11 October 2019

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

Dear Ken,

IESBA Consultation Paper, Proposed Revisions to the Code to Promote the Role and Mindset Expected of Professional Accountants

Thank you for the opportunity to comment on the Proposed Revisions to the Code to Promote the Role and Mindset Expected of Professional Accountants. We submit the feedback from the New Zealand Auditing and Assurance Standards Board (NZAuASB) in the attachment.

The External Reporting Board (XRB) is a Crown Entity responsible for developing and issuing accounting and auditing and assurance standards in New Zealand. The XRB’s outcome goal is to contribute to the creation of dynamic and trusted markets through the establishment of an accounting and assurance framework that engenders confidence in New Zealand financial reporting, assists entities to compete internationally and enhances entities’ accountability to stakeholders. The NZAuASB has been delegated responsibility by the XRB for developing and issuing auditing and assurance standards, including ethical standards for assurance practitioners.

The NZAuASB’s mandate is limited to developing and issuing auditing and assurance standards, including ethical standards for assurance practitioners. This applies only to professional accountants in their role as assurance practitioners.

The NZAuASB supports the proposed revisions to the Code. The NZAuASB particularly supports the inclusion of the concept of an inquiring mind and reserving the use of the term ‘professional scepticism’ only in an audit and assurance context, and as defined in the auditing and assurance standards issued by the IAASB. The NZAuASB further emphasises the importance of upholding ethical values in principle and in substance as a fundamental foundation of effective application of the Code in practice.

Should you have any queries concerning our submission please contact either myself at the address details provided below or Sylvia van Dyk (sylvia.vandyk@xrb.govt.nz).

Yours sincerely,

Robert Buchanan
Chairman – New Zealand Auditing and Assurance Standards Board

Email: robert@buchananlaw.co.nz
Submission of the New Zealand Auditing and Assurance Standards Board

IESBA Consultation paper: Proposed Revisions to the Code to Promote the Role and Mindset Expected of Professional Accountants

Schedule of Responses to the IESBA’s Specific Questions

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 support the proposed additions to paragraph 100.1 A1 of the Code. However, in our opinion the paragraph will have a better flow if the last sentence of the proposed paragraph is moved up to follow the first sentence. We suggest the following edits to paragraph 100.A1

“A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest. In acting in the public interest, a professional accountant’s responsibility is not exclusively to satisfy the preferences or requirements of an individual client or employing organization when performing professional activities. A professional accountant is also responsible for maintaining and enhancing the public trust in the profession. The Code sets out the ethical behaviors and approach to professional activities expected of professional accountants. Compliance with the Code enables accountants to meet their responsibility to act in the public interest and involves upholding the ethical values upon which the Code is based as well as complying with the specific requirements of the Code. In acting in the public interest, a professional accountant’s responsibility is not exclusively to satisfy the preferences or requirements of an individual client or employing organization when performing professional activities.”

We question the need for the proposed paragraph 100.1 A2 that explains the role and values of professional accountants. We believe that it may be more useful to emphasise that the public trust in the profession is at the heart of the broad range of roles undertaken and values delivered by professional accountants. It is therefore vital for professional accountants to be committed to enhancing the public trust and avoid behaviour that will harm this trust. We therefore recommend the paragraph to be amended as follows.

The public trust in the accountancy profession underpins why businesses, governments and other organizations involve professional accountants in a broad range of matters. Accountants understand and acknowledge that these organizations do so because they recognize the skills and values that the accountants bring to the professional activities they undertake through:

(a) Adherence to ethical principles and professional standards;
(b) Use of business acumen;
(c) Application of expertise on technical and other matters; and
(d) Exercise of professional judgment;

are fundamental for upkeeping this public trust. 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 intended users of such output.

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 support the proposed additions in paragraph 111.1 A2.

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:

Yes. We support these paragraphs.

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:

We have not noted any other matters to address.

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

Yes, we agree with the proposed concept. We support the IESBA proposed approach to restrict the use of professional scepticism when discussing audit, review and other assurance engagements and support the addition of the proposed paragraph 120.5 A5 to clarify this approach.

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?

Yes, we support the approach and the examples included. We would also recommend including the definition of bias in the Glossary.

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?

We believe it is important for any organisation to understand what are the potential drivers and pressures that encourage departure from ethical values and principles.