

Agenda Item 2-D.1(Updated)

Promoting the Role and Mindset Expected of Professional Accountants Extract of Proposed Text (Mark-up from Posted Version)

This version is a mark-up version of the posted clean version in **Agenda Item 2-D** (Section 100 only) for discussion by the IESBA at the June 8 virtual session. This version is to be read in conjunction with **Agenda Item 2-B**.

The revised paragraphs from the extant Code are highlighted in grey.

PART 1 – COMPLYING WITH THE CODE, FUNDAMENTAL PRINCIPLES AND CONCEPTUAL FRAMEWORK

SECTION 100

COMPLYING WITH THE CODE

Introduction

100.1 A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest.

100.2 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 such confidence is based on the skills and values that accountants bring to the professional activities they undertake, including:

- (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

The application of these skills and values enables accountants to provide advice or other output that meets the purpose for which it was provided, and which can be relied upon by the intended users of such output.

100.3 The Code sets out high quality standards of ethical behavior expected of professional accountants for adoption by professional accountancy organizations which are members of the International Federation of Accountants (IFAC), or for use by such members as a basis for their codes of ethics. The Code may also be used or adopted by those responsible for setting ethics standards for

professional accountants in particular sectors or jurisdictions and by firms in developing their ethics and independence policies.

100.4 The Code establishes five fundamental principles to be complied with by all professional accountants. It also includes a conceptual framework that sets out the approach to be taken to identify, evaluate and address threats to compliance with those fundamental principles and, for audits and other assurance engagements, threats to independence. The Code also applies the fundamental principles and the conceptual framework to a range of facts and circumstances that professional accountants may encounter, whether in business or in public practice.

Requirements and Application Material

100.56 A1 The requirements in the Code, designated with the letter “R”, impose obligations.

100.56 A2 Application material, designated with the letter “A,” provides context, explanations, suggestions for actions or matters to consider, illustrations and other guidance relevant to a proper understanding of the Code. In particular, the application material is intended to help a professional accountant to understand how to apply the conceptual framework to a particular set of circumstances and to understand and comply with a specific requirement. While such application material does not of itself impose a requirement, consideration of the material is necessary to the proper application of the requirements of the Code, including application of the conceptual framework.

R100.67 A professional accountant shall comply with the Code. ~~There might be circumstances where laws or regulations preclude an accountant from complying with certain parts of the Code. In such circumstances, those laws and regulations prevail, and the accountant shall comply with all other parts of the Code.~~ **(Moved to R100.7)**

100.65 A1 Upholding ~~the ethical concepts embodied in~~ the fundamental principles and compliance with the specific requirements of the Code ~~assist enable~~ professional accountants ~~in to~~ meeting their responsibility to act in the public interest. ~~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~~ **(Moved to 100.6 A4)**

100.6 A2 Complying with the Code includes giving appropriate regard to the aim and intent of the specific requirements.

100.67 A32 Compliance with the requirements of the Code does not imply that professional accountants will have always met their responsibility to act in the public interest. A professional accountant ~~There might be~~ encounter ~~unusual or exceptional~~ circumstances in which ~~the an~~ accountant believes that ~~the result of applying complying with~~ a requirement or requirements of the Code ~~would be disproportionate or~~ might not be in the public interest or would lead to a disproportionate outcome. In those circumstances, the accountant is encouraged to consult with an appropriate body such as a professional or regulatory body.

100.6 A4 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.

R100.7 If there are circumstances where laws or regulations preclude a professional accountant from complying with certain parts of the Code, those laws and regulations prevail, and the accountant shall comply with all other parts of the Code.

100.7 A1 The principle of professional behavior requires a professional accountant to comply with relevant laws and regulations. Some jurisdictions might have provisions that differ from or go beyond those set out in the Code. Accountants in those jurisdictions need to be aware of those differences and comply with the more stringent provisions unless prohibited by law or regulation.

Breaches of the Code

R100.8 Paragraphs R400.80 to R400.89 and R900.50 to R900.55 address a breach of *International Independence Standards*. A professional accountant who identifies a breach of any other provision of the Code shall evaluate the significance of the breach and its impact on the accountant's ability to comply with the fundamental principles. The accountant shall also:

- (a) Take whatever actions might be available, as soon as possible, to address the consequences of the breach satisfactorily; and
- (b) Determine whether to report the breach to the relevant parties.

100.8 A1 Relevant parties to whom such a breach might be reported include those who might have been affected by it, a professional or regulatory body or an oversight authority.

SECTION 110

THE FUNDAMENTAL PRINCIPLES