

Promoting the Role and Mindset Expected of Professional Accountants

Comments on ED Question 1

(Role and Values 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?

The respondents' responses are divided into four groups:

1. Support with minor amendments
2. Support with more substantive amendments
3. Does not support
4. No comment

1. Support with Minor Amendments

01 Abu Dhabi Accountability Authority

Yes, we support these proposals. In the section Acting in the Public interest, the IESBA recognises 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 it does not have the authority, legal or otherwise, to give such an assurance.” However, Paragraph 100.1 A1 states: “Compliance with the Code enables accountants to meet their responsibility to act in the public interest and involves upholding the ethical values upon which the Code is based as well as complying with the specific requirements of the Code.” Perhaps the caveat can be included in Paragraph 100.1 A1 as well to make this clearer.

02 Accounting and Audit Board of Ethiopia

Yes. Considering the complexity and diversity of the Accountancy Profession, accountants need more clarifications. The enhanced drafts are insights for Accountants understand and acknowledge their skills and values that the accountants bring to the professional activities they

03 Basel Committee on Banking Supervision

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.

09 Baker Tilly International

Response: We agree with and support the proposals made in Section 100.

It is clear that the profession has a responsibility to act in the public interest and stressing this in paragraphs 100.A1, 100.2.A1 and 110.1.A1(e), for example, is helpful. In our view, the more clarification, guidance and examples that can be provided to explain what ethical behaviour looks like can only have a positive impact.

Expressing the requirement of Objectivity positively is consistent with the way the other four principles (Integrity, Professional Competence and Due Care, Confidentiality and Professional Behaviour) are expressed, and we welcome this amendment to 110.1.A1(b) along with additional text around conflict of

interest or undue influence in 111.1.A1(b)(ii).

11 Crowe Global

We support the proposals in Section 100 that explain the role and values of professional accountants.

“Acting ethically” is more than merely complying with the Code. Those who have the designation of “professional accountant” have a duty to act in the public interest and uphold values expected of them by society

13 Ernst Young Global Limited

Yes, we support the proposal in Section 100. We agree with the Board’s contention in paragraph 18 of the ED that that compliance with the Code cannot in and of its own right ensure or assure

that the Professional Accountant is acting in the public interest. Therefore, we question whether the use of the word “enables” in Section 100 .1 A1 could unintentionally convey an assurance that

professional accountants will meet their responsibility to act in the public interest, especially when translated for adoption in local language. We would suggest instead the following wording:

“Compliance with the Code facilitates accountants to meet their responsibility to act in the public interest . . .”

14 Grant Thornton International Limited

GTIL supports the proposals in Section 100 that explain the role and values of professional accountants as well as the relationship between compliance in the Code and professional accountants acting in the public interest.

16 Moore Global

We are in support of the proposals explaining the role and values of professional accountants, and strongly support the concept of extending the ethical requirements to professional accountants other than those performing assurance engagements, whilst still distinguishing between assurance engagements and other services.

100.1 A1 We agree that it is important to clarify that the accountant’s responsibility is not exclusively to satisfy the preferences or requirements of the client/employer. It can be a very difficult area in practice, and this is where an “inquiring mind” and strength of character is important. The need to weigh up the client/employer demands with the public interest is an important point. A practical example of this was the public reaction a number of years ago to tax anti-avoidance measures implemented for high profile figures and corporations in the UK.

Our main concern is that the relationship between compliance with the Code and acting in the public interest could be problematic when attempting to enforce compliance with the Code, as the “profession’s responsibility” contained in Par 110.1 A1 (e) is not clearly defined. We therefore recommend including a clear definition of the profession’s responsibility to enable compliance.

17 PricewaterhouseCoopers International Limited

Yes, we support the proposed language and believe that this will be helpful guidance to professional accountants.

Given the current focus on building trust in the profession, we recommend that it might be helpful to add at the end of paragraph 100.1 A2 words to the effect of “Furthermore, the application of these skills and values helps to create and enhance trust in the profession”.

18 RSM International

Yes, we do support the development of new application materials in Section 100. We think that the new

application materials will help professional accountants to understand the linkage between the role, mindset and behavioural characteristics expected of professional accountants and compliance with the fundamental principles.

19 U.S. Government Accountability Office

We 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. We have not identified any other relevant matters that should be highlighted in these paragraphs.

29 Hong Kong Institute of Certified Public Accountants

In general, we support the proposals in Section 100 which clarify the role and values of professional accountants and their responsibility to act in the public interest.

We acknowledge that the interpretation of "public interest" varies in different situations and culture, and hence it is not possible to develop a clear-cut definition.

It would be useful to clarify in publications such as the Basis of Conclusion or case studies the relevance of public interest to professional accountants, in particular PAIBs being employed by SMEs or PAPPs who audit SMEs. It is important that they understand the role and values of professional accountants the Code requires of them and how their behaviour impact public interest.

Though "public interest" is not defined in the Code, we agree the proposals in section 100 heighten the importance for professional accountants to uphold the spirit and ethical values of the Code when performing professional activities, rather than simply complying the prima facie requirements of the Code.

33 Institute of Certified Public Accountants of Uganda

ICPAU supports the proposals in Section 100 that explain the role and values of professional accountants because these ensure that professional accountants always act in the public interest. As the proposals clearly put it, the application of the skills and values in Section 100 enables professional accountants to provide quality services in a way that can be relied upon by the intended users of their work. This will go a long way in fostering public trust in the accountancy profession.

34 Institute of Chartered Accountants Of India

Yes. We support the same the section highlights the mannerisms that a professional Accountant should follow at every sphere.

35 Institute of Chartered Accountants of Nigeria

Yes, we agree with 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 in the public interest.

The statement that the accountants responsibility is "not exclusively to satisfy the preferences or requirements of an individual client or employing organization when performing professional activities." in proposed change to section 100.1.A 1 should be enhanced to include "if such preference or requirements will go against his responsibility to the public interest ". Examples should also be provided.

38 Institute of Singapore Chartered Accountants

The IESBA Code contains requirements and application material to enable professional accountants to meet their responsibility to act in the public interest. The proposed text in Section 100 reminds professional accountants to comply with the fundamental principles and apply the conceptual framework and emphasizes that compliance with the Code goes beyond complying with the requirements of the Code.

Paragraph 100.1 A 1 explicitly states that: "In acting in the public interest, a professional accountant's

responsibility is not exclusively to satisfy the preferences or requirements of an individual client or employing organization when performing professional activities."

To meet their responsibility to act in the public interest, professional accountants are expected to demonstrate ethical behavior and uphold ethical values, and this entails complying with both the letter and spirit of the Code. We agree and support the above.

39 Japanese Institute of certified Public Accountants

We support the proposals. There are no other relevant matters that we believe should be highlighted.

41 Royal Nederlandse Beroepsorganisatie van Accountants

We support IESBA's position to emphasize the professional accountant's responsibility in a general way. We believe that with the proposals in the exposure draft, sufficient guidance is offered to the professional accountant to fulfill his responsibility. Further we believe that with these proposals the IESBA with the Code of Ethics meets the requirements set for the accountant in this time of technological developments and a critical attitude of the environment in which the professional accountants act.

2. Support with More Substantive Amendments

04 Independent Regulatory Board for Auditors

We support the proposed amendments highlighting the wide-ranging role of the accountancy profession in society and the relationship between compliance with the Code and responsibility to act in the public interest.

We do note that the concept of the role and mindset of a professional accountant is abstract when compared to other provisions/amendments to the Code. It is important for professional accountants to understand the practical implications and considerations of these amendments, e.g. identifying situations where decisions have to be made in the public interest. These, however, have not been fully considered and included in the proposed amendments.

We acknowledge that all the practical considerations (describing all of the types of situations in which a professional accountant should consider the public interest or describing all of the public interest stakeholders who may be affected by a decision or an action of a professional accountant) of these amendments may be difficult to describe in a global Code. However, the concept of acting in the "public interest" is a critical and foundational issue in recognising the role of professional accountants and informing the professional accountant's mindset in the decision-making process. Professional bodies, national standard setters and others should therefore be pressed upon to offer jurisdictional guidance. In addition, the IESBA may consider issuing guidance to assist jurisdictions in raising awareness on this important topic of "public interest", particularly how a professional accountant's mindset should be influenced by their assessment of the impact of their decision-making on the full range of stakeholders affected by their decisions.

Paragraph 100.1 A3 does not address institutions such as supreme audit institutions (public sector auditors), or others, which may use or adopt the Code. Therefore, a proposed change to the wording is as follows:

(Suggestions for additions appear in italics and are underlined, while for deletion they have been struck through.)

"The Code may also be used or adopted by those responsible for setting ethics standards for professional accountants in their jurisdiction, and by firms in developing their ethics and independence policies, and others."

06 United Kingdom Financial Reporting Council

The primary objective, of the proposals are to promote the role and mindset expected of professional accountants, but the material in Section 100 does relatively little in this regard. Section 100 should highlight that complying with the Code and acting in the public interest requires an appropriate mindset and give

examples of the key characteristics and behaviours required. This could be done by expanding the list in 100.1.A2 to include, for example:

- Understanding the needs of users of information, the accountant is associated with.
- Having an inquiring mind.
- Applying appropriate professional scepticism.
- Acting appropriately in difficult situations.

We comment further on the concepts of an inquiring mind and applying appropriate professional scepticism in our response to QS.

We also recommend the following editorial changes:

100.1.A1 - The statement that "Compliance with the Code enables accountants to meet their responsibility to act in the public interest ..." could be taken to imply that compliance with requirements set out in the Code is all that is needed to achieve this. It is likely that accountants will face particular circumstances which require them to go further. We recommend that "enables" is changed to a term such as "supports" or "assists".

It would be helpful, particularly for PAIBs, if further guidance was added to help explain the statement "A professional accountant's responsibility is not exclusively to satisfy the preferences or requirements of an individual client or employing organisation ...". For example, identifying that a professional accountant acting in the public interest also has regard to the needs of users of information the accountant is associated with.

100.1.A2 - The statement in the last sentence should be strengthened by changing "might" to "can" regarding intended users' reliance on the advice or other output of the accountant.

100.1.A3 - The Code sets out principles and requirements that establish expected standards of behaviour. However, only Part 4 (addressing independence for audit, review and other assurance engagements) specifically sets out "standards". Accordingly, we recommend that in this paragraph "ethics standards" is changed to "ethical standards of behaviour".

07 Accounting Professional Ethical Standards Board Australia

APESB supports the proposed additional application material in paragraph 100.1 A1 as it strengthens the understanding of the relationship between compliance with the IESBA Code and public interest. However, we are of the view that instead of using 'ethical values' the paragraph should refer to the 'spirit of the Code.'¹ APES 110 and APESB's suite of professional standards include Scope and Application paragraphs that refer Members to 'the spirit of this Code.'

APESB does not support proposed paragraphs 100.1 A2 and A3 being included in the main body of the IESBA Code. These paragraphs describe the varied roles Professional Accountants undertake and the importance of the Code, and we are of the view that they are more akin to introductory information and could be either included in a new section titled 'Introduction to the Code' or in the Guide to the Code.² Further, paragraph 100.1 A2(a) refers to 'ethical principles,' which is terminology not used elsewhere in the IESBA Code. APESB is of the view that for consistency of terminology, the IESBA considers whether 'fundamental principles' could be used as an alternative.

APESB supports the inclusion of proposed paragraphs 100.2 A2 and 100.2 A3 within the main body of the Code³ as they will assist stakeholders in understanding the Code's structure and the application of the conceptual framework. However, APESB is of the view that the words 'remainder of the' should be deleted from proposed paragraph 100.2 A3. APESB is also of the view that as proposed paragraph 100.2 A1 repeats the wording from paragraph 100.1 A1, and that it is unnecessary.

08 The New Zealand Auditing and Assurance Standards Board

We support the proposed additions to paragraph 100.1 A1 of the Code. However, in our opinion the

paragraph will have a better flow if the last sentence of the proposed paragraph is moved up to follow the first sentence. We suggest the following edits to paragraph 100.A1

“A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest. ~~In acting in the public interest, a professional accountant’s responsibility is not exclusively to satisfy the preferences or requirements of an individual client or employing organization when performing professional activities.~~ A professional accountant is also responsible for maintaining and enhancing the public trust in the profession. The Code sets out the ethical behaviors and approach to professional activities expected of professional accountants. Compliance with the Code enables accountants to meet their responsibility to act in the public interest and involves upholding the ethical values upon which the Code is based as well as complying with the specific requirements of the Code. ~~In acting in the public interest, a professional accountant’s responsibility is not exclusively to satisfy the preferences or requirements of an individual client or employing organization when performing professional activities.”~~

We question the need for the proposed paragraph 100.1 A2 that explains the role and values of professional accountants. We believe that it may be more useful to emphasise that the public trust in the profession is at the heart of the broad range of roles undertaken and values delivered by professional accountants. It is therefore vital for professional accountants to be committed to enhancing the public trust and avoid behaviour that will harm this trust. We therefore recommend the paragraph to be amended as follows.

~~The public trust in the accountancy profession underpins why B~~businesses, governments and other organizations involve professional accountants in a broad range of matters. ~~Accountants understand and acknowledge that these organizations do so because they recognize t~~The skills and values that the accountants bring to the professional activities they undertake through:

- (a) Adherence to ethical principles and professional standards;
- (b) Use of business acumen;
- (c) Application of expertise on technical and other matters; and
- (d) Exercise of professional judgment;

~~are fundamental for upkeeping this public trust.~~ The application of these skills and values enables professional accountants to provide advice or other output that is fit for the purpose for which it was provided, and which might be relied upon by intended users of such output.

10 BDO International Limited

We support the edits in paragraph 100.1 A1 as it better explains acting in the public interest. We also support the addition of the section on Fundamental Principles and Conceptual Framework (100.2 A1 – 100.2 A3). We believe this provides an overview before getting into the details.

We do not support the inclusion of paragraph 100.1 A2. We do not believe that the IESBA Code is the appropriate place to promote the value of professional accountants and would recommend deleting this paragraph.

We are not clear on why new paragraph 100.1 A3 is required in the IESBA Code. Currently, in the preface it states that IESBA issues the standards and that IFAC

12 Deloitte Touche Tohmatsu Limited

We acknowledge the view that compliance with the Code cannot guarantee that a professional accountant has acted in the public interest, however it is important to provide certainty that such compliance plays an

important role in enabling a professional accountant to meet their responsibility to act in the public interest. We therefore support continuing to include a statement of this nature in 100.1 A1, subject to the following comments.

We do not agree with the introduction of a new concept of “values” throughout Section 100. We consider the values on which the Code is based are the fundamental principles, otherwise, it is unclear what other values are being referenced or how they are expected to be upheld.

In addition, the sentence added in 100.1 A1 has a redundancy that we suggest be removed (“Compliance with the Code enables accountants to... and involves ...complying with the specific requirements of the Code”) as follows:

“Compliance with the Code enables accountants to meet their responsibility to act in the public interest. ~~and involves upholding the ethical values upon which the Code is based as well as complying with the specific requirements of the Code.~~”

We understand the intent behind the addition of paragraph 100.1 A2, however it includes many new concepts and ideas, some of which have unclear meaning, and some of which seem to set new standards. For example:

We suggest deleting “Accountants understand and acknowledge that...” The phrase is hard to read and understand but also appears to contradict explanatory paragraph 16 in which the IESBA concluded that the Code is not the appropriate place to promote a mission statement or professional oath. Furthermore, the phrase does not contribute anything to the sentence as the relevant concept is why accountants are hired or engaged, not the accountant’s understanding or acknowledgement of why they are important to organizations.

We suggest deleting the “Use of business acumen”. This is unclear in meaning and may imply a role that is not intended, when the requirement to exercise professional judgment appears to be sufficient.

We suggest deleting “The application of these skills and values enables professional accountants to provide advice or other output that is fit for the purpose for which it was provided, and which might be relied upon by intended users of such output.” “Fit for purpose” is a legal standard used in consumer protection laws in many countries, and used in a business context, implies that quality can only be defined in terms of the purpose or goals of the client. We are concerned at the implied establishment of a new legal standard for the quality of advice provided by an accountant.

Paragraph 100.2 A1 is duplicative of the additions in 100.1 A1, yet also slightly differs in material respects as it appears broader. It could also be confusing when read in conjunction with 110.2 A1:

100.1 A1 states “The Code sets out the ethical behaviors and approach to professional activities expected of professional accountants. Compliance with Code enables accountants to meet their responsibility to act in the public interest”.

100.2 A1 states that “The Code sets out the ethical behaviors and approach to professional activities expected of professional accountants in meeting their responsibility to act in the public interest.”

110.2 A1 states “The fundamental principles of ethics establish the standard of behavior expected of a professional accountant.”

We suggest deleting the first proposed additional sentence in 100.1 A1 and moving it to replace the suggested wording in 100.2 A1. We also recommend consideration of how these words and concepts (for example “ethical behaviors”, “standard of behavior” and “professional behavior”) are used in the Code to ensure consistency, avoid confusion and provide clarity of expectations.

15 KPMG IFRG Limited

We support the proposals in Section 100 and appreciate the elevation of the expectation for both

professional accountants in public practice (PAPP) and professional accountants in business (PAIB) to act in the public interest. As expressed in more detail under question 3, we suggest that a framework be included to provide parameters around the PAIB's responsibilities for acting in the public interest and for those PAPPs who provide professional services other than audit, review or other assurance engagements.

20 Association of Chartered Certified Accountants

We support the development of the section on Complying with the Code (Section 100) and the proposals to explain the wide-ranging role and skills and values of professional accountants, as these help to manage the expectations of stakeholders and increase trust and confidence.

However, we believe the relationship between compliance with the Code and a professional accountant's responsibility to act in the public interest is not clearly articulated.

We agree that compliance with the Code plays an important role in enabling professional accountants to meet their responsibility to act in the public interest. We also agree that compliance with the Code does not mean that professional accountants have necessarily discharged their responsibility to act in the public interest in full. However, we are concerned that the proposals relating to professional behaviour and the public interest, as currently drafted in paragraphs 110.1 A1 (e) (i) and R115.1 (a) of the Exposure Draft, appear to place a personal duty on the individual professional accountant to act in the public interest. We comment on this further in our response to Question 3.

21 Accountancy Europe

We agree that the accountancy profession has a responsibility to act in the public interest. However, we are concerned that describing this responsibility in paragraph 100.1 A1 as "involving upholding the ethical values upon which the Code is based" in addition to complying with the specific requirements of the Code is at best unhelpful if not counterproductive. Unless these "ethical values" are clearly defined, they remain subjective and unenforceable. Such urging concepts bear the risk of allowing oversight authorities to shape the profession's behaviour as they see fit, which is not the purpose of an international professional Code of Ethics.

22 Botswana Institute of Chartered Accountants

100.1 A1

Inclusion of "professional activities" in the second sentence diverts from the essence of Code of ethics. Code of ethics seeks to guide behaviour and therefore stating that "...approach to professional activities..." seems to imply that guidance is provided on how to carry out engagements as opposed to how to behave during engagements. It is therefore recommended that the sentence be reconstructed to read thus:

"The Code sets out the ethical behaviours expected of professional accountants in carrying out professional activities"

The paragraph however, appropriately elucidates the role of the professional accountant to act in the public interest. By deletion of the sentence that talks to requirements and application material in the Code, a message is communicated that the Code is not conclusive, hence appropriately qualifying for introduction of "inquiring mind".

100.1 A2

We agree with the value of professional accountants to the stakeholders contained in the paragraph. The paragraph further supports introduction of an inquiring mind in the Code as well as elaborating on "public interest" and basis of the trust the public has on the professional accountants.

That notwithstanding, the paragraph, does not refer to ethical behaviour or public interest and therefore is just a standalone with no relation to 100.1 A1 nor 100.1 A3. It is therefore, recommended that relation to concept in 100. 1 A1 be established in the paragraph.

100.2 A1

As indicated in the comment above regarding paragraph 100.1 A1, "... approach to professional activities..." is inappropriately used in the sentence as it seems to imply that guidance is provided on how to carry out engagements as opposed to how to behave during engagements.

It is therefore recommended that the sentence be reconstructed to read thus:

"The Code sets out the ethical behaviours expected of professional accountants in carrying out professional activities and to meet their responsibility to act in the public interest."

23 Chartered Accountants Australia and New Zealand

We support the proposals in Section 100, in particular, the additional comment on public interest in paragraph 100.1 A1 and the additional explanation of the role and structure of the Code in paragraphs 100.2 A1 – 100.2 A3.

We note that while paragraph 18 of the ED acknowledges that compliance with the Code does not mean that professional accountants necessarily discharge their responsibility to act in the public interest in full, the use of the word "enables" in the third sentence of 100.1 A1 suggests to the reader that it does. Therefore, in this context, IESBA should consider using "assists" rather than "enables" in this sentence.

The acknowledgement in paragraph 19 of 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 professional accountants need to ensure that they comply with the spirit of the Code (and not just the black letter of the Code) is welcome. However, the wording used in the third sentence of 100.1 A1 does not clearly convey this. We suggest that "Compliance with the Code ... involves complying, not merely with the words, but also with the spirit of the Code." might be better.

Further, while we otherwise agree with IESBA's decision to include the proposed amendments in section 100, paragraph 100.1 A3 would be better placed in a preface to the Code (as a similar preamble currently is) as its purpose differs from the other proposed amendments and its wording would not be adopted verbatim in an IFAC member's code of ethics.

24 Consultative Committee of Accountancy Bodies

The discussion in s100 is generally appropriate. It is important to clarify the relationship between the IESBA Code ('the Code') and the profession's responsibility to the public interest but we are not sure that the overall sum of the discussion in ss100,110 and 115 achieves this. We discuss this further below, under question 3.

25 CPA Australia Ltd

CPA Australia supports the IESBA's view that the Code is not a suitable place for an "oath" or "mission statement" for PAs.

Paragraph 100.1 A1 states that 'Compliance with the Code enables accountants to meet their responsibility to act in the public interest and involves upholding the ethical values upon which the Code is based...', however paragraph 19 of the Explanatory Memorandum acknowledges 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.' We suggest that paragraph 100.1 A1 be amended to state that compliance with the Code 'supports' or 'assists' accountants to 'manage' (rather than meet) their responsibility to act in the public interest.

As noted, Paragraph 100.1 A1 refers to compliance with the Code: '...upholding the ethical values upon which the Code is based...'. We submit that the concept of 'values' is not explored within the Code nor is it a defined term within the Code which may create confusion for the reader. We suggest that this sentence refer to the 'ethical principles upon which the Code is based...'.

Paragraph 100.1 A2 describes characteristics which elevate accountancy as a profession. However, the

attributes outlined in, and the structure of, this paragraph are more attuned specifically to members in business than PAs more generally. Considering that Part 1 of the Code applies to all PAs, it is suggested that 100.1 A2 include clients or members of the public as stakeholders that involve PAs in a range of matters. This will improve applicability of the paragraph to PAs in public practice.

Paragraph 100.1 A3 is not helpful in assisting PAs understand the role and mindset required of the accountant in executing their duties in accordance with the fundamental principles. This paragraph conveys a different purpose from that which is intended by the Code. Paragraph 100.1 A3 may be better placed on the IESBA website or in other forms of marketing collateral to demonstrate the broad reach of the Code.

26 Chartered Professional Accountants of Canada

Generally, we are supportive of the proposals in Section 100. It was noted, however, that an understanding of the public interest (i.e., versus a definition if one were possible) and the evolution of what public interest means today or in the future is of critical importance, ever evolving, case specific and thereby challenging. The need for guidance through examples and case studies was identified as a possible support for professional accountants in considering this matter.

In 100.1 A1, there appears to be a clear indication that compliance with the Code enables professional accountants to meet their responsibilities to act in the public interest. In contrast, paragraphs 17 and 18 of the Explanatory Memorandum seem to indicate that the Code “plays an important role” and that compliance with the Code does not mean that the professional accountant’s responsibility to act in the public interest has been met in full. There seemed to be a discrepancy and we received feedback that 100.1 A1 should be less definitive/precise with a suggestion for substituting “consider” for “act” as follows: “Compliance with the Code enables accountants to meet their responsibility to consider the public interest...”.

In 100.1 A2, we suggest that a small clarification may improve the final sentence as follows: “The application of these skills and values enables professional accountants to provide advice or other output that is fit for the purpose for which it was provided, and which might be relied upon by **the** intended users of such output.” It was felt that this would assist in calling the attention of the reader equally to both the specificity of the purpose and the intended users.

27 Federación Argentina de Consejos Profesionales de Ciencias Económicas

We support the initiative that the accountant has the responsibility of acting for the benefit of the public interest when his professional activity is to issue professional reports whose purpose is to increase the trust of users, public or private entities, in the information subject to examination or review.

In other areas of the professional performance of the public accountant, acting for the benefit of the public interest may generate a conflict of interest for the professional with the client or employer that has trust him. For example, (a) an entity may have an interest in lowering its tax obligation and seeks advice from an accountant to achieve this through a tax planning commission. The interest of the entity is contrary to the general interest of a State having more resources to provide better public services. Applying the principles of the Code would lead the accountant to not have to accept the assignment (external tax advisor) or to have to tell his employer that he cannot perform that task (tax manager); or (b) an entity may have an interest in obtaining operational efficiencies through process automation, which will necessarily lead to a reduction of human persons in the organization, and seeks to contract an accountant to advise on which activities of the processes can be automated. The accountant for the benefit of the public interest should not accept the assignment since doing so could indirectly leave a group of citizens unemployed as a result of their advice.

Therefore, the wording of section 100 should be reviewed to emphasize that the primary responsibility for acting in the public interest applies when professional performance aims to increase user confidence in the subject matter under examination or review by the accountant and that there may be circumstances in the professional practice in which the interest of the client or employer contrasts with the public interest and that the accountant must apply the principles of the Code but taking into account the purpose of the assignment.

In particular, the wording of paragraphs 100.1.A1 (e) (i) and R115.1 should be modified so that the behavior of the professional is in the interest of the public interest when the professional performance is intended to increase user trust in information on the which professional has had intervention. And recognize that there are circumstances in the professional practice where there may be conflicts of interest between the public interest (understood as the common good for society as a whole), and the interest of the client or employer and that the professional must apply the principles of Code , acting with integrity, objectivity, professionalism, confidentiality and professional behavior, but taking into account the objective for which your professional performance is required

31 Instituto dos Auditores Independentes do Brasil

Yes, we support the proposals in Section 100. We understand these proposals are bringing to the Code more clarification on what is expected from the professional accountants. In addition, we could note that many of the proposals are being emphasized on the “action in the public interest” conditions.

In the beginning of proposals in paragraph 100.1 A1, states that professional accountants should be able to meet their responsibility to act in public interest. This responsibility condition is very broad and may be interpreted as different views depending on the experience and perception for each professional accountants about what would be “act in public interest”. Therefore, we suggest the Code may bring some examples and situation (or even a definition on this) on what would be in fact “act in public interest”.

Additionally, in the proposals made in paragraph 111.1 A2 (Integrity Subsection) related to when professional accountants confront dilemmas or difficult situations, some examples of dilemmas and which situation would be a “difficult situation” could be bring to the Section 100 in the Introduction. This movement of subsection would be valuable to the professional accountants understand better their responsibility and also may allow them to connect these dilemmas and difficult situation (examples to be provided) to the “act in public interest” condition.

32 Institute of Chartered Accountants in England and Wales

We broadly support the proposals that explain the role and values of professional accountants. In particular we welcome the proposed new section 100.1 A2 which describes the attributes that a professional accountant brings, and provides context for why the Code is so vital to the reputation and value of the profession of accountancy.

However we have concerns that the proposed requirement for professional accountants to act in the public interest could be read as implying a separate individual duty – in essence a sixth fundamental principle. It has been a long established position that professional accountants satisfy the profession’s obligation to act in the public interest through their compliance with the spirit and letter of the Code. If this requirement were extended to each individual’s personal conduct as an additional obligation it would put individual accountants in an impossible position. We discuss this in further detail in our response to question 3 below.

We note that the proposed wording within 100.1 A1 states “Compliance with the Code enables accountants to meet their responsibility to act in the public interest...”. Similarly, the proposed wording in 100.2 A1 states “The Code sets out the ethical behaviours and approach to professional activities expected of professional accountants in meeting their responsibility to act in the public interest.” We support the statements made in both 100.1 A1 and 100.2 A1.

36 Institute of Chartered Accountants of Scotland

Ethical Leadership

We support the proposals in Section 100 that explain the role and values of professional accountants. We note that ICAS’ The Power of One business ethics initiative recognises that, through their ethical behaviour, CAs are a force for good in the organisations in which they work. They can also influence those around them, and thereby help shape the culture and values of their organisation.

Responsibility to “act” in the public interest

We do however note that both paragraphs 100.1 A1 and 100.2 A1 refer to professional accountant.

We agree that the accountancy profession has a responsibility to act in the public interest, however we note, in practice, the difficulties in requiring individual professional accountants to “act in the public interest.

The difficulty is that a single agreed definition of “the public interest” is resolutely elusive - the “public interest” can mean different things to different people in different situations.

Professional accountants do have a public interest obligation. However, we would suggest a requirement for an individual professional accountant to give “due consideration to the public interest”, rather than to “act in the public interest”, is more appropriate. Professional accountants need to consider the public interest, and then ensure that the results of this consideration are reflected in the way in which they act.

We also add that we note an inconsistency between the proposed wording in the Professional Behaviour principle at 110.1A1 with that used at paragraph 100.1A1. The Professional Behaviour principle requires the professional accountant to “behave in a manner that is consistent with the profession’s responsibility to act in the public interest”, whereas the wording in Section 100 refers to “professional accountants... responsibility to act in the public interest”.

Paragraph 100.1 A1 and 100.2 A1

We agree with IESBA that there is something more to addressing the public interest than just complying with the Code. We therefore agree with the wording which puts emphasis on the need to uphold the ethical values upon which the Code is based, and not just the need to adhere to the specific requirements of the Code.

However, we are concerned that the use of the word “enables” in the proposed wording in the second sentence of paragraph 100.1 A1 - “Compliance with the Code enables accountants to meet their responsibility to act in the public interest...” - gives the impression that the public interest is met if the professional accountant adheres to the Code, which IESBA recognises is not necessarily the case in its Explanatory Memorandum, paragraphs 17 and 18.

This is also implied in paragraph 100.2 A1 with the use of the words “in meeting”: “The Code sets out the ethical behaviours and approach to professional activities expected of professional accountants in meeting their responsibility to act in the public interest”.

37 Institut der Wirtschaftsprüfer

We support the proposals in paragraphs 100.1 A3 and 100.2 A1 to 100.2 A3 in Section 100, but not those in paragraphs 100.1 A1 and A2 for the following reasons.

First, we are convinced that replacing the guidance “to comply not only with the letter of the Code but also its spirit” with the guidance “to uphold the ethical values upon which the Code is based” significantly detracts from the quality of the draft. The former proposed de facto requirement was quite rightly removed because requiring professional accountants to comply with the spirit of the Code will be unenforceable by courts of law in most jurisdictions. The latter newly proposed de facto requirement suffers from the same problem because no explanation is given in the Code as to what the “ethical values upon which the Code is based” are. The list in 100.1 A2 does not qualify as “ethical values” because (a) is a requirement in the Code, (c) represents the fundamental principle of competence and due care, (d) is also required by the Code, and (b) on the use of business acumen is not an ethical value.

It is unclear to us what the purpose of the noted proposed wording in paragraphs 100.1 A1 and A2 is, because the fundamental principles, if appropriately applied, are more than adequately broad and strong enough to lead professional accountants acting in good faith to “do the right thing” in virtually all circumstances that professional accountants will face. There is really no need to appeal to “the spirit of the Code” or “ethical values upon which the Code is based”: such an appeal suggests that the Code is being

written under the presumption of “bad faith” on the part of professional accountants. In our view, this unjustified need to appeal to such undefined, exhortatory concepts that can never be enforced by courts of law in most jurisdictions seems to effectively issue, to authorities overseeing the profession, a “blank cheque” with which to claim non-compliance of the accountancy profession with the Code under the presumption that the profession will often not seek legal re- dress in the courts.

For these reasons, we strongly recommend deleting the words in the third sentence of paragraph 100.1 A1 beginning with “and involves upholding...”. To this effect, we also suggest deleting paragraph 100.1 A2, or substantially revising it so that its contents are in line with the other concepts in the Code.

40 Malaysian Institute of Accountants

We support the proposals in Section 100, which clearly explain the role and values of professional accountants.

However, paragraph 100.1 A 1 states that "A professional accountant 's responsibility is not exclusively to satisfy the preferences or requirements of an individual client or employing organisation when performing professional activities". We suggest that it would be clearer if there is a hierarchy of professional duties introduced whereby acting in the public interest comes ahead of duties to employer and clients. This would create a link between paragraphs 100.1 A 1 and 100.1 A2.

In addition, as indicated in the stakeholder value proposition, public-interest focused activities are intended to achieve meaningful contribution towards the goal. It is therefore essential that the 'public interest' concept be defined and a 'public interest framework' be developed to assist the standard-setting boards to better understand and address different stakeholders' needs.

42 South African Institute of Chartered Accountants

SAICA agrees with 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. It is important to note the various roles that professional accountants do fulfil in society and the different types of work environments.

We discussed the concept of public interest, as well as in which public interest the professional accountant should be acting. In our discussions we came to the conclusion that the public interest for an accountant providing a service versus the public interest for a professional accountant employed in business is not always clear.

A PAIB could be acting in the interest of the employer and various issues were raised on whether this would be in the public interest, and where the line would be drawn in terms of which public interest the PAIB would be acting in.

We would like to request that the IESBA considers providing guidance on public interest.

43 Wirtschaftsprüferkammer

As mentioned in our introductory remarks, we do not agree with the reference to “upholding the ethical values upon which the Code is based” (100.1 A1) and the other corresponding references in the ED (e. g. 120.13 A1).

We wonder what these “ethical values” are on which the Code is based. Are these “ethical values” identical with the fundamental principles? If yes, then we would suggest using the term fundamental principles. If the “ethical values” were not meant to be equal to the fundamental principles, the precise content of those “ethical values” would remain unclear to the profession. In this context, the relevant illustrations in the Explanatory Memorandum (paragraphs 19-20) do not provide any further assistance either, since the meaning of the “spirit” of the Code is unclear, too.

In our view, the Code clearly defines the fundamental principles. There is no need for making reference to or

introducing the category “ethical values”. Such a reference would lead to confusion and legal uncertainty for the profession.

Does Not Support

05 National Association of State Boards of Accountancy

As noted in our introduction, NASBA believes the proposed changes to Section 100 may create unintended consequences for professional accountants due to the lack of a definition of the public interest and consideration of the accountant’s role with respect to an engagement. The Code already requires professional accountants to act in compliance with the five fundamental principles. NASBA does not see that the proposed changes in Section 100 provide significant improvement to the current Code’s requirements. Should the IESBA proceed down this path, we do suggest an addition. The AICPA Code’s interpretation of Competence 2 indicates that a member should apply knowledge and skill with reasonable care and diligence, however, the member does not assume a responsibility for infallibility of knowledge or judgment [emphasis added]. We believe the concepts in this statement would be a valuable addition to 110.1 A1(c).

28 FAR

AR does not support those proposals and does not see the need of them. FAR finds that the current text is to the point, as it highlights the public interest aspect of a professional accountants’ activities and points out that applying the Code enables professional accountants to meet their responsibilities to act in the public interest. The new text is lengthy, but not more to the point than the current text. The proposed text may serve as explanatory material for other stakeholders. In FAR’s opinion, however, the Code should be written for the professional accountant seeking guidance, not for other stakeholders.

Such explanatory material could be published by the IESBA as a guidance to the Code without adding more text to the Code.

30 Iranian Association of Certified Public Accountants

We are quite concerned about the proposed inclusion of an additional requirement in respect of an individual duty to the public interest which might be read in essence as a sixth fundamental principal.

Paragraph 100.1 A2 seems to stand alone with no relation to 100.1 A1 No. 100.1 A3.

44 IFAC Professional Accountants in Business Committee

The relationship between compliance with the code and acting in the public interest is not clear from the proposed text in the introductory paragraph 100.1 A1. The paragraph states that “compliance with the Code enables accountants to meet their responsibility to act in the public interest”. The Exposure Draft also proposes a new requirement that accountants “behave in a manner that is consistent with the profession’s responsibility to act in the public interest”. But the proposals do not give any guidance as to what this means in practice (see also question 3 below).

The new introductory text also highlights that compliance with the Code “involves upholding the ethical values upon which the Code is based”. Including this without explaining the ethical values upon which the Code is based may cause confusion. We do not agree that this makes clearer the point that accountants need to comply not only with the letter of the Code but also its spirit.

The next paragraph 100.1.A2 then refers to four “skills and values” accountants bring to professional activities, which may cause additional confusion.

45 IFAC Small and Medium Practices Committee

While we consider the statement in Para 100.1 A1 that “Compliance with the Code enables accountants to meet their responsibility to act in the public interest and involves” has some merit, the Committee does not support the subsequent sentence “In acting in the public interest, a PA’s responsibility is not exclusively

to satisfy the preferences or requirements of an individual client or employing organization when performing professional activities”. Without appropriate explanation of what this shall involve in practical terms (i.e., what is the trigger for action, what exactly is the work effort and how shall the PA address the situation - to resign/ speak to client or TCWG/ employer/ withhold work-to-date etc.), it sets a very wide expectation on how a PA is expected to discharge their responsibility vis-à-vis the client or the employing organization when viewed from a mostly undefined, public interest perspective. There is also a question of legal enforceability without a clear direction within the Code.

The Code is principles-based and includes fundamental principles. One of the main reasons for this structure is that it is intended to stay robust even when times and expectations are changing. We believe the Code is already robust enough to meet these challenges. Highlighting the importance of acting in the public interest when this term does not have a definition that meets a global standard would be extremely challenging for PAs and will likely be interpreted very differently from jurisdiction to jurisdiction.

A PA needs to be seen as trustworthy by clients and employing organizations. So, when a PA knowingly acts contrary to the preferences or requirements of an individual client or employing organization, there needs to be a robust mechanism that will drive the PA to act in such a manner. It should not be something that happens regularly and, hence, the Code should acknowledge that such situations would be expected to relate to serious matters and be relatively rare. At most, a PA could be expected not to act in such a way as would be contrary to his or her understanding of the public interest in the specific circumstances (i.e., the PA’s action(s) would involve consideration of the public interest). We suggest IESBA consider rephrasing this aspect along these or similar lines.

The proposed amendment also states that “compliance with the Code... involves upholding the ethical values upon which the Code is based...”, which we understand is intended to ensure that PAs follow the spirit of the Code rather than just following the Code to the letter. Further explanation of what these ethical values are may be required; otherwise there is a further risk of confusion. To “do more” beyond what is already in the Code is very unclear. Also, it is debatable whether this can be enforced in a court of law.

We are not convinced with the need for para.100.1 A3 and feedback indicates it is confusing under the present header. If IESBA decides to retain the text, it may be more appropriate for it to be placed in the preface to the Code.

4. No Comment

46 Professor Sir Andrew Likierman