

**CODE
OF PROFESSIONAL ETHICS
IN ACCOUNTING**

Warsaw 2007

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***Dear Readers and Users
of the Code of Professional Ethics in Accounting***

We are pleased to present to you the first Code of Professional Ethics in Accounting, being the result of a long-standing work completed by a wide group comprising prominent specialists and authorities on broadly understood accounting, who represent both academic community and business practice.

The Code of Professional Ethics in Accounting not only constitutes a set of principles, and ethical and moral values to be followed and demonstrated by those dealing with accounting and related domains, but it also prescribes attitudes and behaviour expected from those who practise public confidence professions which undoubtedly include accountants and financiers, or related ones. At the same time, the principles and guidelines presented and defined in the Code of Professional Ethics in Accounting demonstrate the profession's concern for ensuring and upholding fair, and reputable image of our profession, both nationwide, and abroad. It is clear that every profession related to finance should be associated with the highest competencies, ensure accountability and moral values, and implement the idea of integrity, reliability and professionalism in practice.

Upholding high standards of professional practice is particularly important for us today, taking into account the increase in the profession's status in the dynamically growing economy. It is hardly imaginable to meet the requirements of the highly demanding and competitive market, without thoroughly regulating all aspects relating to professional activity of accountants and financiers.

It is commonly known that, be it a company, organisation, or a human being, reputation and prestige constitute the most valuable virtues. Thus, achieving and preserving good reputation is one of the most important tasks we should engage in every day, irrespective of the profession practised, position held, or one's social status.

The above truth is reflected in the activity of the Accountants Association in Poland, one of its priorities being to ensure impeccable ethical and professional image of accountants and financiers, as well as create necessary conditions for its continual development. As commonly known, the mission of our organisation is to propagate the feeling of dignity and belonging to the professional community, and promoting the prestige of the profession. It would not be possible without consistently observing the principles regarded as binding for all accountants.

On behalf of myself and the Accountants Association in Poland whose 19th National Assembly of Delegates approved the Code of Professional Ethics in Accounting, acknowledging it as binding for all members of the Association, I would like to express my hope, or rather my belief, that the principles of the Code will prove a helpful and relevant tool for sustaining the highest ethical and moral standards among all those dealing with accounting.

President of the Main Board
Prof. Zbigniew Messner

Introduction

Mark Aurelius said that *'Every man is worth just so much as the things about which he busies himself'*. Following this way of thinking, it would be justifiable to extend this claim to state that *every man is worth just so much as the things about which he busies himself and the way he deals with them*. The way of dealing with 'things' is not irrelevant to the assessment of their value, i.e. assessment which goes significantly beyond measurable features.

Taking into account the need to ensure that 'things' encountered when practising the accounting profession are duly dealt with, *the Code of Professional Ethics in Accounting* was issued by the Accountants Association in Poland.

Efforts to develop the Code, undertaken by the Ethical Principles and Accountant's Professionalism Commission of the Accountants Association in Poland Research Council run from 2004 until 2007.

The guidelines provided, together with subsequent projects, were published for comment across the profession. Bearing in mind the significance of the Code to the entire accounting profession, the draft was published in 2006 in "Rachunkowość" ("Accountancy") monthly magazine.

The comments and suggestions received confirmed the need to ensure the highest quality of principles covered by the Code. They significantly enriched and influenced the final version of the Code's draft.

Considering the significance of this document to the accounting profession and the entire accounting community, the Main Board of the Association submitted the draft for consideration to the 19th National Assembly of Delegates of the Accountants Association in Poland held from 22nd until 23rd June 2007.

Approving the Code of Professional Ethics in Accounting, the 19th National Assembly of Delegates obliged all authorities of the Accountants Association in Poland to promote its principles; and all members of the Association to obey these principles. Such arrangements were made by the participants of the Assembly to acknowledge that:

- the obligation of the Association is to persevere in ensuring that its members and other persons dealing with accounting will obtain high professional qualifications, including not only knowledge and practical skills, but also ethical principles specific to this profession,
- ethics is an essential condition for practising the accounting profession in a proper way,
- it is intended that the image of the accounting profession will be created to reflect public confidence and that
- it is necessary to uphold the high social status of those dealing with accounting.

Thus, exactly on the 100th anniversary of accounting organisations in Poland, the Accountants Association in Poland became the first signatory of the *Code of Professional Ethics in Accounting*.

As the Chair of the Commission which has developed the Code, I wish to particularly thank those who devoted their time for detailed analysis of the draft Code and therefore contributed to preparing its final version. This list is not short at all, based on which I can say that the *Code for Professional Ethics in Accounting* has strong scientific foundations.

Finally, I want to announce to you that the Ethical Principles and Accountant's Professionalism Commission has undertaken another initiative. Its aim is to develop *the Bank of Ethical Dilemmas*. The Commission intends to collect texts describing real or even realistic situations to reflect the provisions of the Code in practice. Aware of the profession's needs and views, the Commission is convinced that a collection of such case studies might be extensively used in different settings and at all stages of education and professional development.

The Bank cannot exist without the texts you will write, for which I want to thank you in advance. Hoping that *the Code of Professional Ethics in Accounting* will prove useful and will support our profession in upholding thorough professionalism.

Chair

Accountant's Professionalism Commission
of the Accountants Association in Poland Research Council

Prof. Anna Karmańska

Resolution No 18 of the 19th National Assembly of Delegates of the Accountants Association in Poland as of 23rd June 2007 on the principles of professional ethics

Based on Article 25 paragraph 8 of the Statute of the Accountants Association in Poland,

and

- having acknowledged on the 100th anniversary of accounting organisations in Poland, the founders' achievements in creating the accounting profession as regards qualifications and ethical behaviour,
- having considered that the Association is obliged to persevere in ensuring that its members and other persons dealing with accounting will obtain high professional qualifications, including knowledge, practical skills, and ethical principles specific to this profession,
- being fully convinced that ethics is an essential condition for practising the accounting profession in a proper way,
- with the intention of creating the image of the accounting profession as subject to public confidence,
- having acknowledged the need to uphold the high social status of those dealing with accounting,

the 19th National Assembly of Delegates rules as follows:

§ 1

1. The 'Code of Professional Ethics in Accounting' is approved, being a collection of ethical principles to be followed when practising the accounting profession, as stipulated in the attachment.
2. Based on the provision in section 1, the Accountants Association in Poland becomes the first signatory of the 'Code of Professional Ethics in Accounting.'

§ 2

1. The Main Board of the Accountants Association in Poland will appoint the Ethics Commission to promote the principles of the 'Code of Professional Ethics in Accounting,' assess the signatories' compliance with those principles, and take action to eliminate acts or behaviour that are contrary to the ethical principles.
2. It is deemed appropriate to set out the principle of open membership in the Ethics Commission to ensure the signatories are fairly represented.

§ 3

All authorities of the Accountants Association in Poland are obliged to promote the principles of the 'Code of Professional Ethics In Accounting.'

§ 4

1. Members of the Accountants Association in Poland are obliged to observe the principles set out in the 'Code of Professional Ethics in Accounting.'
2. Acts and behaviour contrary to the principles of the 'Code of Professional Ethics in Accounting' require adequate proceedings to be undertaken by Fellow Courts and the Ethics Commission.

§ 5

The resolution is effective upon approval.

CODE OF PROFESSIONAL ETHICS IN ACCOUNTING

Part I

PREAMBLE AND DEFINITIONS

Preamble

The need to develop the Code of Professional Ethics in Accounting (the Code) is attributable to the fact that the profession of those dealing with accounting is inextricably linked to both economic and social activities. To a considerable extent, the quality of services provided by those dealing with accounting determines not only the development of the employing entity. It has a direct effect on decisions taken by different groups of accounting information users, but it also indirectly influences economic and social developments.

As a set of principles and guidelines on everyday professional conduct, this Code is intended for all individuals who decided to become accountants or practice another accounting profession.

The aim of this Code is also to make various sectors of economy aware that the accounting profession has developed specific principles ensuring reliability, professionalism and responsibility in practice. It not only prescribes what those practising the accounting profession are required and prohibited to do, but it is also aimed at promoting such values as competence, lawfulness, objectivity, reliability, and integrity throughout the profession.

The Code comprises regulations on ethical conduct to be observed by those dealing with accounting in the most crucial fields of professional activity. It presents patterns of ethical behaviour that should be followed by those dealing with accounting in their professional practice. These patterns relate not only to performing the accounting profession itself, but they are also applicable to relationships with different individuals, entities and institutions related to the profession. Its provisions may be also used as a benchmark for resolving ethical disputes in case it is doubtful whether the behaviour of a person dealing with accounting meets the requirements that are either set out in this Code or indirectly result from it.

In order to properly interpret the Code, it is important to acknowledge that some of its principles are of universal and international nature.

Under this Code, every person dealing with accounting is obliged to observe principles of ethics and to behave in accordance with developments in the accounting profession and global environment where the profession is currently practised.

Definitions

1. *Entity* – an entity using accounting or an entity providing accounting services to another entity; called an entity keeping accounting books and an entity providing accounting services to third parties, respectively.
2. *Entity keeping accounting books* – an entity subject to accounting law defined as a set of legal norms developed to regulate the rules of keeping accounting books.

3. *Entity providing accounting services to third parties* – an entity that is licensed to provide services of keeping accounting books to third parties and/or delivers accounting services to an entity keeping accounting books.
4. *Person dealing with accounting* – a natural person who performs bookkeeping and management support activities, prepares tax and other regulatory returns of the entity; and any other person related to accounting through learning, didactics, or other forms of professional activity.
5. *Accounting activities* – actions performed by a person dealing with accounting in accordance with applied accounting policies.

Accounting actions comprise mainly:

- 1) keeping accounting books – based on accounting evidence – to chronologically and systemically record events,
- 2) reconciling the actual balance of assets and liabilities with accounting data,
- 3) conducting and documenting measurement of assets and liabilities, and determining a financial result;
- 4) preparing financial statements and other financial information;
- 5) collecting and storing accounting evidence, and other documentation required by the current accounting law;
- 6) performing financial analysis to the extent resulting from the informative function of an entity's accounting system;
- 7) cooperation with an auditor who audits financial statements of an entity.

Moreover, these activities include administering IT accounting systems, providing explanation on the application of accounting principles in practice, and promoting knowledge of the rules applied in keeping accounting books.

6. *Management support activities* – making use of information that is produced by the entity's accounting system and obtained from other sources, within the entity's management system.

Management support activities comprise mainly:

- 1) delivering data to develop the entity's strategy,
- 2) preparing entity's operational plans and providing implementation advice,
- 3) controlling current business operations and related costs,
- 4) multi-faceted assessment of the entity's performance,
- 5) business advisory or consulting services,
- 6) design, implementation and operation of an entity's IT accounting systems;
- 7) activities and analyses aimed at synchronising operating activities of an entity with its strategy to support the entity's management in taking business decisions;
- 8) tasks related to the internal reporting system and other management accounting activities.

These actions also cover promoting knowledge of proposed solutions in accounting to support management.

7. *Tax and other regulatory returns* – activities which involve documenting the entity's fulfillment of its tax and other regulatory obligations. These actions comprise mainly:

- 1) collecting information and keeping records necessary to complete tax and other regulatory returns;
- 2) completing documents related to tax and other regulatory returns;
- 3) explaining problems concerning tax and other regulatory fees.

These actions also include promoting knowledge on regulatory returns.

8. Accounting services – bookkeeping actions, management support actions, tax and other regulatory returns prepared by a natural person or an entity under a common law agreement or other legal relationship.
9. *Accounting information* – all quantitative or other information used in accounting or resulting from keeping accounting books.
10. *Accounting profession* – community created by those dealing with accounting, including members of their professional organisations.
11. *Extraordinary situations* – rare situations either or not covered by common law, in which a person dealing with accounting is required to express their opinion or react in an appropriate way.
12. *Principles of ethics* – a set of principles set out in *the Code of Professional Ethics in Accounting*, regarded as a moral framework for practising the accounting profession.

Part II

SOCIAL STATUS OF A PERSON DEALING WITH ACCOUNTING AND GENERAL PRINCIPLES OF ETHICS IN ACCOUNTING

Section 1

Social status of a person dealing with accounting

1.1. Features of an accounting profession

The profession of a person dealing with accounting requires:

- 1) ability to reliably present the performance of an entity subject to accounting law;
- 2) ability to apply commonly accepted accounting methods, standards, and principles of good practice for analytical purposes.

1.2. Business function of the accounting profession

The accounting profession has a special meaning from the point of view of both macro- and microeconomics. Macroeconomic business functions of the accounting profession stem from the fact that through their work in individual entities that are subject to accounting law, those dealing with accounting produce sets of data which:

- 1) are the source of information on the entity's situation and performance, commonly considered reliable and created specifically for external stakeholders (ie. investors, lenders, managers, contractors, suppliers and other creditors, public administration, and the public);

- 2) indirectly, through decisions taken by different groups of stakeholders and their own analyses, determine the capital allocation nationwide or abroad;
- 3) by means of statistical reporting system allow for macroeconomic accounts to be processed to illustrate the entity's situation and economic performance on a national scale, within the EU and in other economic areas.
- 4) through documentation and analyses enable regulatory liabilities of an entity to be reliably determined.

Microeconomic business functions of the accounting profession derive from the importance of the information provided by an entity's accounting, and its application in managing the entity's activities. Hence, the work performed by the person dealing with accounting serves creating – within the entity's accounting system – special internal procedures, standards and reports covering classification criteria, and economic and financial categories relevant to the supervision of an entity's activities, their control and planning.

1.3. *Social prestige of an accounting profession*

The accounting profession is a public confidence profession, and a person dealing with accounting plays an important role within the society. On account of specific expertise and skills necessary to practise the profession, it can be practised only by persons having particular competencies. These persons constitute a professional group and the results of their work serve a big group of stakeholders who use the results in their analyses and decisions. These specific features of the accounting profession should earn wide respect among those who are aware of the importance of the information produced by accounting. The accounting profession practised in compliance with all requirements of professionalism and ethical principles – on account of the indicated features and economic function – should enjoy high social prestige. Therefore, in order to maintain high assessment of the profession, the person dealing with accounting should avoid mistakes.

Section 2

General principles of ethics in accounting

- 2.1. It is expected that notwithstanding their workplace and terms of employment, the work performed by those dealing with accounting will conform to the following conditions:
- it will conform to professional standards,
 - it will serve reaching the highest quality of the conducted activities,
 - it will ensure reliable results of conducted activities.

The work performed by the person dealing with accounting may be regarded as compliant with the principles of ethics and producing public confidence when the person obeys the principles of:

- 1) professional competencies,
- 2) high quality of work,
- 3) professional independence,
- 4) responsibility for the preparation and presentation of accounting information,
- 5) proper behaviour towards individuals, entities, and institutions that remain in a professional relationship with the person,

- 6) proper conduct in case of a dispute or conflict of interest,
 - 7) proper conduct in extraordinary situations of an entity keeping accounting books,
 - 8) preserve professional confidentiality,
 - 9) proper offering of accounting services.
- 2.2. According to *the professional competencies principle*, the person dealing with accounting has received proper professional training, continuously expands and updates their expertise, improves professional skills and uses them in a way that enables all interested parties to regard their work as honest, reliable, and impartial.
 - 2.3. *High quality of work principle* manifests itself in ensuring due care and objectivity when classifying information to be processed and presented by accounting so that it is reliable to users. This principle also involves organisational efficiency, timely delivery of results and professionalism with relation to those who use the results of work performed by a person dealing with accounting; and due regard to the needs that can be met within confines of accounting and the person's competencies.
 - 2.4. *Professional independence* of a person dealing with accounting means the need to express independent opinion on matters whose resolution requires the person's participation. This principle is linked to:
 - independence of professional judgement, ie. the state of mind that allows the person dealing with accounting to present their opinion in a reliable, objective, and credible manner, without falling under the influence which could distort the professional judgement, and
 - promoting the accounting profession's image, which means that the person dealing with accounting should avoid such situations and actions that could result in other competent persons reasonably concluding that the principle of independence was not observed.
 - 2.5. *Responsibility for accounting information prepared and presented* means being aware that the person dealing with accounting is required to prepare and present this information according to the binding law, professional standards and ethical norms.
 - 2.6. *Conduct of the person dealing with accounting in relations with individuals, entities, and institutions that remain in a professional relationship with the person* is founded on respect, understanding, disinterestedness, kindness, common engagement, and exchange of experience.
 - 2.7. *Conduct of a person dealing with accounting in case of a dispute or conflict of interest* consists in seeking objective and amicable resolution of such issues.
 - 2.8. *Conduct of a person dealing with accounting in extraordinary situations of an entity keeping accounting books or an entity providing accounting services to third parties* consists in trying to observe the primary accounting principles, especially as regards reliable and faithful presentation, and ethical norms.
 - 2.9. *Professional confidentiality principle* means that the person dealing with accounting fully observes the policy of the entity's Board regarding non-distribution of internal information

known to the person, whose disclosure is not required by law, but which can be of economic or other significance to the entity.

2.10. *Principles of proper offering of accounting services* prescribe honesty in practising different forms of marketing and other activities aimed at attracting customers.

Part III

PRINCIPLES OF ETHICS IN PRACTICE FOR THOSE DEALING WITH ACCOUNTING

Section 1

Professional competencies and high quality of work

Professional competencies principle requires the person dealing with accounting to have undergone proper professional training, continuously expand and update their expertise, improve their professional skills and use the skills in a way that enables all interested parties to regard their work as honest, reliable, and impartial.

High quality of work principle requires a person dealing with accounting to ensure due care and objectivity when classifying information to be processed and presented by accounting system so that it is regarded reliable by users. This principle also involves organisational efficiency, timely delivery of results and professionalism with relation to those using the results of work done by the person dealing with accounting, and regard to the needs that can be met within confines of the accounting system and the person's competencies.

- 1.1. In order to perform accounting activities, management support activities, prepare tax and other regulatory returns, a person dealing with accounting is required to demonstrate professional competencies that constitutes a synthesis of theoretical knowledge and professional experience. Professional competencies mean the ability to practice according to the standards approved by the profession.
- 1.2. In performing accounting activities, the management support activities, preparing tax and other regulatory returns, of equal importance as professional competencies are moral principles, such as:
 - integrity,
 - credibility,
 - objectivity,
 - kindness,
 - respect,
 - social accountability.
- 1.3. Every function that the person dealing with accounting undertakes, requires the person dealing with accounting to reach adequate level of competencies to ensure professionalism and high quality of work.
- 1.4. The professional competencies of the person dealing with accounting not only include knowledge and skills required by accounting and related domains but they also cover ethics and proper professional behaviour.
- 1.5. Changes which take place in the environment of the person dealing with accounting make it necessary for professional development to take place throughout the entire professional life of the person. In achieving and updating their professional competencies, the person

dealing with accounting becomes a meticulous learner. Developing ethical values forms part of the learning process taking place over one's professional life.

- 1.6. The work performed by the person dealing with accounting should be of high value, compatible with the development and achievements in accounting and related domains, law, international regulations and principles based on good practice.
- 1.7. In performing accounting activities, management support activities, and preparing tax and other regulatory returns, the person dealing with accounting shall demonstrate intellectual integrity. Intellectual integrity means that the person dealing with accounting cannot make an impression that they possess knowledge and experience they actually have not obtained, and they should undertake only those tasks that are within their competencies.
- 1.8. If the person dealing with accounting is unable to perform specific accounting activities, management support activities or prepare tax and other regulatory returns in an appropriate manner, they shall seek to obtain advice and assistance from relevant specialists, with a view to achieving high quality of their work.
- 1.9. In their professional practice, the person dealing with accounting shall demonstrate reliability and integrity in order to provide credible information. It is achieved through diligence in performing their duties, conscientiousness, and honesty.
- 1.10. Reliability and integrity of a person dealing with accounting means following professional and ethical norms which provide a basis for the assessment of their conduct.
- 1.11. The person dealing with accounting shall remain objective, which means that they present and interpret fact based on reality, irrespective of opinions expressed by others. Such a person cannot be influenced by their superiors or other persons trying to alter their stand on a particular matter.

Section 2

Professional independence

Professional independence of a person dealing with accounting includes expressing independent opinion on matters whose resolution requires their participation. This principle is connected with:

- independence of professional judgement which means the state of mind that allows the person dealing with accounting to present their opinion in a reliable, objective, and credible manner, without falling under the influence which could distort the professional judgement;
 - promoting the accounting profession's image, which means that the person dealing with accounting should avoid such situations and actions that could result in other competent persons reasonably concluding that the principle of independence was not observed.
- 2.1. Professional independence of the person dealing with accounting conditions professionalism in performing accounting activities, management support activities, and preparing tax and other regulatory returns.
 - 2.2. Professional independence of the person dealing with accounting is fundamental for achieving high quality of financial statements and internal statements prepared in an entity.

- 2.3. Professional independence does not mean lack of cooperation with other persons performing accounting activities, management support activities, or preparing tax and other regulatory returns, and with other persons employed in the entity, who request for accounting information.
- 2.4. Professional independence of the person dealing with accounting does not also mean lack of functional subordination.
- 2.5. In all cases mentioned above, professional independence is understood as avoiding any influence which could pose a threat to following ethical (moral) and professional norms in performing accounting activities, management support activities, and preparing tax and other regulatory returns by the person dealing with accounting.
- 2.6. Professional independence should not be confused with remaining unreasonably persistent in upholding one's expressed view, or with the lack of flexibility in presenting opinions. The person dealing with accounting is required to:
 - perform a comprehensive, professional analysis of situations related to accounting activities, management support activities, tax and other regulatory returns and
 - adjusting their opinion every time new knowledge or information is obtained which shed a new light on the issue in question; and acknowledging the arguments of others if the proposed solutions or suggestions enable reliable, objective and credible presentation of a situation subject to judgement.
- 2.7. In any case, the person dealing with accounting should exclusively understand their professional independence as a necessary feature of professional practice, and cannot use it to receive special privileges either in an entity, or outside.
- 2.8. Boundaries of professional independence of a person dealing with accounting do not result from legal norms, but they are determined by both technical principles to be applied when performing accounting activities, management supporting activities and preparing tax and other regulatory returns, and by this Code.
- 2.9. From the commencement of accounting activities, management support activities, tax and other regulatory returns, the person dealing with accounting should be aware that their professional independence resulting from:
 - 1) the independence of professional judgement and
 - 2) promoting the accounting profession's image can be exposed to different threats, especially arising from familiarity, trust, or intimidation.

Section 3

Responsibility for accounting information prepared and presented

Responsibility for accounting information prepared and presented means being aware that the person dealing with accounting is required to prepare and present this information according to the binding law, professional standards and ethical norms.

- 3.1. The person dealing with accounting bears professional and ethical responsibility for timely delivery, objectivity, and reliability of accounting information prepared and presented.

- 3.2. Accounting information prepared and presented by the person dealing with accounting must be reliable, complete, understandable, and material to proper assessment of the issue it addresses.
- 3.3. The person dealing with accounting bears responsibility for observing professional and ethical norms by their subordinates as regards preparing and presenting accounting information.
- 3.4. The person dealing with accounting must be aware of their responsibility for accounting information prepared and presented. In ensuring an appropriate level of this awareness, the person dealing with accounting is required to:
 - have the sense of being independent in preparing and presenting information;
 - be aware of and understand the effects of their own activities and those of their respective subordinates in this area.

Section 4

Conduct of a person dealing with accounting in relations with individuals, entities, and institutions that remain in a professional relationship with the person

Conduct of a person dealing with accounting in relations with individuals, entities, and institutions that remain in a professional relationship with the person is founded on respect, mutual understanding, disinterestedness, kindness, common engagement, and exchange of experience.

- 4.1. In their relations with other persons dealing with accounting, entities and institutions that remain in a professional relationship with the person dealing with accounting, the person takes care of preserving good name of the profession, and attempts not to violate public interest.
- 4.2. In relations with other persons, the person dealing with accounting preserves respect, mutual understanding, disinterestedness, and kindness.
- 4.3. The person dealing with accounting observes the act against unfair competition.
- 4.4. Critical remarks (if any) addressed to another person dealing with accounting shall be expressed by the person dealing with accounting in the concerned person's presence, delivered within official relationships.
- 4.5. If requested, the person dealing with accounting shall advise and assist another person dealing with accounting in their practice.
- 4.6. As part of their cooperation with other persons dealing with accounting, entities and institutions that remain in a professional relationship with the person dealing with accounting, the person resolves disputes (if any) according to the Code.
- 4.7. As part of their cooperation with other persons dealing with accounting, entities and institutions that remain in a professional relationship with the person dealing with accounting, the person delivers information about themselves, considering the prestige of their own profession.

- 4.8. As part of their cooperation with other persons dealing with accounting, entities and institutions that remain in a professional relationship with the person dealing with accounting, the person cannot express opinions which could prove deceptive or could offend decency.

Section 5
Conduct of the person dealing with accounting
in case of a dispute or conflict of interest

Principles concerning the conduct of the person dealing with accounting in case of a dispute or conflict of interest are based on seeking objective and amicable resolution in such situations.

- 5.1. The person dealing with accounting should be aware that there might be situations resulting in a conflict of interest. Therefore, the person should be alert to factors leading to such situations.
- 5.2. A conflict of interest may arise especially if anyone persuades the person dealing with accounting to disobey the principles of:
- high quality of work, professional competencies, - professional independence,
 - responsibility for the accounting information prepared and presented,
 - conduct in relations with individuals, entities, and institutions that remain in a professional relationship with the person dealing with accounting,
 - conduct in extraordinary situations of an entity keeping accounting books
 - preserving professional confidentiality,
 - proper offering of accounting services.
- 5.3. The person dealing with accounting should pay special attention to situations which may give rise to behaviour contrary to ethical principles, i.e. situations when:
- 1) the person dealing with accounting is influenced by:
 - individuals from the employing entity,
 - individuals from the entity whose accounting books are kept by the person dealing with accounting or for whom the person provides another accounting service,
 - 2) discrepancy arises between loyalty of the person dealing with accounting towards:
 - the employing entity,
 - the entity where the person is a shareholder; and conduct according to ethical principles.
- 5.4. Disputes may take place between persons dealing with accounting and:
- 1) other persons dealing with accounting,
 - 2) the employing entities,
 - 3) entities related to them under civil law,
 - 4) entities whose accounting books they keep or for whom they provide other accounting services.

- 5.5. In case of disputes, the person dealing with accounting should apply principles defined by the entity as internal procedures for action in such situations.
- 5.6. If a dispute cannot be resolved in the manner described above, it is recommended to:
- 1) consult the subject of the dispute with an immediate superior; and if it does not help to solve the problem, the person dealing with accounting can refer to a person from senior management, reporting the fact to their immediate superior.
 - 2) requesting advice from an independent advisor or a professional organisation of persons dealing with accounting, with a view to determining further course of action,
 - 3) as a last resort, terminating accounting activities, management support activities, and the preparation of tax and other regulatory returns of the entity (terminating employment or a service agreement), and providing suitable explanation for a professional organisation of persons dealing with accounting.
- 5.7. Every time a conflict of interest or a dispute arise, it is required to seek amicable resolution of the issue.

Section 6
Conduct of a person dealing with accounting
in extraordinary situations of an entity keeping accounting books
or an entity providing accounting services to third parties

Principles of conduct of a person dealing with accounting in extraordinary situations of an entity keeping accounting books or an entity providing accounting services to third parties consist in trying to observe the primary accounting principles, especially as regards reliable and faithful presentation, and ethical norms.

- 6.1. Among others, extraordinary situations relating to an entity keeping accounting books or an entity providing accounting services to third parties, in which a person dealing with accounting may find themselves in their professional practice are as follows:
- 1) liquidation, bankruptcy, composition or recovery proceedings,
 - 2) threat to the principle of a going concern, attributable to other reasons,
 - 3) personnel changes as regards accounting activities, management support activities, tax and other regulatory returns,
 - 4) loss of significant information resources, including source documentation, disclosure of material negligence affecting the entity's accounting.
- 6.2. In case of liquidation, bankruptcy, composition or recovery proceedings, the person dealing with accounting should cooperate with individuals, entities and institutions engaged in this situation according to the rules set out in this Code.
- 6.3. If the person dealing with accounting identifies a threat to the ability to continue as a going concern by an entity keeping accounting books or an entity providing accounting services to third parties, the person should report the fact to the entity's manager.
- 6.4. In case of personnel changes as regards accounting activities, management support activities, tax and other regulatory returns, following relevant procedures applied in the entity, the outgoing person should pass on to the incoming person all necessary

information on accounting activities, management support activities, tax and other regulatory returns executed by the person, including the information which does not result from internal regulations, but is critical to proper performance of professional tasks.

- 6.5. When there is a loss of significant information resources, the person dealing with accounting should demonstrate willingness to engage in joint efforts to restore the resources.
- 6.6. In case of disclosing material negligence affecting the entity's accounting, the person dealing with accounting should report the fact to their immediate superior or the entity's manager, taking into account the provisions of law and ethical principles.
- 6.7. In case of other extraordinary situations, the person dealing with accounting should seek to resolve them according to the provisions of law and principles of ethics in accounting.

Section 7

Professional confidentiality

The principle of professional confidentiality means that the person dealing with accounting fully observes the policy of the entity's Board regarding the non-distribution of internal information known to the person, whose disclosure is not required by the law, but which can be of economic or other significance to the entity.

- 7.1. Professional confidentiality means that matters, facts, and news which should not be spread and disclosed are not made public, with a view to protecting the entity's interest.
- 7.2. The person dealing with accounting preserves professional confidentiality as regards information received when performing accounting activities, management support activities, and preparing tax and other regulatory returns in the entity. Professional confidentiality shall be preserved also after formal relationship between the person dealing with accounting and the entity has terminated.
- 7.3. On no account shall the person dealing with accounting use or disclose information subject to professional confidentiality, either for their own benefit or the benefit of third parties. Under no circumstances may the disclosure of information subject to professional confidentiality result from endeavours to prevent the entity or any third party from accomplishing their goals.
- 7.4. The obligation to preserve professional confidentiality refers both to information concerning the entity's contractors, and to other aspects of its activities.
- 7.5. Information subject to professional confidentiality may be disclosed only when doing so is authorised based on provisions of law, professional standards, agreements and mutual arrangements.
- 7.6. Every time the person dealing with accounting intends to disclose information subject to professional confidentiality, they shall consider:

- whether the individual intended to receive the information disclosed has the right to receive specific information subject to professional confidentiality,
 - methodology and evidence of the disclosure of information subject to professional confidentiality,
 - consequences of the disclosure and resulting accountability.
- 7.7. In case of any uncertainty as to preserving professional confidentiality, the person dealing with accounting shall first report the fact to their immediate superior.
- 7.8. The person dealing with accounting managing other persons dealing with accounting is required to inform them about the obligation to preserve professional confidentiality.

Section 8

Proper offering of accounting services

Principles of proper offering of accounting services assume honesty in applying different forms of marketing activity and other activities aimed at attracting recipients of accounting services.

- 8.1. The person dealing with accounting gives information about their services in a reliable and honest manner, following the provisions of law and ethical principles.
- 8.2. Offering accounting services cannot have an adverse effect on the reputation of the accounting profession.
- 8.3. When offering accounting services, the principles of professional ethics are breached, especially when:
- 1) the recipient is informed about the options to influence authorities, administration bodies etc.,
 - 2) the information presented includes self-appraisal and is not evidenced by facts; or when one unjustifiably describes themselves as an expert or specialist in a particular area of accounting,
 - 3) services are offered and performed for a price that will not compensate costs,
 - 4) offers present overstated information concerning the quality of provided services, timely delivery, qualifications and experience etc.,
 - 5) the offering person compares themselves to other accountants, especially as regards competencies and fees; and they downgrade the value of other accountants' work etc.
- 8.4. As an author of publications, lecturer, interviewee etc., the person dealing with accounting can, apart from substantial content, reveal information about their professional qualifications and workplace, but they cannot disclose the services provided by their employing entity.

Part IV
LIMITATIONS ON PRACTISING
THE ACCOUNTING PROFESSION

1. When assessing the ability to practise an accounting profession, one has to bear in mind that limitations on practising the accounting profession may result from both personal and external conditions. The personal limitations include: qualifications and professional experience, profession-specific and organisational skills, and mental fitness. The external limitations on practising the accounting profession include requirements resulting from the existing legal and professional norms, and from the internal provisions of an entity acting as an employer or a client.
2. When assessing the ability to practise the accounting profession, one should especially consider the following:
 - current requirements resulting from the existing legal and professional norms,
 - current requirements or those expected to be applied soon, resulting from internal regulations of an entity as regards: accounting and organisational skills of the employed persons,
 - current requirements for general and professional qualifications of a person dealing with accounting applied in the employing entity,
 - the required mental and physical fitness of the person dealing with accounting.
3. Significant limitation on practising the accounting profession may result from a valid court's sentence for an economic offence or a ruling of a relevant authority passed according to legal norms regarding the accounting profession practice.

Part V
OBSERVING THE PRINCIPLES OF ETHICS IN ACCOUNTING,
INFRINGEMENTS, AND THE ETHICS COMMISSION

Section 1
Signatories of the Code of Professional Ethics in Accounting

- 1.1. Every person dealing with accounting, an entity providing accounting services to third parties, or an entity keeping accounting books can submit to the Accountants Association in Poland their statement about adoption and application of the Code of Professional Ethics in Accounting.

Upon registering the statement in the Accountants Association in Poland, such a person or an entity become Signatories of the Code of Professional Ethics in Accounting and are entitled to announce it on their website or elsewhere.
- 1.2. The Signatories of the Code of Professional Ethics in Accounting shall indicate to all interested parties how to get access to the Code.
- 1.3. The Signatory of the Code of Professional Ethics in Accounting is obliged to observe the principles set out in the Code. Manager of an entity being the Signatory of the Code shall ensure conditions for implementing and observing the principles

of the Code of Professional Ethics in Accounting by subordinated persons dealing with accounting.

Section 2

Infringements of the Code of Professional Ethics in Accounting

2.1. Signatory's behaviour counter to the principles of the Code

Every instance of behaviour that is counter to those principles, and an attempt to evade the principles of the Code, including the involvement of entities which are not subject to the principles of the Code.

In case the Code is infringed by an employee or an individual acting on behalf of the Code's Signatory, both the Signatory and the infringing individual shall bear responsibility.

2.2. Resolution in case of the Code infringement

All cases concerning the infringement of the Code by its Signatories shall be resolved by the Ethics Commission.

2.3. Code infringement notice

Everybody may notify the Ethics Commission about the infringement of the Code by its Signatory. The notice should be submitted in writing and describe the infringement committed by the Signatory.

2.4. Announcing the Code infringement

The Ethics Commission shall immediately announce the submission of the notice to the Signatory in question.

2.5. Reacting

The Ethics Commission undertakes actions to assess the accusation. In case the Ethics Commission finds the Signatory guilty of the infringement, it may:

- a) indicate the identified infringement to the Signatory,
- b) condemn infringements of principles,
- c) cross the Signatory off the Signatories list.

In every case the Ethics Commission may require the Signatory to ameliorate the effects of the infringement.

2.6. Upon identifying the infringement of the Code by a member of the Accountants Association in Poland, the Ethics Commission shall notify the relevant Association's authority.

Section 3

Ethics Commission

3.1. *Reasons for establishing the Ethics Commission*

The Ethics Commission was established to assess whether the Signatories observe the principles set out in the Code of Professional Ethics in Accounting.

The Ethics Commission operates at the Accountants Association in Poland according to the Association's Statute.

3.2. *Activity of the Ethics Commission*

Organisational and activity framework of the Ethics Commission is determined by the Main Board of the Accountants Association in Poland in *Regulatory framework of the Ethics Commission*. The Ethics Commission considers comments submitted by the Signatories, and their proposals concerning the contents of the Code of Professional Ethics in Accounting, as well as prepares and presents to the Main Board of the Accountants Association in Poland its proposals to amend the Code.

Part VI

FINAL PROVISIONS

The Code of Professional Ethics in Accounting shall be effective from the date of its approval in the form of a resolution passed by the National Assembly of Delegates of the Accountants Association in Poland.

Resolution No 698/21/2007 of the Main Board of the Accountants Association in Poland as of 23rd October 2007 establishing the Ethics Commission

Based on Article 27 paragraph 8 of the Statute of the Accountants Association in Poland, and in reference to Article 2 of the Resolution passed by the 19th National Assembly of Delegates of the Accountants Association in Poland as of 23 June 2007 on the principles of professional ethics, it is resolved as follows:

§ 1

The Ethics Commission is established as a commission working at the Main Board of the Accountants Association in Poland, composed of the following members:

- 1) Elżbieta Bochenek
- 2) Tomasz Dołęgowski
- 3) Mariusz Drozd
- 4) Małgorzata Janusz
- 5) Anna Karmańska
- 6) Józef Karolewski
- 7) Stanisław Kozłowski
- 8) Jerzy Łopacki
- 9) Jerzy Majdziak
- 10) Małgorzata Małowińska
- 11) Marian Mońka
- 12) Jan Piątek
- 13) Tadeusz Pieniążek
- 14) Rafał Wawrowski
- 15) Paweł Żuraw

§ 2

Regulatory Framework of the Ethics Commission is approved, as presented in the attachment to this Resolution.

§ 3

The Resolution is effective upon approval.

Regulatory framework of the Ethics Commission

Section 1 General provisions

§ 1

1. The Ethics Commission operates at the Accountants Association in Poland (the Association).
2. The Ethics Commission (the Commission) is established by the Main Board of the Association according to the decisions taken by the 19th National Assembly of Delegates of the Association.
3. The Commission works according to the Statute of the Association and this Framework.
4. The Commission works for the signatories of the 'Code of Professional Ethics in Accounting' (the Code).

Section 2 Number and the procedure of assembling the Ethics Commission

§ 2

1. The Commission consists of 15 to 21 persons.
2. The members of the Commission represent such communities as:
 - 1) accounting scientific circles,
 - 2) accounting practitioners (natural persons performing accounting and related activities),
 - 3) entities keeping accounting books,
 - 4) entities providing accounting services.
3. The Commission is composed of:
 - 1) ordinary and honorary members of the Association,
 - 2) representatives of the supporting members of the Association,
 - 3) representatives of unions, associations, and other professional or business organisations embracing those referred to in 2.

§ 3

1. Members of the Commission are appointed according to the decision taken by the Main Board of the Association in the form of a resolution passed upon prior request of the Main Board's Presidium or the Commission's Presidium.
2. At any time, a member of the Commission may be dismissed by the Main Board of the Association, on their own request, the request of the Main Board's Presidium, or the request of the Commission.
3. Out of the Commission, its members appoint: Chairman, Deputy Chairman, and Secretary who constitute the Presidium of the Commission. The Presidium of the Commission may include no more than three Chairmen of task forces, appointed by the Commission.

Section 3 Goals and principles of the Ethics Commission

§ 4

The goals of the Ethics Commission are:

- 1) promoting the principles set out in the 'Code of Professional Ethics in Accounting',
- 2) assessment of the signatories' observance of the ethical principles defined in the Code,
- 3) taking action to eliminate acts or behaviour that are contrary to ethical principles.

§ 5

The Commission accomplishes its goals through:

- 1) initiating different forms of popularizing knowledge about the principles set out in the Code, and engaging its members in successful completion of these undertakings,
- 2) active participation in attracting Signatories of the Code,
- 3) considering comments and proposals concerning the content of the Code, especially those submitted by its Signatories,
- 4) preparation of draft amendments and clarifications of the principles set out in the Code and submitting them to the Main Board of the Association, based on previous works.
- 5) considering the issues reported to the Commission as regards Code infringement, reporting the fact to the Signatories concerned, gathering information and evidence, performing analysis of the material, and drawing conclusions,
- 6) resolving issues connected with the Signatories' infringements of the Code, and implementing suitable procedures, i.e.:
 - a) forwarding the issue to a relevant Fellow Court of the Accounting Association in Poland in case the Signatory is a member of the Association as a natural person,
 - b) applying relevant means if the Signatory is not a member of the Association as a natural person,
- 7) applying relevant means towards those Signatories referred to in 6 b) above, i.e.:
 - a) indicating the identified infringement of principles,
 - b) condemning infringements of principles,
 - c) crossing the Signatory off the Signatories list,
- 8) initiating different activities to eliminate the causes of unethical behaviour,
- 9) making appropriate use of the 'Bank of Ethical Dilemmas' to promote knowledge about threats encountered in the area of ethics in accounting,
- 10) interpreting the 'Code of Professional Ethics in Accounting'.

§ 6

In accomplishing its goals, the Commission cooperates especially with:

- 1) the Presidium of the Main Board of the Association, mainly as regards:
 - a) ensuring organisational and technical support for the Commission,
 - b) promoting the principles set out in the Code,
 - c) attracting Signatories of the Code,
 - d) executing the Commission's decision to cross a Signatory off the list kept by the Association,
- 2) the Research Council of the Association, including the Accountant's Professionalism Commission, especially in such areas as:
 - a) promoting the principles set out in the Code,
 - b) conducting research on professional ethics in accounting,
 - c) creating the 'Bank of Ethical Dilemmas'.

Section 4

Functioning of the Ethics Commission

§ 7

1. As a group, the Commission fulfills its functions by means of attending meetings.
2. The Commission is assembled when necessary.
3. The meetings of the Commission are called by the Chairman or Deputy Chairman, indicating the meeting's agenda. In case the Chairman or Deputy Chairman are unable to perform their duties, the functions are taken over by the Secretary or a member of the Commission appointed by the Chairman.
4. The Commission's meeting should be also called on demand from at least five members of the Commission or if requested by the Presidium of the Main Board.
5. The meetings of the Commission take place at the registered office of the Main Board of the Association. Under reasonable circumstances, the Chairman of the Commission may call a meeting in a different place.
6. The meetings are presided over by the Chairman, and upon his absence, the Deputy Chairman, the Secretary, or a member of the Commission appointed by the Chairman.

§ 8

1. The Chairman notifies the Commission's members about the date, venue, and the agenda of the meeting at least 14 days prior to the meeting of the Commission.
2. Materials concerning issues subject to discussions are distributed to the members of the Commission at least seven days prior to the meeting. The Chairman may consent to present

the materials at an earlier date.

3. Every member of the Commission has the right to request the agenda to be extended. The request to extend the agenda is considered during the meeting.
4. On account of important reasons, the Chairman has the right to stop the meeting and adjourn the meeting until a later date.

§ 9

1. The Commission passes resolutions or makes statements in the form of opinions and conclusions on the issues considered.
2. The Commission may pass a resolution or make statements if all its members were notified about the meeting, and the meeting is attended by majority of the Commission's members.
3. The Commission passes resolutions or makes statements by simple majority, during open voting.
4. The Commission may pass resolutions or make statements in writing or via remote communication tools. Taking this course of action to make a decision requires a draft statement to be presented to all members of the Commission.
5. Decisions made in a mode described in 4 are required to be presented during the next meeting of the Commission, indicating the result of voting.

§ 10

The Commission may:

- 1) appoint, out of its members, task forces or short-term working groups,
- 2) invite to engage in cooperation individuals who are not members of the Commission; those invited can take part in the Commission's meetings as advisors,
- 3) call upon experts to conduct specialist evaluation.

§ 11

1. The meetings of the Commission are minuted. The minutes should include at least: number, date of the meeting, surnames of the members of the Commission and other individuals present at the meeting, agenda, the text of provisions and statements, and dissenting opinions expressed by members of the Commission.
2. Plans, reports, conclusions, and other materials considered during the meeting should be attached to the minutes.
3. The minutes should be signed by the person presiding over the meeting of the Commission, and by a minutes secretary. A member of the Commission has the right to express a dissenting opinion to the text of the minutes.

§ 12

1. The members of the Commission effectuate their rights and fulfill their obligations in person.
2. A member of the Commission is required to take part in the Commission's meetings.

§ 13

Making statements on behalf of the Commission, and signing documents (including minutes and copies) is an obligation of the Chairman, and in his place, of the Deputy Chairman or a Secretary.

§ 14

The Commission submits its annual report to the Main Board of the Association.

Section 5

Final provisions

§ 15

1. The members of the Commission are remunerated according to the criteria and rates determined by the Main Board of the Association.
2. The costs of the Commission's activity are covered by the Main Board of the Association.
3. Administrative and organisational support is provided by the Office of the Main Board of the Association.

§ 16

In issues not covered by this Regulatory Framework, principles resulting from the Statute of the Association, and commonly used laws shall apply.