

PIOB Monitoring of Comment Letters submitted by MG/IFIAR Members

to the IESBA ED "Proposed revisions to the Code to promote the Role and Mindset expected of Professional Accountants" (published on July 2019)

As of September 2020



#	Respondent	Group	Issue	MAIN Issues/Recommendations - Description	SSB's Disposition of Comment in final text approved in June 2020
Basel Committee on Banking Supervision (BCBS)					
1	BCBS	MG	Support requirement to act in the public interest	The Committee agrees with IESBA's proposals in the ED, in particular 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 and the concept of an inquiring mind.	IESBA retained in the final text the paragraph that requires all PA's to behave in a manner that is consistent with the profession's responsibility to act in the public interest, as well as the concept of "inquiring mind".
2	BCBS	MG	Clarification of requirements	Would welcome clarification on one point, namely the proposals around organisational culture and "effective application" of the IESBA Code (paragraph 120.13.A1). Recommend that the revised Code should clearly explain that its requirements apply regardless of the organisational culture within which the professional accountant operates.	IESBA strengthened the text on conditions for effective promotion of an ethical organization (Para. 120.13 A2) and included a new paragraph to reflect individuals PA's role in promoting ethical behavior and culture in their organization. As explained in the Basis for Conclusion, IESBA determined that further revisions were not necessary to address BCBS comment, as they considered that text in paras. 120.13 A1 and A2 "do not suggest, or are not likely to be perceived as suggesting, that individual PAs can use a poor ethical culture within their organizations as a reason not to comply with the requirements of the Code".
Abu Dhabi Accountability Authority (ADAA)					
3	ADAA	IFIAR	Clarification on compliance with Code of Ethics	Para. 100.1 A1 could be made clearer including the following caveat: "compliance with the code does not mean that professional accountants necessarily discharge their responsibility to act in the public interest in full and that it does not have the authority, legal or otherwise, to give such an assurance."	IESBA included a new paragraph (100.6 A3) that clarifies that compliance with the requirements in the Code does not necessarily mean that the PA has met its responsibility to act in the PI.
4	ADAA	IFIAR	Clarification on requirements	Section on technology could be clarified to explain how professional accountants can maintain understanding of technology related developments.	IESBA concluded that no further changes related to technology were needed, as this topic will be developed in more detail by the Technology project.
5	ADAA	IFIAR	Additional examples on <i>bias</i>	Suggest adding: authority bias, information bias, outcome bias, self-serving bias, status quo bias, and story bias.	IESBA decided not to include additional examples of bias to authoritative guidance, but will consider developing non-authoritative guidance going forward.
6	ADAA	IFIAR	Clarification of requirements	Consideration should be given to the case where professional accountants cannot influence the organization's internal culture.	IESBA strengthened the text on conditions for effective promotion of an ethical organization (Para. 120.13 A2) and included a new paragraph to reflect individuals PA's role in promoting ethical behavior and culture in their organization.

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UK Financial Reporting Council (UK FRC)



7	UK FRC	IFIAR	Strengthening requirements	<p>Section 100 should highlight that complying with the Code and acting in the public interest requires appropriate mindset and give additional example of key characteristics and behaviours:</p> <ul style="list-style-type: none"> * Understanding the needs of users of information, the accountant is associated with. * Having an inquiring mind. * Applying appropriate professional scepticism. * Acting appropriately in difficult situations. <p>Section 111 should be strengthened to require accountants to always act appropriately when confronting dilemmas or difficult situations, rather than just having the "determination" to act appropriately.</p>	<p>IESBA retained the structure proposed in the ED. IESBA revised section 100 to clarify that compliance with the Code includes "giving appropriate regard to the aim and intent of the specific requirements" and to emphasize that compliance with the requirements of the Code does not mean that PAs will have always meet their responsibility to act in the public interest. Other sections develop key characteristics and behaviors expected from PAs.</p> <p>In section 111, IESBA replaced "determination to act appropriately" with "strength of character to act appropriately".</p>
8	UK FRC	IFIAR	Differentiation between <i>Inquiring mind</i> and <i>Professional skepticism</i>	<p>More emphasis should be made on the need for accountants to be satisfied with the integrity, relevance and sufficiency of information. There is an overlap between the concepts of Inquiring mind and Professional skepticism. This should be clarified in para. A120.5.A5.</p>	<p>IESBA revised the elements of "having an inquiring mind" in paragraph 120.5 A1 and included a reference to consideration "of the source, relevance and sufficiency of information obtained" as well as "being open and alert to a need for further investigation or other action".</p> <p>IESBA, in coordination with IAASB, also revised the description in paragraph 120.5 A3 of the relationship between "inquiring mind" (expected of all PAs) and "professional skepticism" (expected of PAs undertaking engagements to which auditing, review and other assurance standards).</p> <p>IESBA determined that further explanations on these two concepts should be addressed through non-authoritative guidance.</p>
9	UK FRC	IFIAR	Strengthen approach to address bias	<p>Professional accountants should not only be "aware of the risk of bias", but should also avoid conscious bias and seek to avoid unconscious bias. In addition, the list of examples should be described as "possible" bias.</p>	<p>IESBA decided to retain the guidance in ED relating to bias. Section 120.12 was revised to clarify the description of Groupthink bias, as well as including an additional mitigating action (120.12 A2). IESBA clarified in para. 120.12 A2 that the list of examples is of "potential bias".</p>
10	UK FRC	IFIAR	Expand requirements on organizational culture	<p>Application material should be expanded to direct professional accountants to seek to promote an appropriate ethical culture within their organization.</p> <p>For audit, review and other assurance firms, replace the reference to ISQM1 (which may not be adopted in all jurisdictions) by including the following within the Code: "The senior management of the firm and those with direct responsibility for the management of the firm's audit, review and other assurance and related business shall instill the necessary culture and behaviours respectively throughout the firm and that business, so as to ensure that meeting the fundamental principles and other provisions set out in the Code is paramount and overrides all commercial interest of the firm."</p>	<p>IESBA strengthened the text on conditions for effective promotion of an ethical organization (Para. 120.13 A2) and included a new paragraph to reflect individuals PA's role in promoting ethical behavior and culture in their organization.</p> <p>IESBA retained the reference to ISQM 1 in para. 120.14 A1.</p>
11	UK FRC	IFIAR	Enforceability	<p>Encourage to give consideration to how the actions, characteristics and behaviours of professional accountants can be clearly and unambiguously evidenced, so that regulators can be satisfied that ethical and behavioural considerations have driven their work.</p>	<p>In several paragraphs, IESBA clarified definitions, and behaviors, simplified the language and added application material. In the Basis for Conclusion, they also acknowledge the need for further non-authoritative guidance (e.g. difference between inquiring mind and PS or illustrative examples of bias) that should be developed later.</p>
Independent Regulatory Board for Auditors of South Africa (IRBA)					
12	IRBA	IFIAR	Raised awareness on substance of changes needed	<p>IRBA questions whether these proposed amendments will produce a meaningful improvement to the environment. Additional awareness needs to be raised, from IESBA or at jurisdictional level. The concept of acting in the "public interest" is a critical and foundational issue in recognising the role of professional accountants and informing the professional accountant's mindset in the decision-making process. Professional bodies, national standard setters and others will need to play a more robust role in making the amendments understood and operationalized.</p>	<p>IESBA acknowledged the comment, however did not include additional guidance. As explained in the Basis for conclusion, IESBA considered it would not be practicable to include such an explanation in the Code, given the principles-based nature of the Code.</p>

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13	IRBA	IFIAR	Support for additions under Integrity	The inclusion of the concept of "determination to act appropriately in difficult situations" adds robustness and depth to the fundamental principle [of Integrity].	IESBA retained additional material included under Integrity. However, based on other comments, IESBA replaced the phrase "determination to act appropriately" with "strength of character to act appropriately."
14	IRBA	IFIAR	Differentiation between <i>Inquiring mind</i> and <i>Questioning mind (Professional skepticism)</i>	Auditors may find it difficult to differentiate between an inquiring mind, as per the Code, and a questioning mind, as a requirement when exercising professional scepticism. Consider including the International Auditing and Assurance Standards Board's (IAASB) definition of professional scepticism in the Code	IESBA made revisions to the elements of "having an inquiring mind" in paragraph 120.5 A1. In coordination with IAASB, they also revised the description in paragraph 120.5 A3 of the relationship between "inquiring mind" (expected of all PAs) and "professional skepticism" (expected of PAs undertaking engagements to which auditing, review and other assurance standards). IESBA determined that further explanations on these two concepts should be addressed through non-authoritative guidance.
15	IRBA	IFIAR	Supportive of approach to address bias	The proposed examples of bias offer a vocabulary that will be helpful in identifying threats to objectivity and evaluating the root cause where there has been a lack of objectivity.	IESBA retained the guidance in ED relating to bias. Section 120.12 was revised to clarify the description of Groupthink bias, as well as including an additional mitigating action (120.12 A2).
16	IRBA	IFIAR	Adequate reference to ISQM1	Support the reference to proposed ISQM1, as it provides the robust framework for implementing and monitoring an audit firm's culture.	IESBA retained the reference to ISQM 1 in para. 120.14 A1.
17	IRBA	IFIAR	Additional guidance for SMPs	SMPs may require additional guidance on practicality of the amendments, as they are "abstract in nature".	In several paragraphs, IESBA clarified definitions, and behaviors, simplified the language and added application material. In the Basis for Conclusion, they also acknowledge the need for further non-authoritative guidance (e.g. difference between inquiring mind and PS or illustrative examples of bias) that should be developed later.
18	IRBA	IFIAR	Enforceability	It will be difficult to find evidence of the application of an inquiring mind. As such, application may require more context to ensure behavioural changes.	IESBA made revisions to the elements of "having an inquiring mind" in paragraph 120.5 A1. In coordination with IAASB, they also revised the description in paragraph 120.5 A3 of the relationship between "inquiring mind" (expected of all PAs) and "professional skepticism" (expected of PAs undertaking engagements to which auditing, review and other assurance standards). IESBA determined that further explanations on these two concepts should be addressed through non-authoritative guidance.
19	IRBA	IFIAR	Importance for developing nations	The proposed amendments help address concerns with regard to the value of professional accountants, especially in developing nations where public interest should be kept as a focal point for decision-making.	N/A as no changes requested to final text.