

**Promoting the Role and Mindset Expected of Professional Accountants
Schedule of IESBA Comments and TF Responses – May 2020**

The following table contains the IESBA participants' comments to the [March 2020 turnaround version](#) of the proposed text received by emails and the Task Force's responses.

This agenda paper should be read in conjunction with **Agenda Items 2-A** and **2-B**.

Paragraph	Author	Comment	TF Response
100.2	Hansen	Is it important to reference “corporate”? Doesn’t “financial reporting” get it done?	No change – review of corporate reporting is an increasingly important of the work undertaken by PAs, whether in practice or in business.
	Lee	Should the Code be indicating what accountants ‘understand and acknowledge’? Not all accountants may understand and acknowledge this?	No change – if the accountants do not have such understanding, it is worth reinforcing the point.
100.5, 110.1 A1 and R115.1 (b)	Hansen	Would not include either of these adjectives as it just complicates an otherwise straightforward concept. Otherwise OK with revisions.	Noted – agree deletion of <i>[relevant/interested]</i>
	Ashley	<ul style="list-style-type: none"> I do not see the need for either of the two words in the square brackets as for me a "stakeholder" must be relevant/interested as otherwise they wouldn't have a "stake". Including the qualifier will merely beg the question as to what it means. I still find the discussion around public interest and the fundamental principles and the Code confusing and unhelpful. I still don't understand what are "the ethical concepts embodied in the fundamental 	<ul style="list-style-type: none"> Accepted – see above (Hansen). For the following reasons, the TF recommends retention of the reference to ‘ethical concepts’: <ul style="list-style-type: none"> It is important to be clear that compliance with the Code does <u>not</u> mean that PAs necessarily act in the public interest - and

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		<p>principles", if they are not in fact the articulation of what is actually meant by those fundamental principles in 110.1 A1.</p> <ul style="list-style-type: none"> I also fail to understand how compliance with these fundamental principles (albeit in spirit or however that might be expressed) cannot in fact satisfy the PAs responsibility to act in the public interest. Even more so when one of the one fundamental principles (professional behaviour) is now expressed to include "Uphold the profession's responsibility to act in the public interest." If I have just met that fundamental principle alone what else is required? Are we saying that an individual PA's responsibility to act in the public interest is something more than the profession's responsibility to do so? I think we are in danger of confusing what an individual PA might sensibly be required to comply with by on the one hand expressing "public interest" to be one element of one fundamental principle and on the other expressing it as some nebulous higher "God-given" purpose which is somehow meant to overlay the FPs. I also find it unsatisfactory that whilst we feel we can provide some application material in 115.1 A1 on how to consider conduct likely to discredit the profession we don't have anything on public interest. 	<p>to avoid any suggestion to the contrary. That is because the public interest is a variable concept that takes into account changing circumstances, and matters such as public opinion, changes in legislation and regulation.</p> <ul style="list-style-type: none"> Various suggestions have been put forward for wording to achieve that objective. However, in the TF's view, none has been an improvement on the wording currently proposed. Para 115.1 does not suggest the individual's obligation extends <u>beyond</u> that of the profession.
	Friedrich	Support retaining the words; not critical, but there does seem to be something more that underlies the words on the paper - that notion of "spirit of the Code". This is a concept that really shouldn't be that foreign to readers and users as we're clearly not the only profession to make use of it.	See above (Ashley)
	Lee	These comments apply to 100.5, 110.1 A1 (e)(ii) and R115.1 (b)	<ul style="list-style-type: none"> 100.5 - 'Upholding the ethical concepts' – see above

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		<p>Suggests</p> <ul style="list-style-type: none"> deleting “Upholding the ethical concepts embodied in”; rewording “meeting their responsibility to act in the public interest” and “meeting this public interest responsibility” with “acting in the public interest” <p>“Uphold” does not seem to be responsive to the comments to the ED. In fact, it would be contrary to some of the comments to Question 3.</p> <p>As I read it, the objections were around the “responsibility to act in the public interest” rather than behaving in a manner that is consistent with that responsibility. It was the idea that we’re introducing a sixth FP namely a “duty to act in the public interest” that was of concern.</p> <p>Suggest to go back to the ED wording of “Behave in a manner that is consistent with” or even “Act in a manner that is consistent with” and replace “the profession’s responsibility to act in the public interest” with “what is in the public interest” such that (ii) reads as “Act in a manner that is consistent with what is in the public interest”</p>	<ul style="list-style-type: none"> 100.5 <i>‘Meeting their responsibility to act in the public interest’:</i> The TF reflected on this suggestion and proposes that the text be amended to read: <i>‘In acting in the public interest, a professional accountant considers not only the preferences or requirements of an individual client or employing organization, but also the interests of other stakeholders when performing professional activities.’</i> 110.1 A1 (e) (ii) and R115.1 (b) The TF has settled on: <i>‘Act in a manner consistent with the profession’s responsibility to act in the public interest in all professional and business activities and relationships.’</i>
	Kiryabwire	<p>Prefer deletion of ‘the ethical concepts embodied in’.</p> <p>‘Relevant’ is probably better.</p> <p>Also, some of the comments seem to be pushing the code to be prescriptive and we think we should avoid that.</p>	See above (Ashley)

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110.1 A1 (e)(ii)	Hansen	<p>Do “relationships” also extend to “activities” in a broad sense? Since the bullets [i, ii and iii] all involve activities or conduct, the TF might want to think about this a bit more. Perhaps consider replacing “relationships” with “conduct”? “Conduct” would seem to be more connected to behavior than “relationship.” Do either cause translation issues? Is there a problem in the Code with using “conduct”?</p> <p>Otherwise, I think the revisions are very good and support them</p>	<p>No change because:</p> <ul style="list-style-type: none"> • To change one reference to relationships and/or activities would involve reconsideration of all such references throughout the Code • This paragraph lies at the heart of the Code and should not be changed at this stage of the project unless a fatal flaw is identified.
	Friedrich	<p>The ED wording is preferred as the Code is all about expected behaviors and a behavior is something that can be expected of an individual.</p> <p>“Uphold” also works, but one can imagine objections to this as some will think this is directed more at a PAO level than for an individual - though we’d argue the direct responsibility still falls squarely on the shoulders of individual PAs as a PAO is really only as good as its members' behaviors.</p> <p>In order of preference then:</p> <ul style="list-style-type: none"> • ED wording • Uphold • Recognize • Acknowledge • Take into account 	See above (Lee).
	Huesken	<p>Suggests:</p> <ul style="list-style-type: none"> • Amending lead in to read as follows: 	<p>No change because:</p> <ul style="list-style-type: none"> • The proposed change would introduce a qualification to (e) (i) and (ii)

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		<p>‘There are five fundamental principles of ethics for professional accountants <i>in all professional and business relationships</i>:’</p> <ul style="list-style-type: none"> • Deleting those words from introduction to (e) • Reinstating ‘<i>when performing professional activities</i>’ in (e) (ii) 	<ul style="list-style-type: none"> • This paragraph lies at the heart of the Code and should not be changed at this stage of the project unless a fatal flaw is identified.
R111.1	Hansen	See comment above for 110.1 A1.	See above (Hansen)
111.1 A1	Huesken	<p>Suggests deleting the inserted text - ‘<i>even when doing so might create potential adverse personal or organizational consequences</i>’ and either</p> <ul style="list-style-type: none"> • adding back the deleted text – ‘<i>when confronted by dilemmas or difficult situations</i>’, or • ending the sentence at “appropriately” or • adding a phrase after appropriately such as “... <i>in all situations.</i>” 	<ul style="list-style-type: none"> • The TF does not support these changes. • The TF proposes that the reference to ‘<i>when facing pressure to do otherwise or</i>’ should be moved from 111.1 A2 to 111.1 A1 so that those paragraphs would read as follows: <p><i>111.1 A1 Integrity involves fair dealing, truthfulness and having the strength of character to act appropriately, even when facing pressure to do otherwise or when doing so might create potential adverse personal or organizational consequences.</i></p> <p><i>111.1 A2 Acting appropriately would involve:</i></p> <ul style="list-style-type: none"> • <i>Standing one’s ground when confronted by dilemmas and difficult situations;</i>

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113.1 A1	Mintzer	Suggests amending to read " exercise of <i>sound</i> judgment"....	No change
R115.1	Hansen	See comment above for 110.1 A1.	See above (Hansen)
R115.1 (b)	TF	Conformed with 110.1 A1 (e) (ii)	<i>'Act in a manner consistent with the profession's responsibility to act in the public interest in all professional and business activities and relationships.'</i>
120.5 A2	Lee	Should this be more generic to say 'source of the information' rather than person. It may come from a group or even technology other than a person.	Accepted. The TF proposes to amend the second bullet to read as follow: " • <i>The information or its source might be influenced by bias or self-interest.</i> "
	Ashley	I'd prefer the second bullet in 120.5 A2 to be expressed as "The person providing the information to the accountant might be influenced by bias or self-interest" as this then is what the accountant should take into account in considering relevance etc rather than "knowing" that the information is in fact affected by such bias or self-interest.	Point accepted. See TF proposal above (Lee)
120.5 A3	Hansen	The order usually is the reverse: "sufficiency and appropriateness" as per ISA 500.	Following discussion with the IAASB PSWG, the TF has agreed that the last sentence should be amended to read as follows:

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		<p>Phrasing is run-on and kind of awkward. Consider simplifying ending with:</p> <p>“...to draw reasonable conclusions.” [which is from the objective paragraph in ISA 500.3, <i>Audit Evidence</i>.] Might work for reviews & other assurance engagements too [FYI ISAE 3402.8 calls for “reasonable” assurance”; ISRE 2400.14 does not include “reasonable” just says “conclusions”].</p>	<p><i>“Accountants performing audits, reviews and other assurance engagements are required to exercise professional skepticism, which includes a critical assessment of evidence.”</i></p>
	Kiryabwire	<p>Scepticism applies across all activities and while auditors may have to exercise a greater level of scepticism, all accountants have to exercise some level of scepticism so uncomfortable with the word ‘only’; we could go with ‘...requirement to apply professional skepticism applies where accountants perform audits, reviews and other assurance engagements...</p>	<p>See above (Hansen)</p>
120.5 A4	Mintzer	<p>Suggests amending to read ‘Professional judgment involves the <i>sound</i> application of relevant training’</p>	<p>No change</p>
120.12 A2	Huesken	<p>This seems to paint automation as a negative. The introduction of “automation bias” without any further guidance on “automation” can potentially be introducing a bias in the Code that automation can only be harmful, when instead automation also can be a technique used to remove bias. The output of the automated systems will remain the same as long as the programming remains the same – i.e., the automation itself cannot be biased. I would</p>	<p>No change.</p> <p>The TF consulted Brian Friedrich (Technology TF chair).</p> <p>He does not consider the current text to be negative – pointing out that what is being defined is the negative side of blindly relying on an automated process <i>“even when human reasoning or contradictory information raises questions as</i></p>

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		<p>suggest that this revision be postponed until the Technology Working Group presents its final report so that the benefits of automation can also be considered.</p>	<p><i>to whether such output is reliable or fit for purpose”.</i></p> <p>So he agrees that “automation” can be used to reduce the effects of other biases in decision-making (assuming the automated process is free from bias, of course), but believes that automation bias arises when decision-makers favour the output without additional evaluation despite having questions about the validity of that output.</p>
	Ashley	<p>As a minor point in the revised definition of Groupthink in 120.12 A2 I'd prefer to change "evaluation" to "consideration" and to delete the last "the" in front of alternatives as I think it is more about not considering there are any alternatives let alone evaluating ones that might (or might not) exist.</p>	Accepted
	Friedrich	<p>Thinks “<i>incorrectly assumed</i>” needs to be added to ‘representation bias’ because otherwise it’s simply describing a normal decision making process, rather than raising the awareness that one’s sample (or pattern being evaluated) might not be representative.</p> <p>“Assumed” instead of “considered” because considered implies a more deliberate, careful thought process before concluding on something being representative.</p>	Amend to ‘ <i>assumed to be representative</i> ’. This would align with ‘groupthink’
120.12 A3	Lee	<p>Suggests deleting “self-awareness” – not needed.</p>	<p>No change – there is merit in making clear that the purpose of the training is to improve the PA’s self-awareness (given that the greater concern is unconscious, as opposed to conscious, bias).</p>

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120.13 A2 (c)	Huesken	'including whistle-blowers' does not seem to add to the point. Protection of those who report regardless of whether it is a whistleblower is important. Recommend deleting.	<p>The terminology has been retained – but the reference to 'whistle-blowers has been moved to the end of the sentence:</p> <p><i>“(c) Effective policies and procedures are in place to encourage and protect those, including whistle-blowers, who report actual or suspected illegal or unethical behavior, including whistle-blowers.”</i></p>
	Ashley	Could we put "encourage and" in front of "protect" as it is more than just protection that is key to a good culture, but also encouraging speaking up generally.	Accepted - see above