

Meeting: IESBA CAG

Meeting Location: New York

Meeting Date: September 1, 10 and Oct 13, 2020

Agenda Item A-2

Promoting the Role and Mindset Expected of Professional Accountants

Objective of Agenda Item

1. To report back on the discussions at the March 2020 CAG meeting relating to the Task Force's proposals to promote the role and mindset expected of professional accountants (PAs).

Project Status and Timeline

2. At its September 2018 meeting, the IESBA considered key views and other significant matters raised by respondents to its Consultation Paper, [Professional Skepticism – Meeting Public Expectations](#) (the Consultation Paper or CP) as well as by participants at four [global roundtable](#) events. The IESBA had also considered key comments raised by the CAG at its September 2018 meeting.
3. The Board approved the [project proposal](#) "Promoting the Role and Mindset Expected of Professional Accountants" ("Role and Mindset") in September 2018. Between December 2018 and June 2019, the Board developed the proposed text through careful consideration of the key issues and the Task Force's proposals. As part of its deliberations, the IESBA also considered comments raised by the CAG at its March 2019 meeting.
4. At its June 2019 meeting, the IESBA approved for exposure proposed revisions to the Code aimed at promoting the role, mindset and behavioral characteristics expected of all PAs. In July 2019, the IESBA released the Exposure Draft, [Proposed Revisions to Promote the Role and Mindset Expected of Professional Accountants](#) (ED) which was open for public comment until October 31, 2019.
5. At its March 2020 meeting, the IESBA considered significant matters raised by respondents to the ED, the Task Force's responses and proposed revisions to the text of the ED as well as key comments raised at the March 2020 CAG meeting.
6. At the June 2020 IESBA meeting, the IESBA considered the Task Force's final revisions to the proposals. After agreeing the necessary changes to the proposed text, the IESBA unanimously approved the final revisions to the Code to promote the role and mindset expected of PAs.
7. Subject to Public Interest Oversight Board (PIOB) approval, the final pronouncement is expected to be issued by October 2020 and will be effective as of December 31, 2021, with early adoption permitted.

Report Back on March 2019 CAG Discussion

8. Below are extracts from the draft minutes of the March 2020 CAG meeting¹ and an indication of how

¹ The draft March 2020 minutes will be approved at the September – October 2020 IESBA CAG meeting.

the Task Force or the IESBA has responded to the CAG's comments.

Matters Raised	Task Force/IESBA Response
ACTING IN THE PUBLIC INTEREST, ETHICAL VALUES AND ROLE OF PAS	
<p>With respect to the Task Force's proposal to replace the word "[b]ehave" with "[c]onsider" in proposed paragraph R115.1 (a), Messrs. Hansen, De Tullio, and Sobel, Ms. Zietsman and the PIOB Observer shared the view that the tone of the proposed wording appeared too soft.</p>	<p>Point accepted.</p> <p>The IESBA agreed to retain the word "[b]ehave" in Subsection 115², particularly in light of the PIOB's recommendation not to weaken the language in order to highlight the importance of the PA's responsibility to act in the public interest.</p>
<p>Ms. Robert and Dr. Norberg agreed that whilst the term "ethical values" in the proposed revised Section 100 is not necessarily the right term to explain the concept of complying with both the letter and spirit of the Code, the proposed term "ethical concepts" also raises queries about its relationship with the fundamental principles and conceptual framework in the Code.</p>	<p>Point accepted.</p> <p>The IESBA considered a number of different terms or phrases, including "ethical concepts" in place of "ethical values" to convey its view with respect to PAs needing to comply with both the letter and spirit of the Code. However, none was considered sufficiently clear in conveying the IESBA's view that for PAs to display the ethical behavior expected of them, they need to comply not only with the letter of the Code but also with its spirit.</p> <p>Upon deliberation, the IESBA determined that the intended meaning would be more effectively conveyed by replacing the proposed text with a new paragraph that states: "Complying with the Code includes giving appropriate regard to the aim and intent of the specific requirements." This sentence is a clearer and more direct way to explain the IESBA's intent that PAs need to comply not only with the letter of the Code but also with its spirit.</p>

² Subsection 115, *Professional Behavior*

Matters Raised	Task Force/IESBA Response
<p>With respect to other proposals in Section 100:</p> <ul style="list-style-type: none"> • Mr. Pavas suggested that more clarification about acting in the public interest would be beneficial. • Mr. Hansen suggested drafting changes to proposed paragraph 100.1 A2 to clarify that public trust should be oriented to outputs and not to the accountancy profession. 	<p>Point taken into consideration.</p> <p>The IESBA recognized the rationale for the suggestion from stakeholders to include additional material to further explain the concepts of “public interest” and “acting in the public interest” as these are difficult concepts to understand. However, given the Code’s global and principles-based nature, the IESBA did not consider that it would be practicable to include such an explanation in the Code. That is because, when determining whether a decision or action is in the public interest, a PA needs to take into consideration a broad range of factors, some of which may be particular to the circumstances or to jurisdictional or social expectations.</p> <p>In revising the proposed paragraph 100.1 A2,³ the IESBA has taken into consideration all drafting suggestions including those from Mr. Hansen.</p>
<p>HAVING AN INQUIRING MIND</p>	
<p>Mr. Thompson acknowledged the significant improvement to the Code with this project. He commented that while EFAA did not respond to the ED, it had participated in the IESBA’s global roundtables on the topic of professional skepticism in 2018 and was supportive of the Task Force’s proposals. He expressed some disappointment that there had been no submission to the ED from academia, given the need to ensure that new entrants to the profession exhibit the attributes related to role and mindset.</p>	<p>Point noted.</p> <p>The IESBA will continue to engage stakeholders from the academic community and invite them to provide feedback to the IESBA projects through various meetings and forums such as the American Accounting Association meetings.</p>
<p>Mr. Hansen suggested the new requirement to “[h]ave an inquiring mind” in paragraph R120.5⁴ should be re-ordered as subparagraph (a)</p>	<p>Point accepted.</p> <p>The new subparagraph has been re-ordered as subparagraph R120.5 (a) as suggested.</p>
<p>With regards to proposed paragraph 120.5 A5, Ms. Zietsman suggested the words “different purpose” could be read as meaning that the concepts of having an inquiring mind and exercising</p>	<p>Point taken into consideration.</p> <p>In coordination with the IAASB, the IESBA revised the paragraph to make it clear that, in addition to having an inquiring mind (which is required for all</p>

³ Section 100, *Complying with the Code*, paragraph 100.1 A2

⁴ Section 120, *The Conceptual Framework*, paragraph R120.5

Matters Raised	Task Force/IESBA Response
<p>professional skepticism are independent concepts. She also suggested that the phrase “critically assessing evidence” be cross-checked to the International Auditing and Assurance Standards Board (IAASB) standards</p>	<p>professional activities), PAs in public practice undertaking engagements to which auditing, review and other assurance standards apply are also required to exercise professional skepticism, which includes a critical assessment of evidence. The use of the phrase “a critical assessment of evidence” aligns with the language currently used in the IAASB standards to describe the concept of professional skepticism.</p>
OTHER MATTER	
<p>Ms. Zietsman suggested that the examples set out in proposed paragraph 111.1 A2⁵ should be treated as examples of acting appropriately rather than examples of acting with integrity.</p>	<p>Point accepted.</p> <p>As part of its deliberation on the material on “the strength of character to act appropriately”, the IESBA agreed that the examples in paragraph 111.1 A2 should be treated as examples of acting appropriately.</p>

⁵ Subsection 111, *Integrity*, paragraph 111.1 A2

Project History

Project: Promoting the Role and Mindset Expected of Professional Accountants (formerly professional skepticism)

Summary

	CAG Meeting	IESBA Meeting
Information gathering/ Discussion	March 2018	March 2018
Project commencement, including: <ul style="list-style-type: none"> • Consideration of feedback from consultation paper and roundtables • Approval of project proposal 	September 2018	June 2018 September 2018
Development of proposed international pronouncement (up to exposure)	March 2019	December 2018 March 2019 June 2019
Exposure Draft	July 2019 – October 2019	
Consideration of respondents' comments on the Exposure Draft	March 2020	March 2020 June 2020
Approval of final text		June 2020