

# APB ETHICAL STANDARDS

## GLOSSARY OF TERMS

*(Revised April 2008)*

<b>accounting services</b>	The provision of services that involve the maintenance of accounting records or the preparation of financial statements that are then subject to audit
<b>affiliate</b>	Any undertaking which is connected to another by means of common ownership, control or management.
<b>audit engagement partner</b>	The partner or other person in the firm who is responsible for the audit engagement and its performance and for the report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.
<b>audit firm</b>	The sole practitioner, partnership, limited liability partnership or other corporate entity engaged in the provision of audit services. For the purpose of APB Ethical Standards, audit firm includes network firms in the UK and Ireland, which are controlled by the audit firm or its partners.
<b>audit team</b>	All audit professionals who, regardless of their legal relationship with the auditor or audit firm, are assigned to a particular audit engagement in order to perform the audit task (e.g. audit partner(s), audit manager(s) and audit staff).
<b>audited entity</b>	The entity whose financial statements are subject to audit by the audit firm.

- chain of command** All persons who have a direct supervisory, management or other oversight responsibility over either any audit partner of the audit team or over the conduct of audit work in the audit firm. This includes all partners, principals and shareholders who may prepare, review or directly influence the performance appraisal of any audit partner of the audit team as a result of that partner's involvement with the audit engagement. It does not include any non-executive individuals on a supervisory or equivalent board.
- close family** A non-dependent parent, child or sibling.
- contingent fee basis** Any arrangement made under which a fee is calculated on a pre-determined basis relating to the outcome or result of a transaction or the result of the work performed.  
Differential hourly fee rates, or arrangements under which the fee payable will be negotiated after the completion of the engagement, do not constitute contingent fee arrangements.
- engagement quality control reviewer** A partner or other person in the firm or a suitably qualified external person, with sufficient and appropriate experience and authority to objectively evaluate, before the auditor's report is issued, the significant judgments which the engagement team has made and the conclusions reached in formulating the auditor's report. This may be the person who undertakes an engagement quality control review to meet the requirements of Proposed ISA (UK & Ireland) 220 '*Quality control for audits of historical financial information*'.

<b>engagement team</b>	All persons who are directly involved in the acceptance and performance of a particular audit. This includes the audit team, professional personnel from other disciplines involved in the audit engagement and those who provide quality control or direct oversight of the audit engagement.
<b>ethics partner</b>	The partner or other person in the audit firm having responsibility for the adequacy of the firm's policies and procedures relating to integrity, objectivity and independence, their compliance with APB Ethical Standards and the effectiveness of their communication to partners and staff within the firm and providing related guidance to individual partners.
<b>financial interest</b>	An equity or other security, debenture, loan or other debt instrument of an entity, including rights and obligations to acquire such an interest and derivatives directly related to such an interest.
<b>immediate family</b>	A spouse (or equivalent) or dependent.
<b>informed management</b>	Member of management (or senior employee) of the audited entity who has the authority and capability to make independent management judgments and decisions in relation to non-audit services on the basis of information provided by the audit firm.

- key management position** Any position at the audited entity which involves the responsibility for fundamental management decisions at the audited entity (e.g. as a CEO or CFO), including an ability to influence the accounting policies and the preparation of the financial statements of the audited entity. A key management position also arises where there are contractual and factual arrangements which in substance allow an individual to participate in exercising such a management function in a different way (e.g. via a consulting contract).
- key partner involved in the audit** A partner, or other person in the engagement team (other than the audit engagement partner or engagement quality control reviewer), who either:
- is involved at the group level and is responsible for key decisions or judgments on significant matters or risk factors that relate to the audit of that audited entity, or
  - is primarily responsible for the audit of a significant affiliate or division<sup>1</sup> of the audited entity.

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<sup>1</sup> For the purposes of this definition, a significant affiliate or division is an affiliate or division which in the judgment of the group auditor, is individually likely to be of financial significance to the group, including those affiliates or divisions located outside the UK and Ireland.

- listed company** An entity whose shares, stock or debt are quoted or listed on a UK or Irish recognised stock exchange, or are marketed under the regulations of a UK or Irish recognised stock exchange or other equivalent body. This includes any company in which the public can trade shares on the open market, such as those listed on the London Stock Exchange (including those admitted to trade on the Alternative Investments Market), PLUS Markets and the Irish Stock Exchange (including those admitted to trade on the Irish Enterprise Exchange).
- network firm** Any entity which is part of a larger structure that is aimed at co-operation and which is:
- (i) controlled by the audit firm; or
  - (ii) under common control, ownership or management; or
  - (iii) part of a larger structure that is clearly aimed at profit or cost sharing; or
  - (iv) otherwise affiliated or associated with the audit firm through common quality control policies and procedures, common business strategy, the use of a common name or through the sharing of significant common professional resources.
- non-audit services** Any engagement in which an audit firm provides professional services to an audited entity other than pursuant to:
- (a) the audit of financial statements; and
  - (b) those other roles which relevant legislation or regulation specify can be performed by the auditor of the entity.
- In the case of a group, non-audit services include services provided by the audit firm, to the parent company or to any affiliate.

- person in a position to influence the conduct and outcome of the audit:**
- (a) Any person who is directly involved in the audit (the engagement team), including:
    - (i) the audit partners, audit managers and audit staff (the audit team);
    - (ii) professional personnel from other disciplines involved in the audit (for example, lawyers, actuaries, taxation specialists, IT specialists, treasury management specialists);
    - (iii) those who provide quality control or direct oversight of the audit;
  - (b) Any person, who forms part of the chain of command for the audit within the audit firm;
  - (c) Any person within the audit firm who, due to any other circumstances, may be in a position to exert such influence.