

Annual Update – Ethics and Independence

October 2025



International Code of Ethics for Professional Accountants



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Overview of the Code

PART 1

COMPLYING WITH THE CODE, FUNDAMENTAL PRINCIPLES AND
CONCEPTUAL FRAMEWORK

PART 2

PROFESSIONAL ACCOUNTANTS IN BUSINESS

PART 3

PROFESSIONAL ACCOUNTANTS IN PUBLIC PRACTICE

PART 4

A – INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS
B – INDEPENDENCE FOR ASSURANCE ENGAGEMENTS OTHER
THAN AUDIT AND REVIEW ENGAGEMENTS

PART 5

INTERNATIONAL ETHICS STANDARDS FOR SUSTAINABILITY ASSURANCE
(Effective for sustainability assurance engagements on sustainability
information for periods beginning on or after December 15, 2026)

Overview of the Code (Contd)

FUNDAMENTAL PRINCIPLES

- Integrity
- Objectivity
- Professional Competence & Due Care
 - Confidentiality
- Professional Behaviour

Overview of the Code (Contd)

CONCEPTUAL FRAMEWORK APPROACH

IDENTIFY → EVALUATE → ADDRESS

Overview of the Code (Contd)

TYPES OF THREATS

- Self-interest
- Self-review
- Advocacy
- Familiarity
- Intimidation

Overview of the Code (Contd)

INDEPENDENCE REQUIREMENTS

- Independence of Mind and Appearance
- Applies to Audit, Review and Assurance engagements
in particular
- Covers financial, business and employment interests

Overview of the Code (Contd)

ETHICAL DECISION MAKING

- Apply principles and framework
- Consider reasonable and informed third party view
 - Document key judgements

PKF NETWORK Independence



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Network Firm Requirements

Network Firms

- A network firm shall be **independent of the audit clients of the other firms within the network** as required by this Part.
- This is why **TREND** is such an important aspect of your client acceptance and continuance process. All firms are required to record clients that meet the definition of a Transnational Entity or a Transnational Audit..

TNA is defined as:

- an **audit** of financial statements,
 - which are or may be relied upon outside the audited entity's home jurisdiction for purposes of
 - significant lending,
 - investment or
 - regulatory decisions;
- this will include all companies with listed (public) equity or debt and other public interest entities
- it also includes significant components of a group of such entities.

A TNE is defined to mean:

- a client entity subject to a transnational audit ("TNA") as defined above; or
- any other client entity that is
 - registered, or has facilities, operations, branches,
 - associate companies, associate company shareholder,
 - subsidiaries,
 - parent company (whether intermediate or ultimate) or
 - joint arrangements outside of the entity's home country.

CASE STUDIES



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CASE STUDY 1

A senior partner has audited a major **state-owned utility** for 18 years. The CEO, a former government minister, is a close acquaintance of the partner.

A government oversight committee accuses the utility of mismanagement and requests audit working papers. The CEO pressures the partner to deny access, citing “national security” and threatens to have the firm’s future public-sector contracts terminated.

Losing this client could cost over 10% of annual revenue of the firm.

Ethical/Independence Issue:

Compromise of **independence**, **objectivity**, and **professional behaviour** through **familiarity** and **intimidation** threats.

Threats:

Familiarity threat: Decades-long association and social connection.

Self-interest threat: Financial dependence on government contracts.

Intimidation threat: Political pressure to suppress disclosure.

Resolution:

Firm evaluates public interest vs. confidentiality.

Engagement partner is rotated. Investigation of long association and firm policy for partner rotation.

Firm issues public statement emphasizing independence to protect reputation.

CASE STUDY 2

A global audit firm audits a large financial institution. Following a data breach, the client requests the firm's **Cybersecurity Consulting Team** (same network) to perform forensic recovery, system redesign, and control testing.

Simultaneously, the audit engagement team is testing **IT general controls** under ISA 315.

The consulting team's work may form part of audit evidence, and the client insists the firm is "best placed" to handle it due to familiarity with systems.

Ethical/Independence Issue:

Prohibited **self-review** and **management** threat for PIEs; conflict between commercial opportunity and ethical obligation.

Threats:

Self-review: Audit team would rely on work performed by consulting arm.

Management threat: Designing controls constitutes decision-making for the client.

Advocacy threat: Helping client defend system in regulatory inquiry.

Resolution:

Firm declines system redesign engagement; may only perform *post-implementation review* under separate contract after audit completion.

CASE STUDY 3

An audit partner for a large private manufacturing client discovers that the client is under severe liquidity stress. The CFO asks the firm to “adjust” certain provisions and delay impairment recognition on slow-moving inventory, arguing it will help secure a short-term bank facility and preserve jobs.

The CFO points out that the company plans to go public next year, and *implying continuity of the audit relationship will depend on “understanding the business realities”*.

Meanwhile, the firm’s **Corporate Finance division** (same network firm) has been engaged by the client to advise on IPO readiness thus creating a cross-functional interest.

Ethical/Independence Issue:

Compromised **integrity** and **objectivity**, plus a **self-interest** and **self-review threat** due to parallel advisory services.

Threats:

Self-interest: Retaining lucrative audit and IPO engagement.

Self-review: Advisory arm's IPO readiness work may involve reviewing financial information later audited.

Intimidation: Pressure from CFO implying loss of engagement.

Resolution:

Firm performs independence assessment

IPO advisory engagement terminated

Audit opinion qualified if management refuses adjustment.

Engagement quality reviewer appointed to assess partner judgment.

Firm policy amended: *automatic conflict check* across assurance and corporate finance before client acceptance.

Independence assessment in Audit / Review

- **A&C** – Based on understanding of entity (public/private/multinational/NPO etc.), group structure, known related parties
- **Planning** – documentation of independence especially if any conflicts were noted
- **Planning** – Obtaining team independence through Odoo
- **Executions** – Changes in circumstances like new relationships/related parties, changes in status of entity etc. may require re-evaluation of independence
- **Completion** – As part of completion checklist a confirmation that all independence requirements have been complied with

Any questions??



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Thank you

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