

October 31, 2019

Mr. Ken Siong  
Senior Technical Director  
International Ethics Standards Board for Accountants  
529 Fifth Avenue  
New York, NY 10017 USA

Dear Mr. Siong:

**Re: July 2019 Exposure Draft, *Proposed Revisions to the Code to Promote the Role and Mindset Expected of Professional Accountants***

I am writing on behalf of the Public Trust Committee (PTC) of the Chartered Professional Accountants of Canada (CPA Canada) in response to your request to comment on the Exposure Draft entitled *Proposed Revisions to the Code to Promote the Role and Mindset Expected of Professional Accountants* (“the Exposure Draft”).

CPA Canada is the national body of Canada’s accounting profession, with more than 217,000 members both at home and abroad. It conducts research into current business issues and supports the setting of accounting, auditing and assurance standards for business, not-for-profit organizations and government. CPA Canada issues guidance on control and governance, publishes professional literature, develops continuing education programs and represents the Canadian CPA profession nationally and internationally.

The PTC is responsible for overseeing the regulatory structures and processes across provincial jurisdictions in Canada. The PTC’s goals include achieving consistency between the provincial CPA bodies in Canada and ensuring that the processes and standards in Canada meet or exceed the international standards.

Overall, as provided below, we are generally supportive of the proposals as presented in the Exposure Draft and have provided our input regarding the specific requests of Respondents. We believe that the coordination efforts undertaken by IESBA with IAASB and IAESB have benefitted the Exposure Draft process and proposed revisions. Additionally, the webinar presented was found to be helpful in providing additional context as to the Exposure Draft’s contents and rationale used in developing the proposals.

Please find below our responses to the requested matters for input from Respondents as outlined in the Explanatory Memorandum’s Guide for Respondents.

***Request for Specific Comments:***

*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?*

Generally, we are supportive of the proposals in Section 100. It was noted, however, that an understanding of the public interest (i.e., versus a definition if one were possible) and the evolution of what public interest means today or in the future is of critical importance, ever evolving, case specific and thereby challenging. The need for guidance through examples and case studies was identified as a possible support for professional accountants in considering this matter.

In 100.1 A1, there appears to be a clear indication that compliance with the Code enables professional accountants to meet their responsibilities to act in the public interest. In contrast, paragraphs 17 and 18 of the Explanatory Memorandum seem to indicate that the Code “plays an important role” and that compliance with the Code does not mean that the professional accountant’s responsibility to act in the public interest has been met in full. There seemed to be a discrepancy and we received feedback that 100.1 A1 should be less definitive/precise with a suggestion for substituting “consider” for “act” as follows: “Compliance with the Code enables accountants to meet their responsibility to consider the public interest...”.

In 100.1 A2, we suggest that a small clarification may improve the final sentence as follows: “The application of these skills and values enables professional accountants to provide advice or other output that is fit for the purpose for which it was provided, and which might be relied upon by **the** intended users of such output.” It was felt that this would assist in calling the attention of the reader equally to both the specificity of the purpose and the intended users.

*2. 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 importance of standing one’s ground in the face of pressure, however, we received some feedback that “determination” may not be a preferred word (e.g., one suggestion was “courage of conviction”) but more and stronger feedback was received that acting appropriately may be subject to interpretation and potentially it may be too broadly interpreted. A suggestion made in this regard for 111.1 A1 was “Integrity also includes having the determination to act in compliance with the Code when confronting dilemmas or difficult situations”. Another suggestion made to restrict an excessively broad interpretation of “appropriate” is to instead state that professional accountants must have the courage to resist pressure when asked to act illegally or be associated with a false or misleading statement or document. Overall, we believe there should be a narrowing of the potential scope of interpretation as to what “appropriate” may mean or be interpreted as.

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?*

We support the proposal while noting, however, that an understanding of the public interest (i.e., versus a definition if one were possible) and the evolution of what public interest means today or in the future is of critical importance, ever evolving, case specific and thereby challenging. The need for guidance through examples and case studies was identified as a possible support for professional accountants in considering this matter.

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?*

We support the revisions currently proposed in the paragraphs noted above and appreciate that further changes may be suggested once the Technology Working Group completes its deliberations. At this time, we offer one additional area in Part 1 that it may be helpful to consider regarding technology which is the Fundamental Principle of Confidentiality. We believe it would be relevant to add new application material in the Confidentiality subsection to raise professional accountants' awareness of the importance of taking measures to ensure privacy when using technology to store and transmit confidential information.

5. *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 as set out and we received some feedback that while more junior members of the profession may find it difficult to comply in certain cultures or organizations, for example, all professional accountants must be clear on its applicability. Additional guidance material (e.g., examples and case studies) would be helpful in more explicitly expressing the behavior expected of all professional accountants. Such additional guidance could assist in bringing into sharp focus the importance of an inquiring mind and professional skepticism as well as the impact of biases.

We believe that 120.5 A3(b) could be improved with the notion of also considering the "source" or "origin" of the information such that new wording could read as follows: Considering whether there is a need to critically evaluate the information obtained, having regard to the nature, scope, source and outputs of the professional activity being undertaken.

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 are generally in support of the approach to address bias and note that the illustrative list of common forms of bias provides additional information and clarity for the reader. We are

aware that there are multiple potential biases, descriptions as to what they entail and that it is difficult to anticipate which ones might occur in practice. For these reasons, it would be desirable to indicate that the example listing is not intended to be exhaustive in order that the reader remains alert to other existing or potential biases.

We did not receive suggestions for the omission of any of the examples from the list but did receive the following additional types of bias for consideration: rush to solve bias, authority bias, loss-aversion bias and projection bias.

We also note that there is little information provided as to how the professional accountant should address the varieties of bias should they exist, and we believe that further guidance and practical context would be helpful for all professional accountants. Additional guidance could include examples and case studies relevant to those in industry and public practice with suggestions for actions and matters to consider when faced with such biases and pressures.

*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?*

It was noted that the proposed additions in 120.13 are supportable, however, the following considerations were raised:

- Leadership is important but everyone in an organization, whether junior or senior, plays a part in having the “right” culture,
- The concepts are very appropriate regarding “firm culture” but may be difficult for professional accountants in business to change or establish if the leadership of the organization is not bound by the same ethical standards,
- The provisions could be enhanced to ensure professional accountants in positions of senior authority in industry and public practice recognize the importance of their role in influencing events, practices and attitudes within an organization to encourage an ethics-based culture, and
- Encouragement for creating a speak-up culture where decisions on ethical grounds can be challenged without fear of reprimand is important and a defined whistleblowing policy allowing for the reporting of breaches in ethical conduct could be referenced.

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We thank you for the opportunity to comment on this Exposure Draft and we appreciate that further revisions to these proposals may result through the feedback provided by stakeholders.

Yours truly,



Jamie Midgley, FCPA, FCA  
Chair, Public Trust Committee