

August 2023

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# Ethical Standard 2023

## Key changes

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## **Key Changes to the Ethical Standard**

This document sets out the key changes being proposed to the FRC's Ethical Standard.

This material should be read in conjunction with the full Exposure Draft of the Ethical Standard. The excerpts set out below only include those sections and paragraphs where there have been significant changes, and is intended to help readers understand the nature and scope of our proposals.

Note that cross references have not been updated in the document below.

### **Key**

New text – green

Deleted text – ~~red strike through~~

## Part B

### Section 1 – General Requirements and Guidance

#### Compliance

##### Breaches

- 1.21 *Firm* monitoring arrangements, as required by paragraph 1.10, shall **must** be designed **with the objective** to effectively ~~ensure completeness of~~ **capture all relevant** breaches of ~~the~~**this** ethical standard which are identified **by the firm**.
- 1.22 Whenever a possible or actual breach of this Ethical Standard, or of policies and procedures established pursuant to the overarching principles and supporting ethical provisions and requirements established in it, is identified, the *engagement partner*, in the first instance, and the *Ethics Partner*, where appropriate, shall assess the implications of the breach, determine whether there are safeguards that can be put in place or other actions that can be taken to address any potential adverse consequences and considers whether there is a need to resign or withdraw from the *engagement*. **In making this judgement the Ethics Partner and engagement partner shall consider the perspective of an Objective, Reasonable and Informed Third Party.**
- 1.23 The *firm* shall report all breaches to the *Competent Authority* on a biannual basis and to those charged with governance of an *entity relevant to an engagement*, where a breach relates to a specific engagement or engagements in a timely manner.
- 1.24 **The firm shall report to the Competent Authority about individual breaches outside of the biannual timetable where the Competent Authority would reasonably expect notice. This may be due to the nature or seriousness of the breach, including for example where the firm may need to consider resigning from an engagement.<sup>12</sup>**
- 1.25 An inadvertent breach of this Ethical Standard does not necessarily call into question the *firm's* ability to give an audit or other public interest assurance opinion, provided that:
- (a) the *firm* has established policies and procedures that require all partners, *staff* and other *covered persons* to report any breach promptly to the *engagement partner* or to the *Ethics Partner*, as appropriate;
  - (b) the *engagement partner* or *Ethics Partner* promptly notifies the relevant partner, member of *staff* or other *covered person* that any matter which has given rise to a breach is to be addressed as soon as possible and ensures that such action is taken;
  - (c) safeguards, where appropriate, are applied, for example, having another partner review the work done by the relevant partner, member of *staff* or

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<sup>12</sup> [https://www.frc.org.uk/getattachment/ec61e0ae-6849-4f00-8567-593bdf7c0011/Public-Interest-Entity-Audit-Firm-Breach-Reporting\(1\).pdf](https://www.frc.org.uk/getattachment/ec61e0ae-6849-4f00-8567-593bdf7c0011/Public-Interest-Entity-Audit-Firm-Breach-Reporting(1).pdf)

other *covered person* or removing them from the *engagement team* or from otherwise being a *covered person*;

- (d) the actions taken and the rationale for them are documented; and
- (e) where the breach relates to the provision of non-permitted non-audit services to a *public interest entity*, the *engagement partner* reports in accordance with the requirements of ISA (UK) 700, paragraph 45-1(d).

Whether a breach is inadvertent is a matter of professional judgement. However, a deliberate breach of this ethical standard by an individual or a *firm* cannot ever be considered to be inadvertent. The objective of a *firm's* policies and procedures should be to prevent or detect breaches of this ethical standard. Therefore, if a breach of this ethical standard occurs because a *firm's* policies and procedures were ineffective in meeting that objective, that breach is not considered to be inadvertent.

### Non-involvement in Management Decision-taking

- 1.26 Supporting ethical provision A2.1 requires that the *firm* and each *covered person* is not involved in the management decision-taking of an *entity relevant to the engagement*. The threat to independence and objectivity arising from playing such a role is so great that it cannot be safeguarded.
- 1.27 **In the case of a *statutory audit, non-audit services* shall not be provided that involve playing any part in management decision-taking of an *entity relevant to an engagement*. The *firm* shall not accept any engagement which includes the provision of services where it is probable that an objective, reasonable and informed third party would conclude that the *firm* or a *covered person* was playing a part in management decision-taking.**
- 1.28 It is not possible to specify all types of decision that are the responsibility of management, but they typically involve leading and directing the entity, including making significant judgments and taking decisions regarding the acquisition, deployment and control of human, financial, physical and intangible resources (see paragraph 1.33). Examples of judgments and decisions that should not be made by the *firm* or a *covered person* include:
  - Setting policies and strategic direction;
  - Directing and taking responsibility for the actions of the entity's employees;
  - Authorising transactions;
  - Deciding which recommendations of the firm or other third parties should be implemented, recognising that a greater threat exists where management are considering recommendations made by the firm, where there is no alternative course of action;
  - Taking responsibility for the preparation and fair presentation of financial statements in accordance with the applicable financial reporting framework;
  - Taking responsibility for the preparation and presentation of subject matter information in the case of an other public interest assurance engagement; and
  - Taking responsibility for designing, implementing and maintaining internal control.

## Identification and Assessment of Threats

### Identification and Assessment of Safeguards

- 1.46 This Ethical Standard contains certain additional requirements or prohibitions that apply only to specific categories of entity.

<b>Public Interest Entities (PIEs) As Defined in UK Law</b>	
1.69	Additional <i>engagement</i> acceptance and continuance requirements for a PIE
3.9	<i>Key audit partner</i> rotation requirements
3.17 & 3.18	Rotation requirements for the most senior personnel involved in the <i>statutory audit</i>
4.13 & 4.14	Statutory fee cap for non-audit services
4.15	Applications to the Competent Authority in respect of exemptions from the statutory fee cap
5.40	Permitted Non-Audit/Additional Services for PIEs
5.41	Inadvertent provision of a non-permitted service

<b>Listed entities only (including such entities that are PIEs, both as defined in UK Law, and in the definition of a PIE in the IESBA Code)</b>	
3.10	<i>Engagement Partner</i> rotation
5.56 (a)	Valuation services
5.62 (a)	Actuarial Valuation services
5.75	Preparation of current or deferred tax calculations
5.85	Litigation support services
5118	<i>Entity in distress relevant to an engagement</i>
5.124 (a)	Provision of accounting services

<b>Listed entities and public interest entities, both as defined in UK Law, and in the definition of a PIE in the IESBA Code</b>	
1.58	Communication with <i>Those Charged With Governance</i> on ethical and independence matters
3.19	Rotation requirements for <i>Engagement Quality Reviewers</i>
3.20	Continuous involvement in an <i>engagement</i> in senior positions for seven years and over
4.16	Aggregation of fees for non-audit services/additional services
4.21 & 4.25	Total fees from a recurring engagement

~~This Ethical Standard contains certain additional requirements or prohibitions that apply only in the case of engagements for public interest entities (PIEs) or listed entities or in both cases:~~

- ~~• Public interest entities only: paragraphs 1.66, 3.10, 3.18, 3.19, 4.15, 4.16, 4.17, 5.40, 5.41.~~
- ~~• Listed entities only (including such entities that are PIEs): paragraphs 3.11, 5.52(a), 5.59(a), 5.71, 5.81(a), 5.114, 5.120(a)~~
- ~~• Listed entities and public interest entities: paragraphs 1.58, 3.20, 3.21, 4.18, 4.23, 4.27~~

These additional requirements also apply where regulation or legislation requires that the engagement for an entity is conducted in accordance with the standards or ethical requirements that are applicable to engagements for public interest entities or other listed entities.

## Engagement Quality Review

- 1.53 Requirements for engagement quality **control review** are established in **ISQC ISQM (UK) 1 (Issued July 2021 - Updated March 2023)** and where applicable ISA (UK) 220 (Revised **July 2021** ~~November 2019~~).

## Overall Conclusion

- 1.60 The aim of these communications is to ensure full and fair disclosure by the *firm* to those charged with governance of each *entity relevant to the engagement* on matters in which they have an interest. These matters will generally include the key elements of the *engagement partner's* consideration of integrity, objectivity and independence, such as:
- the principal threats, if any, to integrity or objectivity including any that could impair independence identified by the *firm*, including consideration of all relationships between the entity, its *affiliates* and directors and the *firm*;
  - any safeguards adopted and the reasons why they are considered to be effective, including any independent partner review;
  - the overall assessment of threats and safeguards;
  - information about the general policies and processes within the *firm* for maintaining integrity, objectivity and independence;

- The details and significance of any breaches of this ethical standard in the relevant period.

## Documentation

- 1.72 Matters to be documented<sup>22</sup> include all key elements of the process and any significant judgments concerning:
- threats identified, other than those which are clearly insignificant, and the process used in identifying them; safeguards adopted and the reasons why they are considered to be effective;
  - review by an *engagement quality control reviewer* or an independent partner;
  - overall assessment of threats and safeguards on an individual and cumulative basis;
  - communication with those charged with governance and, where applicable, any other persons or entities the *firm* is instructed to advise; and
  - Breaches identified and actions taken (see ISQM (UK) 1, para 58-1).

## Effective Date

- 1.73 This Ethical Standard becomes effective on 15 December 2024 ~~March 2020~~ except for paragraph 5.42 which, applies to periods commencing on or after 15 December 2020.
- 1.74 *Firms* may complete *engagements* relating to periods commencing before 15 December 2024 ~~March 2020~~ in accordance with existing ethical standards, putting in place any necessary changes in the subsequent engagement period.
- 1.75 Engagements to provide previously permitted non-audit or additional services, entered into before 15 December 2024 ~~March 2020~~, and for which the *firm* has already commenced work may continue until completed in accordance with the original *engagement* terms, subject to the application of appropriate safeguards.
- ~~1.72 The extended cooling in period required by Appendix B (b) (h) relating to the provision of services relating to internal audit does not have retrospective application.~~

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<sup>22</sup> The necessary working papers can be combined with those prepared pursuant to ISA (UK) 220 (Revised November 2019) 'Quality Management for an Audit of Financial Statements'.



## Section 2 – Financial, Business, Employment and Personal Relationships

### Financial Relationships

2.1 A financial interest in an entity is an interest in a *financial instrument* issued, guaranteed or otherwise supported by an entity, including rights and obligations to acquire such an interest and derivatives directly related to such an interest.

*Financial instruments are defined in the FRC's Glossary of Terms as:*

*Transferable securities;*

*Money-market instruments;*

*Units in collective investment undertakings;*

*Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash;*

*Options, futures, swaps, forwards and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event;*

*Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market, a Multilateral Trading Facility (MTF), or an Organised Trading Facility (OTF), except for wholesale energy products traded on an OTF that must be physically settled;*

*Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in point 6 of this Section and not being for commercial purposes, which have the characteristics of other derivative financial instruments;*

*Derivative instruments for the transfer of credit risk;*

*Financial contracts for difference;*

*Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event, as well as any other derivative contracts relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Section, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market, OTF, or an MTF;*

*Emission allowances consisting of any units recognised for compliance with the requirements of the Emissions Trading Scheme*

2.2 A financial interest may be:

- (a) a 'direct financial interest', held by way of
  - (i) direct ownership of the financial instrument; or
  - (ii) a 'direct beneficial interest' – i.e. an interest held through an intermediary which is either controlled or could be influenced by that person holding the financial interest.

For example, a direct beneficial interest may exist by virtue of the person being an identified potential beneficiary under a trust, or under a will relating to an estate, where the trust or estate holds an underlying direct financial interest and the person has control or influence over the trust or estate; or

- (b) an 'indirect financial interest', held through an intermediary (other than an intermediary over which the person holding the financial interest has control or influence as described in (a)).

For example, an indirect financial interest may be held through a diversified collective investment scheme, such as an authorised unit or investment trust, such as an open or closed-ended investment fund company, managed funds such as pensions or life insurance or other similar investment schemes with diversified investments, diversified investors and independent investment managers.

~~2.3 For an engagement, save where otherwise required when the circumstances in paragraphs 2.6, 2.8, 2.10, 2.16 and 2.18 apply, and always subject to the prohibitions on holding financial interests set out in paragraph 2.4, the firm, each partner in the firm, each covered person and any persons closely associated with any such partner or covered person, shall not hold:~~

- ~~(a) any direct financial interest in an entity relevant to the engagement or an affiliate of such an entity; or~~
- ~~(b) any indirect financial interest in an entity relevant to the engagement or an affiliate of such an entity, that is material to the firm, or the person or the intermediary; or~~
- ~~(c) any other indirect financial interest in an entity relevant to the engagement or an affiliate of such an entity, where the person holding it has both:
  - ~~(i) the ability to influence the investment decisions of the intermediary; and~~
  - ~~(ii) actual knowledge of the existence of the underlying holding of a direct financial interest by the intermediary.~~~~

~~2.4 The firm, each of the firm's key audit partners and each of the firm's directly involved covered persons for any engagement, and any persons closely associated with the firm or any such partner or covered person, shall not:~~

- ~~(a) hold any material financial interest (other than an indirect financial interest held through a diversified collective investment scheme) in, or engage in any transaction in, any financial instrument of any entity relevant to an engagement in the area of activity<sup>22</sup> in which they (or in the case of a person closely associated, the area of activity in which the firm, key audit~~

~~partner or covered person with whom they are closely associated) are involved relating to engagements; or~~

~~(b) hold any financial interest, other than an indirect financial interest held through a diversified collective investment scheme, in:~~

~~(i) any entity relevant to an engagement for which they are a directly involved covered person; or~~

~~(ii) an entity which is an affiliate of such an entity; or~~

~~(iii) any other entity otherwise related to such an entity in circumstances where holding such a financial interest may cause, or may be generally perceived as causing, a conflict of interest;~~

~~or, if a person holds such a financial interest, they shall be excluded from any role by virtue of which they would be a covered person for any such engagement.~~

**2.3** The firm, each partner in the firm, and any persons closely associated with the firm or a partner in the firm, shall not hold any financial interest, other than an immaterial indirect financial interest held through a diversified collective investment scheme, in or engage in any transaction in any financial instrument of:

(a) any entity relevant to an engagement of the firm, or

(b) an entity which is an affiliate of such an entity; or

(c) any other entity otherwise related to such an entity in circumstances where holding such a financial interest may cause, or may be perceived by an objective, reasonable and informed third party as causing, a conflict of interest.

**2.4** Each non-partner covered person, and any persons closely associated with any such person, shall not:

(a) hold any financial interest, other than an immaterial indirect financial interest held through a diversified collective investment scheme, in or engage in any transaction in any financial instrument of:

(i) any entity relevant to an engagement for which they (or the person they are closely associated to, where applicable) are a covered person, or

(ii) an entity which is an affiliate of such an entity; or

(iii) any other entity otherwise related to such an entity in circumstances where holding such a financial interest may cause, or may be perceived by an objective, reasonable and informed third party as causing, a conflict of interest.

(b) hold any material financial interest, other than an indirect financial interest held through a diversified collective investment scheme, in or engage in any transaction in any financial instrument of any entity relevant to an engagement in the area of activity<sup>23</sup> in which they (or in the case of a person closely associated, the area of activity in which

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<sup>23</sup> Any *engagements*, in relation to which the *engagement partner* practices in the same office or business unit as the *covered person*.

the covered person with whom they are closely associated) are involved relating to engagements.

- 2.5 The requirements in paragraphs 2.3 and 2.4 have been established because threats to integrity, objectivity and independence in relation to *engagements*, where the *firm* or other persons have direct or indirect financial interests in an *entity relevant to an engagement* in the circumstances referred to in those paragraphs, are such that it is considered that no safeguards can eliminate them or reduce them to a level where they would not compromise independence, and they are therefore precluded.
- 2.6 Except where prohibited ~~in accordance with~~ by paragraphs 2.3 or 2.4 as a consequence of their own role, where a *person closely associated* with a partner in the *firm* who is not a *covered person* for an *engagement* of the *firm*, has a financial interest in any *entity relevant to the engagement*, or in any *affiliate* of such an entity, as a consequence of:
- the compensation arrangements of that person (for example, a share option scheme, where the shares have not vested); or
  - a decision made, or a transaction undertaken, by an entity with whom that person has a contractual business or employment arrangement (for example, a partnership agreement);

such financial interests are not generally considered to threaten integrity or objectivity or to compromise independence in relation to the *engagement*. However, where such interests are significant or the ~~the relevant partner or other person referred to in paragraph 2.4 has close working contacts~~ *person with whom they are closely associated works closely* with the *engagement team*, the *Ethics Partner/Function* considers whether any safeguards need to be put in place.

- 2.7 For the purposes of paragraph 2.3, where financial interests in a diversified collective investment scheme that is an *entity relevant to an engagement* of the *firm*, or an *affiliate* of such an entity, are held by a partner in the *firm*, or by a *person closely associated* with such a partner and that partner is not a *covered person* for such an *engagement*, such interests ~~are to be treated as indirect financial interests. Such interests can therefore~~ can be held as long as:
- (a) they are not material to the individual; and
  - (b) the individual has no influence over the investment decisions of the entity.
- 2.8 ~~Except where prohibited in accordance with paragraph 2.4, for the purposes of paragraph 2.3,~~ Where a person who is a *covered person*, or any *partner* in the *firm*, or any *person closely associated* with them, is a member or shareholder of any *entity that is relevant to an engagement*, as a result of the entity's membership or equivalent requirements, the *firm* should ensure that no more than the minimum number of shares necessary to comply with the requirement are held and should assess whether this financial interest is material to either the entity or the person holding the interest. Disclosure of such interests should be made to those charged with governance of such an entity, in accordance with paragraph 1.58 of this Ethical Standard.
- 2.9 Where the *firm*, a partner or a *covered person* holds any financial interests that they would not be permitted to hold, or engages in any transaction in *financial instruments* that they would not be permitted to engage in, in breach of the requirements in paragraphs 2.3 or 2.4 ~~(a) in circumstances other than those contemplated in paragraphs 2.10, and~~ paragraph 2.10 does not apply, either:

- the entire financial interest is disposed of; or
- where only an immaterial holding is permitted, a sufficient amount of the financial interest is disposed of so that the remaining interest is no longer material.

In addition, in the case of a person, for the period referred to in supporting ethical provision A2.1:

- they are excluded from ~~any role by virtue of which they would be~~ being a *covered person* for any *engagements* in relation to which the breach occurred; and
- If the breach arose from a material prohibited *financial interest*, or from engagement in a prohibited transaction in a *financial instrument*, they are excluded from any role by virtue of which they would be operating in the same office or business unit as the *engagement partner* for the engagement in relation to which the breach arose, if they themselves are not the *engagement partner*. ~~where the holding or transaction is not permitted in accordance with paragraph 2.4 (a) they are excluded from any role by virtue of which they would be operating in their area of activity relating to engagements that encompasses any engagements for entities in which the financial interests were held, or in whose financial instruments the person engaged in transactions. In addition, in the case of a firm, the firm does not accept (or withdraws from) the engagement.~~

In addition, in the case of a *firm*, the *firm* does not accept, or withdraws from, the *engagement*.

2.10 Where a person who is joining the *firm* as a partner or *staff* member, or any *person* *closely associated* with them, has any financial interests acquired before the person joined the *firm* that they would not be permitted to hold in accordance with the requirements in paragraphs 2.3 or 2.4, they should:

- (i) Where the financial interests are held in entities relevant to engagements for which the *engagement partner* works in the same office or business unit that the person is to join, dispose of those financial interests prior to the person joining the *firm*;
- (ii) Where the person joining the *firm* as a partner, in addition to any disposals required by part (i), dispose of any financial interests held in any other entities relevant to any engagement of the *firm* prior to, or immediately when, the person joins the *firm*, unless:
  - (a) the person joining the *firm* is not able to influence the affairs of any *entity relevant to an engagement* in which the interests are held; and
  - (b) either there is no market for such interests, or the individual does not have the power to sell or to direct the sale of the interest; and
  - (c) the financial interests are not held in an *entity relevant to an engagement* in relation to which the person joining the *firm*:
    - is to be a *covered person*; or
    - works in the same part of the *firm* as the *engagement partner* for any such *engagement*; or
    - is involved in the provision of a *non-audit / additional service* to any such entity or in an entity that is an *affiliate* of such an entity.

- (iii) Where, in accordance with part (ii), prohibited financial interests are not disposed of prior to, or immediately when, the person joins the *firm*, they must be disposed of as soon as possible after the individual holding them becomes able to make a disposal. The *firm* ensures that:
  - (a) the deferral of the disposal of such financial interests is approved by the *Ethics Partner/Function*;
  - (b) a record is maintained of such individuals and interests, including a description of the circumstances; and
  - (c) this information is communicated to the relevant *engagement partner*.

~~2.10—Where a person who is joining the firm as a partner or staff member, or any person closely associated with them, has any financial interests acquired before the person joined the firm that they would not be permitted to hold in accordance with the requirements in paragraphs 2.3 or 2.4, they should:~~

- ~~(i) Where they would not be permitted to hold the financial interests in accordance with paragraph 2.4, dispose of those financial interests prior to the person joining the firm;~~
- ~~(ii) Where they would not be permitted to hold the financial interests in accordance with paragraph 2.3, dispose of those financial interests prior to, or immediately when, the person joins the firm, unless:
  - ~~a. the person joining the firm is not able to influence the affairs of any entity relevant to an engagement in which the interests are held; and~~
  - ~~b. either there is no market for such interests, or the individual does not have the power to sell or to direct the sale of the interest; and~~
  - ~~c. the financial interests are not held in an entity relevant to an engagement in relation to which the person joining the firm:
    - ~~• is a covered person; or~~
    - ~~• works in the same part of the firm as the engagement partner for any such engagement; or~~
    - ~~• is involved in the provision of a non-audit / additional service to any such entity or in an entity that is an affiliate of such an entity;~~~~~~
- ~~(iii) Where not disposed of prior to, or immediately when, the person joins the firm, financial interests that the person would not be permitted to hold in accordance with paragraph 2.3 must be disposed of as soon as possible after the individual holding them becomes able to make a disposal. The firm ensures that:
  - ~~(a) the deferral of the disposal of such financial interests is approved by the Ethics Partner/Function;~~
  - ~~(b) a record is maintained of such individuals and interests, including a description of the circumstances; and~~
  - ~~(c) this information is communicated to the relevant engagement partner.~~~~

## Financial Interests Held as Trustee

2.16 Where any financial interest in an *entity relevant to the engagement* or in any *affiliate* of such an entity is held in a trustee capacity by a *firm*, *covered person*, or by a *person closely associated* with them, a self-interest threat may be created because either the existence of the trustee interest may influence the conduct or outcome of the *engagement* or the trust may influence the actions of the entity. Accordingly, such a trustee interest is not held when:

- the relevant person is an identified potential beneficiary of the trust; or the financial interest held by the trust in the entity is material to the trust; or
- in the case of a firm where a covered person, a person closely associated with them, or a network firm is an identified potential beneficiary of the trust
- the trust is able to exercise significant influence over the entity or an *affiliate* of the entity; or
- the relevant person has significant influence over the investment decisions made by the trust, in so far as they relate to the financial interest in the entity; or
- such a holding is otherwise precluded by the requirements in paragraph 2.4.

A trustee interest is not held in the case of a 'living will' or power of attorney, where the person holding that interest is or may be a potential beneficiary of the estate to which it pertains, or where that person is able to influence the investment of the estate.

## Governance Role with an Entity Relevant to an Engagement

2.55 Where a partner or member of *staff* of the *firm*, ~~but~~ who is not a *covered person*, becomes aware that a *person closely associated* with them, or a *close family* member, holds a position described in paragraph 2.53, that individual shall report that fact to the *engagement partner*. *The engagement partner* ~~who~~ shall evaluate whether the relationship would compromise independence, with reference to the perspective of an *Objective, Reasonable and Informed Third Party*. If the *engagement partner* concludes that independence may be compromised, they shall consult with the *Ethics Partner/Function* to determine whether appropriate safeguards exist. If no such safeguards exist, the *firm* shall withdraw from the *engagement*.



## Section 3 – Long Association with Engagements and with Entities Relevant to Engagements

### General Requirements

#### Public Interest Entities and Other Listed Entities

#### Key Audit Partners and Engagement Partners

- 3.9 Save where the circumstances in paragraphs 3.14 and 3.15 apply, the *key audit partners*<sup>35</sup> responsible for carrying out a *statutory audit* of a *public interest entity* shall cease their participation in the *statutory audit* of the *audited entity* not later than five years from the date of their appointment. They shall not participate again in the *statutory audit* of the *audited entity* before five years have elapsed following that cessation. This includes time spent participating in an engagement, where an audit engagement has moved between firms.
- 3.10 In the case of *listed entities*, save where the circumstances contemplated in paragraph 3.14 and 3.15 apply, the *firm* shall establish policies and procedures to ensure in respect of a recurring *engagement* that:
- (a) no one shall act as *engagement partner* for more than five years, this includes time spent participating in an engagement, where an audit engagement has moved between firms; **and**
  - (b) anyone who has acted as the engagement partner for a particular entity for a period of five years, shall not subsequently participate in the engagement until a further period of five years has elapsed; **and**
  - (c) on completing their time in that role, the engagement partner, shall not continue to have significant or frequent interaction with senior management or with those charged with governance of the entity they have previously audited until the cooling off period has elapsed; **and**
  - (d) once ceasing to be *Engagement Partner*, **after completing the maximum allowed period** ~~the engagement partner~~, shall not act as *Engagement Quality Reviewer* for the *engagement* until a period of five years has elapsed.
- 3.14 In circumstances where the audit committee (or equivalent) of an entity that is a *public interest entity* or an other *listed entity* decide that a degree of flexibility over the timing of rotation is necessary to safeguard the quality of the *engagement* and the *firm* agrees, the *engagement partner* may continue in this position for an additional period of up to two years, so that no longer than seven years in total is spent in the position of *engagement partner*. An audit committee and the *firm* may consider that such flexibility safeguards the quality of the *engagement*, for example, where:
- substantial change has recently been made or will soon be made to the nature or structure of the entity's business; or
  - there are unexpected changes in the senior management of the entity; or

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<sup>35</sup> For an audit, the engagement partner is a key audit partner.



- the firm, having taken all reasonable succession planning steps, has no other partners with the necessary knowledge and experience who are able to take over as engagement *partner*.

In these circumstances alternative safeguards are applied to reduce any threats to a level where it is not probable that an objective, reasonable and informed third party would conclude the integrity, objectivity or independence of the *firm* or *covered persons* are compromised. Such safeguards may include ensuring that an expanded review of the *engagement* work is undertaken by the *engagement quality reviewer* or a partner with relevant expertise, who is not involved in the *engagement*.

If an *engagement partner* rotates off an engagement after five years, then the option to extend for an additional period of two years is no longer available.

- 3.15 For an *audit engagement*, where it has been determined that the *engagement partner* may act for a further period (not to exceed two years) in the interests of audit quality, this fact and the reasons for it, are to be disclosed to the *audited entity's* shareholders. If the *audited entity* will not make such a disclosure, the *audit firm* does not permit the *engagement partner* to continue in this role.
- 3.16 In the case of joint or shared audit arrangements for *public interest entities* and for other *listed entities*, *audit firms* will make arrangements for changes of *engagement partners* over a five-year period so that the familiarity threat is avoided, whilst also taking into consideration factors that affect the quality of the audit work.

## Other Partners and Staff Involved in the Engagement in Senior Positions

### Rotation periods for key audit partners

Maximum period of rotation	Engagement Partner (EP) <sup>37</sup>	Key Audit Partner (KAP)	Key Partner Involved in the Engagement (KPIE)	Engagement Quality Reviewer (EQR)	Other partners and staff in senior positions
Applicable to					
Public Interest Entity (PIE)	5 <sup>38</sup> on/ 5 off	5 on/ 5 of	7 on/ 2 off <sup>39</sup>	7 on/ 5 off	Apply threats and safeguards approach, for staff who have been involved in the engagement for more than 7 years.
Other Listed	5 <sup>5</sup> on/ 5 off	N/A	7 on/ 2 of	7 on/ 5 off	

<sup>37</sup> An engagement partner is a key audit partner.

<sup>38</sup> With the agreement of the audit committee, this can be extended where there is good reason (e.g. to maintain audit quality) to no more than 7 years.

<sup>39</sup> Except where an individual has held a combination of roles, in which case it is 7 years on and then 5 off.

Non-PIE/Listed	Apply threats and safeguards approach, specific steps to be taken at 10 years.	N/A	Apply threats and safeguards approach, specific steps to be taken at 10 years.	Apply threats and safeguards approach, specific steps to be taken at 10 years.	Apply threats and safeguards approach.
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3.23 Where there are significant gaps in service, for instance, caused by a period of maternity or paternity leave, a sabbatical or long-term sickness absence, and the role is taken on by another person the *firm* should exclude this period for the purposes of calculating applicable rotation periods. Any periods excluded should be long-term in nature and should not comprise multiple smaller blocks of time aggregated together. If the person in substance retains their role then that period of absence should not be excluded for the purposes of calculating the rotation period.

## Section 4 – Fees, Remuneration and Evaluation Policies, Gifts and Hospitality, Litigation

### Fees

4.5 Fees for the provision of *engagements*, non-audit and audit-related services to an *entity relevant to an engagement*, ~~its UK parent undertaking and any worldwide controlled undertaking~~ shall not be *contingent fees*.

~~4.6 Contingent fees are fees calculated on a predetermined basis relating to the outcome or result of a transaction, or other event, or the result of the work performed. Additional or supplementary fees paid over and above an agreed engagement fee, which do not cover the cost of additional work, but reward an outcome which was not agreed at the time of the engagement letter are also, for the purposes of this Ethical Standard, contingent fees. Fees shall not be regarded as being contingent if a court, competent authority, or other public authority has established them.~~

4.6 A *contingent fee basis* includes any arrangement made at the outset of an *engagement* under which a specified commission on or percentage of any consideration or saving is payable to the *firm* upon the happening of a specified event or the achievement of an outcome (or alternative outcomes). Differential hourly fee rates, or arrangements under which the fee payable will be negotiated after the completion of the *engagement*, or amended to cover changes to work, risk or responsibility identified as necessary during the *engagement*, and which do not change the outcome of the *engagement* do not constitute contingent fee arrangements. A reduced fee payable where an engagement is ended also does not constitute a contingent fee arrangement.

~~4.8 Contingent fee arrangements in respect of engagements create self-interest threats to the integrity and objectivity of the firm and covered persons that are so significant that they cannot be eliminated or reduced to a level where independence would not be compromised.~~

4.19 Discussing the level of fees for *non-audit / additional services* with the *Ethics Partner/Function* ensures that appropriate attention is paid to the issue by the *firm*. The *firm's* policies and procedures will set out whether there are circumstances in which the *engagement partner* responsible for the *engagement* discusses the level of *non-audit / additional service* fees with the *Ethics Partner/Function* for non-listed entities, that are not *public interest entities* ~~as described in paragraph 1.49 of this Ethical Standard~~.

4.21 Where it is expected that the total fees for services receivable from a *public interest entity* or other *listed entity* and its subsidiaries, or a collection of entities with the same beneficial owner or controlling party (which is not a corporate holding entity) relevant to a recurring *engagement* by the *firm*<sup>41</sup> will regularly exceed 10% of the annual fee income of the *firm*<sup>42</sup> or, where profits are not shared on a *firm-wide* basis, of the part of the *firm* by reference to which the *engagement partner's* profit share is calculated, the

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<sup>41</sup> Total fees will include those billed by others where the *firm* is entitled to the fees, but will not include fees billed by the *firm* where it is acting as agent for another party.

<sup>42</sup> In the case of a sole practitioner, annual fee income of the *firm* includes all earned income received by the individual.

*firm* shall not act as the provider of the *engagement* for that entity and shall either resign or not stand for reappointment, as appropriate.

- 4.22 Where it is expected that the total fees for services receivable from a non-listed entity that is not a *public interest entity* and its subsidiaries, or a collection of entities with the same beneficial owner or controlling party (which is not a corporate holding entity) relevant to a recurring *engagement* by the *firm* will regularly exceed 15% of the annual fee income of the *firm* or, where profits are not shared on a *firm*-wide basis, of the part of the *firm* by reference to which the *engagement partner's* profit share is calculated, the *firm* shall not act as the provider of the *engagement* for that entity and shall either resign or not stand for reappointment, as appropriate.
- 4.25 Where it is expected that the total fees for services receivable from a *public interest entity* or other *listed entity* and its subsidiaries, or a collection of entities with the same beneficial owner or controlling party (which is not a corporate holding entity) relevant to a recurring *engagement* by the *firm* will regularly exceed 5% of the annual fee income of the *firm* or the part of the *firm* by reference to which the *engagement partner's* profit share is calculated, but will not regularly exceed 10%, the *engagement partner* shall disclose that expectation to the *Ethics Partner/Function* and to those charged with governance of the entity, including the audit committee where there is one, and discusses with both the threat to integrity, objectivity and independence of the *firm* and *covered persons* and whether safeguards need to be applied to eliminate or reduce the threat to a level where independence would not be compromised.
- 4.27 A *firm* is deemed to be economically dependent on a *public interest entity* or other *listed entity* if the total fees for all other services from that entity and its subsidiaries, or a collection of entities with the same beneficial owner or controlling party (which is not a corporate holding entity) relevant to a recurring *engagement* represent 10% of the total fees of the *firm* or the part of the *firm* by reference to which the *engagement partner's* profit share is calculated. Where such fees are between 5% and 10%, the *engagement partner* and the *Ethics Partner/Function* consider the significance of the threat and the need for appropriate safeguards.
- 4.28 Such safeguards might include:
- taking steps to reduce the other work to be undertaken and therefore the fees earned from the entity;
  - Engagement Quality Reviews ~~applying independent internal quality control reviews.~~
- 4.29 Where it is expected that the total fees for services receivable from a non-listed entity, that is not a *public interest entity*, and its subsidiaries, or a collection of entities with the same beneficial owner or controlling party (which is not a corporate holding entity) relevant to a recurring *engagement* will regularly exceed 10% of the annual fee income of the *firm* or the part of the *firm* by reference to which the *engagement partner's* profit share is calculated, but will not regularly exceed 15%, the *engagement partner* shall disclose that expectation to the *Ethics Partner/Function* and to those charged with governance of the entity and the *firm* shall arrange an external independent quality control review of the *engagement* to be undertaken, before the *firm's* report is finalised.

## Section 5 – Non-audit / Additional Services

### Section A - General Approach to Non-audit / Additional Services

5.7 'Non-audit services' comprise any engagement in which a firm, or a member of its network, provides professional services to:

- an audited entity;
- an audited entity's affiliates;

~~;~~

~~– another entity where the subject matter of the engagement includes the audited entity<sup>42</sup> and/or its significant affiliates;~~

~~other than the audit of financial statements of the audited entity~~

other than the audit of financial statements of the audited entity.

'Non-audit services' may also comprise any engagement in which a *firm* or a member of its network, provides professional services to another entity where the *subject matter* of the *engagement* includes the *audited entity* and/or its *significant affiliates*. An example would be an *engagement* to assist in the preparation of listing particulars for a company acquiring the audited entity. The *firm* therefore considers any threats to independence arising from the provision of such services, and any safeguards which may be applied. Consideration may be given to such factors as the nature of the service, the ultimate beneficiary, the fee and the perspective of an Objective, Reasonable and Informed Third Party.

~~42 For example, where an engagement is undertaken to assist in the preparation of listing particulars for a company acquiring the audited entity.~~

### Communication with Those Charged With Governance

5.31 Communications with those charged with governance regarding the impact on the integrity, objectivity or independence of the *firm* and *covered persons* of *non-audit / additional services* may be more informed ~~are likely to be facilitated~~ if disclosure of such *non-audit / additional services* distinguishes between 'audit related services' (see paragraphs 5.36 – 5.38) and other *non-audit / additional services* (see paragraphs 5.7 and 5.8).

### Documentation

5.32 For an *engagement*, the *engagement partner* shall ensure that the reasoning for a decision to provide *non-audit / additional services*, and any safeguards adopted and why they are effective, is appropriately documented prior to an engagement letter for the service being issued to *an entity relevant to an engagement*.

5.33 Matters to be documented include ~~any significant judgments concerning~~:

- threats identified;

- safeguards adopted and ~~the reasons~~ why they are considered to be effective in responding to the specific threats identified;
- any significant judgements concerning the potential threats and proposed safeguards; and
- Where relevant, how the Objective and Reasonable Third Party Test was applied;
- communication with those charged with governance.

5.34 In situations where a management threat is identified in connection with the provision of *non-audit / additional services*, this documentation will include the assessment of the persons conducting the *engagement* of whether there is *informed management*.

### Audit Related Services

5.35 Audit related services are those *non-audit services* specified in this Ethical Standard that are largely carried out by members of the *audit engagement team*, and where the work involved is closely related to the work performed in the audit and the threats to auditor independence may be clearly insignificant. As a consequence, safeguards may not need to be applied ~~are clearly insignificant and, as a consequence, safeguards need not be applied~~. However, such services provided to *public interest entities*, other than those required by ~~national legislation law or regulation~~, are still subject to the 70% cap (see paragraphs 4.13 and 4.14) and still require approval by the audit committee.

## SECTION B - Approach to Non-audit / Additional Services Provided to Public Interest Entities

### Permitted Non-audit / Additional Services for Public Interest Entities

5.40 **An audit firm carrying out statutory audits of public interest entities and, where the audit firm belongs to a network, any member of such network, shall not provide (either directly or indirectly) to the audited entity, to its UK parent undertaking or to its worldwide controlled undertakings, services other than those set out in the rest of this paragraph, subject to the approval of the audit committee after it has properly assessed threats to independence and the safeguards applied in accordance with this Ethical Standard<sup>51</sup>:**

#### ***Services required by law or regulation and exempt from the non-audit services cap***

- Reporting required by a competent authority or regulator under law or regulation for example;
  - Reporting to a regulator on client assets;
  - in relation to entities regulated under the Financial Services and Markets Act 2000 (FSMA), reports under s166 and s340 of FSMA;
  - Reporting to a regulator on regulatory financial statements;

<sup>51</sup> In accordance with this Ethical Standard and Schedule 1 to the Statutory Auditors and Third Country Auditors Regulations 2016.

- Reporting on a Solvency and Financial Condition Report under Solvency II.
- In the case of a controlled undertaking incorporated and based in a third country, reporting required by law or regulation in that jurisdiction where the auditor is permitted to undertake that engagement;
- ~~Reporting on the iXBRL tagging of financial statements in accordance with the European Single Electronic Format for annual financial reports;~~
- Reports, required by or supplied to competent authorities / regulators supervising the audited entity, where the authority / regulator has either specified the auditor to provide the service or identified to the entity that the auditor would be an appropriate choice for service provider;
- Services which support the entity in fulfilling an obligation required by UK law or regulation, including listing requirements, where: the provision of such services is time critical; the subject matter of the engagement is price sensitive; and ~~an~~ it is probable that an objective, reasonable and informed third party would conclude that the understanding of the entity obtained by the auditor for the audit of the financial statements is relevant to the service, and where the nature of the service would not compromise independence;

#### **Services subject to the non-audit services cap<sup>52</sup>**

- Reviews of interim financial information; and providing verification of interim profits not otherwise required by law or regulation;
- Where not otherwise required by law or regulation, non-audit and additional services, as defined in this Ethical Standard provided as auditor of the entity, or as reporting accountant, in relation to information of the audited entity for which it is probable that an objective, reasonable and informed third party would conclude that the understanding of the entity obtained by the auditor is relevant to the service, and where the nature of the service would not compromise independence;
- Extended audit or assurance work that is authorised by those charged with governance performed on financial or performance information and/or financial or operational controls, in an entity relevant to an engagement or a third-party service provider, where this work is closely linked with the audit work;
- **Reporting on the iXBRL tagging of financial statements in accordance with the European Single Electronic Format for annual financial reports. In situations involving a dual listed entity where iXBRL tagging assurance is required by the laws and regulations of an other jurisdiction, then the part of the fee relating to such an other jurisdiction is not subject to the fee cap;**
- Additional assurance work or agreed upon procedures, authorised by those charged with governance performed on material included within or referenced from the annual report of an entity relevant to an engagement;
- Reporting on government grants;
- Reporting on covenant or loan agreements, which require independent verification, and other reporting to third parties with whom the entity relevant to an engagement has a business relationship in accordance with Appendix C of this Ethical Standard;

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<sup>52</sup> An *Other Entity of Public Interest* is not subject to the 70% non-audit services cap.



- Services which have been the subject of an application to the Competent Authority in accordance with Regulation 79 of The Statutory Auditors and Third Country Auditors (Amendment) (EU Exit) Regulations 2019 (SI 2019/177);
- Generic subscriptions providing factual updates of changes to applicable law, regulation or accounting and auditing standards.

Where such services are provided, they shall not include any elements of those services subject to outright prohibition in Regulation 80 of The Statutory Auditors and Third Country Auditors (Amendment) (EU Exit) Regulations 2019 (SI 2019/177)<sup>53</sup>. The prohibitions in this Regulation have been amended to require an extended cooling in period for services linked to an audit entity's internal audit function. No other non-audit or additional services shall be provided to the *audited entity*, its UK parent undertaking and its worldwide controlled undertakings by the *audit firm* or any member of the firm's network.

- 5.41 If a non-permitted service is inadvertently provided, the *audit firm* may continue to carry out the *statutory audit* of the *public interest entity* only if it can justify, that such provision of services does not affect its professional judgment and the audit report. The *audit firm* shall report this in its auditor's report on the entity's accounts in accordance with paragraph 45-1(d) of ISA (UK) 700.
- 5.42 Paragraph 1.22 sets out the circumstances where an inadvertent breach of this Ethical Standard does not necessarily call into question the *firm's* ability to give an audit or other public interest assurance opinion. The objective of a *firm's* relevant policies and procedures should be to prevent or detect breaches of this ethical standard. Therefore, if a breach of this ethical standard occurs because a firm's policies and procedures were incapable of meeting that objective, that breach is not considered to be inadvertent

## SECTION C - Approach to Non-audit / Additional Services Provided in any

### Internal Audit Services

- 5.46 The range of 'internal audit services' is wide and they may not be termed as such by the *audited entity*. For example, the *audit firm* may be engaged:
- to outsource the audited entity's entire internal audit function; or
  - to supplement the audited entity's internal audit function in specific areas (for example, by providing specialised technical services or resources in particular locations); or
  - to provide occasional internal audit services to the audited entity on an ad hoc basis.

All such *engagements* would fall within the term '*internal audit services*'.

### Information Technology Services

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<sup>53</sup> For convenience this listing is reproduced at Appendix B of this Ethical Standard – in this Ethical Standard and extended cooling period has been added for internal audit (h) to sub paragraph (b).



5.52 The *firm* shall not design, provide or implement information technology systems for an *entity relevant to an engagement* where:

- (a) the systems concerned would be important to any significant part of the accounting or financial management system or to the production of the financial statements audited by the *firm*, or of other *subject matter information* or *subject matter* of the *engagement* in the case of an other *public interest assurance engagement*, and the persons conducting the *engagement* would place significant reliance upon them as part of the *engagement*; or
- (b) where the *firm* is undertaking an *engagement*, for the purposes of the information technology services, the *firm* would undertake part of the role of management.

5.53 Examples of services provided to an *entity relevant to an engagement* which create threats to the integrity, objectivity and independence of the *firm* and *covered persons* include:

- Storing or managing the hosting of data on behalf of an *entity relevant to an engagement*. Such services include:
  - Acting as the only access to financial or non-financial information system of such an entity.
  - Taking custody of or storing the entity's data or records such that the entity's data or records are otherwise incomplete
  - Providing electronic security or back-up services, such as business continuity or disaster recovery functions, for the entity's data or records.
  - Operating, maintaining, or monitoring such an entity's IT systems, network or website.

5.54 The collection, receipt, transmission and retention of data provided by an audited entity in the course of an audit or to enable the provision of a permissible service to that entity do not create the threats described in paragraph 5.53.

## Valuation Services

5.58 For *listed entities relevant to an engagement*, or *significant affiliates* of such entities, the threats to integrity, objectivity and independence that would be perceived to be created are too high to allow the *firm* to undertake any valuation that has a material effect on the *listed entity's* financial statements being audited, or on other *subject matter information* or *subject matter* of the *engagement* in the case of an other *public interest assurance engagement*.

~~5.56 In circumstances where the firm is designated by legislation or regulation as being required<sup>52</sup> to carry out a valuation the restrictions in paragraph 5.52 do not apply. In such circumstances, the engagement partner applies appropriate safeguards to reduce threats to integrity, objectivity and independence to a level where independence is not compromised.~~

## Tax Services

- 5.67 The range of activities encompassed by the term 'tax services' is wide. They include where the *firm*:
- (a) provides advice to the entity on one or more specific matters at the request of the entity; or
  - (b) undertakes a substantial proportion of the tax planning or compliance work for the entity; or
  - (c) promotes tax structures or products to the entity, the effectiveness of which is likely to be influenced by the manner in which they are accounted for in the financial statements, or in other *subject matter information*;
  - (d) performs any of the services described in paragraphs a-c to individuals who are the majority owner(s) of an *unlisted entity relevant to an engagement*.

Whilst it is possible to consider tax services under broad headings, such as tax planning or compliance, in practice these services are often interrelated, and may be incorporated in other *engagements* provided by the *firm*. It is, therefore, impracticable to analyse services in this way for the purposes of attempting to identify generically the threats to which specific tax services give rise. As a result, *firms* need to identify and assess, on a case-by-case basis, the potential threats to the integrity, objectivity and independence of the *firm* and *covered persons* before deciding whether to provide tax services to an entity *relevant to an engagement*.

- 5.74 Preparing tax calculations of current and deferred tax liabilities (or assets) for an *audited entity* for the purpose of preparing accounting entries that support such balances creates a self-review threat.
- 5.80 The prohibition applies to representing the *audited entity* as an advocate before a tax authority, where the matter relates to issues relevant to the financial statements being (or which will be) audited, or where the outcome of the tax issue is dependent on a current or future audit judgment. However, the provision of information to the tax authorities about the issue under enquiry or explaining to the tax authorities the technical basis for the tax filing position or advising the client on the matters under enquiry is not acting as an advocate. In all instances which might involve, or reasonably appear to involve, the promotion by the audit firm of a position being taken by an audited entity, an advocacy threat should be considered to arise.

### Litigation Support Services

- 5.85 The *firm* shall not provide litigation support services to an *entity relevant to an engagement*, or a *significant affiliate of a listed entity relevant to an engagement*, where this would involve the estimation by the *firm* of the likely outcome of a pending legal matter that could be material to the amounts to be included or the disclosures to be made in the *listed entity's* financial statements, or in other *subject matter information* or *subject matter* of the *engagement*, either separately or in aggregate with other estimates and valuations provided.

~~(a) a listed entity relevant to an engagement, or a significant affiliate of such an entity, where this would involve the estimation by the firm of~~

- ~~the likely outcome of a pending legal matter that could be material to the amounts to be included or the disclosures to be made in the listed entity's financial statements, or in other subject matter information or subject matter of the engagement, either separately or in aggregate with other estimates and valuations provided; or~~
- ~~(b) any other entity relevant to an engagement, where this would involve the estimation by the firm of the likely outcome of a pending legal matter that could be material to the amounts to be included or the disclosures to be made in the entity's financial statements, or in other subject matter information or subject matter of the engagement, either separately or in aggregate with other estimates and valuations provided.~~

5.86 The *firm's* policies and procedures will set out whether there are circumstances in which litigation support services are not undertaken for non-listed entities as described in paragraph 1.47 of this Ethical Standard.

### Legal Services

5.87 The *firm* shall not provide legal services to an *entity relevant to an engagement*, where this would involve acting as the General Counsel of that entity, or a solicitor formally nominated to represent the entity in the resolution of a dispute or litigation ~~which is material to the amounts to be included or the disclosures to be made in the financial statements, or in other subject matter information or subject matter of the engagement.~~

### Recruitment and Remuneration Services

5.89 The *firm* shall not provide recruitment services to an *entity relevant to an engagement*, that would involve the *firm* taking responsibility for, or advising on the appointment of any director or employee of the entity, or a *significant affiliate* of such an entity, where the *firm* is undertaking an *engagement*. **References to recruitment services in this Ethical Standard also includes:**

- Searching for or seeking out candidates;
- Undertaking reference checks of prospective candidates;
- Acting as a negotiator on the entity's behalf;
- Recommending the person to be appointed.

### Corporate Finance Services

5.97 The *firm* shall not provide corporate finance services in respect of an *entity relevant to an engagement*, where:

- (a) the service would involve the *firm* taking responsibility for dealing in, underwriting, or promoting shares, **debt or other financial instruments of the entity; or**
- (b) **Providing advice on investments in such shares, debt or other financial instruments; or**
- (c) the *engagement partner* has, or ought to have, reasonable doubt as to whether an accounting treatment that is subject to a contemporary or future judgment by the *firm* relating to a material matter in the financial

**statements or in other *subject matter information* or *subject matter* of the *engagement*, and upon which the success of the related transaction depends:**

- (i) is based on well-established interpretations; or**
- (ii) is appropriate;**

**having regard to the requirements of the relevant reporting framework, including where applicable for financial statements to give a true and fair view.**



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