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Mr. Ken Siong
International Ethics Standards Board for Accountants
International Federation of Accountants
545 Fifth Avenue, 14th Floor
New York, New York 10017 USA

31 October 2019

Dear Mr. Siong:

Proposed Revisions to the Code to Promote the Role and Mindset Expected of Professional Accountants

Ernst & Young Global Limited, the central coordinating entity of the Ernst & Young organization, is pleased to comment on the IESBA's Exposure Draft, Proposed Revisions to the Code to Promote the Role and Mindset Expected of Professional Accountants (the ED).

With the ever-increasing scrutiny by regulators and oversight agencies of public accounting firms, employing organizations and accounting professionals in jurisdictions across the globe, it is increasingly important to ensure that professional accountants understand and respond to their responsibility to act in the public interest. It is also important for standard setters to continually evaluate their respective standards and challenge whether they continue to be fit for purpose. In these regards, we believe the proposed revisions will facilitate a clearer understanding by professional accountants of how compliance with the fundamental principles of the Code will facilitate their ability to meet their responsibilities to act in the public interest. Our responses to the questions below include various recommendations that we believe would enhance the revisions proposed by the Board. With regard to developments in technology, we believe it would be beneficial if the Board would defer any revisions to the Code related to technology until the Board has the opportunity to evaluate the report and recommendations from the Technology Working Group.

Seven specific questions were identified on which the Board welcomed respondents' views and we have organized our response accordingly. Our comments are set out below.

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?

Yes, we support the proposal in Section 100. We agree with the Board's contention in paragraph 18 of the ED that that compliance with the Code cannot in and of its own right ensure or assure that the Professional Accountant is acting in the public interest. Therefore, we question whether the use of the word "enables" in Section 100.1 A1 could unintentionally convey an assurance that professional accountants will meet their responsibility to act in the public interest, especially when translated for adoption in local language. We would suggest instead the following wording: "Compliance with the Code facilitates accountants to meet their responsibility to act in the public interest . . ."

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

While we agree with including the concept of acting appropriately in difficult situations, we believe this concept needs to extend beyond having only the determination to act appropriately. Therefore, we recommend that the Board remove the wording "having the determination to", and more clearly state that, "Integrity also includes acting appropriately when confronting dilemmas or difficult situations."

Also, the Code currently acknowledges within Section 260, Responding to Non-compliance with Laws and Regulations, that a potential threat to physical safety is a consideration in complying with the requirements of Section 260 (Section 260.20 A3). The Board should consider including a similar consideration when the professional accountant is evaluating the need to confront dilemmas or difficult situations in order to comply with the fundamental principle of acting with integrity. Additionally, deciding what constitutes "potential adverse personal or organizational consequences" will be a subjective evaluation, and might require additional guidance or examples before this could be adequately complied with.

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?

Yes, we 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. We believe the proposed revisions in Section 100 will facilitate a clearer understanding by professional accountants of how compliance with the fundamental principles of the Code will facilitate their ability to meet their responsibilities to act in the public interest.

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?

Developments and trends in technology are rapidly transforming business models, processes, and capabilities, and as well the manner in which enterprises interact with the market and other stakeholders. Therefore, we are supportive of the Code being updated with regard to considerations for new and evolving technologies. However, rather than making these changes as part of the Role and Mindset project, we believe the Board should consider deferring any updates to the Code related to developments in technology until there is a chance to evaluate the report and recommendations from the Technology Working Group.

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

We fully support the preservation of the phrase "professional skepticism" for use only in an audit or assurance engagement, and we agree with including the new element to paragraph R120.5 to have an inquiring mind. We believe that applying an inquiring mind – that is, being open and alert to the need for further investigation and considering the need to critically evaluating the information

obtained – is consistent with the fundamental principles of acting with integrity, objectivity, professional competence and due care.

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?

We fully support the Board’s efforts to increase the awareness of bias and the impact it has on professional accountants’ ability to effectively apply the conceptual framework. We note, however, that proposed paragraph 120.12 A2 includes more biases than those included in the IAASB Exposure Draft, Proposed International Standard on Auditing 220 (Revised) (ISA 220 ED). Furthermore, the descriptions of the biases in paragraph 120.12 A2 are not aligned with the descriptions in ISA 220 ED. We recommend that the IESBA and IAASB coordinate their efforts in addressing this important consideration by agreeing on a common list and description of biases.

Also, the introduction of “automation bias” without any further guidance on “automation” can potentially be introducing a bias in the Code that automation can only be harmful, when instead automation also can be a technique used to remove bias. The output of the automated systems will remain the same as long as the programming remains the same – i.e., the automation itself cannot be biased. We recommend that this revision be postponed until the Technology Working Group presents its final report so that the benefits of automation can also be considered.

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?

Regarding organizational culture, while we fully understand the importance of a positive internal organizational culture and the role this plays in facilitating compliance with the fundamental principles, to include this section without any type of requirement could potentially be confusing. The Board should consider including this guidance in other material, for example Staff Questions and Answers, instead.

Regarding firm culture, as noted in paragraph 120.14 A1, the IAASB’s ISQM 1 includes quality objectives for governance and leadership that address the need for an appropriate firm culture that promotes ethical values. We support these quality objectives in ISQM 1. The guidance included herein should be discussed with IAASB with an accompanying recommendation to include this guidance in ISQM 1 to explain the role of culture and ethical values.

We would be pleased to discuss our comments with members of the International Ethics Standards Board or its staff. If you wish to do so, please contact Tone Maren Sakshaug (tonemaren.sakshaug1@qa.ey.com) or John Neary (john.neary@de.ey.com).

Yours sincerely,

Ernst + Young Global Limited