

Auditing And Assurance

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The logo of Galgotias University is a stylized 'G' composed of three overlapping, curved shapes in shades of yellow, blue, and red. The text 'Lecture -2' is centered over this logo.

Lecture -2

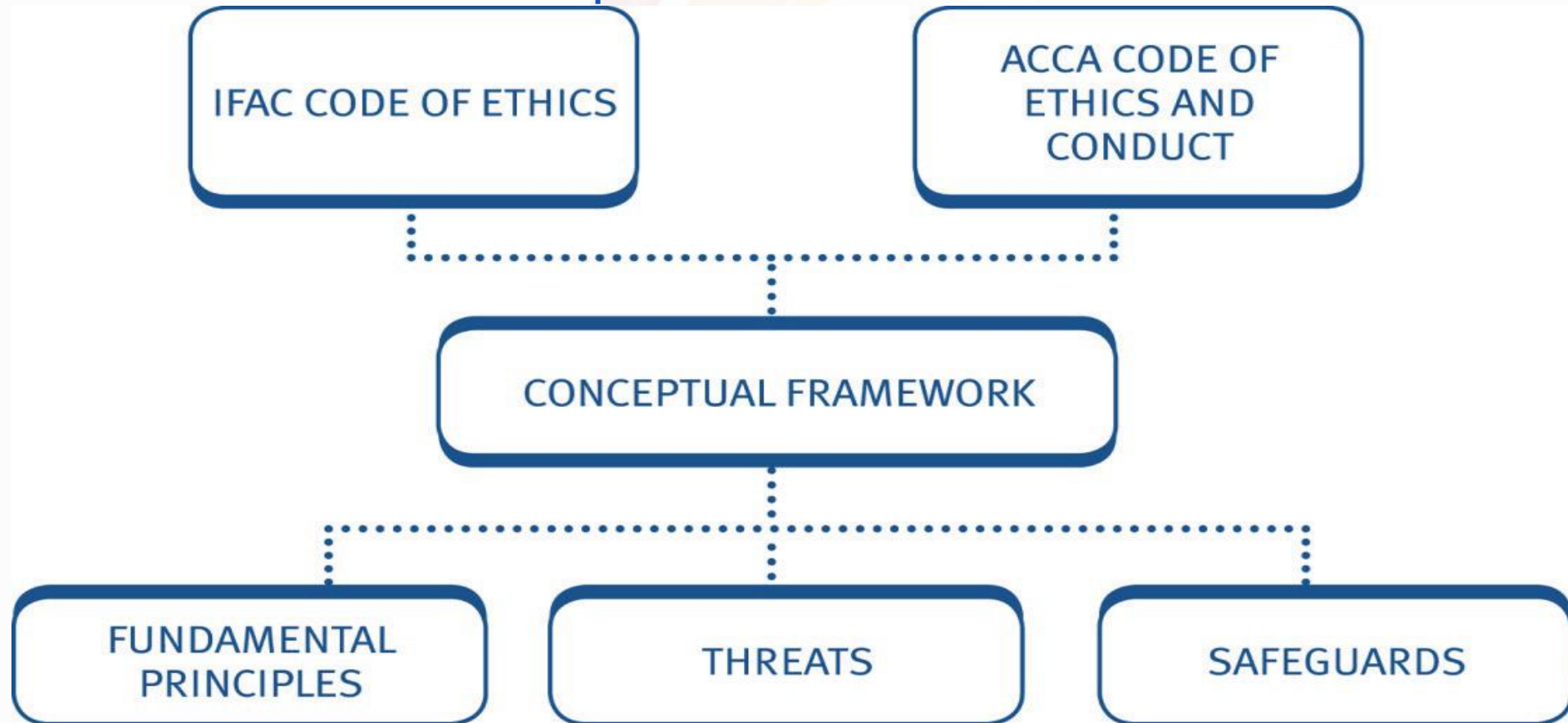
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Topics covered:

- The IFAC and ACCA codes and the conceptual framework
- Five fundamental principles of ethical code of conduct
- Threats and safeguards
- Threats to the principle of objectivity

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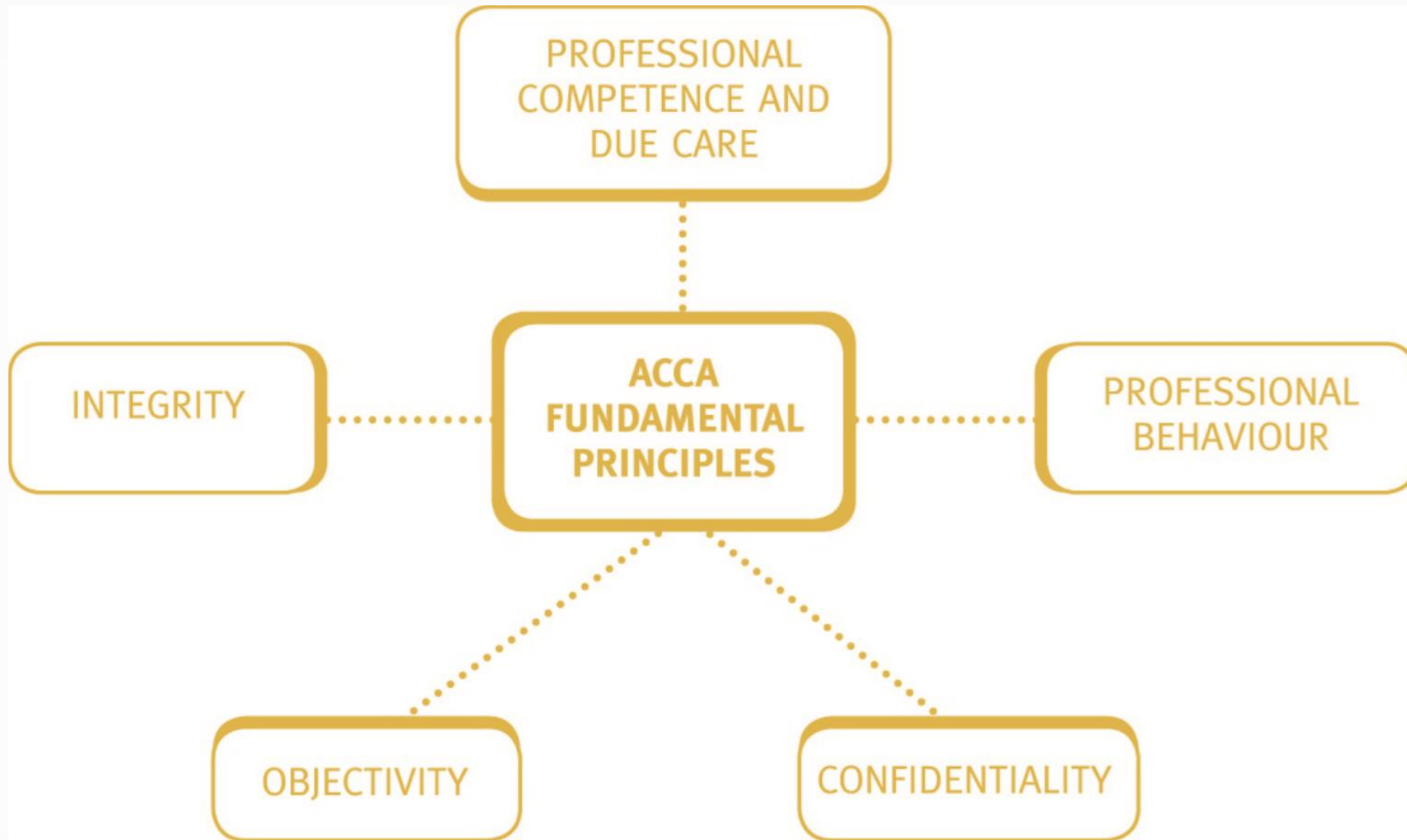
The IFAC and ACCA codes and the conceptual framework



Five fundamental principles of ethical code of conduct are:

- Objectivity
- Professional Behavior
- Professional competence and due care
- Integrity
- Confidentiality

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- **Objectivity:** Members should not allow bias, conflicts of interest or undue influence of others to override professional or business judgments.
- **Professional behavior:** Members should comply with relevant laws and regulations and should avoid any action that discredits the profession.
- **Professional competence and due care:** Members should maintain professional knowledge and skill at a level required to ensure that a client or employer receives competent professional services based on current developments in practice, legislation and techniques.

- **Integrity:** Members should be straightforward and honest in all professional and business relationships.

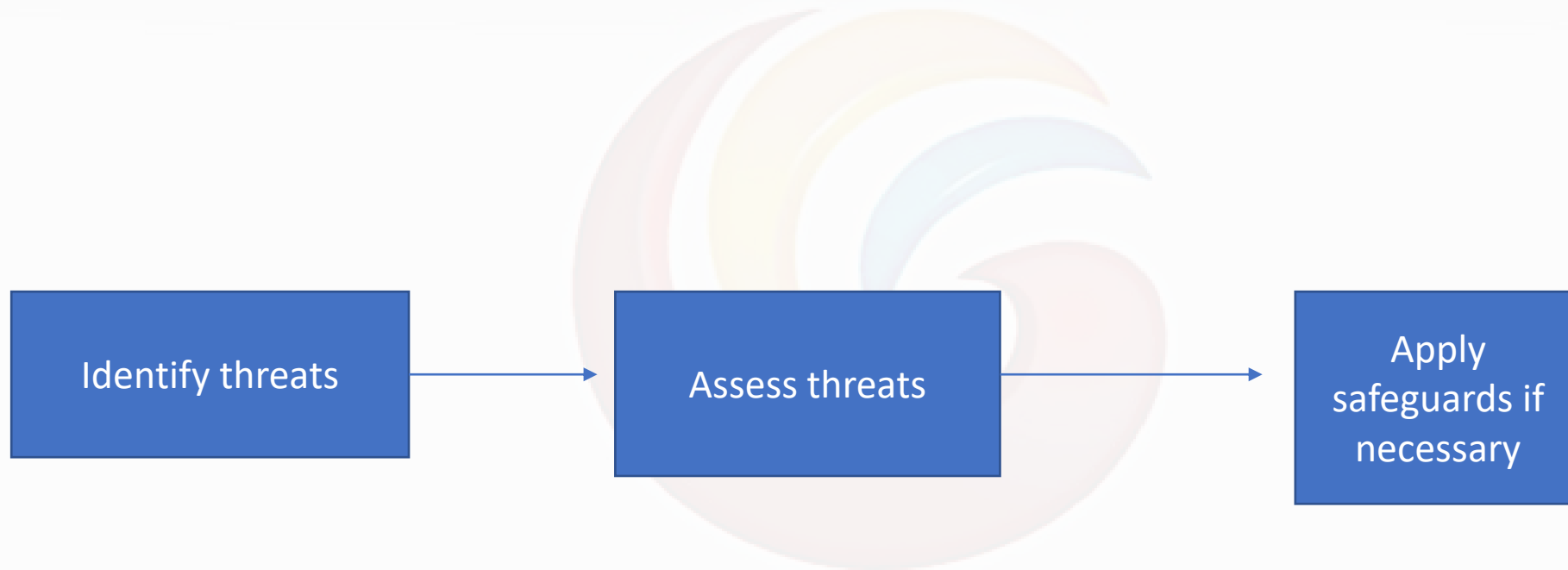
Confidentiality: Members should respect the confidentiality of information acquired as a result of professional and business relationships and should not disclose any such information to third parties without proper and specific authority or unless there is a legal or professional right or duty to disclose. Confidential information acquired as a result of professional and business relationships should not be used for the personal advantage of members or third parties.

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Threats and safeguards

Members are required to apply the conceptual framework to identify threats to compliance with the fundamental principles, to evaluate their significance and, if such threats are other than clearly insignificant, to apply safeguards to eliminate them or reduce them to an acceptable level such that compliance with the fundamental principles is not compromised.

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Threats:

- **Self-interest threats:** Where the auditor has a financial or other interest that will inappropriately influence their judgment or behaviour.
- **Familiarity threats:** When the auditor becomes too sympathetic or too trusting of a client and loses professional scepticism, or where the relationship between the auditor and client goes beyond professional boundaries.
- **Self-review threats:** Where non-audit work is provided to an audit client and is then subject to audit, the auditor will be unlikely to admit to errors in their own work, or may not identify the errors in their own work.

- **Advocacy threats:** Promoting the position of a client or representing them in some way would mean the audit firm is seen to be 'taking sides' with the client.
- **Intimidation threats:** Actual or perceived pressures from the client, or attempts to exercise undue influence over the assurance provider create an intimidation threat, e.g. actual or threatened litigation between the auditor and audit client (in which case it may be necessary to resign from the engagement).

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References

- ACCA Study Material, F8 Kaplan Publishing

