

**Promoting the Role and Mindset Expected of Professional Accountants
Task Force Responses to IESBA and CAG Comments – March 2020**

The following table contains the Task Force’s responses to the comments by CAG and IESBA participants to the March 2020 posted version of the proposed text during their March 2020 meetings and via emails. Reference to new paragraph numbers in Agenda Item 2C.1 is listed below as “(now xxxx)” (e.g. (now 100.1)).

The Task Force’s proposed changes to the March 2020 posted version is in **Agenda Item 2C.1**.

Paragraph	Author	Comment	TF Comments and Proposals
100.1 A2 (now 100.1)	Hansen	<p>Suggested amendment to first sentence: “Businesses, governments and other organizations involve professional accountants in a broad range of matters in order to inspire public trust [or alternatively “reliance” or “confidence”] in the accountancy profession financial reporting [or alternatively, and more broadly, “the services/activities that PAs provide”].</p> <p>Rationale: Point is that trust/confidence in financial reporting/services/activities is what is really important. Not trust in the profession. You could say they are the same but focusing on the profession’s image seems just a tad self-serving.</p>	<p>Sentence revised as follows: <i>“Confidence in the accountancy profession is a reason why businesses, governments and other organizations involve professional accountants in a broad range of areas including financial and corporate reporting, assurance and other professional activities. Accountants understand and acknowledge that that confidence is based on the skills and values that accountants bring to the professional activities they undertake, including”</i></p>
	Lee	Concern about introducing “public trust”? What does this mean? Is “trust” sufficient?	
	Haustermans	“Public trust in the accountancy profession...”, not sure if PAs are hired just because of public trust in the profession but rather because of their skills and ethical values and if more PAs are used, this will increase the public trust; also found construction of the sentence difficult to read	

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	Haustermans	“...fundamental to maintaining public trust”, whether the use of “fundamental” might create confusion? Maybe “important”?	The proposed revision avoids both ‘public trust’ and ‘fundamental’
100.1 A3 (Now 100.3)	Adam	Paragraph 100.1 A3 “The Code sets out high quality standards of ethical behaviour” – please reconsider this wording. It may be confusing for many reasons. - Similar words are used in the IFAC mission; - This is a first time these words are used in the Code; - International Independence Standards (IIS) – may be interpreted as only referring to Part 4A and 4B. - Quality Standards are the words used in conversation to the new ISQM changes.	No change - ‘high quality ethics standards’ is used in the Introduction to the Code.
	Wydell	“high quality” – this is very subjective and this can result in inconsistent application or difficulty in enforcing the code	
	Haustermans	suggested the phrase “the approach to professional activities expected of professional accountants” sounds like the Code is providing standards on how to exercise professional activities	‘and approach to professional activities’ deleted
	Mulvaney		In last sentence - “their” deleted
100.1 A5 (Now 100.5)	Ashley	Concerned that the individual accountant’s responsibility to consider the public interest (for which we have no guidance) coupled with the clear position that compliance with the code (even in spirit) doesn’t mean you have necessarily acted in the public interest. Unless we can articulate what this means in practice,	The TF’s understanding of the general consensus of the Board (although difficult to gauge given the nature of the meeting) was that: (i) an individual accountant should have some level of responsibility in relation to the public

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		accountants will be in an impossible position. Thinks that non-mandatory guidance is essential that this happens and happens concurrently with the introduction of this requirement	interest - see 110.1 A1 (e) and R115.1 below;
	Lee	Hears Mike's point about needing to define what acting in public interest means, but no easy solution	(ii) as it couldn't be said that compliance with the Code meant that PAs, and the profession, would have met the public interest responsibility,
	Noemi Robert (Accountancy Europe)	Agreed that "ethical value" is a difficult term for the Code Agreed that "ethical concepts" is related to the FPs but queried how the term is different from the FPs or the CF; how is "concept" different to "principle"?	it is necessary to retain the message that PAs need to have regard to the spirit of the Code (however expressed); The TF has not identified language to address the concerns at the use of the phrase 'ethical concepts'.
	Claes Noberg (Business-Europe)	Agree there should be something and acknowledge it is difficult to get the right wording re "ethical concepts"; agree not to use spirit of the code or ethical value In general agree with proposal	TF has differing views on whether to retain or delete the words 'the ethical concepts embodied in' and so the Board's view is requested.
	Ashley	Concerned about 'ethical values' or (as is now proposed) 'ethical concepts'. If these are not simply some re-articulation of what is contained anyway in the fundamental principles themselves, what are they? And if they are a re-articulation why do we need to introduce this phrase which implies they are something different?	The rationale for <u>deleting</u> the words was set out by Mike Ashley (and others). The rationale for <u>retaining</u> the words is as follows:
	Haustermans	A little concerned about the ethical value point but no recommendation; noted that the Code does refer to the fundamental principles of ethic so this might work with Gaylen Hansen's suggestion Suggest changing "does not consider" to "will consider more than..." so it is expressly in a positive format Remove "professional" from "professional accountant" in last sentence	(i) The Fundamental Principles are expressed through words - 'Integrity', 'Objectivity', 'Professional Behavior' - that have a very wide meaning and potential application. (ii) Section 100, the Code does not seek to define those terms or put boundaries on their application. (iii) So the phrase 'Upholding the ethical

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	Hansen	Replace "ethical concepts" with "ethics"; also consider either is really needed	<p>concepts embodied in the fundamental principles..' directs the PA to consider those terms in their widest sense having regard to the circumstances being considered</p> <p>(iv) Therefore when faced with unusual situations that are not addressed in the Code or where application of the Code might give rise to an outcome that is disproportionate or not in the public interest, the ethical concepts embodied in the Fundamental Principles should be considered.</p> <p>If the words are retained, it would be appropriate to set out this rationale in the Basis for Conclusions.</p>
	Daniel Pavas (Inter-American Accounting Association)	<p>Appreciate difficulty to define PI but suggested that more clarification is needed.</p> <p>In Latin America, when regulation is tied to the standards, in practice when judging the PA's activities, it could be difficult to determine what the PA's responsibilities are</p> <p>Suggested that the guidance would be helpful in the Code</p>	
	Lee	Re preferences or requirements of client or employing organization in 100.1A5, it begs the question of who else? The proposals might leave it's a bit vague but recognized that under different circumstances, what would be public interest and who that public is will vary	<p>The TF has amended the last sentence to read:</p> <p style="padding-left: 40px;">'In meeting this public interest responsibility an accountant considers not only the preferences or requirements of an individual client, but also the interests of other[relevant/interested] stakeholders when performing professional activities'</p> <p>In reaching this position, the TF took into account para 100.3 A2.</p> <p>(i) It considered moving 100.3 A2 to follow 100.1 A5 but concluded that that would involve moving valuable application material to R100.3 and that the paragraph is</p>
	Hansen	Replace "only" with "solely" in "a professional accountant does not consider only"	
	Mintzer	<p>A) I note that 100.3 A2 already includes application guidance that a PA might believe that applying a specific requirement might not be in the public interest.</p> <p>B). 100.3 A2 A professional accountant might encounter unusual circumstances in which the accountant believes that the result of applying a specific requirement of the Code would be disproportionate or</p>	

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		<p>might not be in the public interest. In those circumstances, the accountant is encouraged to consult with a professional or regulatory body</p> <p>C) What I take away from this extant provision is the concept of “unusual circumstances”...</p> <p>a. can we infer from this that IESBA concluded that in the usual circumstances applying the Code achieves the public interest responsibility?</p> <p>b. Has the TF considered whether extant 100.3 A2 is related to the “enables” vs “assists” issue? And, if so, should it be re-positioned to immediately follow the revised 100.1 A5?</p> <p>c.. Has the TF considered if perhaps (consistent with Extant 100.3 A2) that unless the PA encounters “unusual circumstances” that complying with the Code enables the PA to discharge its public interest responsibilities?</p> <p>d. And accordingly to what extent might a PA be required to consider and apply yet-to-be effective (or enacted) Code changes if those changes could arguably be helpful in discharging the PAs Public Interest Responsibilities?</p>	<p>effective to support the point in its current location.</p> <p>(ii) However, it did consider that that paragraph would be enhanced by deleting the word ‘specific’ (which it was informed had been used to narrow the way the paragraph is interpreted by some).</p>
<p>110.1 A1 (e)(i) and R115.1 (a)</p>	<p>Hansen</p>	<p>Prefer the original language “Consider” too weak Could this inadvertently introduce the argument that the PA is not performing professional activities - so therefore does not apply ? Prefers “Act in the public interest”. Should (iii) be moved to become (i) ?</p>	<p>The TF thought that there was a clear consensus that ‘consider’ is too weak.</p> <p>The TF identified the following options:</p> <ul style="list-style-type: none"> i. retain ED wording - ‘behave in a manner that is consistent with’ ii. “recognize” or “acknowledge” iii. “take into account”
	<p>Friedrich</p>	<p>The proposed wording is too soft. The profession is just the sum of its members and their collective, individual behaviours. It is otherwise missing the essential, as</p>	

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		ICAS responded, "...and then ensure that the results of this consideration are reflected in the way in which they act ". Behave in a manner..." does not detract from the public interest being a profession-level concern, but it is implemented through individual PAs' behaviour.	iv. "uphold" The TF recommends ' <i>Uphold</i> ' as that conveys more than a responsibility that arises in relation to the actual work undertaken. The TF also proposes the deletion of 'when performing professional activities' in (e) (i) and changing lead-in to read: <i>(e) Professional Behaviour - In all professional and business relationships, to:</i> This has the advantage of using the same terminology as in the other FPs The TF also agrees that the subparagraphs should be re-ordered (iii), (i), (ii)
	Haustermans	"consider"... are we weakening it too much? Suggested "recognize" or "acknowledge" (prefer "recognize")	
	Lee	Suggest 'Take into account' in place of 'Consider' so as to eliminate choice	
	PIOB Observer	When looking at the public interest responsiveness of this standard, one question is whether this standard respond to its objective which is largely to reflect in the Code the spirit of professional skepticism that should inspire all PAs including PAIBs; for PAIBs, this is about integrity of the PAs when preparing accounts Prefer the original language as "consider" is too soft	
	Adam	I disagree with this softening. (the introduction of "consider"). I agree that this is limited to when performing profession services – however this is true for the Code in its entirety. This change relaxes the responsibility of the PA. This is the only requirement paragraph that includes the responsibility to act in the public interest, and the inclusion of consider demotes it from an action to a need for consideration. The argument of respondents that acting in the public interest is the profession's responsibilities and should not be a PA level, mitigates that the need for responsibility at an individual level.	
Paul Sobel (Institute of	Troubled by "consider' because does sound too soft as Richard had suggested, does sound like there is an		

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	Internal Auditors)	option and maybe words such as “recognize” which may be more explicit but softer than behave	
	Megan Zietsman (PCAOB)	<p>Also agreed that “consider” is a troublesome word and suggest an option not to think about public interest</p> <p>Also support the phrase “recognizing the profession’s responsibility”</p> <p>Suggested also to move the sentence as lead-in in R115.1: “In recognizing the profession’s responsibility to act in the public interest...”</p> <p>Otherwise, supportive of the TF’s proposals</p>	
	Robert De Tullio (Basel Committee)	Suggested “at a minimum consider”	
	Shigeo Kashiwagi (PIOB Observer)	<p>The PIOB welcome and support the TF’s proposed revisions which overall promoted more clarity and strengthened the concept</p> <p>Although also agreed that “consider” may not be appropriate, recognized it is not the PIOB Observer’s role to comment on drafting</p> <p>Noted that since comment letters mostly from the profession, comments from CAG members are very much appreciated</p>	
	Wydell	It is important that the Code is clear if a PA must act ethically in regard to their professional activities or in their private life or both. I am agnostic on whether it should or shouldn’t be, but it needs to be clear for application and enforcement. We often have complaints against members in relation to purely private matters.	

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		<p>Para (a) here is very clear it is when working but (b) and (c) read in any capacity. The last para also says any activity. 110.1 A1 (e) refer to professional behaviour but (ii) and (iii) are not specific re in professional capacity or in life generally.</p> <p>Any way that IESBA can make intention know and clear is helpful</p>	
111.1 A1/A2	Adam	<p>Determination to act appropriately are long standing words in the Code – however this does not mean that it can't be changed.</p> <p>The fundamental principles are being considered by the Technology and Tax and relates services Working group as well– was there coordination and agreement with these WG on the amendments to these words?</p>	<p>Taking the views expressed, the TF recommends amending the application material to read as follows:</p> <p><i>111.1 A1 Integrity involves fair dealing, truthfulness and the determination to act appropriately, even 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 or difficult situations, or when facing pressure to do otherwise;</i> • <i>Challenging others as and when circumstances warrant and in a manner appropriate to the circumstances.</i> <p>This involves deleting reference to 'during the course of performing professional activities' which</p>
	Megan Zietsman (PCAOB)	Amend opening words to A2 to 'Acting appropriately would involve....'	
	Ashley	<p>If 111.1 A2 are not examples, look more like a list; suggested "would involve"</p> <p>Unsure why remove "as and when appropriate" from challenging others?</p>	
	Lee	Also queried deletion of "as and when appropriate"; not all professional activities would require to same degree of challenge	

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	Gibson	Compared “During the course of performing...” in 111.1 A2 with R111.1 which ends with “in all professional and business relationships”; the proposal seems limiting	appears unnecessary given the last words of R111.1
	Friedrich	Difficult to enforce “having the strength of character” – perhaps better as “...and acting appropriately...” because the “strength of character” is in A2. It also seems as though the concept of “acting appropriately”/“standing one’s ground”/“challenging” be added into R111.1 given that these expectations appear to go beyond the extant R111.1 wording, rather than simply being clarifications or modest extensions. 111.1 A2 particularly reads like a new requirement. It is also about responding to an external stimulus, whereas the desired R111.1 behaviour is generated internal to the PA.	
	Haustermans	Suggest keeping 111.1 A1 as it was; adding “having “the strength of character” as the first bullet in 111.1 A2	
	Madden	Wonder if “Standing one’s ground” is universally understood; suggest holding a position or argument	
			No change, as the proposed text has been out for exposure and no concerns raised
R111.3	Hansen	May be beyond scope of current project, but in this situation does the PA have a responsibility beyond disassociation to require notifying those that may be relying on false or misleading information? I’m left with the impression that all that is required is disassociation but likely more is required.	Beyond scope

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113.1 A2	Wydell	<p>Definition of CPD – should be the same as the IFAC Education Standards IES definition is - 'Continuing professional development (CPD)—Learning and development that takes place after initial professional development, and that develops and maintains professional competence to enable professional accountants to continue to perform their roles competently.'</p> <p>Code says: CPD enables a professional accountant to develop and maintain the capabilities to perform competently within the professional environment.</p> <p>How about? CPD develops and maintains professional competence to enable a professional accountant to continue to perform their role competently. OR Delete the 2nd sentence it doesn't add much.</p>	No change. The sentence adequately reflects the IES definition
R115.1			Will be conformed to text agreed upon for 110.1 A1 (e)
R120.5	<p>Hansen</p> <hr/> <p>Paul Thompson (EFAA)</p>	<p>Should (b) be moved to become (a)? Will RITP test always be required ? change to 'Consider'</p> <hr/> <p>Suggested that the whole proposal is a significant improvement to the Code EFAA did not respond but participated in RT and CP; agreed with where the TF has landed</p>	<p>Move (b) to (a); No change to (c) as text is in extant Code</p>

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		Disappointed that the IESBA did not get response from academic community because of the new crop of accountants coming up	
	Jim Dalkin (INTOSAI)	Landed in good spot and support the proposal on “inquiring mind”	
	Megan Zietsman (PCAOB)	Supportive of the concept of the inquiring mind	
	McPhee	Consider moving (b) to (a)	
120.5 A3 (now 120.5 A1)	Gibson	“prerequisite” sounds like a requirement	The TF concluded that the word ‘prerequisite’ conveys the importance that it believes needs to be given to the application of an inquiring mind by PAs - and reflects that that is a requirement in R120.5
	Lee	Re Gibson’s point on “prerequisite”; “key” might be a better word	
	Mintzer	As “open and alert” 120.5 A3 is deleted, suggested that “whether there is a need” seem too soft; prefers to keep "open and alert"	Suggested revision accepted.
120.5 A4 (now 120.5 A2)	Lee	add “potential bias” to the source of information	New bullet to address potential bias of provider of information (as that is different to the bias of the PA addressed in 120.12 A1 et seq.)
	Haustermans	why ‘adequacy’? Of the view that “source” is sufficient and the BfC can expanded what the source includes e.g. adequacy and bias	Suggested revision accepted

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120.5 A5 (now 120.5 A3)	Hansen	Does this inadvertently imply that PS is not required by the PAIB	PS as defined - yes
	Hansen	Replace "to" in "different purpose to" with "than"	The TF reviewed the comments and is proposing the following revised paragraph, subject to consultation with IAASB. <i>Paragraph R120.5 requires all professional accountants to have an inquiring mind when identifying, evaluating and addressing threats to the fundamental principles. Whereas this prerequisite for applying the conceptual framework applies to all accountants regardless of the professional activity undertaken, the requirement to apply professional skepticism applies only to accountants performing audits, reviews and other assurance engagements for the purpose of evaluating the appropriateness and sufficiency of evidence supporting the financial information subject to the accountant's report</i>
	Megan Zietsman (PCAOB)	With respect to paragraph 120.5 A5, expressed the view that the phrase “different purpose” could be read as “inquiring mind” and PS are completely independent of each other	
	Ashley	“...different purpose...” may not be correct as one could argue professional skepticism is merely an articulation of having an inquiring mind in the context of an audit; agree they are different but not different purposes	
	Lee	suggested “different from...” instead of “different to”	
	Gibson	not sure if the phrase “in order to critically assess evidence” is needed; such a paraphrase of professional skepticism might not work	
	Adam	Agree that a statement differentiating between inquiring mind and professional scepticism is needed. The wording “Accountants performing audits, reviews and other assurance engagements are required to exercise professional scepticism in order to critically assess evidence” This wording may be limiting without more detail on Professional Scepticism.	
120.12 A1	Haustermans Ashley	Replace “affects” with “might affect”	No change - bias necessarily has an effect and it would be counter to the purpose of the application

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			material to suggest that bias might not affect professional judgment.
120.12 A2	Gibson	With respect to list, because so many examples, looks like a complete list of biases rather just examples When looking at wordings, read more like a definition	No change. TF attempted to use terms that uncontroversial, and comments were supportive; as to the sources of the proposals, may be able to include them in BfC
Groupthink		Support for original proposal of groupthink: Nil Support for alternative: Poll, Lee, Kiryabwire, Ashley, Hansen, Haustermans, Endsley	Alternative wording adopted with addition of 'to discourage individual creativity and responsibility and as a result' in response to Brian Friedrich's comment. Reference to 'consequences' deleted. Revised definition: <ul style="list-style-type: none"> <i>Groupthink, which is a tendency for a group of individuals to discourage individual creativity and responsibility and as a result reach a decision without critical reasoning or evaluation of the alternatives.</i>
	Ashley/Hansen/Friedrich	doubtful about adding "consequences"	
	Friedrich	"a tendency for a group to discourage individual creativity and responsibility and thereby reach a decision without critical reasoning or adequately evaluating foreseeable consequences." My rationale: both the 'discourage the individual' and 'without critical reasoning' elements are important; consensus isn't always a requirement, but a decision would seem to be; and evaluating the alternatives seems an essential part of critical reasoning so might not need special mention, whereas evaluating the consequences doesn't appear to be.	

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120.12 A3	Hansen	First bullet: Does this approach have its own bias - over reliance on experts ?	No change - accessing expertise is an appropriate approach to counter bias.
	Lee/Kiryabwire	Consider adding after “self-awareness training” the phrase “related to identification of bias”	Suggested revision accepted.
120.13 A2	Hansen	Amend to ‘... who report actual or suspected illegal ...’ in 120.13 A2 (c)	Code uses ‘whistle-blowers’ in other places. To address suggestion that small firms and entities won’t have whistle-blowing policies, amended to read: <i>Effective policies and procedures are in place to protect those, including whistle-blowers, who report actual or suspected illegal or unethical behavior’</i> This focuses on the person being a whistle-blower - as opposed to the policies etc. being ‘whistle-blowing policies and procedures’
	Friedrich	Replace ‘an’ with “their” to clarify?	
	Ashley	Concerned that the conjunction of adding “whistleblowing policies and procedures under the current proposed lead-in in 120.13 A2 might not work suggests that irrespective of size of an organization, you still need whistleblowing policies. Whilst the other three should be irrespective of size; a lot of organizations do not have whistleblowing policies	
	Endsley	Does not like the term “Whistle-blowing”; suggested “effective policy and procedures to handle complaints and allegations”	
	Lee	Fine with wording; similar to NOCLAR; someone who is more senior should be expected to do more	
	Huesken	Agrees with Lee but suggested that in noting the broad nature of (c) and (d), perhaps could be about policy and procedures to address ethical matters and protect those who do so	

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	Adam	Introduction of “whistle blowing policies and procedures” would work for my country (South Africa), I wonder if this is widely accepted and understood in other jurisdictions.	
120.13 A3	Gibson	Not sure if needs qualifier “to the extent that they are able to do so, having regard to their position and seniority”, suggests stop with “organization”	Amended to read <i>Professional accountants are expected to encourage and promote an ethics-based culture in an organisation taking into account their position and seniority’</i> It is proposed to amend paragraph 200.5 A3 to include a cross-reference to 120.13 A3
	Kiryabwire	Re Gibson’s comments on 120.13 A3, suggested that the TF perhaps tried to align the wording with 200.5 A3	
120.15 A2	Lee	Need to be amended/conformed with other changes	Agreed
Other	Ashley	From a planning perspective, it would be helpful that the TF coordinates with the Technology and Tax Planning WG if they intend to also make changes to these paragraphs so there are not three sets of changes within 18 months	Noted
	Haustermans	“Having regard to” is language that structure on purpose avoided as not too complicated language for non-native English speakers; however we do have it currently once in NOCLAR, probably one that slipped through the cracks. The appropriate terminology is: “taking into account” as eg. per 200.5 A3	“having regard to changed to” changed to ‘taking into account’ in: <ul style="list-style-type: none"> • 120.5 A1; • 120.5 A3; • 120.13 A3; and • the definition of Professional judgment.

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	Haustermans	When you have a bulleted list, you should not use “for example” before the bullet list starts. Eg, see 120.12 A3 still has a “for example” that needs to go.	Noted - 'for example' deleted