



International Organization of Securities Commissions
Organisation internationale des commissions de valeurs
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24 April 2015

Technical Director
International Ethics Standards Board for Accountants
545 Fifth Avenue, 14th Floor
New York, NY 10017 U.S.A.

Our Ref: 2015/JE/C1/IESBA/45

Subject: IESBA's Exposure Draft, *Proposed Changes to Part C of the Code Addressing Presentation of Information and Pressure to Breach the Fundamental Principles*

Dear Sir:

The International Organization of Securities Commissions' Committee on Issuer Accounting, Audit and Disclosure (Committee 1) appreciates the opportunity to comment on the International Ethics Standards Board for Accountants' (the IESBA or the Board) Exposure Draft, *Proposed Changes to Part C of the Code Addressing Presentation of Information and Pressure to Breach the Fundamental Principles* (the Paper). As an international organization of securities regulators representing the public interest, IOSCO is committed to enhancing the integrity of international markets through the promotion of high quality accounting, auditing and professional standards, and other pronouncements and statements.

Members of Committee 1 seek to further IOSCO's mission through thoughtful consideration of accounting, disclosure and auditing concerns, and pursuit of improved global financial reporting. Unless otherwise noted, the comments we have provided herein reflect a general consensus among the members of Committee 1 and are not intended to include all of the comments that might be provided by individual securities regulator members on behalf of their respective jurisdictions.

Overall Comments

We appreciate the opportunity to comment on the Board's Paper as we believe professional accountants in business (PAIBs) play an important role in the financial reporting process.



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PAIBs contribute to the flow of information upon which investors rely and as such it is important that PAIBs adhere to the IESBA's fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. We believe that it is unacceptable for PAIBs to prepare, present and/or file information that is misleading or for other individuals to place undue pressures on PAIBs to breach the Board's fundamental principles. In particular, where there are pressures from other individuals to mislead others or breach the Board's fundamental principles, it is useful for the PAIB to have guidance to inform their response during a time that could be intense and stressful. To this end, we have provided some high-level comments below in response to the Paper.

Section 320, Presentation of Information

Scope

Broad Application

We have observed that the Board has proposed expanding the scope of Section 320, *Presentation of Information*, from "financial or management" information to "financial and non-financial" information. While we believe public accountants should not be associated with the presentation of information that is misleading, we question whether the proposed inclusion of "non-financial" information "to stakeholders both inside and outside the employing organization" is too broad in its reach. Non-financial information is a wide body of material which may or may not be within the expertise of the PAIB. As such, we suggest the scope of non-financial information should be limited to include information which is within the expertise of the PAIB.

Name of Section

We note that the Board has proposed to rename the title of section 320 as *Presentation of Information* but substantive edits to the section reflect the PAIB's role in preparing, presenting and/or filing information. We believe the title should be consistent with the substance of the provisions and should reflect the entire process of generating information.

Applying Professional Skepticism

We believe the Board should include language within section 320 that emphasizes the need for PAIBs to exercise an adequate level of professional skepticism throughout the process of



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preparing, presenting and/or filing information. This is because the PAIB's work typically involves accumulating, distilling, and interpreting information from others, namely colleagues who work at the source (e.g., in operating departments) of an entity's transactions. We believe the increasing complexity of business transactions and financial reporting and the increasing use of estimates and management judgments require PAIBs to demonstrate enhanced levels of attentiveness and sensitivity to the integrity of information with which PAIBs are associated.

Relying on the Work of Others

The PAIB's involvement in the preparation or presentation of information could place the PAIB in a compromising position of being associated with material beyond their competence or training. In particular, where a PAIB must rely on the work of others for areas beyond the PAIB's expertise, we believe the Board should consider strengthening the provisions beyond simply requiring the public accountant to take reasonable steps to be satisfied that such work enables the professional accountant to fulfill the obligations of recording, maintaining, preparing, presenting and/or filing information in a manner that is fair and honest, in accordance with the fundamental principles. For example, should the Board's provisions require the public accountant to understand and consider the competence, capabilities and objectivity of the other individual; obtain an understanding of the field of expertise of the other individual; and so forth?

PAIB Responsibilities

The Paper states that:

“A professional accountant who is responsible for recording, maintaining, preparing or presenting information shall do so in a manner that is fair and honest, in accordance with the fundamental principles.”

We believe the term “fair and honest” may not be commonly used and thus may not be consistently interpreted and applied by public accountants. The Board should consider using a more universally accepted term such as “true and fair.”

We further note that with respect to the “fair and honest” concept, the PAIB's “responsibility involves taking reasonable steps to:



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- Represent the facts accurately and completely in all material respects;
- Describe clearly the true nature of business transactions or activities; and
- Classify and record information in a timely and proper manner.”

Notably absent is the need to ascertain whether information which is required or voluntarily provided is presented in a manner that is relevant and useful. We believe that these qualities should be included in the responsibilities of the PAIB.

Section 370, Pressure to Breach the Fundamental Principles

Definition of Pressure

We note that the Paper and the IESBA Ethics Code do not define or adequately elaborate on the notion of “pressure”, but rather attempt to convey the notion of pressure through the use of examples; we believe this is not sufficient. We believe a definition or elaboration is important to assist the PAIB in understanding and recognizing the threat which is being addressed in proposed section 370, *Pressure to Breach the Fundamental Principles*. Without an appropriate definition or elaboration it may be challenging for a PAIB to consistently differentiate between “routine pressures encountered in the workplace” and “pressure that could create threats...to compliance with the fundamental principles when undertaking a professional activity”.

Thank you for the opportunity to comment on the Paper. If you have any questions or would like to further discuss these matters, please contact either Nigel James or me at 202-551-5300.

Sincerely,

Julie A. Erhardt
Chair, Committee on Issuer Accounting, Audit and Disclosure
International Organization of Securities Commissions