

just been overhauled, restructured and revised for relevance and applicability in the future.

For any Code of Ethics to be globally acceptable, there must occur a number of conditions. Standards must be approved by a supermajority within IESBA, which is the authoritative body for issuing pronouncements. The Public Interest Oversight Board (PIOB) must certify that standards have been produced following international due process and that they are responsive to the public interest goals. Finally, national standard setters must decide to adopt and authorise implementation of standards in their national jurisdictions.

Besides conditions on the process of preparing standards, there are also necessary conditions on the content and structure of the standards that support global applicability: clarity of language; ease of understanding and translation; ease of navigation and referencing across various parts of the Code; integrated coverage of all professional accountants in whichever role they undertake (e.g. auditor, consultant, preparer, or corporate officer in the private or public sectors) by the Code's conceptual framework.

Some have maintained that a global *Ethics Code* is not really feasible since ethics is sensitive to cultural and institutional variations around the world. Ethics is about behaviour, they argue, and human behaviour cannot be standardised across cultures.

Although, these assertions have relevance, we hold a more positive view. For one thing, we are talking specifically about *professional* behaviour in a profession that is already global. Secondly, we believe that there are fundamental principles that have universal significance and should underlie all professional practice. Indeed, the five principles embedded in the Code (integrity, objectivity, professional competence and due care, confidentiality and professional behaviour) are general, not culturally bound. It is true that their application across boundaries may vary due to differences in law or custom. That is why then, we have the last important condition for applicability

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of an international Code of Ethics: it must remain principle-based and include a rich set of application material to facilitate implementation in various circumstances.

Before I explain how the recently approved *Restructured Code of Ethics* provides these benefits, however, it is necessary to address another question of high relevance in today's world: What are the Code's provisions that offer defenses against private or public malfeasance, noncompliance and corruption?

New Barriers to Unethical Behaviour

The *Code of Ethics* has been enriched over the last year with two very important standards that form a strong barrier to unethical behaviour.

One is *NOCLAR* (*non-compliance with laws and regulations*), a standard that has already become effective a year ago. It covers the situations where an auditor, or other professional accountant, becomes aware of noncompliance with Laws and Regulations in the course of their duties. Before this standard was promulgated, the Code's provisions for response were general and non-specific. NOCLAR now sets down a structured process that accountants must follow, exercising their professional judgement.

The NOCLAR process that the auditor, for example, must follow involves informing management or those responsible for governance and asking that they take steps to address the noncompliance, including rectifying, or mitigating its consequences. If this is not satisfactorily managed, the auditor, depending on circumstances, must take additional steps according to his judgement and in the public interest, including possible resignation from the assignment or even disclosure to a competent authority. *Such disclosure is a right, not an obligation of the accountant.* If disclosure is indeed chosen, the standard provides that this will override the principle of confidentiality, unless it is disallowed by law. It is to be noted that this standard is applied not only to auditors but also to accountants in business and in government, who have proportional obligations

Special Write-Up

depending on their seniority and their role in an organisation.

NOCLAR is clearly a far-reaching standard that specifies actions in the public interest. We are confident that its application will increase timely response to and mitigation of non-compliance, constraining the occurrence of malfeasance and enabling early warnings of potentially damaging situations for corporate stakeholders, investors and the public at large. Several jurisdictions have already adopted this and many more are now considering timely adoption.

The second new standard that provides a defense against malfeasance is a newly agreed set of provisions on “inducements”. Among other requirements, they explicitly prohibit professional accountants from taking or offering any inducement intended to motivate unethical behaviour of the recipient or another individual. As NOCLAR, this standard applies both to auditors and to professional accountants in business or government and of course confronts very directly, issues of bribery and corruption.

The requirements of the NOCLAR and “inducements” standards offer a full system of ethical defenses that relate both to malfeasance committed by others and to the accountants’ own involvement in potentially unethical behaviours. This combination of complementary provisions represents a decisive response of the Code of Ethics to public interest concerns and public expectations. At the same time, the commitment of the accounting profession to these new standards will enhance its reputation worldwide.

IESBA’s Message to ICAI on its 70th Year Anniversary

This is an important milestone anniversary of a long and rich journey of contributions that ICAI has achieved in favor of the accounting profession and the Indian economy. IESBA is supporting ICAI’s work in the area of Ethics and we have recently established new links of understanding and communication with your esteemed organisation. We know that the Indian profession is strong and that it serves, through its steadfast commitment to the public interest, as an example to the profession in the South Asian region.

We are confident that your future endeavours will be as successful as in the past. We look forward to ICAI’s continued robust commitment to Ethics and to your considered steps in adopting the Restructured Code among your other valuable initiatives. Congratulations!

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The Restructured Code in the Epoch of Global Ethics

The Restructured and revamped Code that IESBA has promulgated will become effective in mid-2019. It will signify a milestone for Global Ethics in our turbulent times.

The Restructured Code offers clarity in defining and sustaining ethical behaviour. It offers new safeguards for auditor independence, skepticism and ethical judgement. It offers strong defenses against noncompliance and deviation, through opportunistic behaviours, from the fundamental principles. It offers a clear distinction between requirements and application material that facilitates consistent application and, importantly, enforcement. It offers a unified and strongly integrated framework for all the branches of accounting practice in providing audit and non-audit services in the private or public sectors.

The clarified content and structure of the revamped Code also offer a flexible but resilient platform that can embody future amendment and enrichment that will inevitably arise from new circumstances, conditions and facilities coming forward from the technological innovations that are revolutionising accounting and auditing practice. Already, many stakeholders, including ICAI, as well as the IESBA itself, are orienting their research and future work to innovation. The Restructured Code constitutes a user-friendly platform for specifying the ethical implications of the ongoing technological revolution.

In short, the Restructured Code represents an uplifted basis that can support ethical practice, public interest goals and an enhancement in the reputation of the accounting profession in present global conditions. This is a strong reason for all jurisdictions to rapidly embrace and adopt it. ■