

Meeting: IESBA
Meeting Location: New York, USA
Meeting Date: June 17-19, 2019

Agenda Item 2

Promoting the Role and Mindset Expected of Professional Accountants

Objectives of Agenda Item

1. To consider and approve for exposure proposed revisions to Part 1¹ of the Code and consequential amendments to the Code related to promoting the role and mindset expected of professional accountants.
2. To provide input to the draft questions for respondents to the Exposure Draft.

The Task Force welcomes any advance comment and drafting suggestions on its proposed text in **Agenda Item 2-A**. Please email comments to: geoffkwan@ethicsboard.org.

Task Force

3. The Task Force comprises:
 - Richard Fleck, Chair and IESBA Deputy Chair
 - James Barbour, IESBA Technical Advisor
 - Hironori Fukukawa, IESBA Member
 - Trish Mulvaney, IESBA Member

Activities since Last IESBA Discussion

4. The Task Force members met in-person in May 2019 and held one teleconference to develop the agenda materials for this meeting.
5. To develop the proposed text, the Task Force sought additional views and input from IESBA participants as well as the IAASB Professional Skepticism (PS) Subgroup and IAESB PS Task Force in late April/early May 2019.
6. As part of the Standard Setting Boards coordination, the Task Force Chair also participated in a teleconference in late April 2019 with the respective chairs of the IAASB PS Subgroup and IAESB PS Task Force for mutual updates on their work streams and to obtain feedback on the Task Force's proposals.
7. Appendix 2 provides the project history for the Role and Mindset project. Refer also to the [project webpage](#) for more information on the Task Force's previous activities.

¹ Part 1, *Complying with the Code, Fundamental Principles and Conceptual Framework*

About the Task Force Proposals

8. **Agenda Item 2-A** contains three key components for review and consideration by IESBA members:
- (a) The Task Force's proposed text in mark-up from the turnaround version discussed by the Board on March 13, 2019 ([Agenda 5-A.1](#), March 13 Version);
 - (b) Relevant information such as key issues identified, and factors considered by the Task Force since the March 2019 IESBA meeting as well as its rationale for the proposed revisions; and
 - (c) Matters for IESBA consideration.
9. The Task Force's proposed text includes the following key changes to the Code:

Section 100 ²	<ul style="list-style-type: none">• New application material on the role of the accountancy profession; and the relationship between compliance with the Code and professional accountants acting in the public interest.• New application material on adoption of the Code.
Section 110 ³	<ul style="list-style-type: none">• Revisions to the description of "Objectivity" and "Professional Behavior".• New application material about determination to act appropriately when confronting difficult situations under Subsection 111.⁴• Revisions to the application material relating to "Professional Competence and Due Care" under Subsection 113.⁵
Section 120 ⁶	<ul style="list-style-type: none">• The requirement of "Remain alert for new information and to changes in facts and circumstances" in paragraph R120.5 is replaced with "Have an inquiring mindset".• New application material on having an inquiring mind as a scalable concept.• New application material on bias and organizational culture under a new subheading "Other Considerations When Applying the Conceptual Framework"
Part 2 ⁷ and Glossary	<ul style="list-style-type: none">• Consequential changes to Sections 200, 220 and 270 of the Code.• Insertion of the description of "Professional Judgment" into the Glossary.

10. Key changes made to the March 13 Version include:

- Merged the draft material from the proposed new Introduction to the Code into Section 100 of the Code.
- On technology related text:
 - Revised the reference to technology in the description of "Objectivity" and removed the example of potential reliance on technology affecting objectivity under Subsection 112.⁸

² Section 100, *Complying with the Code*

³ Section 110, *The Fundamental Principles*

⁴ Subsection 111, *Integrity*

⁵ Subsection 113, *Professional Competence and Due Care*

⁶ Section 120, *The Conceptual Framework*

⁷ Part 2, *Professional Accountants in Business*

⁸ Subsection 112, *Objectivity*

- Added a reference to technology in Subsection 113 relating to the principle of professional competence and due care.
- Added a new example of bias, “automation bias” in proposed paragraph 120.12 A2.
- Added a new element to the description of professional behavior.
- Introduced the concept of inquiring mind instead of questioning mindset in Section 120.
- Reinserted the terms commonly used for types of bias in the descriptions of the examples of bias.
- Added new application material to reference proposed ISQM 1⁹ with respect to firm culture.
- Added consequential changes to Part 2 of the Code and added the description of “professional Judgement” to the Glossary.

Next Steps

11. Subject to IESBA's approval of the Task Force's proposals at the June 2019 meeting, the Task Force anticipates that the Exposure Draft will be released in late July and proposes a comment period of 90 days.

Materials Presented

For Discussion

Agenda Item 2A Proposed Text (Mark-up)

For Reference

Agenda Item 2B Proposed Text (Clean)

Action Requested

12. IESBA members are asked to:
 - (a) Consider the Task Force's proposed revisions to the Code, its rationale and other related information set out in **Agenda Item 2A**;
 - (b) Approve for exposure the proposed text; and
 - (c) Provide input to the proposed specific questions for respondents to the Exposure Draft in Appendix 1.

⁹ Comments on the IAASB Exposure Draft, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* (ISQM 1) are due by July 1, 2019.

Appendix 1

Draft “Request for Specific Comments” Section of the Explanatory Memorandum

The following is a list of proposed questions to be included in the “Request for Specific Comments” section of the Explanatory Memorandum to the Exposure Draft:

Role and Values of Professional Accountants

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 the professional accountants acting in the public interest? Are there other relevant matters that should be highlighted in these paragraphs?

Determination to Act Appropriately

2. Do you support the inclusion of the concept of determination to act appropriately and its position in Subsection 111?

Impact of Technology

3. 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?

Inquiring Mind

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

Bias

5. Do you support the approach to addressing the issue of 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?

Organizational Culture

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

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