

International Ethics Standards Board for Accountants: Proposed Revisions to the Code to Promote the Role and Mindset Expected of Professional Accountants

We welcome the opportunity to comment on this Exposure Draft (ED).

Moore Global is a leading mid-tier network with over 260 member firms in 112 countries. Our firms are multi-disciplinary practices, providing a wide range of professional services, which fall within the scope of this Exposure Draft.

In this time of increased public scrutiny, and with public trust over the accounting profession severely damaged, this is an important opportunity for IESBA to consider the role and mindset of professional accountants when conducting professional activities. It is particularly critical to reflect on the importance of acting in the public interest and how this should be addressed in our Code of Ethics.

We support that the Code should be re-framed to bring out the importance of acting in the public interest as we agree that the profession has a responsibility towards the public, but we think that this responsibility requires to be more clearly defined. We do have a concern that the interpretation of the term “public interest” could vary across engagement types.

We support IESBA’s proposal that it is important to distinguish between “professional scepticism” as required of auditors, from the mindset require more widely of professional accountants and we consider that an “inquiring mind” strikes the right balance.

In relation to the use of “determination” whilst we agree with the sentiment, we would prefer another descriptor such as “resolve” or “strength of character”.

We have provided our detailed responses to the questions below. We have two further comments not included within the questions as follows:

- We agree with the approach taken in 110.A1 (b)(ii) & R112.1 Objectivity in including undue reliance. There are many examples of where this can go wrong, including examples such as relying on a third party’s AML due diligence without own enquiries, relying on figures produced by another adviser without considering assumptions in detail, relying on client explanations without corroboration, etc.
- In A114.1 the Code indicates that confidentiality serves the public interest by allowing the free flow of information, but the Code does not explain that where disclosure is required due to the circumstances set out, that this is where the wider public interest trumps client confidentiality. It is also necessary to consider whistleblowing and how this interacts with confidentiality, either as part of this code or elsewhere, in the very immediate future.

Request for Specific Comments

Role and Values of Professional Accountants

1. 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?

Response:

We are in support of the proposals explaining the role and values of professional accountants, and strongly support the concept of extending the ethical requirements to professional accountants other than those performing assurance engagements, whilst still distinguishing between assurance engagements and other services.

100.1 A1 We agree that it is important to clarify that the accountant's responsibility is not exclusively to satisfy the preferences or requirements of the client/employer. It can be a very difficult area in practice, and this is where an "inquiring mind" and strength of character is important. The need to weigh up the client/employer demands with the public interest is an important point. A practical example of this was the public reaction a number of years ago to tax anti-avoidance measures implemented for high profile figures and corporations in the UK.

Our main concern is that the relationship between compliance with the Code and acting in the public interest could be problematic when attempting to enforce compliance with the Code, as the "profession's responsibility" contained in Par 110.1 A1 (e) is not clearly defined. We therefore recommend including a clear definition of the profession's responsibility to enable compliance.

Determination to Act Appropriately

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

Response:

Yes, we agree with the concept of determination to act as another element of integrity, but do not like the word "determination" in itself.

This word has two meanings, the first meaning is one of firmness of purpose which could be considered to be "dogged" and does not necessarily have positive connotations. The second meaning is one of deliberating or choosing a course of action – the connotation of "choosing" is not appropriate in the context of "doing the right thing".

More suitable words to describe this may be "resolve" or "strength of character". We have no problem with the position in subsection 111 as we agree that the concept is aligned with acting with integrity.

Professional Behaviour

3. 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) and R115.1?

Response:

We also support the inclusion of acting in the public interest, however, have the below comment on the specific wording. 110.1 (e) – the addition of "Behave in a manner that is consistent with the profession's responsibility to act in the public interest" is very broad considering the variety of service lines professional accountants provide outside of assurance services. It is important that this is defined, or guidance is provided, to ensure that the requirements are clear.

In many published regulatory cases involving ethics it is clear that there can be a tipping point where the professional accountant may have unwittingly "crossed a line" that quickly snowballs. It may be worth reinforcing the need to remain mindful of the services/actions being requested over time by clients/employers to consider how an informed third part might view those services, and their cumulative effect, on ethical compliance.

Impact of Technology

4. 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?

Response:

113.1 A2 We agree with need to add in technology in relation to competence given the significant impact it is having on the profession, with the shift from traditional book-keeping and accountancy services towards data analytics and advisory services, and the need for professional accountants to stay relevant.

The examples of bias given in par 120.12 A2 is also to be applied when using technology in services, beyond just the automation bias. For example, the potential to use incorrect data or inputs when setting up the technology tools (anchoring bias, availability bias in deciding which data to use as inputs), similarly using the standard, pre-set norms contained in the technology tools without further consideration of the best suitability thereof (form of representation bias and even Groupthink in a manner), etc. It might not be quite as obvious that these biases are also applicable when using technology (which will ultimately lead to the automation bias).

It should also be recognised that in addition to the risk of bias in the use of technology, it can be used in a more direct unethical way to perpetrate fraud, such as the Volkswagen emissions fraud case. The need for a critical and analytical mindset and skills in using technology should be reinforced.

The increased reliance on computers could arguably be responsible to contributing to a less “inquiring” mindset. Computers facilitate the ability to conduct work remotely from clients/employers and fellow employees, with less time spent on human communication and interaction. The importance of continued communication and human interaction can be listed as a safeguard against this type of “bias”.

Inquiring Mind

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

Response:

We agree that the mindset of a professional accountant should be distinguished from professional scepticism exercised by an auditor given these are two distinct types of behaviours and expectations.

We agree that the concept of an inquiring mind (as opposed to questioning or critical mind or mindset) makes sense. In terms of the description contained in par 120.5 A3 copied below;

Obtaining this understanding entails having an inquiring mind, which means:

- (a) Being open and alert for situations and information (or the lack thereof) that might require further investigation; and*
- (b) Considering whether there is a need to critically evaluate the information obtained, having regard to the nature, scope and outputs of the professional activity being undertaken.*

Point (b) should perhaps include the clarification that the professional accountants must consider the integrity (including the source of the information and the appropriateness of its presentation), relevance and sufficiency of the information they obtained when critically evaluating it.

It is not only the nature of the professional activity that is relevant in driving the evaluation of the information obtained, but the full circumstances including the nature of the client/employer, the geography, the regulatory and economic landscape, etc.

Bias

6. 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?

Response:

Yes, the addition of examples is particularly useful. See comments under question 4 Impact of Technology for further discussion.

However, the actions that can be taken to mitigate the bias are very brief and consideration should be given to extending the guidance in this area, including looking for other sources of data, recruitment procedures, training, review, consultation, governance processes, etc.

Organizational Culture

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

Response:

We consider open and frequent communication as part of the role of leadership, however the importance of such communication of relevant matters could possibly be emphasised more.

Other aspects that could be considered are internal monitoring/evaluation of compliance with the values and principles; enforcement; management processes; performance evaluation and whistleblowing policies.

Given this code covers both members in business as well as members in practice it is particularly important that whistleblowing policies and procedure are given more emphasis.

We welcome the link between the International Standard on Quality Management (ISQM) and the Code in the revised wording of the Code. It is important that IESBA continues to work closely with the IAASB (the International Auditing and Assurance Standards Board) in ensuring the appropriate links between the ethical requirements and the auditing standards and it is important for the wording in the final version of ISQM to appropriately reflect the importance of audit firm's compliance with the IESBA Code.

Request for General Comments

Small- and Medium-Sized Entities (SMEs) and Small and Medium Practices (SMPs)

The IESBA invites comments regarding any aspect of the proposals from SMEs and SMPs.

Response:

The concepts contained in the proposal is straightforward and simple enough to easily be implemented by SMEs and SMPs.

Regulators and Audit Oversight Bodies

The IESBA invites comments on the proposals from an enforcement perspective from members of the regulatory and audit oversight communities.

Response

n/a

Developing Nations

Recognizing that many developing nations have adopted or are in the process of adopting the Code, the IESBA invites respondents from these nations to comment on the proposals, and in particular on any foreseeable difficulties in applying them in their environment.

Response

No further comments.

Translations

Recognizing that many respondents may intend to translate the final changes for adoption in their own environments, the IESBA welcomes comment on potential translation issues respondents may note in reviewing the proposals.

Response:

In general, the language is clear and precise enough to enable translations.