

Amendments to Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners*

AMENDMENTS TO PROFESSIONAL AND ETHICAL STANDARD 1 (REVISED)

Introduction

This document sets out amendments to Professional and Ethical Standard 1 (Revised). These amendments result from the New Zealand Auditing and Assurance Standards Board exposure draft *Responding to Suspected Illegal Acts* published on 4 September 2012 but deals only with the additional New Zealand requirements.

Amended paragraphs are shown with new text underlined and deleted text struck through.

These amendments are effective on 1 January 2014.

SECTION 210

Professional Appointment

The mark-ups indicate changes that need to be made to PES 1 (Revised)

Changes in a Professional Appointment

- 210.9 An assurance practitioner who is asked to replace another assurance practitioner, or who is considering tendering for an engagement currently held by another assurance practitioner, shall determine whether there are any reasons, professional or otherwise, for not accepting the engagement, such as circumstances that create threats to compliance with the fundamental principles that cannot be eliminated or reduced to an acceptable level by the application of safeguards. For example, there may be a threat to professional competence and due care if an assurance practitioner accepts the engagement before knowing all the pertinent facts.
- 210.10 An assurance practitioner shall evaluate the significance of any threats. Depending on the nature of the engagement, this may require direct communication with the existing assurance practitioner to establish the facts and circumstances regarding the proposed change so that the assurance practitioner can decide whether it would be appropriate to accept the engagement. For example, the apparent reasons for the change in appointment may not fully reflect the facts and may indicate disagreements with the existing assurance practitioner that may influence the decision to accept the appointment.
- 210.11 Safeguards shall be applied when necessary to eliminate any threats or reduce them to an acceptable level. Examples of such safeguards include:
- When replying to requests to submit tenders, stating in the tender that, before accepting the engagement, contact with the existing assurance practitioner will be requested so that enquiries may be made as to whether there are any professional or other reasons why the appointment should not be accepted;
 - Asking the existing assurance practitioner to provide known information on any facts or circumstances that, in the existing assurance practitioner's opinion, the proposed assurance practitioner needs to be aware of before deciding whether to accept the engagement; or
 - Obtaining necessary information from other sources.
- When the threats cannot be eliminated or reduced to an acceptable level through the application of safeguards, an assurance practitioner shall, unless there is satisfaction as to necessary facts by other means, decline the engagement.
- 210.12 An assurance practitioner may be asked to undertake assurance work that is complementary or additional to the work of the existing assurance practitioner. Such circumstances may create threats to professional competence and due care resulting from, for example, a lack of or incomplete information. The significance of any threats shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. An example of such a safeguard is notifying the existing assurance practitioner of the proposed work, which would give the existing assurance practitioner the opportunity to provide any relevant information needed for the proper conduct of the work.

NZ210.12.1 An assurance practitioner who is asked to replace an existing or former assurance practitioner shall:

- (a) Request the prospective client's permission to communicate with the existing or former assurance practitioner; and
- (b) On the receipt of the client's permission, request in writing of the existing or former assurance practitioner
 - (i) whether there are any reasons, professional or otherwise, for not accepting the appointment;
 - (ii) to provide known information on any facts or circumstances that, in the existing assurance practitioner's opinion the proposed assurance practitioner needs to be aware of before deciding whether or not to accept the appointment; and
 - (ii) if there are such matters, all the details necessary to enable the proposed assurance practitioner to make an informed decision.

If the client does not give permission for the existing or former assurance practitioner to discuss the client's affairs, the proposed assurance practitioner shall, in the absence of exceptional circumstances, decline the appointment.

In exceptional circumstances, if the proposed assurance practitioner is unable to communicate with the existing assurance practitioner, the proposed assurance practitioner shall take reasonable steps to obtain information about any possible threats by other means, such as through enquiries of third parties or background investigations of senior management or those charged with governance of the client.

210.13 An existing or former assurance practitioner is bound by confidentiality. Whether that assurance practitioner is permitted or required to discuss the affairs of a client with a proposed assurance practitioner will depend on the nature of the engagement and on:

- (a) Whether the client's permission to do so has been obtained; or
- (b) The legal or ethical requirements relating to such communications and disclosure, which may vary by jurisdiction.

Circumstances where the assurance practitioner is or may be required to disclose confidential information or where such disclosure may otherwise be appropriate are set out in Section 140 of Part A of this Code.

NZ210.13.1 Subject to statutory disclosure powers to appropriate authorities the existing or former assurance practitioner is ethically precluded from disclosing confidential information obtained in the course of an engagement to the proposed assurance practitioner unless the client specifically consents.

210.14 [Amended by the NZAuASB].

NZ210.14.1 An assurance practitioner will ~~generally~~ need to obtain the client's permission, preferably in writing, to initiate discussion with an existing assurance practitioner. Once that permission is obtained, the existing or former assurance practitioner shall comply with relevant legal and other regulations governing such requests. Where the existing or former assurance practitioner provides information, it shall be provided honestly and unambiguously. ~~If the proposed assurance practitioner is unable to communicate with the existing assurance practitioner, the proposed assurance practitioner shall take reasonable steps to obtain information about any possible threats by other means, such as through enquiries of third parties or background investigations of senior management or those charged with governance of the client.~~