

Meeting: IESBA CAG
Meeting Location: New York
Meeting Date: September 9, 2019

Agenda Item G-1

Promoting the Role and Mindset Expected of Professional Accountants

Objectives of Agenda Item

1. To report back on the discussions at the March 2019 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](#) (Role and Mindset ED) which is open for public comment until October 31, 2019.
5. The Task Force will present highlights of the key comments received at the December 2019 IESBA meeting and will present its full analysis of significant issues raised by respondents and revised proposals at the March 2020 CAG and IESBA meetings.

Report Back on March 2019 CAG Discussion

6. Below are extracts from the draft minutes of the March 2019 CAG meeting¹ and an indication of how the Task Force and/or IESBA has responded to the CAG's comments.

¹ The draft March 2019 minutes will be approved at the September 2019 IESBA CAG meeting.

Matters Raised	Task Force/IESBA Response
INTRODUCTION TO THE CODE	
<ul style="list-style-type: none"> • Mr. Hansen noted that public interest and expectations change over time and that there are fundamental underlying principles of ethics that cannot be ignored even if they are not in writing. Similarly, Mr. van der Ende cautioned the Board against assuming that the fundamental principles would not require any revisions in the long run. He suggested that, for instance, the principle of confidentiality might be seen as too restrictive in light of changing public expectations. • Mr. James pointed out that without carrying out a comprehensive review of the entire Code, it is difficult to make an assertion that compliance with the Code means a PA has acted in the public interest. He further noted that additions to the Code by some jurisdictions suggest that the Code may need further enhancement. Dr. Lawal noted that one should also ask whether any provisions of the Code are in conflict with the public interest. Mr. Dalkin pointed out that there are several pillars to the public interest and that whilst behaving ethically is an indication of working towards acting in public interest, it is not a guarantee. • Mr. Sobel agreed with Mr. Fleck's clarification that the proposals are only aimed at demonstrating that compliance with the fundamental principles and application of the conceptual framework are essential if a PA is to act in the public interest. • Prof. Cela was of the view that compliance with the Code is prima facie evidence of acting in the public interest. • On the proposed text regarding complying with not only the letter of the Code but also the spirit of the Code, Mr. Fortin noted that there should be an obligation to comply with 	<p>Points taken into account.</p> <p>The IESBA agreed that compliance with the Code does not mean that PAs 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. It also agreed with the views on the CAG that compliance with the Code does not provide prima facie evidence, or a rebuttable assumption, that a PA has acted in the public interest.</p> <p>The IESBA also agreed with the CAG Representatives that the Code will not be completely “up-to-date” at any given point in time or be able to fully address the changing expectations of the public. As such, the IESBA believes 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 its spirit. To make this clear, the IESBA has proposed revising Section 100 to add in paragraph 100.1 A1 the following: <i>“Compliance with the Code... involves upholding the ethical values upon which the Code is based as well as complying with the specific requirements of the Code.”</i></p> <p>At its June 2019 meeting, the IESBA agreed that the proposed material would have greater effect if it were incorporated into Section 100 instead of being placed into a new stand-alone section or incorporated into the Guide to the Code.</p>

Matters Raised	Task Force/IESBA Response
<p>both. Mr. James noted that evidence from inspection findings indicates that compliance with relevant standards highlights possible gaps between what is in the public interest and what is in the Code. He added that this might point to the need to look more to the spirit of the Code.</p>	
SCOPE OF THE CODE (SECTION 100)	
<ul style="list-style-type: none"> Messrs Yurdakul and Dalkin queried the language used in the proposed paragraphs 100.1 A2 and 100.1 A3 in Agenda Item B1 that relate to the scope of the Code. 	<p>Point taken into account.</p> <p>The IESBA agreed to delete the proposed paragraphs 100.1 A2 and 100.1 A3 in Agenda Item B1 on the basis that these paragraphs might not cover all the circumstances or might unintentionally scope in other entities not ordinarily required to comply with the Code.</p>
FUNDAMENTAL PRINCIPLES OF OBJECTIVITY AND INTEGRITY (SECTION 110)	
<p>The following substantive comments were raised regarding the proposed changes to the fundamental principle of objectivity:</p> <ul style="list-style-type: none"> Ms. McGeachy-Colby and Mr. Fortin did not support the phrase “Perception, emotion or imagination” as the terms are difficult to measure. They suggested that it might be better to place it as part of the concept of bias in the proposals. Ms. Robert noted that the phrase could be seen as more neutral attributes and suggested adding “inappropriate” in front of the phrase Mr. James queried if anything might be lost by deleting the reference to business judgment. Mr. Pavas was of the view that ignorance of a PA will also affect their objectivity. 	<p>Points accepted.</p> <p>Upon deliberation, the IESBA agreed to remove “perception, emotion or imagination” as a new factor that might compromise the PA’s exercise of professional judgment under the fundamental principle of objectivity.</p> <p>The IESBA has retained the reference to business judgment as part of the lead-in to the description of the fundamental principle of objectivity.</p>
<ul style="list-style-type: none"> With regards to the proposed new concept of “resolve” under the principle of integrity, both Messrs. Thompson and Fortin supported the concept but suggested using a different term as “resolve” may be difficult to translate in some jurisdictions. 	<p>Point accepted.</p> <p>The IESBA formed the view that the concept of resolve, in the sense having the determination to act appropriately even in difficult situations, should be</p>

Matters Raised	Task Force/IESBA Response
	<p>retained as new application material under the fundamental principle of integrity.</p> <p>The IESBA rephrased the text to avoid the term “resolve” given potential difficulties in translation.</p> <p>This concept is explained in paragraph 111.1 A2 of the ED.</p>
QUESTIONING MINDSET (SECTION 120)	
<ul style="list-style-type: none"> • Several CAG Representatives queried if questioning mindset is the most appropriate term to describe the concept. They suggested other alternatives including “questioning mind” and other more action-oriented terms such as “critical thinking” and “challenging mindset” for the Task Force’s consideration. • Mr. Fortin was of the view that the term “questioning mindset” should not be included as a requirement in combination with the exercise of professional judgment in paragraph R120.5. Instead, he suggested that the text should explain that exercising professional judgment needs the application of some form of questioning mindset to question the information. Mr. Yurdakul suggested that there may instances whereby a PA is required to have a questioning mind without the need to exercise professional judgment • In suggesting the term “critical thinking,” Ms. Manabat suggested that these attributes must be second nature to a PA. Mr. James noted his comment from the September 2018 CAG meeting that even with the correct terminology, the ultimate goal is to embed the concepts into the mindset and behavior of PAs. • Ms. Zietsman suggested more examples be added to better explain the concept. 	<p>Points taken into account.</p> <p>At the meeting:</p> <ul style="list-style-type: none"> • In response to Mr. James’ comment, Mr. Fleck reiterated his previous comment that the Code alone cannot change behavior and that other factors such as education, the right organizational culture and tone at the top are also important in this regard. • In response to Ms. Zietsman, Mr. Fleck noted that the more is added to amplify the text, the greater the risk of replicating professional skepticism without mentioning the term.

Matters Raised	Task Force/IESBA Response
BIAS AND ORGANIZATIONAL CULTURE (SECTION 120)	
<ul style="list-style-type: none"> • Mr. Hansen suggested that the material on bias will make PAs become more aware of them and that training material can further expand on them. Ms. McGeachy-Colby suggested that the proposed examples of bias in paragraph 120.12 A2 be included in non-authoritative material, such as Staff Q&A, in order to have wider reach. • Ms. McGeachy-Colby noted that the term “devil’s advocate” might be difficult to translate in some jurisdictions. • Mr. van Der Ende asked whether PAs should look for contradictory data through the use of different accounting frameworks in the public interest but acknowledged that this may not be a bias-related issue. 	<p>Points taken into account.</p> <p>At the meeting, Mr. Fleck noted that the Task Force will be considering what additional guidance might be helpful as non-authoritative material.</p> <p>At the meeting, Mr. Fleck also noted that the Task Force was aware of the potential translation issue relating to the use of “devil’s advocate” and would be seeking input from Board members about how the term might be translated into their languages. Upon deliberation, the IESBA agreed to remove the that term from its proposals.</p> <p>With regards to Mr. van Der Ende’s comment, Mr. Fleck agreed at the meeting that it was not a matter that should be addressed by the Code.</p>
<ul style="list-style-type: none"> • Mr. Pavas noted that ethical behavior is a complex matter and that supervision and discipline should be included in the proposed text on organizational culture. The PIOB Observer noted her personal view that management style is also important. 	<p>Points taken into account.</p> <p>At the meeting, Mr. Fleck clarified that the concept of supervision and discipline are already reflected in the proposed text.</p>

Appendix 1

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	