemed not to be at an acceptable level, addressed in accordance with the conceptual framework in Part 1. In that context, the scalability inherent in the conceptual framework as described above also applies in the context of independence.

In addition to the provisions that help firms apply the conceptual framework to independence, the IIS deal with other specific topics related to relationships, interests, or circumstances that could compromise an individual PAPP's or firm's independence.

The IIS:

- In Part 4A apply to audit and review engagements.
- In Part 4B apply to assurance engagements other than audit engagements, review engagements, and sustainability assurance engagement addressed in Part 5.



Each of the threats to independence identified must be evaluated and, if deemed not to be at an acceptable level, addressed in accordance with the conceptual framework. In that context, the scalability inherent in the conceptual framework also applies in the context of independence.

Building on Parts 1 and 3, Part 4A establishes provisions to support the application of the conceptual framework to independence. Because of the high public interest in audits and reviews of financial statements, the provisions in the IIS in Part 4A are more stringent than for other types of assurance engagements addressed under Part 4B.	Part 4A Section 400 – Applying the Conceptual Framework to Independence for Audit and Review Engagements Section 405 – Group Audits Section 410 – Fees Section 411 – Compensation and Evaluation Policies Section 420 – Gifts and Hospitality Section 430 – Actual or Threatened Litigation Section 510 – Financial Interests Section 511 – Loans and Guarantees Section 520 – Business Relationships Section 521 – Family and Personal Relationships Section 522 – Recent Service with an Audit Client Section 523 – Serving as a Director or Officer of an Audit Client Section 524 – Employment With an Audit Client Section 525 – Temporary Personnel Assignments Section 540 – Long Association of Personnel (Including Partner Rotation) with an Audit Client Section 600 – Provision of Non-assurance Services to an Audit Client
For assurance engagements other than audit and review engagements, and sustainability assurance engagements addressed in Part 5, Part 4B sets out a less stringent and more proportionate approach to independence, reflecting the typically lower level of public interest in those engagements.	Part 4B Section 900 – Applying the Conceptual Framework to Independence for Assurance Engagements Other than Audit Engagements, Review Engagements, and Sustainability Assurance Engagements Addressed in Part 5 Section 905 – Fees Section 906 – Gifts and Hospitality Section 907 – Actual or Threatened Litigation Section 910 – Financial Interests Section 911 – Loans and Guarantees Section 920 – Business Relationships Section 921 – Family and Personal Relationships Section 922 – Recent Service with an Assurance Client Section 923 – Serving as a Director or Officer of an Assurance Client Section 924 – Employment With an Assurance Client Section 940 – Long Association of Personnel with an Assurance Client Section 950 – Provision of Non-assurance Services to Assurance Clients Section 990 – Reports that Include a Restriction on Use

Take note: *Audit faces stricter independence requirements than other assurance engagements addressed in Part 4B.*

- When an auditor provides a non-assurance service (NAS) to an audit client, Part 4A sets out provisions on how to apply the conceptual framework to the particular facts and circumstances of the NAS. Part 4A also includes clear prohibitions on certain NAS in specific circumstances. In the context of other assurance engagements, Part 4B provides a more principles-based approach.
- Part 4A requires that other firms within the auditor's network (network firms) also be independent of the audit client. It sets out specific requirements with which network firms need to comply. However, reflecting a more proportionate approach, Part 4B only focuses on the firm performing the assurance engagement. It does not set out independence requirements for network firms in the context of other assurance engagements within its scope.

6.1 Proportionality in the Context of Audit and Review Engagements

Part 4A applies to individual PAPPs and firms. The applicability of the specific sections and provisions in Part 4A depends on various considerations, such as the nature and circumstances of the engagement, the nature of the audit client, and the role and responsibilities of the individuals.

The following illustrates the proportionality of the Code with respect to the IIS that apply to audit and review engagements.

Nature and Circumstances of the Engagement
Does the firm perform an audit of group financial statements?
If the firm performs an audit of a client's standalone financial statements, it does not need to comply with Section 405, which applies only to group audit engagements.
Does the firm provide NAS to the audit client?
If the firm does not provide any NAS to the audit client, the firm does not need to comply with Section 600 and its subsections.

The Nature of the Audit Client
Is the audit client a publicly traded entity?¹⁷
If the audit client is a publicly traded entity, the Code defines the client to always include all its related entities (e.g., parent and sister entities, subject to materiality considerations).
However, if the audit client is not a publicly traded entity, the firm only needs to consider the downstream entities over which the client has direct or indirect control for purposes of applying the independence provisions. This is a more proportionate approach, recognizing the higher level of public interest in publicly traded entities.

¹⁷ A publicly traded entity is an entity that issues financial instruments that are transferrable and traded through a publicly accessible market mechanism, including through listing on a stock exchange.
A listed entity as defined by relevant securities law or regulation is an example of a publicly traded entity.

Is the audit client a PIE?¹⁸

When the audit client is a PIE, stakeholders have heightened expectations regarding the auditor's independence because of the significance of the public interest in the financial condition of the entity. Accordingly, there are more stringent provisions in Part 4A that apply only in the case of PIE audit clients.

For example, when an audit client is a PIE, the Code prohibits a firm or a network firm from providing accounting and bookkeeping services to the audit client.¹⁹ In contrast, when the audit client is not a PIE, the Code permits a firm or a network firm to provide accounting and bookkeeping services to the audit client, provided that (a) the services are of a routine or mechanical nature; and (b) the firm addresses any threats that are not at an acceptable level.²⁰

Roles and Responsibilities of the Individuals

Is the audit team member a key audit partner?

Some of the independence provisions in Part 4A are proportionate to whether an audit team member is a key audit partner (KAP). For example:

- The Code prohibits a firm from evaluating or compensating a KAP based on the partner's success in selling NAS to the audit client.²¹ For all other audit team members, the Code specifies application of the conceptual framework.²²
- The Code sets out provisions addressing long association of firm personnel with an audit client. For PIE audit clients, Part 4A sets out mandatory partner rotation requirements for KAPs after they have served a cumulative 7 years on the audit engagement. The required cooling-off period is proportionate to the role of the KAP.²³ If the KAP is the engagement partner, the cooling-off period is 5 years. If the KAP is the engagement quality reviewer, the cooling off period is 3 years. For all other KAPs, the cooling off period is 2 years. For audit team members who are not KAPs, the conceptual framework applies.²⁴



When a PAPP performs a sustainability assurance engagement within the scope of the IESSA, the PAPP should follow the ethics and independence provisions in the IESSA (i.e., Part 5 of the Code). The provisions in the IESSA are equivalent to the provisions in Parts 1 to 4A of the Code that apply to audit engagements – reflecting the same level of public interest between the two types of engagements. However, the IESSA addresses the specific characteristics of sustainability assurance engagements.

With respect to the proportionality of the IESSA, please refer to the IESBA Staff Publication available [here](#).

18 An entity is a PIE when it falls within any of the following categories:
(a) A publicly traded entity;
(b) An entity one of whose main functions is to take deposits from the public;
(c) An entity one of whose main functions is to provide insurance to the public; or
(d) An entity specified as such by law, regulation or professional standards.

19 Paragraph R601.6

20 Paragraph R601.5

21 Paragraph R411.4

22 Paragraphs 411.3 A1-A3

23 Paragraphs R540.11-13

24 Paragraphs 540.3 A1 – R540.4

7. A Proportionate and Targeted Approach to Documentation

The Code generally encourages but does not require documentation except in specific circumstances. In particular, the Code requires documentation:

- For a PAPP, when a breach of confidentiality might arise from making specific disclosure of information to a client and seeking that client's consent in addressing a conflict of interest.²⁵
- For a PAPP performing an audit of financial statements, when responding to NOCLAR or suspected NOCLAR.²⁶
- For a firm performing an audit or review engagement,
 - When safeguards are applied to address a threat to independence or when a threat required significant analysis and the firm concluded that it was already at an acceptable level.²⁷
 - When addressing a breach of an independence requirement.²⁸

This proportionate and targeted approach enables a focus on documentation of the key judgments, discussions, and conclusions on matters that are especially significant, without imposing rigid record-keeping requirements and associated costs.

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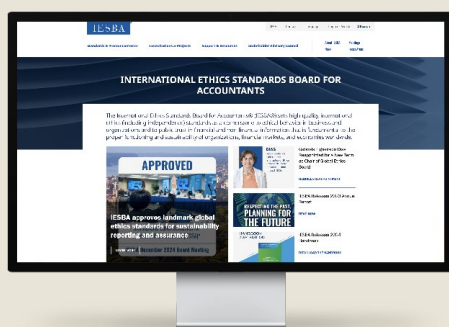
The proportionate and targeted approach to documentation focuses on the key judgments, discussions, and conclusions on matters that are especially significant, without imposing rigid record-keeping requirements and associated costs.

25 Paragraph R310.13

26 Paragraph R360.28

27 Paragraph R400.60

28 Paragraphs R400.88-89



ABOUT IESBA

The IESBA sets high-quality, international ethics (including independence) standards as a cornerstone to ethical behavior in business and organizations, and to public trust in financial and non-financial information that is fundamental to the proper functioning and sustainability of organizations, financial markets, and economies worldwide.

Find out more about the IESBA at www.ethicsboard.org.

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