

Promoting the Role and Mindset Expected of Professional Accountants— Summary of Significant Comments on Exposure and Task Force Proposals

Note to IESBA Meeting Participants

This agenda paper contains a summary of the significant comments received to the Exposure Draft (ED), [Proposed Revisions to the Code to Promote the Role and Mindset Expected of Professional Accountants](#) (Role and Mindset ED) and the Task Force's responses to these comments.

The respondents' comments to the seven ED Questions and the Task Force responses are included in Part II of this agenda paper. Whilst not all comments are mentioned in this paper, the Task Force reviewed them all when developing its responses and the revised proposed text set out in **Agenda Item 2-B**. The matters for IESBA consideration are included in the Introduction section of this paper.

This agenda paper should be read in conjunction with **Agenda Item 2-B**.

During the March 2020 IESBA meeting, the Task Force Chair will first present this paper, followed by a full read of **Agenda Item 2-B**.

For reference only:

- **Agenda Item 2-C** – Proposed text in clean version
- **Agenda Items 2-D.1 – 8** – Detailed comments by ED Question

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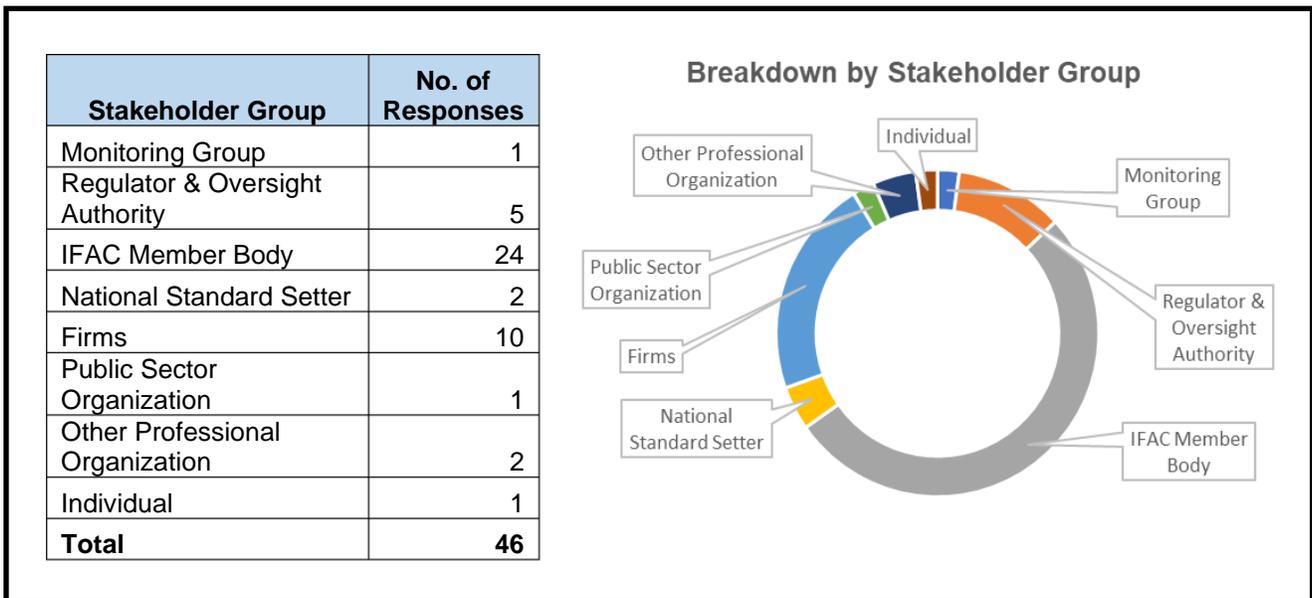
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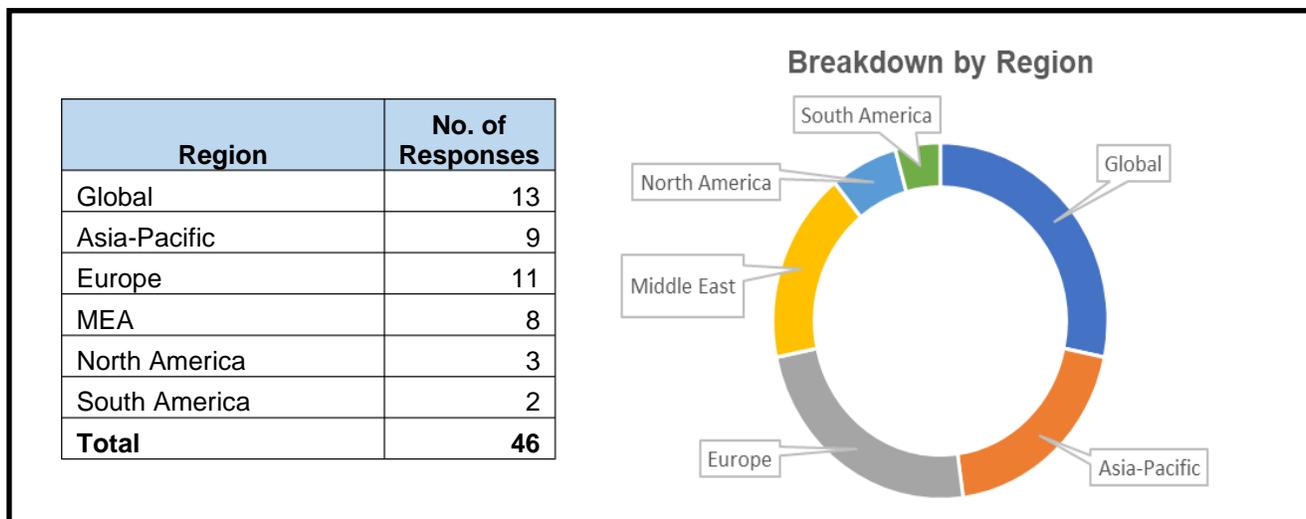
I. INTRODUCTION

1. This section provides a high-level overview and breakdown of the comments received to the Role and Mindset ED.
2. In July 2019, the IESBA released the ED with the comment period closing on October 31, 2019. As stated in the ED’s Explanatory Memorandum, the proposed revisions, amongst other matters:
 - Highlight the wide-ranging role of the accountancy profession in society and the relationship between compliance with the Code and a professional accountant’s (PA’s) responsibility to act in the public interest.
 - Include enhancements to the fundamental principles of objectivity and professional behavior.
 - Strengthen the fundamental principle of integrity to include the determination to act appropriately in difficult situations.
 - Include some enhancements that reflect the impact of technology.
 - Require all PAs to have an inquiring mind when applying the conceptual framework.
 - Highlight the importance of being aware of bias and having the right organizational culture.
3. Amongst other things, respondents were asked to respond to seven specific questions relating to the key areas highlighted in paragraph 2 above. Part II of this paper addresses the key comments and issues identified from responses to these questions.
4. Refer also to the [project webpage](#) for more information on the Task Force’s previous activities.

A. OVERVIEW OF RESPONSES

5. As of January 2020, the IESBA has received a total of 46 comment letters with the following breakdown by stakeholder group and region (Refer to Appendix for a list of the respondents):





6. Of note:

- One Monitoring Group member provided its comments on the ED (Basel Committee on Banking Supervision (Basel Committee)).
- IFAC member bodies and the IFAC committees represent 56% of all respondents.
- All ten firms that responded are members of the [Forum of Firms](#). In addition, the IFAC Small and Medium Practices Committee (SMPC) also provided its comments on behalf of its constituents.
- There were no responses from investors, those charged with governance group or the academic community.

7. Overall, the respondents are generally supportive of the objectives of the Role and Mindset project and the proposals in the ED. As one respondent has pointed out, “the revisions are important, as the concept goes fundamentally to the heart of what it means to be a professional accountant.”¹ The IESBA also received strong support from the Basel Committee:

“...The Committee agrees with the 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...”

8. It is interesting to note that in the recently released Brydon Report² in the UK, Sir Donald Brydon welcomed the IESBA’s Role and Mindset proposals as one that makes explicit reference to the profession’s public interest responsibility.

9. Key areas that drew the most significant comments and calls for further consideration by the IESBA relate to the use of the terms “public interest” and “ethical values” as well as a PA’s responsibility to act in the public interest in the proposed material set out in Section 100³ and Subsection 115⁴ (ED Questions

¹ **Member Body:** ACCA

² [Assess, assure and Inform, Improving Audit Quality and Effectiveness: Report of the Independent Review into the Quality and Effectiveness of Audit](#), paragraph 6.4.6

³ Section 100, *Complying with the Code*

⁴ Subsection 115, *Professional Behavior*

1 and 3).

10. Whilst there was overall support for new material in the Code to explain the way of thinking or mind that PAs should have when conducting professional activities, respondents have suggested further changes ranging from refinements to the concept of “inquiring mind” to changing that term to one that is stronger (ED Question 5).
11. Respondents were generally supportive of the revisions relating to the concept of “determination to act appropriately,” technology, bias and organizational culture (ED questions 2, 4, 6 and 7).

B. MATTERS FOR IESBA CONSIDERATION

12. The key comments and the Task Force’s responses are grouped by ED questions under Part II below (Refer to Agenda Items 2D.1 to 2D.8 for the respondents’ comments). At a high level, the Task Force is proposing the following key revisions to the ED (See **Agenda Item 2-B**):

Section	Key Proposed Revisions to the ED
100	<ul style="list-style-type: none"> • Clarifies the relationship between compliance with the Code and responsibility to act in the public interest
100	<ul style="list-style-type: none"> • Clarifies a PA’s responsibility to their client/employing organization in light of their public interest responsibility
111	<ul style="list-style-type: none"> • Replaces “determination to act appropriately” with “strength of character to act appropriately”
115	<ul style="list-style-type: none"> • Softens the language in the proposed requirement in s115 by replacing “Behave in a manner that is consistent with” with “Consider”
120	<ul style="list-style-type: none"> • Clarifies the concept of “inquiring mind” by more clearly stating two key considerations involved with having such a mindset; and also removes the phrase “critically evaluate” to avoid confusion about its relationship with “further investigation”
120	<ul style="list-style-type: none"> • More clearly differentiates inquiring mind from professional skepticism
120	<ul style="list-style-type: none"> • Generally strengthens the material on bias and organizational culture

Matters for IESBA Consideration
<ol style="list-style-type: none"> 1. IESBA members are asked for views about the Task Force’s revisions to the proposals and its responses to the significant comments received to the ED, particularly with respect to the following: <ol style="list-style-type: none"> (a) The relationship between compliance with the Code and a PA’s responsibility to act in the public interest in Section 100 (b) The proposed requirement for a PA to behave in a manner that is consistent with the profession’s responsibility to act in the public interest in Section 110 and Subsection 115

- (c) The concept of “determination to act appropriately” in Subsection 111⁵
 - (d) The concept of “having an inquiring mind” in Section 120⁶
 - (e) The concept of the risk of bias and importance of organizational culture in Section 120
2. IESBA members are asked to provide views on the Task Force’s preliminary view on the effective date of the final pronouncement, and any other relevant matters.

II. KEY COMMENTS, ISSUES AND TF RESPONSES AND PROPOSALS

A. ACTING IN THE PUBLIC INTEREST, AND ROLE AND VALUE OF PROFESSIONAL ACCOUNTANTS

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

ED Question 3:

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?

13. Given that the proposed revisions to Section 100 (ED Question 1) and Subsection 115 (ED Question 3) relate to a PA’s responsibility to act in the public interest, the respondents’ comments to both ED Questions 1 and 3 will be dealt with together under this section of the paper (Section A).
14. In response to ED Question 1, a number of respondents agreed with the proposals set out in Section 100 without any suggestions for refinements.⁷
15. In response to ED Question 3, a number of respondents expressed their support for the proposed material without any suggestions for refinements.⁸

Acting in the Public Interest

16. The most significant comments on the proposed revisions to Section 100 and Subsection 115 relate to the terms “public interest” and “act in the public interest,”
17. A few respondents appreciated the difficulty in describing the concepts in a global code given the practical considerations that must be taken into account by PAs to determine whether a decision or

⁵ Subsection 111, *Integrity*

⁶ Section 120, *The Conceptual Framework*

⁷ **Regulator:** AABE, Basel Committee; **Firm:** BTI, CG, GTIL, RSM; **Public Sector Organization:** GAO; **Member Body:** ICAI, ICPAU, ISCA, JICPA, NBA

⁸ **Regulator:** ADAA, AABE, Basel Committee, IRBA, UKFRC; **National Standard Setter:** NZAuASB; **Firm:** BDO, CG, EY, GTIL; **Public Sector Organization:** GAO; **Member Body:** BICA, FAR, ICPAU, ICAI, ISCA, JICPA, NBA

action has any public interest and, if so, its level.⁹ It was recognized that professional accountancy organizations, national standard setters (NSS) and others alike also have a role in providing further guidance at a jurisdictional level. A few respondents¹⁰ also recommended that a 'public interest framework' be developed to assist NSS to better understand and address different stakeholders' needs.

18. Some respondents have called for further explanation and other material to be included in the proposals to better describe these concepts to ensure that the PA's responsibility and the proposed new requirement set out in paragraph R115.1(a) are clearly understood and there is consistent application across jurisdictions.¹¹ A few respondents also suggested that the material in Subsection 115 should reference a PA's responsibility to act in the public interest instead of the profession's responsibility and that this responsibility should also be mentioned in paragraph 110.1 A1 as it is relevant to compliance with all of the fundamental principles.¹²
19. Some respondents did not support the revisions relating to the PA's responsibility to act in public interest, in particular the revisions in paragraphs 110.1 A1 (e) (i) and R115.1 (a) that require a PA to "behave in a manner that is consistent with the profession's responsibility to act in the public interest." The key concern raised by these respondents is that this proposed requirement appears to have placed a personal duty on the individual PA to act in the public interest and arguably created a 6th fundamental principle.¹³ It was noted that upholding the public interest is the responsibility of the profession and that PAs satisfy this responsibility to act in the public interest through their compliance with the spirit and letter of the Code. If the profession's responsibility was extended to each individual PA's personal conduct as an additional requirement, it would put individual PAs in an impossible position. It was further suggested that the profession's, or the individual PA's, public interest responsibility is already supported by compliance with all of the fundamental principles and does not need to be further highlighted in the fundamental principle of professional behavior.
20. Other reasons brought up by respondents for not supporting the proposed revisions to paragraph R115.1 (a) include, amongst other matters, insufficient clarity, difficulty in enforcing such personal responsibility given its subjective and abstract nature, inconsistency with the material in proposed paragraph 110.2 A1 as well as a potential irreconcilable conflict for PAs between acting in the public interest and serving in roles that require them to act in a fiduciary duty.¹⁴

TF Responses

21. The Task Force sympathized with some respondents' suggestions and rationale for including additional material in the proposals to further explain the concepts of "public interest" and "acting in the public interest as these are difficult concepts to understand. However, the Task Force does not consider such explanation in the Code to be practical or possible, given the Code's global and principles-based nature. To determine if a decision or action will attract public interest, a PA needs to take into consideration a broad range of factors. Given the importance of the public interest for the profession and PAs, the Task

⁹ **Regulator:** IRBA; **Member Body:** CPAC

¹⁰ **Firm:** KPMG; **Member Body:** ISCA, MIA

¹¹ **Firm:** MGN; **Member Body:** IBRACON, ICAN, MIA, SAICA; **Other Professional Body:** SMPC

¹² **National Standard Setter:** APESB; **Member Body:** CPAA

¹³ **Member Body:** AE, ACCA, CCAB, IACPA, ICAEW, ICAS, IDW

¹⁴ **Regulator:** NASBA; **Firm:** DTT; **Member Body:** ACCA, CAANZ, CPAA, IDW; **Other Professional Body:** SMPC

Force is of the view that there is merit for the IESBA to explore the suggestion to develop non-authoritative guidance material. In this regard, the Task Force recommends that IESBA staff discuss the development of such material with IFAC as part of its broader discussion on collaboration to support adoption and implementation of the Code. Further, the Task Force noted that the development of a public interest framework suitable for global adoption is outside the IESBA's remit.

22. The Task Force carefully considered respondents' concerns that the proposed material in paragraphs 110.1 A1 (e) (i) and R115.1 (a) appeared to have created a personal responsibility and new 6th fundamental principle for PAs to act in the public interest. In this regard, the Task Force noted that the concept that a PA has a responsibility to act in the public interest already exists in the extant Code in paragraph 100.1 A1. Upon deliberation, the Task Force maintained the IESBA's view that the proposed revisions to the fundamental principle of professional behavior help to emphasize the importance of PAs being proactive in acting in the public interest. However, to address the concerns that the proposals might have inadvertently created a new fundamental principle or imposed an undue requirement on individual PAs, the Task Force agreed to replace the phrase "Behave in a manner that is consistent with" with "Consider" (Refer to **Agenda Item 2B**).

Relationship between Compliance with the Code and Public Interest

23. Paragraph 18 of the ED clarifies that "compliance with the Code does not mean that professional accountants necessarily discharge their responsibility to act in the public interest in full and that the IESBA does not have the authority, legal or otherwise, to give such an assurance." Whilst acknowledging the Board's view, a number of respondents suggested that use of the words "enables" and "meeting" in the proposed paragraph 100.1 A1 could be taken as meaning that a PA's compliance with the Code will in fact meet the PA's responsibility, as well as potentially causing translation issues.¹⁵ Alternatives suggested by respondents include:

- Substitute "enables" with either "facilitates", "supports" or "assists"
- Substitute "meet their responsibility to act in the public interest" with "manage their responsibility to act in the public interest"
- Substitute "act in the public interest" with "consider the public interest"
- Substitute "act in the public interest" with "give due consideration to the public interest"

TF Responses

24. Upon deliberation, the Task Force agreed to replace the word "enables" with "assist" to clarify that whilst compliance with the Code plays an important role in PAs meeting their responsibility to act in the public interest, such compliance does not necessary mean the responsibility has been fully discharged.

Ethical Values

25. A number of respondents queried the meaning of the term "ethical values" and whether it equates to the fundamental principles.¹⁶ It was also suggested that the term did not properly convey the IESBA's view

¹⁵ **Regulator:** ADAA, NASBA, UKFRC; **Firm:** EY; **Member Body:** CA ANZ, CPAA, CPAC, ICAS

¹⁶ **National Standard Setter:** APESB; **Firm:** DTT; **Member Body:** AE, CA ANZ, CPAA, WPK; **Other Professional Body:** PAIBC, SMPC

as stated in the ED that the Code “will not be up to date at any given point in time or be able to fully address the changing expectations of the public,” and therefore PAs need to ensure that they comply with the spirit of the Code and not just the letter of the Code. Some respondents were of the view that without any further explanation, the term is unclear and unenforceable, may create confusion and is not necessary.¹⁷ Other suggested replacements include “ethical principles” and “spirit of the Code.”¹⁸

TF Responses

26. With regards to the use of the term “spirit of the Code,” the Task Force noted that under the Revised Ethical Standard 2019 released by the UK Financial Reporting Council (FRC), the phrase “spirit and the letter of the requirements in this Ethical Standard” is used in the description of its third party test. A similar phrase, “spirit and letter of the applicable ethical principles laws and regulations,” is used in the explanation of the term “integrity.”
27. Upon deliberation, the Task Force formed the view that despite the approach taken by the FRC as noted above, the phrase “spirit of the Code” is likely to create similar issues. The Task Force therefore agreed to replace “ethical values “ with “ethical concepts.”

Other Comments Relating to Section 100 and Subsection 115

28. In addition to editorial changes, respondents also made the following suggestions with a view to clarifying or strengthening the proposals in Section 100 and Subsection 115:
 - A few respondents suggested providing greater clarity to the material in the proposed paragraph 100.1 A1 that explains that a PA’s responsibility is not exclusively to satisfy the preferences or requirements of a client or employing organization in light of the PA’s responsibility to act in the public interest.¹⁹
 - One respondent suggested that the list in paragraph 100.1 A2 that embodies the skills and values PAs bring to their professional activities be extended to highlight that complying with the Code and acting in the public interest require an appropriate mindset. Additionally, the respondent suggested that examples of the key characteristics and behaviors required should be included.²⁰
 - One respondent was of the view that the proposals should emphasize that public trust in the profession is at the heart of the broad range of roles undertaken and values delivered by PAs. The respondent added that it is important for PAs to be committed to enhancing the public trust and avoid behavior that will harm this trust.²¹
29. Some respondents did not support proposed paragraphs 100.1 A2 and 100.1 A3 primarily on the basis that the material in these paragraphs is more suitable as non-authoritative guidance material or a new Introduction to the Code.²² Some other respondents were also of the view that, overall, the proposed

¹⁷ **Firm:** DTT; **Member Body:** AE, IDW, WPK; **Other Professional Body:** PAIBC, SMPC

¹⁸ **National Standard Setter:** APESB; **Member Body:** CA ANZ, CPAA

¹⁹ **Regulator:** UKFRC; **Firm:** MGN; **Member Body:** ICAN, FACPCE, MIA

²⁰ **Regulator:** UKFRC

²¹ **National Standard Setter:** NZAuASB

²² **National Standard Setter:** APESB; **Firm:** BDO; **Member Body:** CAANZ, CPAA, IDW

material in Section 100 or Subsection 115 is not warranted primarily on the basis that the extant material is already sufficient and there would be a risk of creating a perception of a new fundamental principle. Additionally, they believed that the proposed material requires further clarity.²³

TF Responses

30. Upon deliberation, the Task Force agreed to revise the proposals in Section 100 with a view to improving the flow and clarity of the proposed material; to highlight the relationship between public trust in the profession and the role of PAs; and to avoid unnecessary duplication (**See Agenda Item 2B**). The Task Force did not agree with the suggestions that proposed paragraphs 100.1 A2 and 100.1 A3 should be removed and developed as guidance or introductory material outside the Code. The Task Force believes that the material is essential context for the Code to speak about the role and mindset expected of PAs.

B. DETERMINATION TO ACT APPROPRIATELY

ED question 2:

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

31. Respondents generally supported the IESBA's decision to add new application material on the concept of determination to act appropriately when confronting dilemmas or difficult situations. The IESBA's intent behind the proposed application material is to further strengthen the fundamental principle of integrity under Subsection 111. One respondent²⁴ noted that the concept "emphasizes the need to do the right thing through thick and thin but stops short of the need to exercise 'moral courage'." Another respondent²⁵ suggested that the amendments will provide a clear link between integrity and the requirements under Section 360²⁶ (Non-compliance with Laws and Regulations or "NOCLAR").
32. Whilst agreeing with the general concept, some respondents suggested that the word "determination" be replaced with other words, such as "fortitude," "courage of conviction" or "strength of character," to more accurately describe the concept.²⁷ Other respondents suggested that the proposals should be expressed more strongly by removing "determination" from the phrase "determination to act appropriately...".²⁸ These respondents suggested that the proposed wording did not go far enough to prevent a PA intending to act with integrity from ultimately "giving in" to external pressures. It was argued that it is the carrying out of the determination that is important to the overarching principle of integrity.
33. In addition to editorials and minor changes, respondents have also suggested other refinements to strengthen the concept. Comments, amongst others, include the following:

²³ **Regulator:** NASBA; **Member Body:** FAR, IACPA; **Other Professional Body:** PAIBC, SMPC

²⁴ **Member Body:** ACCA

²⁵ **Regulator:** IRBA

²⁶ Section 360, *Responding to Non-compliance with Laws and Regulations*

²⁷ **Firm:** MGN; **Member Body:** CPAC, IDW; **Other Professional Body:** SMPC

²⁸ **Regulator:** UKFRC; **Firm:** BTIL, FAR, EY

- The phrases “acting appropriately” and “standing one’s ground” might be subject to interpretation.²⁹
 - It should be further clarified that “challenging others as and when appropriate” in proposed paragraph 111.1 A2 should only apply during the course of professional activities as in the case of the first bullet point in that paragraph.³⁰
 - A factor should be included about actual or potential threats to the physical safety of the PA, similar to the existing material in the NOCLAR provisions.³¹
 - Different expectations should be set for junior PAIBs compared to senior PAIBs, similar to the different expectations set out in the NOCLAR provisions.³²
 - The two examples of having the determination to act appropriately in paragraph 111.1 A2 are unclear and may raise more questions than answers.³³
34. Some respondents suggested different locations for the proposed material on the basis that the concept:
- Links with the fundamental principle of professional behavior (Section 115);
 - Links with pressure to breach the fundamental principles (Section 270); and
 - Should be expressed as an overarching principle or enabler elsewhere in the Code.³⁴
35. Some respondents did not support the proposed material. Their reasons included: the provisions in the Code should remain principle-based; and the term “determination to act appropriately” and other phrases used are not strong enough, sufficiently clear or appropriate.³⁵

TF Responses

36. In its deliberations on how to strengthen the proposed paragraph 111.1 A2 in light of the comments received, the Task Force also considered the material in the extant paragraph 111.1 A1. The Task Force concluded that it would be a clearer construction if the proposed concept is added to paragraph 111.1 A1 after fair dealing and truthfulness instead of being part of a separate paragraph (see proposed 111.1 A1 in **Agenda Item 2B**).
37. Instead of removing “determination” as some respondents have suggested, the Task Force agreed to replace it with the phrase “strength of character.” In forming this view, the Task Force considered that “strength of character” is the essential quality required in an individual to propel that individual to follow through with the determination to do the right thing and act accordingly.
38. The Task Force also considered that the two elements in the proposed paragraph 111.1 A2 (i.e., standing one’s ground and challenging others) are related not only to “the determination to act

²⁹ **National Standard Setter:** APESB; **Member Body:** ICAN, CPAA, CPAC

³⁰ **Member Body:** ICAEW

³¹ **National Standard Setter:** APESB; **Firm:** EY

³² **Member Body:** ISCA

³³ **Member Body:** SAICA

³⁴ **Regulator:** AABE; **National Standard Setter:** APESB; **Firm:** GTIL; **Public Sector Organization:** GAO; **Member Body:** CPAA

³⁵ **Regulator:** NASBA; APESB; **Firm:** DTT; **Member Body:** AE; **Other Professional Body:** PAIBC

appropriately” but also more broadly to “acting with integrity” (See paragraph 111.1 A2 in **Agenda Item 2B**).

39. Upon review of the comments received relating to ED Question 2 and the proposed concept of “determination to act appropriately,” the Task Force did not consider any further substantive revisions are necessary.

C. HAVING AN INQUIRING MIND

ED question 5:

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

40. Respondents, including the Basel Committee, were in large part supportive of the material relating to the new requirement for a PA to have an inquiring mind when applying the conceptual framework.
41. Respondents generally accepted the IESBA’s approach of retaining the term “professional skepticism” for audit, review and other assurance work for the purposes of the Code, with many respondents providing their express support.³⁶ One respondent³⁷ also expressly agreed with the use of “mind” instead of “mindset” and the IESBA’s rationale. Another respondent³⁸ expressed the view that whilst the term ‘professional skepticism’ could be applied more widely, the focus should be on the actions, characteristics and behaviors required of a PA rather than on what a suitable covering term might be. A few respondents expressed the view that PAs in public practice providing non-audit services, such as insolvency and liquidation services, often have to exercise professional skepticism.³⁹
42. Respondents suggested refinements to the proposed paragraphs 120.5 A3 and 120.5 A4, all of which were considered by the Task Force. Many of the suggested refinements relate to the need to consider the integrity, source and relevance of the information obtained as well as clarifying what is meant by further investigation and critical evaluation. A few respondents were of the view that the proposed paragraph 120.5 A5 should more clearly differentiate the concepts of “having an inquiring mind” and “exercising professional skepticism.” including how they might overlap.⁴⁰ Other respondents expressed the view that the new concept and its language should cover the full range of professional activities including those relating to liquidation and forensic investigation, which arguably require a higher level of skepticism than in an assurance engagement.⁴¹
43. Some respondents were of the view that the term “inquiring mind” is not appropriate or does not sufficiently capture the type and level of thinking or questioning necessary when conducting professional

³⁶ **Regulator:** Basel Committee; **National Standard Setter:** NZAuASB; **Firm:** BTI, DTT, EY, MGN, RSM; **Member Body:** ACCA, CCAB, ICPAU, ISCA, WPK, NBA; **Other Professional Body:** SMPC

³⁷ **Member Body:** ACCA

³⁸ **Regulator:** UKFRC

³⁹ **National Standard Setter:** APESB; **Member Body:** CPAA, FACPCE

⁴⁰ **Regulator:** IRBA, UKFRC; **Member Body:** MIA

⁴¹ **National Standard Setter:** APESB; **Member Body:** CPAA

activities.⁴² It was suggested that an inquiring mind is a softer concept than “skeptical” or “questioning mind” or “professional challenge” and that the concept sets a somewhat low bar for PAs. These respondents argued that whilst any skilled occupation desires and can have an inquiring mind, PAs have a responsibility to challenge matters, not just accept them at face value, and to take the necessary action in addition to any investigation. A few respondents observed that it might also be difficult to demonstrate that an inquiring mind has been applied.⁴³

44. Some respondents did not support the proposed material primarily for the reason that the new concept of “inquiring mind” is not the right concept to replace the extant requirement to “remain alert for new information to changes facts and circumstances” and that enhancement to professional judgment should be made instead.⁴⁴ A few respondents also recommended that the description of “professional judgment” in the Code needs further alignment with the International Auditing and Assurance Standards Board’s (IAASB’s) definition.⁴⁵

TF Responses

45. The Task Force was of the view that respondents were generally supportive of introducing a new concept that captures the type of thinking that is necessary for PAs to apply the conceptual framework as they carry out their professional activities. As highlighted in the ED, this type of thinking should encapsulate behavioral characteristics expected of PAs, including the ability to:

- Obtain and understand information relevant for making reliable judgments based on facts and circumstances known to them.
- Make informed challenges of views developed by others.
- Be sensitive to the integrity of information, including the source of the information and the appropriateness of its presentation.
- Withhold judgment pending thoughtful consideration of all known and relevant available information.

The concept of “inquiring mind” does not intend to cover the full spectrum of critical thinking required of every aspect of professional activity, for example, as required when engaging in insolvency services and forensic investigations.

46. Taking into account the above thinking that was intended to be captured by the proposed text, as well as the comments received relating to the new requirement of having an inquiring mind, the Task Force has made a number of revisions to proposed paragraphs 120.5 A3 and 120.5 A4 to clarify and strengthen the concept. The following is a summary of the key revisions and the Task Force’s rationale:

- The new lead-in sentence of proposed paragraph 120.5 A3 (see **Agenda Item 2B**) clarifies that an inquiring mind is a prerequisite for obtaining an understanding of the known facts and circumstances that is necessary for the application of the conceptual framework.

⁴² **Regulator:** NASBA; **National Standard Setter:** APESB; **Member Body:** CAANZ, CPAA, SAICA; **Other Professional Body:** PAIBC; **Individual:** Likierman

⁴³ **Regulator:** IRBA; **Member Body:** CAANZ, HKICPA

⁴⁴ **Firm:** PwC; **Other Professional Body:** PAIBC, SMPC; **Individual:** Likierman

⁴⁵ **Member Body:** IDW, WPK; **Other Professional Body:** SMPC

- The revised proposed paragraph 120.5 A3 now includes two key considerations in having an inquiring mind for the purposes of applying the conceptual framework, namely: (i) the source, relevance and sufficiency of the information obtained (paragraph 120.5 A3 (a) in **Agenda Item 2B**); and (ii) whether further investigation or other action is required (paragraph 120.5 A3 (b)).
 - With respect to the first key consideration in having an inquiring mind (paragraph 120.5 A3(a) in **Agenda Item 2B**), the Task Force agreed to clarify that the concept of inquiring mind involves PAs not accepting information at face value but rather needing to duly consider the source, relevance and sufficiency of the information obtained in order to inform the next steps. This revision also clarifies that the extent of the consideration and evaluation will depend on the scope and outputs of the professional activities.
 - Once a PA has considered the information with respect to its source, relevance and sufficiency, the PA will then consider if further investigation and other action is necessary (paragraph 120.5 A3(b) in **Agenda Item 2B**). The Task Force agreed to simplify the language by removing the term “critically evaluate” as having both this term and “further investigation” might create unnecessary confusion about their meaning and how they should be applied.
 - Proposed paragraph 120.5 A4 has been revised to clarify that the examples of consideration in the bullet points assist a PA in their consideration of the source, relevance and sufficiency of information as part of having an inquiring mind instead of illustrating what is meant by further investigation.
 - The Task Force is of the view that the term “inquiring mind” is a requirement of the Code that forms part of the application of the conceptual framework. As such, it is not intended to cover all aspects of inquiries, critical thinking and investigation that are required by laws and regulations or other professional or technical standards when carrying out certain professional activities such as liquidation and fraud investigation.
47. The Task Force also considered the comments received about the possible need for more clarity in the proposed text about the relationship between having an inquiring mind and exercising professional skepticism. The Task Force is of the view that the Code is not an appropriate avenue for any further explanation about the relationship and differences between these two concepts. Such further explanation may be best dealt with as non-authoritative guidance material.
48. Other terms such as “questioning mindset” and “professional challenge,” amongst others, were offered as alternatives to “inquiring mind” on the basis that the latter suggests only a low level of thinking. Whilst acknowledging that some might consider other terms are better in denoting the type of thinking or questioning needed for the application of the conceptual framework, the Task Force agreed with one respondent’s approach that the focus should be on the actions, characteristics and behaviors required of a PA rather than what a suitable covering term might be. The Task Force further noted that both “questioning mindset” and “professional challenge” were considered by the Task Force and the Board prior to approval of the proposed text for exposure. With this in mind, the Task Force is of the view that the term “inquiring mind” should be retained.
49. The Board had already considered the concept of inquiring mind being part of the exercise of professional judgment. Upon deliberation at the June 2019 IESBA meeting, it agreed with the Task Force’s recommendation to take “inquiring mind” out of professional judgment and include it as a separate requirement for the application of the conceptual framework. As respondents largely agreed

with this approach, the Task Force formed the view that “having an inquiring mind” should be retained as a requirement under proposed paragraph R120.5.

50. The Task Force has made one minor amendment to the description of professional judgment in paragraph 120.5 A1 in response to a comment from one respondent.⁴⁶ However, the Task Force did not consider there was sufficient cause for further alignment with the definition of professional judgment in the IAASB standards⁴⁷ or for any further revisions. As highlighted in the ED, the description of professional judgment needs to be appropriate to apply to all PAs, irrespective of the nature of the professional activities being undertaken. It also needs to be aligned with the description of professional competence and due care. Given the recent renewed and heightened interest in the importance of professional judgment, not only in relation to audit and assurance engagements but also more broadly in relation to addressing the impact of technology in the digital age, the Task Force foresees that there may be a need for the IAASB and IESBA to jointly consider whether there would be merit in further strengthening of this concept.

D. OTHER COMMENTS

Changes to Reflect Impact of Technology

ED question 4:

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?

51. Respondents generally were satisfied that technology-related issues are being addressed as part of the IESBA's Technology Initiative. They did not consider that there were any additional technology-related matters that should be addressed as part of the Role and Mindset project beyond the proposals in paragraphs 110.1 A1(b)(iii), 113.1 A2 and 120.12 A2. Some respondents provided their express support in this regard.⁴⁸
52. No significant matters were raised by respondents. Some respondents suggested further refinements to the proposed material, including whether a definition of “technology” should be added, and whether the use of the word “undue” is the suitable qualifier for “reliance” in paragraphs 110.1 A1(b)(ii), R112.1(c),⁴⁹ 120.16 A2(c) and 220.4 (e)⁵⁰ as part of the fundamental principle of objectivity.⁵¹

⁴⁶ Firm: PwC

⁴⁷ See ISA 200, paragraphs 13(k), 16 and A23–A27. The IAASB's standards define *professional judgment* as “the application of relevant training, knowledge and experience, within the context provided by auditing, accounting, and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the audit engagement.”

⁴⁸ Firm: BTIL, MGN; Member Body: ACCA, ICAS

⁴⁹ Subsection 112, *Objectivity*, paragraph R112.1 (c)

⁵⁰ Section 220, *Preparation and Presentation of Information*

⁵¹ Regulator: ADAA; Firm: DTT, PwC; Member Body: MIA, ADAA, ICAN, ICPAU, IDW

53. Only a few respondents expressed the view that the proposed changes to the Code relating to technology-related issues should not be addressed as part of the Role and Mindset project but be addressed as part of the IESBA's Technology Initiative.⁵²
54. Some respondents also provided other suggestions on technology-related changes, such as the need to address permissibility in relation to the provision of non-assurance services to audit clients and to develop new application material for the fundamental principle of confidentiality.⁵³

TF Responses

55. Following deliberation and in light of the support received, the Task Force was of the view that further revisions to the proposals that address the impact of technology are not necessary as part of this project.
56. The Task Force has passed on other suggestions to the Technology Working Group for its review as part of its Phase II activities.

The Risk of Bias

ED question 6:

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?

57. Respondents were generally supportive of the proposed material that highlights the importance of being aware of one's bias in the effective exercise of professional judgment and application of the conceptual framework. Only a few respondents suggested that the list should be deleted from the proposed material and be included as non-authoritative guidance material instead.⁵⁴
58. The majority of comments were related to the list of examples of bias set out in the proposed paragraph 120.12 A2. These comments include those seeking changes to the proposed examples such as grouping similar types of biases together or deleting automation bias⁵⁵ as well as providing new examples for consideration by the IESBA, including authority bias, information bias, halo bias and background bias.⁵⁶
59. Some respondents reminded the IESBA of the importance of collaborating with the IAASB to ensure there is appropriate alignment between the list of examples in the Role and Mindset final text and that currently being developed by the IAASB as part of its ISA 220 (Revised) project.⁵⁷ In this regard, the Task Force noted that the IESBA had taken into consideration proposed material on bias in the IAASB ED, [*International Standard on Auditing 220 \(Revised\), Quality Management for an Audit of Financial Statement*](#) when developing its material. The IAASB ED contained four examples of bias: anchoring bias, availability bias, confirmation bias and overconfidence bias.

⁵² **Regulator:** NASBA; **Firm:** EY; **Other Professional Body:** SMPC

⁵³ **Regulator:** UKFRC; **Firm:** CG, GTIL, MGN; **Member Body:** CPAC, HKICPA

⁵⁴ **Firm:** DTT; **Member Body:** AE, FAR; **Other Professional Body:** SMPC

⁵⁵ **Regulator:** NASBA; **Firm:** EY, PwC; **Member Body:** BICA, IBRACON, ICAEW

⁵⁶ **Regulator:** ADAA; **Firm:** BTI; **Member Body:** ICAN, CPAC, HKICPA

⁵⁷ **Regulator:** IRBA; **Firm:** EY; **Public Sector Organization:** GAO; **Member Body:** ACCA, ISCA; **Other Professional Body:** SMPC

60. Some respondents also queried the relevance and sufficiency of the examples to mitigate the impact of bias in the proposed paragraph 120.12 A3.⁵⁸ Amongst other matters, these respondents pointed out that reliance on experts can also result in overreliance on individuals simply because they are experts and that it is important to have self-awareness when identifying the risk of bias.
61. Amongst other matters, the following were also raised by respondents:
- Two respondents highlighted the difference in nature between conscious and unconscious bias and how they should be treated.⁵⁹
 - One respondent also pointed out that the proposed text should clarify that, in some instances, bias is in effect a requirement in the development of certain information and that is made clear to the users of the information.⁶⁰
 - Some respondents suggested that the proposed material on bias be re-located to other parts of Part 1 of the Code, including other parts of Section 120 and Subsection 112.⁶¹

TF Responses

62. The Task Force simplified proposed paragraph 120.12 A1 by more clearly stating that both types of bias, conscious and unconscious, do affect the exercise of professional judgment when applying the conceptual framework.
63. As part of its review of the comments received, the IAASB ISA 220 Task Force has agreed to align the description of its four examples (anchoring bias, availability bias, confirmation bias, and overconfidence bias) with those in the Role and Mindset ED. The ISA 220 Task Force had also considered the other four examples in the Role and Mindset Taskforce ED but concluded that it was not necessary for these to be included in its proposed text.
64. With the possible exception of the “groupthink” example, the Task Force did not consider further revisions, including the addition of new types of bias, are necessary. The Task Force noted that automation bias should be retained in the proposed list given that most respondents were supportive of the proposed revisions in the ED relating to technology.
65. The Task Force considered that the proposed examples already cover a broad spectrum of biases and that none of the additional types of bias suggested by the respondents will add substantive value as authoritative material. To maintain proportion and balance in the Code and avoid undue prescription and complexity, the Task Force considers that it may be more helpful that non-authoritative guidance material be developed to discuss types of bias comprehensively.
66. The Task Force also strengthened the examples of actions that might mitigate the impact of bias in proposed paragraph 120.12 A3 in light of the comments received. In particular, the Task Force has:
- Limited the involvement of others to only seeking an expert’s assistance to providing additional input to reduce the risk of over-reliance; and

⁵⁸ **Firm:** MGN, PwC; **Other Professional Body:** PAIBC, SMPC; **Individual:** Likierman

⁵⁹ **Regulator:** UKFRC; **Member Body:** ACCA

⁶⁰ **Regulator:** UKFRC

⁶¹ **Regulator:** UKFRC; **Firm:** DTT; **Public Sector Organization:** GAO; **Member Body:** ICAEW

- Added a new example of receiving self-awareness training.

Organizational Culture

ED question 7:

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

67. Respondents generally agreed that organizational culture and leadership play a significant role in the ethical behavior of PAs. Most of them generally supported the proposals set out in paragraphs 120.13 A1 to 120.14 A1.
68. The Basel Committee recommended that since organizational culture should not affect the applicability of the Code, the Code should clearly explain that its requirements apply regardless of the organizational culture within which a PA operates.
69. Some respondents highlighted the importance of whistle-blowing policies and procedures that protect those who choose to report unethical behavior in promoting an ethical organizational culture. They recommended that such policies be included in paragraph 120.13 A2.⁶² Other suggested changes and additions to paragraph 120.13 A2 include, amongst other matters, a clearer concept of “tone at the top,” monitoring and investigation policies and procedures, corporate risk management plans, reward criteria and open and frequent communication.⁶³
70. Several respondents noted that the responsibility to promote an ethical culture within an organization is not restricted to those at the top. They suggested that the material should highlight a PA’s responsibility in promoting such culture, irrespective of their role and the prevailing organizational ethical culture.⁶⁴
71. Some respondents also provided input to the proposed application material on firm culture and reference to proposed ISQM 1,⁶⁵ including whether the proposal is suitable given that the ISQM standards have not yet been finalized by the IAASB and may not be adopted in all jurisdictions.⁶⁶
72. Amongst other suggestions, a few respondents were of the view that the revised heading above 120.14 A1 should revert to the extant version as “related services” is only referred to in passing in that paragraph and the material that follows applies only to audit, reviews and other assurance engagements.⁶⁷
73. Some respondents did not support the proposals primarily on the basis that the proposed material is not relevant as there are no requirements and it may therefore be more appropriate as non-authoritative guidance material.⁶⁸

⁶² **Firm:** BTI, MGN; **Member Body:** ACCA, CPAC, ICAS, MIA

⁶³ **Firm:** CG, MGN, PwC; **Member Body:** CPAA, CPAC, FACPCE, ICAN, MIA

⁶⁴ **Regulator:** ADAA, UKFRC; **Member Body:** CAANZ, CPAA, CPAC, ICAS, SAICA; **Other Professional Body:** PAIBC

⁶⁵ Proposed ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

⁶⁶ **Regulator:** UKFRC; **National Standard Setter:** APESB **Firm:** EY; **Member Body:** AE, CPAA

⁶⁷ **Firm:** KPMG, PwC

⁶⁸ **Firm:** EY, KPMG; **Member Body:** ACCA, FAR, ICAEW, ISCA

TF Responses

74. In light of the comments received, the Task Force agreed to strengthen the material on the conditions of effective promotion of an ethical organizational culture in proposed paragraph 120.13 A2 by:
- Clarifying that leaders and those in managerial roles have a role in promoting the importance of the ethical values of the organization.
 - Adding reward criteria and effective whistle-blowing policies and procedures.
 - Clarifying that proposed paragraph 120.13 A2 (d) relates to the organization's adhering to ethical values when dealing with third parties.
75. Upon deliberation, the Task Force agreed that it would be helpful to individual PAs if the proposed material is clearer about their responsibility to promote ethical behavior and culture in their organizations. In developing its view, the Task Force noted that extant paragraph 200.5 A3⁶⁹ (in Part 2 of the Code) already contains material that addresses a PAIB's responsibility to promote an ethics-based culture:
- 200.5 A3 The more senior the position of a professional accountant, the greater will be the ability and opportunity to access information, and to influence policies, decisions made and actions taken by others involved with the employing organization. To the extent that they are able to do so, taking into account their position and seniority in the organization, accountants are expected to encourage and promote an ethics-based culture in the organization...*
76. The Task Force concluded that the material in paragraph 200.5 A3 should also be added to the proposed paragraph 120.13 A3 to demonstrate the importance of PAs promoting ethical behavior irrespective of their position and the ethical culture in their organizations. Accordingly, the Task Force is proposing a new paragraph 120.13 A3 in **Agenda Item 2B** to address this point, borrowing wording from the extant paragraph 200.5 A3. The Task Force was also of the view that the new paragraph 120.13 A3 will go towards addressing those comments that queried the relevance of the proposed material on organizational culture.
77. The Task Force has also formed the view that further revisions to the proposals to address the Basel Committee's comment are not necessary as the proposed paragraph 120.13 does not suggest, or is 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.
78. The Task Force acknowledged that some jurisdictions may not adopt the new ISQM 1 when it becomes finalized and has therefore made some minor revisions to address this point. The Task Force, however, did not agree that the heading "Considerations for Audits, Reviews, Other Assurance and Related Services Engagements" needs to revert to the extant title given the scope of ISQM 1.

⁶⁹ Section 200, *Applying the Conceptual Framework – Professional Accountant in Business*, paragraph 200.5 A3

III. OTHER MATTERS

A. EFFECTIVE DATE

79. In considering the effective date for the proposed revisions, the Task Force has taken into account a number of factors. The Task Force acknowledged that several respondents have called for a period of stability, particularly with respect to the newly enhanced conceptual framework, after the Revised and Restructured Code became effective in June 2019.⁷⁰ However, given the more principles-based nature of the proposed revisions, the Task Force does not anticipate that extra time will be needed by stakeholders to adopt and implement these changes.
80. Upon deliberation, the Task Force is of the preliminary view that the effective date of the final approved text should be aligned with the effective date of the final proposed texts of the Fees and Non-assurance Services projects.

B. OTHER COMMENTS AND MATTERS

81. The Task Force took into account all general comments received from respondents such as potential translation issues, and the importance of clarity and enforceability.⁷¹ In this regard, the Task Force noted that the proposed revisions in **Agenda Item 2B** have provided further clarity to some of the key terms and concepts, such as what is involved in having an inquiring mind. Also, the Task Force is of the view that the proposed revisions do not create any significant translation issues. In addition, the staff-prepared Basis for Conclusions that accompanies the release of the final pronouncement will assist stakeholders with gaining a better understanding of the changes and the rationale behind these changes.
82. Respondents have also suggested non-authoritative guidance material be developed to assist stakeholders in understanding how different aspects of the revised text can be implemented and applied. The Task Force agreed that further guidance on topics such as the risk of bias and a PA's responsibility to act in the public interest would be helpful to increase understanding amongst PAs and other stakeholders. As such, the Task Force will work with staff on the identification and development of non-authoritative guidance material, taking into account available resources and the ongoing collaboration with IFAC regarding adoption and implementation of the Code.

C. NEXT STEPS

83. At the June 2020 IESBA meeting, the Task Force will aim to present final revisions to the proposals set out in the ED, taking into consideration the input received from the Board and the IESBA CAG.
84. Subject to comments received from the Board, the Task Force anticipates seeking Board approval of the final pronouncement at the June 2020 IESBA meeting.

⁷⁰ Firm: DTT, PwC; Member Body: ACCA, AE, FAR, NBA, WPK; Other Professional Body: SMPC

⁷¹ Regulator: IRBA; Member Body: ACCA, FAR; Other Professional Body: SMPC

List of Respondents to Role and Mindset ED

#	Abbrev.	Respondent (46)	Region
Regulators and Oversight Authorities, Including MG members (6)			
1.	ADAA	Abu Dhabi Accountability Authority	MEA
2.	AABE	Accounting and Auditing Board of Ethiopia	MEA
3.	Basel Committee	Basel Committee on Banking Supervision	GLOBAL
4.	IRBA	Independent Regulatory Board for Auditors (South Africa)	MEA
5.	NASBA	National Association of State Boards of Accountancy	NA
6.	UKFRC	United Kingdom Financial Reporting Council	EU
National Standard Setters (2)			
7.	APESB	Accounting Professional & Ethical Standards Board Limited-Australia	AP
8.	NZAuASB	New Zealand Auditing and Assurance Standards Board	AP
Firms (10)⁷²			
9.	BTI*	Baker Tilly International	GLOBAL
10.	BDO*	BDO International Limited	GLOBAL
11.	CG*	Crowe Global	GLOBAL
12.	DTT*	Deloitte Touche Tohmatsu Limited	GLOBAL
13.	EYG*	Ernst & Young Global Limited	GLOBAL
14.	GTIL*	Grant Thornton International Limited	GLOBAL
15.	KPMG*	KPMG IFRG Limited	GLOBAL
16.	MG*	Moore Global Network Limited	GLOBAL
17.	PWC*	PricewaterhouseCoopers International Limited	GLOBAL
18.	RSM*	RSM International	GLOBAL
Public Sector Organizations (1)			
19.	GAO	United States Government Accountability Office	NA
IFAC Member Bodies (23)⁷³			
20.	ACCA	Association of Chartered Certified Accountants	GLOBAL
21.	AE	Accountancy Europe	EU
22.	BICA	Botswana Institute of Chartered Accountants	MEA
23.	CA ANZ	Chartered Accountants Australia and New Zealand	AP

⁷² [Forum of Firms](#) members are indicated with a *.

⁷³ Certain IFAC Member Bodies hold the additional role of ethics standard setter in their jurisdictions.

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#	Abbrev.	Respondent (46)	Region
24.	CCAB	Consultative Committee of Accountancy Bodies	EU
25.	CPAA	CPA Australia	AP
26.	CPA Canada	Chartered Professional Accountants of Canada	NA
27.	FACPCE	Federación Argentina de Consejos Profesionales de Ciencias Económicas	SA
28.	FAR	FAR (Sweden)	EU
29.	HKICPA	Hong Kong Institute of Certified Public Accountants	AP
30.	IACPA	Iranian Association of Certified Public Accountants	AP
31.	IBRACON	Instituto dos Auditores Independentes do Brasil (Institute of Independent Auditors of Brazil)	SA
32.	ICAEW	Institute of Chartered Accountants in England and Wales	EU
33.	ICPAU	Institute of Certified Public Accountants of Uganda	MEA
34.	ICAI	The Institute of Chartered Accountants of India	AP
35.	ICAN	The Institute of Chartered Accountants of Nigeria	MEA
36.	ICAS	Institute of Chartered Accountants of Scotland	EU
37.	IDW	Institut der Wirtschaftspruefer	EU
38.	ISCA	Institute of Singapore Chartered Accountants	AP
39.	JICPA	Japanese Institute of Certified Public Accountants	AP
40.	MIA	Malaysian Institute of Accountants	AP
41.	NBA	Nederlandse Beroepsorganisatie van Accountants	EU
42.	SAICA	South African Institute of Chartered Accountants	MEA
43.	WPK	Wirtschaftsprüferkammer (German Public Accountants MB)	EU
Other Professional Organizations (2)			
44.	IFAC PAIBC	IFAC Professional Accountants in Business Committee	GLOBAL
45.	IFAC SMPC ⁷⁴	IFAC Small and Medium Practices Committee	GLOBAL
Individuals (1)			
46.	Likierman	Prof. Sir Andrew Likierman	EU

⁷⁴ Constituents of the SMPC are SMPs who provide accounting, tax, assurance and business advisory services principally, but not exclusively to clients who are small and medium-sized entities (SMEs). Members of the SMPC are drawn from IFAC member bodies representing the following 22 countries: Australia, Belgium, Brazil, Canada, China, France, Germany, Hong Kong, India, Italy, Kenya, Malawi, Malta, Nigeria, South Africa, Spain, Sweden, Turkey, Tunisia, Uganda, United Kingdom, and United States.