

Ken Siong
IESBA Technical Director
International Ethics Standard Board for Accountants

Sent by email: KenSiong@ethicsboard.org

Brussels, 31 October 2019

Subject: Accountancy Europe's comments to the IESBA Exposure Draft on the *Proposed Revisions to the Code to Promote the Role and Mindset Expected of Professional Accountants*

Dear Mr. Ken Siong,

Accountancy Europe is pleased to provide you with its comments on the IESBA Exposure Draft (ED) *Proposed Revisions to the Code to Promote the Role and Mindset Expected of Professional Accountants*.

We support the way forward whereby IESBA continues referring to professional scepticism only in the context of audit, review and other assurance engagements, and adds application material to the Code to explain the role and mindset expected from professional accountants. We also support the Board's decision not to include either a mission statement or a professional oath within the international Code.

We emphasise that adding new concepts and/or new definitions may not always bring more clarity to the profession and that the IESBA should be cautious when adding new terms to the Code.

Finally, we believe that further changes to the Revised Code, which became applicable in June 2019, should be limited to the cases where the need is significant, and the substance is not covered adequately in the current Code. We remain to be convinced that this ED is in this category.

For further information on this Accountancy Europe letter, please contact Noemi Robert on +32 (0) 28 93 33 80 or via email at noemi@accountancyeurope.eu; or Harun Saki on +32 (0) 28 93 33 85 or via email at harun@accountancyeurope.eu.

Sincerely,



Florin Toma
President



Olivier Boutellis-Taft
Chief Executive

ABOUT ACCOUNTANCY EUROPE

Accountancy Europe unites 51 professional organisations from 37 countries that represent **1 million** professional accountants, auditors and advisors. They make numbers work for people. Accountancy Europe translates their daily experience to inform the public policy debate in Europe and beyond. Accountancy Europe is in the EU Transparency Register (No 4713568401-18)

ANNEX – RESPONSES TO THE IESBA REQUEST FOR SPECIFIC COMMENTS

1. Question 1: Role and Values of Professional Accountants

Do you support the proposals in Section 100 that explain the role and values of professional accountants as well as the relationship between compliance with the Code and professional accountants acting in the public interest? Are there other relevant matters that should be highlighted in these paragraphs?

- (1) We agree that the accountancy profession has a responsibility to act in the public interest. However, we are concerned that describing this responsibility in paragraph 100.1 A1 as “involving upholding the ethical values upon which the Code is based” in addition to complying with the specific requirements of the Code is at best unhelpful if not counterproductive. Unless these “ethical values” are clearly defined, they remain subjective and unenforceable. Such urging concepts bear the risk of allowing oversight authorities to shape the profession’s behaviour as they see fit, which is not the purpose of an international professional Code of Ethics.

2. Question 2: Determination to Act Appropriately

Do you support the inclusion of the concept of determination to act appropriately in difficult situations and its position in Subsection 111?

- (2) We believe that integrity is the overarching fundamental principle of the ethical behaviour of professional accountants and that this fundamental principle already includes having the determination to act appropriately when confronted with dilemmas or difficult situations.
- (3) The provisions in the Code should remain principles-based to avoid setting rules determining what is acceptable and what is not. Therefore, we are not convinced of the need and the benefit of including examples in the paragraph 111.1 A2.

3. Question 3: Professional Behaviour

Do you support the proposal to require a professional accountant to behave in a manner that is consistent with the profession’s responsibility to act in the public interest in paragraphs 110.1 A1 (e)?

- (4) Yes, we agree to enhance the definition of the fundamental principle of “professional behaviour” to highlight the importance of its consistency with what is expected of the professional accountants, taking into account public interest.
- (5) However, as drafted, it could imply that individual professional accountants have a direct public interest responsibility, which puts the individual in a very challenging position with a potential societal burden.
- (6) Moreover, as IESBA is aware, the term “public interest” has never been satisfactorily defined demonstrating that there is no common understanding of this term. An alternative approach could be to require professional accountants to refrain from acting in a way that is knowingly against their own view of the public interest.

4. Question 4: Impact of Technology

Notwithstanding that the IESBA has a separate Working Group that is exploring the implications of developments in technology, are there any additional matters relating to the impact of technology beyond the proposals in paragraphs 110.1 A1(b)(iii), 113.1 A2 and 120.12 A2 that you consider should be addressed specifically as part of the Role and Mindset project?

- (7) No, we believe the proposed paragraphs about the impact of technology are sufficient for the purpose of the Code. At this stage, our recommendation would be not to emphasize technology further in the Code and to wait for the outcome of the technology working group. It is important for the Code to remain principles-based and technology neutral.
-

5. *Question 5: Inquiring Mind*

Do you agree with the concept of an inquiring mind as set out in the proposals in Section 120?

- (8) Yes, we agree with the concept as explained in Section 120, noting though that a new concept may not always bring more clarity. Indeed, paragraph 120.5. A3 subsections a and b refer to further investigation and critical evaluation respectively, which would require additional work to be performed. Therefore, clarification is needed as to in which circumstances (i.e. some kind of threshold) this further action is to be performed. We appreciate the clear distinction made between having an inquiring mind and professional scepticism as stated in paragraph 120.5 A5.

(9)

6. *Question 6: Bias*

Do you support the approach to addressing bias? If so, do you agree with the list of examples of bias set out in paragraph 120.12 A2? Should any examples be omitted or new ones added?

- (10) We support highlighting the importance of being aware of bias in Section 120. However, inclusion of an illustrative list related to common forms of bias in the Code may lead to some unintended consequences. Bias is already cited as a factor that may impact objectivity in the Code and the professional accountants are familiar with its definition. Consequently, stressing that awareness of one's bias will reduce its risk and impact should be sufficient for the purposes of the Code. The illustrative list could be useful outside of the remit of the Code to develop a Staff publication.
-

7. *Question 7: Organizational Culture*

Are there any other aspects about organizational culture in addition to the role of leadership that you consider should be addressed in the proposals?

- (11) We are of the view that the cross-reference to proposed ISQM1 may be more helpful if the link is explained between the quality objectives under the "Governance and Leadership" component of the ISQM1 and the role of organisational culture according to the Code. Otherwise the paragraph 120.14 A1 can be removed.