

FIJI INSTITUTE OF ACCOUNTANTS



SUPPLEMENTARY CODE OF ETHICS

Made by the Council in exercise of the power conferred upon it by
Section 28 of the Fiji Institute of Accountants Act.

EFFECTIVE 01 JULY 2008

FIJI INSTITUTE OF ACCOUNTANTS

SUPPLEMENTARY CODE OF ETHICS

FOREWORD

To Members of the Institute and to Those in Their Service

1. In September 1979 the Council of the Institute in exercise of the powers conferred by section 28 of the Fiji Institute of Accountants Act, made “The Fiji Institute of Accountants Ethical Rulings” to regulate the conduct of members.
2. With the growth in the variety and complexity of assignments being undertaken by professional accountants to keep pace with the development and expansion of industry and commerce, it became increasingly obvious that the initial Ethical Rulings would need to be re-examined and reviewed. The membership of the Institute has grown considerably over the last twenty five years.
3. At the same time, the expectation of the level of conduct on the part of those occupying positions of trust in the community has risen appreciably.
4. The Council decided therefore to repeal the Fiji Institute of Accountants Ethical Rulings issued in September, 1979, and replace them with a new **Code of Ethics** which came into effect from 1st July 2001.
5. In preparing the new **Code of Ethics** we have relied partly on the old Ethical Rulings but also drew upon the provisions of the International Federation of Accountants Code of Ethics revised in July, 1996 the Rules of Ethical Conduct of the Institute of Chartered Accountants in Australia, as amended in 1990, and the Code of Ethics of the Institute of Chartered Accountants of New Zealand to all of whom the Council acknowledges its indebtedness.
6. The reliance of the public generally, and the business community in particular, on true and fair financial reporting and competent technical advice, imposes special obligations upon members of the Institute and establishes its social usefulness. The rulings of the Council on professional conduct flow from these particular obligations.
7. In 2005, the International Federation of Accountants issued a draft set of Statements of Membership Obligations (SMOs) which were intended initially to serve as guidelines for all IFAC member bodies, in a move towards adoption of common international standards. These have since developed into a set of requirements for continued membership and FIA has honoured its obligations by agreeing to adopt the IFAC Code of Ethics for its members with effect from 1st July 2008.
8. However, since the IFAC Code does not adequately cover all aspects of the old FIA Code, and some activities of the accountancy profession in Fiji, the Council has decided to

produce a **Supplementary Code of Ethics** which will provide guidance for its members in respect of these additional areas. The Supplementary Code of Ethics came into force with effect from 1st July 2008.

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DEFINITIONS

In this Code of Ethics unless the contrary intention appears:

- (1) "Act" means the Fiji Institute of Accountants Act;
- (2) "Approved" means approved by the Council of the Fiji Institute of Accountants;
- (3) "By-Laws" means By-Laws made from time to time by the Council of the Fiji Institute of Accountants in exercise of the powers conferred upon it by sections 14 (1) (a) and 28 (1) of the Fiji Institute of Accountants Act;
- (4) "Council" means the Council of the Fiji Institute of Accountants;
- (5) "Employed professional accountant" means a professional accountant employed in industry, commerce, the public sector or education.
- (6) "Institute" means the Fiji Institute of Accountants;
- (7) "Practice" means a sole practitioner, a partnership or a corporation of professional accountants which offers professional services to the public.
- (8) "Professional accountant" means any person, whether such person is in public practice (including a sole practitioner, partnership or corporate body), industry, commerce, the public sector or education, who is registered in accordance with the Fiji Institute of Accountants Act, and for the purposes of this Supplementary Code of Ethics includes Chartered Accountants, Provisional Members and Licensed Accountants.
- (9) "Professional accountant in public practice" means each partner [or sole practitioner holding a certificate of public practice issued by the Council under the provisions of Rule 6 of the Rules] or person occupying a position similar to that of a partner, and each professional accountant in a practice providing professional services to a client irrespective of the functional classification of the professional accountant (e.g. audit, tax or consulting), and professional accountants in a practice having managerial responsibilities. This term includes Licensed Accountants and is also used to refer to a firm of professional accountants in public practice.

(10) "Professional services" means any service requiring accountancy or related skills performed by a professional accountant including, auditing, taxation, consulting and financial management services.

(11) "Rules" means the Fiji Institute of Accountants Rules;

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(12) "Where any word or expression in this Code is defined, such definition shall extend *mutatis mutandis* to the grammatical variations and cognate expressions of such word or expression.

(13) In this Code, except where the contrary intention is expressed, words or expressions importing a masculine gender include the feminine gender and words or expressions in singular include the plural.

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INTRODUCTION

Objectives

I.1. The Supplementary Code of Ethics recognises that the objectives of the accountancy profession are to work to the highest standards of professionalism, to attain the highest level of performance and generally to meet the public interest. These objectives require four basic needs to be met:

** Credibility*

In the whole of society there is a need for credibility in information and information systems.

** Professionalism*

There is a need for individuals who can be clearly identified by clients, employers and other interested parties as professional persons in the accountancy field.

** Quality of Services*

There is a need for assurance that all services obtained from a professional accountant are carried out to the highest standards of performance.

** Confidence*

Users of the services of professional accountants should be able to feel confident that there exists a framework of professional ethics which governs the provision of those services.

Fundamental Principles

I.2. In order to achieve the objectives of the accountancy profession, professional accountants have to observe a number of prerequisites or fundamental principles.

The Code of Ethics

I.3. Any breach of the Code of Ethics will render a member liable to disciplinary proceedings in accordance with section 32 of the Act and, depending on the nature and seriousness of the offence, the imposition of penalties in accordance with section 32 of the Act.

General Considerations

- I.4. The Institute's Fundamental Rules and Code of Ethics do not purport to cover all aspects of ethical and professional conduct expected of a member. This is because the Council believes that ethical conduct in the profession consists principally of an attitude of mind rather than compliance only with some specific written words, and members and those in their service are expected to comply with the spirit of ethical professional conduct and the letter of the law.
- I.5. Attention is drawn, however, to the Fundamental Rules quoted in Chapter 1 and to provisions of section 32(1)(b) of the Act referring to "any act or default discreditable to an accountant or to have conducted himself in such a manner as to render the exercise of the powers of the Disciplinary Committee expedient in the interests of the public or of the Institute."
- I.6. It should be noted that any breaches under this heading relate to acts done (or omitted to be done) as a member of the Institute. There are many things which legitimately may be done as a citizen without calling for censure but which may not be done by a chartered accountant in the course of his practice because they offend the ethical standards expected and set by the profession.

Conflict of Loyalties

- I.7. Employed professional accountants owe a duty of loyalty to their employer as well as to their profession and there may be times when the two are in conflict. An employee's normal priority should be to support his or her organisation's legitimate and ethical objectives and the rules and procedures drawn up in support of them. However, an employee cannot legitimately be required to:
- (a) break the law;
 - (b) breach the rules and standards of their profession;
 - (c) lie to or mislead (including misleading by keeping silent) those acting as auditors to the employer; or
 - (d) put their name to or otherwise be associated with a statement which materially misrepresents the facts.
- I.8. Differences in view about the correct judgement to be made on accounting or ethical matters should normally be raised and resolved within the employee's organisation, initially with the employee's immediate superior and possibly thereafter, where disagreement about a significant ethical issue remains, with higher levels of management or non-executive directors.
- I.9. If employed accountants cannot resolve any material issue involving a conflict between their employers and their professional requirements they may, after exhausting all other relevant possibilities, have no other recourse but to consider resignation. Employees should state their reasons for doing so to the employer but their duty of confidentiality normally precludes them

from communicating the issue to others (unless legally or professionally required to do so).

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CHAPTER 1

FUNDAMENTAL RULES

- 1.1. The powers of the Institute expressed in section 8(1) of the Act include the regulation of the practice of the profession of accountancy in Fiji.
- 1.2 In this connection Rules 24 to 29 which are the Fundamental Rules of the Fiji Institute of Accountants Rules are of the utmost importance to members. In this Chapter, the term “member” means a professional accountant and the terms “chartered accountant” and “chartered accountant in public practice” have the same meaning as they do in the Act.

Rule 24 – Use of a Member’s Name

No member shall allow any person, firm or corporation, not being a member of the Institute, to practise in his name as a chartered accountant

- 1.3. It is important, in the interests both of the public and of the profession, that a practice carried on in the name of a member should comply with the high standards of professional expertise and ethical conduct expected of members of the Institute.
- 1.4. This Rule is designed to protect those interests by preventing a member from entrusting his name and professional reputation, as endorsed by membership of the Institute, to a non-member.
- 1.5. It might be helpful to follow the application of this Rule if one considers, initially, what a member may do without being in contravention.
- 1.6. In the first place, a member may practise as a sole practitioner or in partnership, with other members, under his own name.
- 1.7. A member may also sell his practice, or his interest in it, to a person who is a member of the Institute, or to a firm, all the members of which are members of the Institute, and allow the new proprietor(s) to continue to use his name.
- 1.8. If a member dies and his legal personal representative sells the practice he can give the purchaser the right to use the name of the deceased member if the purchaser is a member of the Institute.

1.9. Where a member firm opens a branch office and does not have a resident partner in charge, the branch shall be under the control of a resident manager who is a member of the Institute.

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1.10. Members should take careful note of section 38 of the Act which reads:

“38 (1) Subject to any provision to the contrary in any written law, no firm shall be entitled to take or use the name or title of chartered accountants, public accountants or registered accountants or accountants (either alone or in combination with any other word or words) unless-

- (a) every partner of such firm who is practising in Fiji is registered under the provisions of this Act;
- (b) every partner who is not so practising possesses the qualifications which would enable him to be registered under the provisions of this Act; and
- (c) either 1 partner of the firm is resident in and practising in Fiji or the Fiji office of the firm is under the control of a person who is resident in Fiji and is registered under the provisions of this Act.

(2) Every branch office of a firm shall be staffed full time by at least one chartered accountant registered under the provisions of this Act”

Rule 25 – Firm Names

A member shall not, without the written consent of the Council, practise publicly as an accountant alone or in partnership or association under a business or firm name other than his own name or that of his partner or partners or that of a person or persons presently or formerly associated with any practice to which he or any of his partners has succeeded or in which he has any interest or for which he carries out or has carried out professional work.

1.11. Rule 25 is designed to prevent the use of an entirely artificial or unrelated business name under which a member or partnership of members may wish to practise. An objectionable type of name would be one which was obviously intended to advertise special skills claimed by the proprietors.

1.12. With the continuing expansion of many firms necessitating the introduction of more and more partners to cope with the growing demands of the business community and the merging of practices, the inclusion of the names of all partners in the firm name has become quite impractical. Consequently, the tendency has been to continue the practice in the name of several of the original partners, or in the original firm name.

1.13. Rule 25 does not seek to prevent the use of any such names when there has been a succession to the practice as carried out by any of the persons so recognised in the names currently used. Although it is considered to be sufficiently wide to cover circumstances in which names other than those of existing partners may be used, the Council has power to approve an exceptional case.

1.14. A sole practitioner may practise under a business name comprising his own name with the addition of the words "& Associates" or "& Partners" or "& Co".

SCOE 1

Rule 26 – Members in Outside Employment

No member shall certify or report on accounts verified by a person other than a member of his firm or of his staff, unless such other person is a member of the Institute or is a person who is a member of one of the associations recognized under paragraph (3) of Rule 3.

1.15. Some banks and finance companies, trustee companies and solicitors, and possibly others, have departments which conduct accounting services for their clients, such as keeping accounts from which annual statements and income tax returns are prepared. If a member of the Institute is employed by such companies or firms to carry out this work, Rule 26 requires that it shall be done in the employer's name so that no such statements or tax returns purport to be the responsibility of a member of the Institute.

1.16. In the circumstances, the member concerned would not be considered a "chartered accountant in public practice", and thus would be precluded from accepting directly from the client of his employer remuneration for such accountancy services. Rule 26 prevents him doing indirectly what he is not permitted to do directly.

1.17. Rule 26 also precludes a member in the employment of a professional accountant in public practice, from undertaking work on their behalf in his own name as a chartered accountant.

Rules 27 & 28 – Sharing of Profits – Commissions

No member shall, directly or indirectly, allow or agree to allow any barrister or solicitor to participate in the profits of the member's professional work or accept or agree to accept any part of the profits of the professional work of a barrister or solicitor or any commission or bonus thereon.

No member shall, directly or indirectly, accept or agree to accept from an auctioneer, broker or other agent employed for the sale of letting of or otherwise in dealing with any real or personal property in the management, administration, or disposal whereof the member or his partner or any of his partners is engaged, any part of proportion of or any commission or bonus on the charges payable to the auctioneer, broker, or agent, which is in the nature of a secret commission.

- 1.18. Members shall not, directly or indirectly accept any form of secret commissions.
- 1.19. It is quite usual for a member or firm to have agency arrangements with a member or firm in another city whereby either party obtains instructions for work and passes it on to the other party to perform. In such cases it is common for the fee or profit to be shared.
- 1.20. However, the amount paid to the originating firm by the performing firm must, in fact, be only a share of the normal fee on the engagement and such payment must not be regarded as an item of cost and the fee to the client increased to cover it.

SCOE 1

- 1.21. Whilst the Council takes the view that agency fees are permitted between professional accountants in public practice, it considers it is improper for members to participate in fee sharing in respect of business introduced either way with other professions or businesses, such as solicitors, stock-brokers, sworn valuers and estate agents, unless the client has previously been appraised of and consented to the arrangement.
- 1.22. The Council takes the view that a member should not, irrespective of any prior consent of the client, seek or accept commissions or other remuneration on any type of life assurance effected on the life of the client or his family or from a vendor of office machines, computers and other equipment, or systems or from any other person in respect of the selection of goods or services on behalf of a client.
- 1.23. Acceptance of such commissions could impair the independence and objectivity of a member. In the case of life assurance, the persons to be covered and the amount of cover often enter into advice given to a client for the planning of his own and his family affairs for the purpose of minimising income tax and death duties. It is therefore important that the member advising him should be completely objective as to the amount of assurance and the particular company with which the policy should be effected. In considering office equipment, the member should be completely objective in the choice of supplier so that the equipment best suited to his client's need is used. Similar comments apply to the selection of persons from whom professional assistance may be sought for a client.
- 1.24. Consequently, participation by a member in fee sharing either way with other professions or businesses will be regarded as a breach of a "fundamental rule of the Institute" in terms of section 32 (2) of the Act and will, again expose the member concerned to the possibility of investigation and disciplinary action.

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CHAPTER 2

PROFESSIONAL CONDUCT

Professional Competence

- 2.1. Professional accountants should not portray themselves as having expertise or experience they do not possess.

Tax Practice

- 2.2. A professional accountant rendering professional tax services is entitled to put forward the best position in favour of a client, or an employer, provided the service is rendered with professional competence, does not in any way impair integrity and objectivity, and is in the opinion of the professional accountant consistent with the law. Doubt may be resolved in favour of the client or the employer if there is reasonable support for the position.
- 2.3 A professional accountant should not hold out to a client or an employer the assurance that the tax return prepared and the tax advice offered are beyond challenge. Instead, the professional accountant should ensure that the client or the employer is aware of the limitations attaching to tax advice and services so that they do not misinterpret an expression of opinion as an assertion of fact.
- 2.4 A professional accountant who undertakes or assists in the preparation of a tax return should advise the client or the employer that the responsibility for the content of the return rests primarily with the client or the employer. The professional accountant should take the necessary steps to ensure that the tax return is properly prepared on the basis of the information received.
- 2.5 Tax advice or opinions of material consequence given to a client or an employer should be recorded, either in the form of a letter or in a memorandum for the files.
- 2.6 A professional accountant should not be associated with any return or communication in which there is reason to believe that it:
- (a) contains a false or misleading statement;

- (b) contains statements or information furnished recklessly or without any real knowledge of whether they are true or false; or
- (c) omits or obscures information required to be submitted and such omission or obscurity would mislead the revenue authorities.

SCOE 2

2.7. A professional accountant may prepare tax returns involving the use of estimates if such use is generally acceptable or if it is impractical under the circumstances to obtain exact data. When estimates are used, they should be presented as such in a manner so as to avoid

the implication of greater accuracy than exists. The professional accountant should be satisfied that estimated amounts are reasonable under the circumstances.

2.8. In preparing a tax return, a professional accountant ordinarily may rely on information furnished by the client or employer provided that the information appears reasonable. Although the examination or review of documents or other evidence in support of the information is not required, the professional accountant should encourage, when appropriate, such supporting data to be provided.

In addition, the professional accountant:

- (a) should make use of the client's returns for prior years whenever feasible;
- (b) is required to make reasonable inquiries when the information presented appears to be incorrect or incomplete; and

(c) is encouraged to make reference to the books and records of the business operations.

2.9. When a professional accountant learns of a material error or omission in a tax return of a prior year (with which the professional accountant may or may not have been associated), or of the failure to file a required tax return, the professional accountant has a responsibility to:

- (a) Promptly advise the client or employer of the error or omission and recommend that disclosure be made to the revenue authorities. Normally, the professional accountant is not obligated to inform the revenue authorities, nor may this be done without permission.

(b) If the client or the employer does not correct the error the professional accountant:

- (i) should inform the client or the employer that it is not possible to act for them in connection with that return or other related information submitted to the authorities; and,
 - (ii) should consider whether continued association with the client or employer in any capacity is consistent with professional responsibilities.
- (c) If the professional accountant concludes that a professional relationship with the client or employer can be continued, all reasonable steps should be taken to ensure that the error is not repeated in subsequent tax returns.

SCOE 2

- (d) Professional or statutory requirements may also make it necessary for the professional accountant to inform the revenue authorities that there is no longer any association with the return or other information involved and that acting for the client or employer has ceased. In these circumstances, the professional accountant should advise the client or employer of the position before informing the authorities and should give no further information to the authorities without the consent of the client or employer unless required to do so by law.

Advertising

2.10. Advertising should:

- (a) be aimed at informing the public in an objective manner and should be decent, honest, truthful and in good taste
- (b) not use means which bring the profession into disrepute
- (c) not make exaggerated claims either for the services which the professional accountants are able to offer, the qualifications they possess, or the experience they have gained
- (d) not denigrate the work of other accountants

2.11 Examples of activities which may be considered not to meet the above criteria include those that:

- (a) create false, deceptive or unjustified expectations of favourable results;
- (b) imply the ability to influence any court, tribunal, regulatory agency or similar body or official;

- (c) consist of self-laudatory statements that are not based on verifiable facts;
- (d) make comparisons with other professional accountants in public practice;
- (e) contain testimonials or endorsements;
- (f) contain any other representations that would be likely to cause a reasonable person to misunderstand or be deceived; and
- (g) make unjustified claims to be an expert or specialist in a particular field of accountancy.

2.12 A professional accountant in public practice should not seek to obtain an advantage by advertising in newspapers or magazines published or distributed in a country where advertising is prohibited.

SCOE 2

2.13 It is clearly desirable that the public should be aware of the range of services available from a professional accountant. Accordingly there is no objection to such information being communicated to the public on an institutional basis, ie. by or under the name of the Institute.

Stationery and Nameplates

2.14 Stationery of professional accountants in public practice should be of an acceptable professional standard and comply with the requirements of the law and of the Institute as to the names of partners, principals and others who participate in the practice, use of professional descriptions and any designatory letters, cities or countries where the practice is represented, logotypes, etc. The designation of any services provided by the practice as being of specialist nature should not be permitted. Similar provisions, where applicable, should apply to nameplates.

Newspaper Announcements

2.15 Appropriate newspapers or magazines may be used to inform the public of the establishment of a new practice, of changes in the composition of a partnership of professional accountants in public practice, or of any alteration in the address of a practice.

Offices

2.16 The Institute requires that a professional accountant in public practice, in the course of maintaining an office for the provision of professional accountancy services and of placing those services at the disposal of the community for remuneration, does in fact provide

proper office facilities in a location readily and separately accessible to the public.

Legal Work

- 2.17. Professional accountants in public practice shall not carry out work which should be performed by legal practitioners other than work normally performed by professional accountants in public practice (such as the interpretation of provisions of the Income Tax Act, the lodging of objections on behalf of taxpayers with the Inland Revenue authorities and the registering of companies). If professional accountants are in doubt, they should refer their client to his solicitor, or if appropriate, obtain his approval to the professional accountant instructing his solicitor.

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CHAPTER 3

CLIENT MONIES AND TRUST ACCOUNTS

Introduction

- 3.1. This chapter of the Supplementary Code of Ethics applies to any professional accountant in public practice who acts as a trustee of client monies (whether formerly appointed or not) and provides for-
- (a) the establishment and maintenance of trust accounts (as defined below);
 - (b) the keeping of certain books of accounts and records in relation to those trust accounts; and
 - (c) the examination and audit of those accounts

Definitions

3.2. For the purpose of this chapter of the Supplementary Code of Ethics

“auditor” means a professional accountant in public practice;

“client monies” means any money (in whatever form) being the property of another person or entity coming into the hands or control of a professional accountant in public practice in the course of that professional accountant’s practice, but does not include

- (a) a cheque made payable to another person or entity received by a professional accountant in public practice for the purpose of forwarding to the payee; or
- (b) fees paid in advance; or
- (c) money from a person who gives a professional accountant in public practice a direction in writing for the money to be dealt with in a manner otherwise than by its deposit into a trust account.

“money” includes cash, foreign currency and any instrument for the payment of monies in any case where the instrument may be paid into a bank or financial institution.

“trust account” means an account established by a professional accountant in public practice,

as a trustee for clients generally or a particular client only, with a bank or other equivalent financial institution, if kept for the sole purpose of receiving and holding deposits of client monies and the withdrawal of client monies from the account.

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3.3. A professional accountant in public practice entrusted with monies belonging to others should:

- (a) keep such monies separately from personal or firm monies;
- (b) use such monies only for the purpose for which they are intended; and
- (c) at all times, be ready to account for those monies to any persons entitled to such accounting.

Establishment of Trust Account

3.4. A professional accountant in public practice shall establish and maintain a general trust account for client monies received by him. A separate trust account shall be established and maintained for the client if the professional accountant is directed to do so by the client. The name of each trust account shall include the words “trust account”.

Operation of Trust Account

- 3.5. Client monies received by a professional accountant in public practice must be deposited into a trust account established under paragraph 3.4 above as soon as it is reasonably practicable to do so.
- 3.6. A professional accountant in public practice shall not withdraw monies from a trust account except for the purposes of
- (a) making a payment to the client entitled thereto or in accordance with the written directions of the client;
 - (b) making a payment to the professional accountant in public practice for professional costs, reimbursement for disbursements paid, statutory duties, taxes and charges and other proper outlays which payments shall have been subject to any legal enforceable prior contractual agreement with the client for or on whose behalf the monies received are held; or
 - (c) making a payment that is otherwise authorised by law or a Court.
- 3.7. Payments from a client account shall not exceed the balance standing to the credit of the client.
- 3.8. A professional accountant in public practice shall maintain proper books of account for each trust account. The books of account shall be kept in such a manner so that it is possible, at any time, to
- (a) clearly establish all dealings in client monies in general and the monies of each client in particular, and
 - (b) carry out an audit thereof conveniently and properly.

SCOE 3

- 3.9. A statement of account shall be provided to each client at least annually, providing details of all transactions since the issue of any previous statement
- (a) within one month of the close of the financial period of the practice, or
 - (b) upon completion of the matter.
- A statement of account shall also be provided within five working days of receipt of a request from the client unless otherwise agreed between the client and the professional accountant in public practice.
- 3.10. A professional accountant in public practice shall not pay
- (a) into a trust account any monies other than client monies received; and

(b) into a separate trust account any monies other than client monies received by the professional accountant in public practice for or on behalf of the person or entity on whose behalf or at whose direction the separate trust account was established.

3.11. Notwithstanding paragraph 3.10 above, a professional accountant in public practice may pay into a trust account monies received by that professional accountant where part or all of the monies received is attributable to professional costs, statutory duties, taxes or charges and other proper outlays already incurred or disbursed.

3.12. Money received by a professional accountant in public practice by cheque made payable to the client (including tax refund cheques), and to which that professional accountant has no authority to negotiate, must be dispatched promptly to the client.

3.13. When it seems likely that client monies may remain on client account for a significant period of time, the professional accountant in public practice should, with the concurrence of the client, place such monies in an interest bearing account within a reasonable time, unless-

(a) that person instructs otherwise; or

(b) it is not reasonable or practicable (whether because of the smallness of the amount, the shortness of the period for which the professional accountant is to hold the money or for any other reason) for that professional accountant to invest the money, at the direction of that person so that interest is payable on it.

3.14 Any interest earned on client monies shall be credited to client accounts in the books of the trust account.

3.15 Costs associated with the operation of a trust account such as bank and various statutory and government charges shall be charged to the general account of the professional accountant in public practice, except where a separate account is maintained at the direction of the client for the exclusive use of that client or where specific arrangements in writing are made with the client prior to the deposit of the money into the trust account.

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3.16 A professional accountant in public practice shall not have a right of set off in relation to a trust account with any other account operated by that professional accountant.

3.17 The professional accountant in public practice must ensure that the benefit of client monies is maintained for the client and that such monies are held in a trust account no longer than

is reasonably necessary nor held for a significant period of time without bearing interest.

3.18 Records relating to every trust account shall be retained in visible form for seven years.

Audit of Trust Account

3.19 A professional accountant in public practice who has established a trust account in accordance with paragraph 3.4 shall appoint, at that professional accountant's own expense, an auditor or auditors to audit the accounting and other records kept by that professional accountant in respect of that account.

3.20 For trust accounts maintained by a professional accountant in public practice and required by law to be audited a separate audit is not required.

3.21 A person is not permitted to act as auditor of a trust account administered by a professional accountant in public practice if

(a) the person is related to that professional accountant;

(b) the person is, or at any time within two years before the appointment has been, employee or partner, of or with that professional accountant;

3.22 A professional accountant in public practice shall cause all trust accounts to be audited annually.

3.23 The audit shall be carried out in accordance with Auditing Standards published by the Institute.

4.1. As a general principle, no professional accountant in public practice registered with the Institute is permitted to operate a practice offering accounting services to the public through the medium of either a limited or unlimited liability company or to describe his practice as having limited liability or to designate his practice with the addition of the word "Limited" or the abbreviation "Ltd".

4.2 There is however no ethical reason which would preclude a professional accountant in public practice from using a limited or unlimited liability company of which he is a shareholder to:

- (a) provide him with professional or non professional staff, premises, equipment and other facilities as may be used by him in the performance of any of his functions as a professional accountant in public practice; which, for the purposes of this chapter, is described as a service company; or
- (b) act as agent, trustee or nominee; which, for the purposes of this chapter, shall be described as a nominee company.

4.3. Any professional accountant in public practice seeking to provide services other than those functions that are described in paragraph 4.2 above, through the medium of a limited or unlimited company, shall be required to seek and obtain the prior consent of Council before the company performs any other functions and shall be required to comply with the conditions set out below:

- (a) the company and its directors and shareholders shall at all times observe all the rules and conform to all the standards of conduct which apply to a professional accountant in public practice;
- (b) while it shall be permissible for the name of the company to be similar to that of a professional accountant in public practice, it shall not be indicative of the nature of the activities of the company;
- (c) the professional accountant in public practice shall be responsible for the conduct of the company, its directors, officers and shareholders as if the company were a firm of which he is a partner;
- (d) the company shall not use the designation "Chartered Accountants"; and
- (e) the company shall not be used directly or indirectly as a means of sharing profit or remuneration of a professional accountant in public practice in a manner contrary to the Act and Rules.

4.4. A professional accountant in public practice is not permitted, under the guise of or through the medium of a company or firm, to do anything which he is not allowed to do as an individual.

4.5. Any professional accountant in public practice seeking to obtain the consent of the Council under paragraph 4.3 above to form an incorporated company shall provide the following information:

- (a) the memorandum and articles of association of the proposed company;

- (b) a list of all the proposed shareholders of the company, indicating those who are members of the Institute;
- (c) a list of all the proposed directors of the company, indicating those who are members of the Institute;
- (d) any other information required by the Institute or considered by the applicant to be relevant.

4.6. The Council, when considering whether or not to grant its consent for a chartered accountant in public practice to form or to use an incorporated company may take into account and prescribe any or all of the following conditions:

- (a) the functions which the proposed company intends to practise and whether these might be in conflict with the professional and ethical standards of the Institute;
- (b) the name proposed for the company and whether that would indicate specialised services;
- (c) that the shareholders carrying majority voting rights and a majority of directors of the company shall be restricted to professional accountants in public practice and any other shareholders or other directors of the company who are not chartered accountants in public practice should be restricted to employees of the company;
- (d) the Council should be advised of any material change in the shareholdings or the directorships of the company or of any proposed amendment to the memorandum and articles of association of the company.