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Accountants (IESBA)
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Our ref SRA/288

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Dear Mr Siong

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

We appreciate the opportunity to comment on the above Exposure Draft issued by the International Ethics Standards Board for Accountants (IESBA or the Board). We have consulted with, and this letter represents the views of, the KPMG network.

Overall, we are supportive of the Board's objective to explain the role, mindset and behaviours expected of all professional accountants and we appreciate the Board's responsiveness to the feedback from the consultation paper and roundtables on professional skepticism.

The appendix to this letter provides our responses to the specific questions posed in the Exposure Draft and indicates a few matters that we believe can be strengthened, namely, further explanation of acting in the public interest for professional accountants in business and professional accountants in public practice who do not provide audit and assurance services, and adding the concept of scalability in relation to behaving in a manner that is consistent with the profession's responsibility to act in the public interest.

Please contact Karen Bjune at kbjune@kpmg.com if you wish to discuss any of the issues raised in this letter.

Yours sincerely

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Appendix A: Responses to Specific Questions

- 1. *Role and Value 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?**

We support the proposals in Section 100 and appreciate the elevation of the expectation for both professional accountants in public practice (PAPP) and professional accountants in business (PAIB) to act in the public interest. As expressed in more detail under question 3, we suggest that a framework be included to provide parameters around the PAIB's responsibilities for acting in the public interest and for those PAPPs who provide professional services other than audit, review or other assurance engagements.

- 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?**

We support the inclusion of this concept in the Code of Ethics.

- 3. *Professional Behavior* - 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?**

We support this proposal but recommend that a framework be included to clarify that the need to act in the public interest for a PAIB is in the context of the PAIB's specific job responsibilities, and for a PAPP who provides professional services other than audit, review or other assurance engagements, is in the context of the specific service being delivered by the PAPP. It is important to provide parameters by which to gauge compliance in order to ensure consistency in the implementation and interpretation of the requirements.

We also recommend that the Board consider the need to develop application material or non-authoritative guidance to support the implementation of the new requirement in R115.1 (a). Particularly for PAIBs, we believe guidance that further defines the public interest from the PAIB perspective and clarifies the expected difference in behaviour for PAPPs outside the assurance arena as a result of complying with this requirement could aid in implementation.

We further believe that the Board should expand the application material to provide scalability for the size of the organisation and, particularly, for the position of the PAIB within the organisation. The application of scalability of responsibility already exists in the NOCLAR standard, where there are different expectations for a senior

PAIB (such as the language in 260.11 A1 and R260.12) versus that of a PAIB other than a senior PAIB (such as the language in R260.24). Such scalability should be added to clarify the new requirement for behaviour in the fundamental principles.

- 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?**

We have no additional matters on the impact of technology to suggest at this time.

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

We agree with the concept of an inquiring mind. Within the application guidance for 120.16 we suggest adding a linkage to ISQM 1, as a firm's system of quality management supports the exercise of professional skepticism.

- 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?**

We support this approach in addressing bias and see it as a welcome development to remind professional accountants of these influences.

- 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?**

We question how the PAIB is to respond to the application material in paragraphs 120.13 A1 and 120.13 A2, especially in the circumstance where their organisation does not have a positive internal culture. In this circumstance, is a change in the PAIB's behaviour expected?

We also recommend reverting to the language in the extant Code for the heading "Considerations for Audits, Reviews and Other Assurance Engagements" preceding 120.14 A1, which is more appropriate as the subsequent paragraphs on *Independence* (120.15 A1-120.15 A2) and *Professional Skepticism* (120.16 A1-120.16 A2) do not include "related services". If the inclusion of "related services" is essential in relation to *Firm Culture*, the wording in 120.14 A1 could be expanded as needed to provide clarity on what services are being captured by that additional phrase.