

**Joint Declaration of the Chinese Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants on the Converged CICPA Code of Ethics for Professional Accountants and HKICPA Code of Ethics for Professional Accountants**

**Annex I**

**Elaboration on the comparison process**

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**I. The scope of the comparison**

**Documents compared**

1. The pronouncements compared include the CICPA Code and HKICPA Code (excluding Part D: Additional Ethical Requirements and additional guidance on the Hong Kong Prevention of Bribery Ordinance) which are effective on 1 January 2011.

***CICPA Code***

2. For the purpose of this comparison project, “CICPA Code” comprise:
  - a. China Code of Ethics for Certified Public Accountants
  - b. CICPA Code of Ethics for Non-practising Members
3. The list of CICPA Code covered under the comparison project is set out in Appendix 1 to this Annex.

***HKICPA Code***

4. For the purpose of this comparison project, “HKICPA Code” comprise:
  - a. Part A: General Application of the Code;
  - b. Part B: Professional Accountants in Public Practice;
  - c. Part C: Professional Accountants in Business;
5. The list of HKICPA Code covered under the comparison project is set out in Appendix 2 to this Annex. Part D: Additional Ethical Requirements are not covered under the comparison project, together with the additional guidance on the Hong Kong Prevention of Bribery Ordinance, as they are locally developed standards by the HKICPA and not part of the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants (IESBA Code) that the HKICPA has adopted in

full in Parts A, B and C.

**The cut-off date for the comparison**

6. The pronouncements that have been compared include all the relevant pronouncements which are effective on 1 January 2011.

**II. The comparison process**

7. The approach taken was an outcome-based comparison, being the identification of the differences between the CICPA Code and the HKICPA Code.

**Identifying the differences**

8. The HKICPA reviewed the requirements set out in the relevant HKICPA Code and traced the requirements to the CICPA Code and decided whether the HKICPA Code requirements were:

- a. covered under the CICPA Code;
- b. omitted from the CICPA Code; or
- c. different from the CICPA Code.

9. The comparison exercise revealed certain areas in the CICPA Code that reflect additional specific requirements to reflect circumstances in Mainland China:

- a. Definitions of immediate family and close family
- b. Rotation period of key audit partners
- c. Referral fee or commission
- d. Gifts and hospitality
- e. Fees
- f. Marketing professional services
- g. Management responsibilities for preparing accounting records and financial statements
- h. Business relationship
- i. Bookkeeping services
- j. Internal audit services
- k. Loans or guarantees
- l. Employment with an audit client that is public interest entity
- m. Financial interests

It was agreed that these additional specific requirements do not conflict with the HKICPA Code.

**III. Finalisation of the results of the comparison**

10. The results of the comparison are presented as a Joint Declaration between the CICPA and the HKICPA, supported by:
  - a. Elaboration on the comparison process (this Annex to the Joint Declaration); and
  - b. Mechanism for ongoing maintenance of convergence (Annex II to the Joint Declaration).
  
11. Developments subsequent to the date of signing the Joint Declaration between the CICPA and the HKICPA will be posted on website of the CICPA at: <http://www.cicpa.org.cn> and the website of the HKICPA at: <http://www.hkicpa.org.hk>.

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**Appendix 1 to Annex I**

**CICPA Code of Ethics for Professional Accountants**

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**CHINA CODE OF ETHICS FOR CERTIFIED PUBLIC ACCOUNTANTS**

- China Code of Ethics for Certified Public Accountants No. 1 – Fundamental Principles of Professional Ethics
  - Chapter 1 General Provisions
  - Chapter 2 Integrity
  - Chapter 3 Independence
  - Chapter 4 Objectivity
  - Chapter 5 Professional Competence and Due Care
  - Chapter 6 Confidentiality
  - Chapter 7 Professional Behavior
  - Chapter 8 Supplementary Provisions
- China Code of Ethics for Certified Public Accountants No. 2 – Conceptual Framework
  - Chapter 1 General Provisions
  - Chapter 2 Threats to Compliance with the Fundamental Principles
  - Chapter 3 Safeguards to Deal with Threats
  - Chapter 4 Ethical Conflict Resolution
  - Chapter 5 Supplementary Provisions
- China Code of Ethics for Certified Public Accountants No. 3 – Specific Requirements in Providing Professional Services
  - Chapter 1 General Provisions
  - Chapter 2 Professional Appointment
  - Chapter 3 Conflicts of Interest
  - Chapter 4 Second Opinions
  - Chapter 5 Fees
  - Chapter 6 Marketing Professional Services
  - Chapter 7 Gifts and Hospitality
  - Chapter 8 Custody of Client Assets
  - Chapter 9 Requirements for Objectivity
  - Chapter 10 Supplementary Provisions

- China Code of Ethics for Certified Public Accountants No. 4 – Independence Requirements for Audit and Review Engagements
  - Chapter 1 General Provisions
  - Chapter 2 Basic Requirements
  - Chapter 3 Financial Interests
  - Chapter 4 Loans and Guarantees
  - Chapter 5 Business Relationships
  - Chapter 6 Family and Personal Relationships
  - Chapter 7 Employment with an Audit Client
  - Chapter 8 Temporary Staff Assignments
  - Chapter 9 The Member of the Audit Team Recently Served as a Director, Officer or Specific Employee of the Audit Client
  - Chapter 10 Acting as a Director or Officer of the Audit Client
  - Chapter 11 Long Association with an Audit Client
  - Chapter 12 Provision of Non-assurance Services to Audit Clients
  - Chapter 13 Fees
  - Chapter 14 Compensation and Evaluation Policies
  - Chapter 15 Gifts and Hospitality
  - Chapter 16 Actual or Threatened Litigation
  - Chapter 17 Reports that Include a Restriction on Use and Distribution
  - Chapter 18 Supplementary Provisions
- China Code of Ethics for Certified Public Accountants No. 5 – Independence Requirements for Other Assurance Engagements
  - Chapter 1 General Provisions
  - Chapter 2 Basic Requirements
  - Chapter 3 Financial Interests
  - Chapter 4 Loans and Guarantees
  - Chapter 5 Business Relationships
  - Chapter 6 Family and Personal Relationships
  - Chapter 7 Employment with Assurance Clients
  - Chapter 8 The Member of the Assurance Team Recently Served as a Director, Officer or Specific Employee of the Assurance Client
  - Chapter 9 Acting as a Director or Officer of the Assurance Client
  - Chapter 10 Long Association with Assurance Clients
  - Chapter 11 Provision of Non-assurance Services to Assurance Clients
  - Chapter 12 Fees
  - Chapter 13 Gifts and Hospitality
  - Chapter 14 Actual or Threatened Litigation

- Chapter 15 Supplementary Provisions
- Definitions in China Code of Ethics for Certified Public Accountants

### **CICPA CODE OF ETHICS FOR NON-PRACTISING MEMBERS**

- CICPA Code of Ethics for Non-Practising Members
  - Chapter 1 General Provisions
  - Chapter 2 Fundamental Principles of Professional Ethics
  - Chapter 3 Conceptual Framework
  - Chapter 4 Potential Conflicts
  - Chapter 5 Preparation and Reporting of Information
  - Chapter 6 Acting with Sufficient Expertise
  - Chapter 7 Financial Interests
  - Chapter 8 Gifts and Hospitality
  - Chapter 9 Supplementary Provisions
- Definitions in CICPA Code of Ethics for Non-Practising Members

7 November 2011

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**Appendix 2 to Annex I**

**HKICPA Code of Ethics for Professional Accountants**

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**PART A: GENERAL APPLICATION OF THE CODE**

- 100 Introduction and Fundamental Principles
- 110 Integrity
- 120 Objectivity
- 130 Professional Competence and Due Care
- 140 Confidentiality
- 150 Professional Behavior

**PART B: PROFESSIONAL ACCOUNTANTS IN PUBLIC PRACTICE**

- 200 Introduction
- 210 Professional Appointment
- 220 Conflicts of Interest
- 230 Second Opinions
- 240 Fees and Other Types of Remuneration
- 250 Marketing Professional Services
- 260 Gifts and Hospitality
- 270 Custody of Client Assets
- 280 Objectivity – All Services
- 290 Independence – Audit and Review Engagements
- 291 Independence – Other Assurance Engagements

## **PART C: PROFESSIONAL ACCOUNTANTS IN BUSINESS**

- 300 Introduction
- 310 Potential Conflicts
- 320 Preparation and Reporting of Information
- 330 Acting with Sufficient Expertise
- 340 Financial Interests
- 350 Inducements

## **DEFINITIONS**

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