



Technical Director
International Ethics Standards Board for Accountants
International Federation of Accountants
529 Fifth Avenue, 6th Floor
New York 10017

October 31st, 2019

Re: IESBA Exposure Draft – “Role and Mindset Expected of Professional Accountants”

Dear Mr Siong

Introduction

We¹ appreciate and thank you for the opportunity to comment on the IESBA’s exposure draft regarding proposed revisions to the Code relating to the Role and Mindset Expected of Professional Accountants.

Overall Comment

We support the proposals and believe that in overall terms the additional material in the Code will prove helpful in guiding the behaviours and mindset of the professional accountant as they perform professional activities and services.

Requests for specific comments:

Our responses to the specific questions raised in the ED follow.

¹ This response is being filed on behalf of PricewaterhouseCoopers International Limited (PwCIL). References to “PwC”, “we” and “our” refer to PwCIL and its global network of member firms, each of which is a separate and independent legal entity.

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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 proposed language and believe that this will be helpful guidance to professional accountants.

Given the current focus on building trust in the profession, we recommend that it might be helpful to add at the end of paragraph 100.1 A2 words to the effect of “Furthermore, the application of these skills and values helps to create and enhance trust in the profession”.

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 concepts included in 111.11 A2 but suggest that the final line of the paragraph be amended to “might create” adverse consequences, given that the individual might not know this at the time.

As with many aspects of application of the Code, the professional accountant might need to be able to demonstrate at a point in the future that he or she gave consideration to this requirement at the time, as these judgements are often questioned after the fact in difficult and challenging situations. Accordingly, we suggest that the application material provides some guidance on documentation.

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.

We note, however, that the material in both R112.1 and R115.1 repeats the definition of the respective fundamental principle and we wonder if this is strictly necessary.

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 further suggestions.



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

While we accept that having an “inquiring mind” is appropriate and necessary, we note that the newly restructured Code that was effective only in June this year, contained the need to “*remain alert for new information and changes in facts and circumstances*” as a core element of the conceptual framework (CF). This is proposed to be replaced by “*Have an inquiring mind*”, with a related, but slightly different, concept of “*Being open and alert for situations and information (or the lack thereof) that might require further investigation*” relegated to application material.

We are not clear that this new concept “*Have an inquiring mind*” as a core element of the CF is the same. For example, in the context of applying the provisions in Part 4A regarding the permissibility of non-assurance services, the former requirement to “*remain alert for new information and changes in facts and circumstances*” seems more appropriate than having an inquiring mind that might identify matters requiring further investigation.

Further, it seems unfortunate to be amending the conceptual framework in this way so soon after releasing the restructured Code, with a refined conceptual framework, not least as this will require Member Bodies and firms to further revise their guidance on application of the conceptual framework.

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?

In relation to “availability bias” we suggest that it might be helpful to also include a reference to placing weight on “information”, so that this could read:

“Availability bias, which is a tendency to place more weight on information, events or experiences that immediately come to mind or are more readily available than on those that are not”.

This said, we question whether the word “weight” will translate well and suggest that “emphasis” may be a better word.

We note, in relation to 120.12 A3, that there is a converse argument that a reliance on experts can result in over reliance and group think simply because they are experts and that this may in fact detract from individual responsibility.

Otherwise we consider this to be an appropriate and helpful list.

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 recommend that the following refinements be made to the paragraph below:

120.13 A2 The promotion of that ethical culture within an organization is most effective when:

- (a) Leaders and those in managerial roles act as role models and hold themselves and others accountable for demonstrating the ethical values of the organization;
- (b) When ethics and ethical values are made visible, both internally and externally.
- (c) Appropriate education and training programs, management and consultation processes, and performance evaluation and reward criteria that promote that ethical culture are in place and set clear expectations; and
- (d) Ethical values are adhered to in dealings with third parties.

Other comments

As a minor point, we note that the heading above paragraph 120.14 A1 has been amended to include a reference to “Related Services” when this is only referred to in passing in that paragraph and the material that follows applies only to audit, reviews and other assurance engagements.

There are references to “undue reliance” in the Code, such as revised paragraph R220.4. With the newly included reference here to reliance on technology, we wonder whether readers might struggle to understand the application of this requirement and suggest that some examples might be helpful. Some of the recent Board discussions around the use of AI may be relevant as an example.

In the definition of “Professional Judgement” the use of the word “including” before the nature and scope of professional activities does not work. This is intended to be linked to the “facts and circumstances” but as drafted it also relates as a sub-clause to training. We suggest “including” be revised to “having regard to”.

Contact

We would be happy to discuss our views with you. If you have any questions regarding this letter, please contact me at samual.l.burke@pwc.com.

Yours sincerely

A handwritten signature in black ink, appearing to read "Sam", written in a cursive style.

Sam Burke
Global Independence Leader