

IESBA

## Role and Mindset

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IESBA Deputy Chair & Task Force Chair

IESBA Meeting  
New York, USA  
December 3-6, 2019

## Overview of the Session

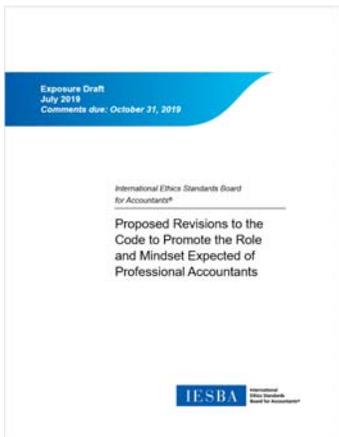
1. To present high-level overview of comment letters received on the Role and Mindset ED
2. To obtain views and feedback for consideration by TF at its upcoming meeting



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## Exposure Draft - Recap



### Exposure Draft

*“Proposed Revisions to the Code to Promote the Role and Mindset Expected of Professional Accountants”*

- Proposed changes primarily to Part 1 of the Code
- Extensive Board deliberations about key concepts
- Discussed with IESBA CAG three times
- Coordinated with IAASB and IAESB in development of proposals
- ED released in July 2019, 90 days comment period

## Key Proposed Changes

### Overview

<b>Section 100</b>	Highlight wide-ranging role of PAs because of their skills and values	Include enhancements that reflect impact of technology
<b>Section 110</b>	Highlight relationship between compliance with Code and PA's responsibility to act in public interest	
<b>Section 110</b>	Increase robustness of FPs of integrity objectivity and professional behavior	
<b>Section 110</b>	Introduce concept of determination to act appropriately in difficult situations (as part of FP of integrity)	
<b>Section 120</b>	Require all PAs to have an inquiring mind when applying the CF	
<b>Section 120</b>	Emphasize importance of being aware of bias and having the right organizational culture	

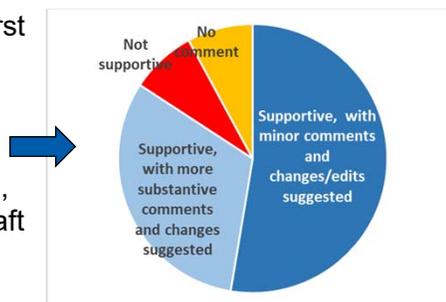
## Overview of Respondents

Category of Respondents	Number of Responses
Regulator and Oversight Authority	6 (13%)
National Standard Setter	2 (4%)
Firm	10 (22%)
Public Sector Organization	1 (2%)
IFAC Member Body	23 (51%)
Other Professional Organization	2 (4%)
Individual	1 (2%)
<b>Total</b>	<b>45</b>

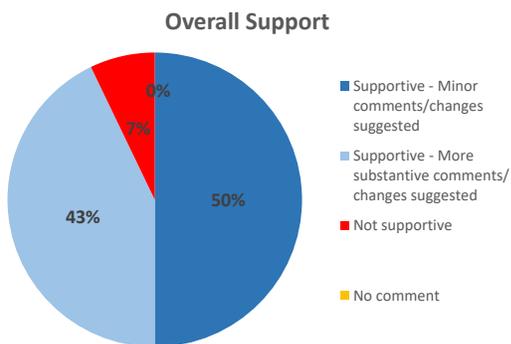
- Total of 45 comment letters received as of November 25, 2019
- 1 MG member: Basel Committee
- IFAC MBs and Committees 55%
- Asia-Pacific and Europe region 42%
- No responses from investors, TCWG or academic groups

## High-Level Overview of Comments

- This overview is based on a high-level review of the comments received
- The statistical information/ graphs are based on the first 42 comment letters received
- Responses to each specific ED question are divided into 4 categories:
- The TF will convene next month to discuss comments, identify and address key issues as well as develop draft proposals



## Overall Support for the ED

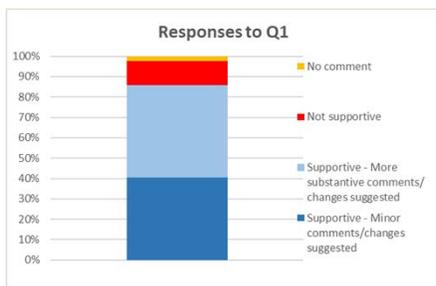


- Broad support for the objective of the ED and its proposals
- Some expressed their view that the Code has only been recently revised and restructured and additional changes should be kept at minimal
- Suggestions for more guidance material on some of the concepts

## High-Level Overview of Comments

### Responses to Q1

*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?*



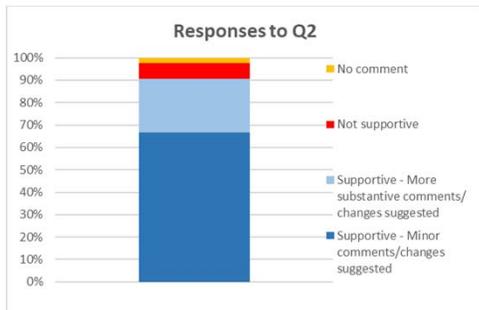
#### Key comments:

- “public interest” and “ethical value” need to be defined/explained in the Code; further guidance such as examples and case studies would also be helpful
- Relationship between compliance with the Code and acting in public interest is not sufficiently clear
- Word “enables” in s100.1 A1 may still give the impression that compliance with the Code will meet PAs responsibility to act in the public interest. Suggestions:
  - Replace “enable” with “facilitate”, “assist”, “support”;
  - Replace “meet” with “manage”

High-Level Overview of Comments

## Responses to Q2

**Do you support the inclusion of the concept of determination to act appropriately in difficult situations and its position in Subsection 111?**



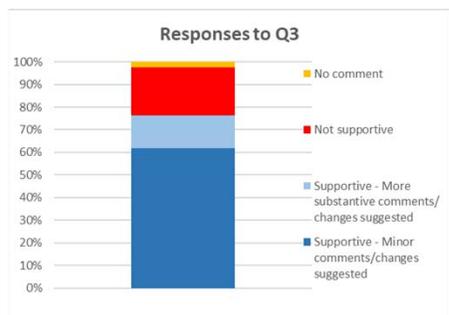
**Key comments:**

- Strong support for the concept to take action and do the right thing to be included in the Code
- Suggestions to better capture the concept included:
  - Delete "...having determination to" so just "integrity also includes acting appropriately..."
  - Use other terms such as "resolve", "courage", "fortitude," "strength of character"
- Suggestion of other locations for the material including ss100, 110, 115, 120 and 270
- More guidance/ application material needed

High-Level Overview of Comments

## Responses to Q3

**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?**



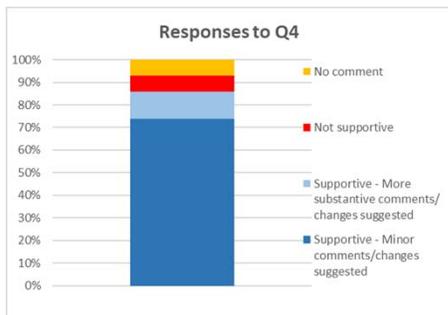
**Key comments:**

- The proposals might be misconstrued as a new public interest responsibility or the 6<sup>th</sup> FP
- Query if individual PAs should be assigned a personal responsibility to act in the public interest
- The proposals are not necessary as PAs' responsibility to act in the public interest is already supported by complying with the FPs
- Similar suggestions for Q1 about the need for further clarification to the concept of "public interest"
- More guidance need about what it means for PAIBs and PAPPs outside audit work

High-Level Overview of Comments

## Responses to Q4

*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?*



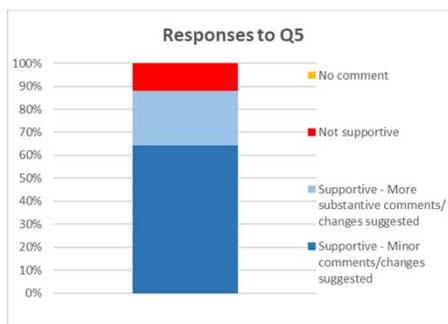
Key comments:

- Strong support that no further technology-related proposals necessary for this project
- Only one respondent suggested to defer the technology-related proposals to the Technology Initiative
- A few suggestions to be provided to the Technology WG for consideration, such as changing professional skills

High-Level Overview of Comments

## Responses to Q5

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



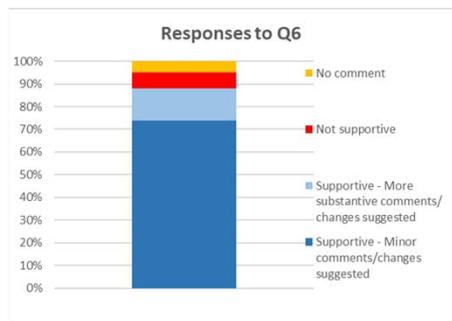
Key comments:

- General support for the concept, including the Basel Committee
- Some respondents expressed support for IESBA's decision to reserve the term "professional skepticism" to audit, review and other assurance engagements; a few believed the term should be applicable to all professional activities but accepted IESBA's decision
- A number of respondents provided drafting suggestions to clarify the concept of "inquiring mind" in para. 120.5 A3
- There were some suggestions that a stronger term should be used such as questioning or skeptical mindset or professional challenge.
- A few were of the view that the concept is not necessary or requires further clarification
- A few suggested that the requirement "To remain alert..." should be kept as a requirement under para. R120.5

High-Level Overview of Comments

## Responses to Q6

**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?**



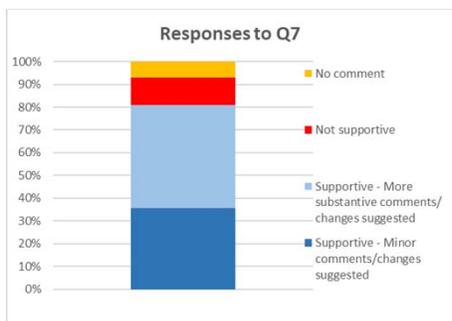
**Key comments:**

- Strong support for adding material on bias.
- A few suggested that the examples of bias are more suited as non-guidance material
- Suggested changes to the list of examples of bias
- Additional guidance needed on how to mitigate the risk of bias
- A few suggested other locations for the material such as s112 (The FP of Objectivity)

High-Level Overview of Comments

## Responses to Q7

**Are there any other aspects about organizational culture in addition to the role of leadership that you consider should be addressed in the proposals?**



**Key comments:**

- Whilst recognizing the importance of organizational culture, some respondents questioned the relevance of the material in the Code; some suggested the material is more suited as guidance material
- There is also a concern that firms might find themselves subject to disciplinary actions by oversight bodies
- Basel Committee sought clarification that the Code's requirements still apply regardless of organizational culture
- The proposals should include whistleblower policies
- The proposals may give the impression that only those at the top have responsibility for an ethical culture; whereas all PAs have responsibility to be ethical leaders within their own sphere of influence

## Questions and Feedback



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## Next Steps

### January 2020

- TF meeting to discuss comments, issues and develop proposals



### March 2020 IESBA Meeting

- Full review of issues and TF proposals



### June 2020 IESBA Meeting

- Review of outstanding issues and TF proposals
- Anticipated approval of final text



The Ethics Board

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