

Promoting the Role and Mindset Expected of Professional Accountants General Comments

ED General Comment Questions:

Small- and Medium-Sized Entities (SMEs) and Small and Medium Practices (SMPs)

– The IESBA invites comments regarding any aspect of the proposals from SMEs and SMPs.

Regulators and Audit Oversight Bodies – *The IESBA invites comments on the proposals from an enforcement perspective from members of the regulatory and audit oversight communities.*

Developing Nations – *Recognizing that many developing nations have adopted or are in the process of adopting the Code, the IESBA invites respondents from these nations to comment on the proposals, and in particular on any foreseeable difficulties in applying them in their environment.*

Translations – *Recognizing that many respondents may intend to translate the final changes for adoption in their own environments, the IESBA welcomes comment on potential translation issues respondents may note in reviewing the proposals.*

04 Independent Regulatory Board for Auditors

Small and Medium-Sized Entities (SMEs) and Small and Medium Practices (SMPs)

These amendments are abstract in nature. It may be difficult for SMPs to consider the practicality of these additional requirements without appropriate guidance.

Additionally, SMPs may not fully appreciate the role their firm and clients play in the public interest. Additional emphasis may be required on how their stakeholders (e.g. the tax revenue authority) are all part of the public interest.

Regulators and Audit Oversight Bodies

As a regulator, our main concern is the robustness and enforceability of the proposed amendments, as they will help address the role of the professional accountant. If the professional accountant is held to a higher accountability in respect of the public interest, this will increase the value of the audit product.

It will be difficult to find evidence of the application of an inquiring mind. As such, application may require more context to ensure behavioural changes.

Developing Nations

In environments where the IAASB pronouncements and the IESBA Code have been adopted relatively recently, the need for clarity within the Code is of utmost importance. In developing nations, the limited experience of practitioners, standard setters and regulators in the application of the Code makes it vital to have a clear structure and enforceability of the Code.

The proposed amendments help address concerns with regard to the value of professional accountants, especially in developing nations where public interest should be kept as a focal point for decision-making.

Translations

There are several words and phrases used in the exposure draft that are similar in meaning. It may not be easy to differentiate between them and they will be difficult to translate, e.g. the “inquiring mind” vs the

“questioning mind”.

05 National Association of State Boards of Accountancy

In addition to the request for specific comments above, the IESBA is also seeking comments on the matters set out below:

Regulators and Audit Oversight Bodies

We believe that professional accountants, whether in public practice or in business, should comply with the Code’s fundamental principles and be mindful of the public interest. However, we are concerned that introducing ambiguous terms such as “acting in the public interest” and “inquiring mind” to the Code would be challenging to enforce due to the lack of an appropriate framework from which to judge what those terms mean. We suggest that IESBA also consider the interplay between these proposed changes to the Code and the provisions on responding to noncompliance with laws and regulations (NOCLAR), which, as we understand, do not require the professional accountant to seek out NOCLAR. Under the proposed changes, would the accountant be in violation of the Code for failing to make inquiries that would have uncovered NOCLAR?

07 Accounting Professional Ethical Standards Board Australia

APESB’s general comments on the Role and Mindset Revisions for the IESBA’s consideration are as follows:

a) Small- and Medium-Sized Entities (SMEs)

APESB has no general comments concerning SMEs.

b) Regulators and Audit Oversight Bodies

APESB has no general comments with respect to regulators and audit oversight bodies.

c) Developing Nations

Not applicable.

d) Translation

As noted above, APESB has concerns about potential problems on translation in relation to the use of:

- the colloquialism “standing one’s ground” in proposed paragraphs 111.1 A2 and paragraph 120.16 A2; and
- the catchwords in proposed paragraph 120.12 A2.

16 Moore Global

Small- and Medium-Sized Entities (SMEs) and Small and Medium Practices (SMPs)

The concepts contained in the proposal is straightforward and simple enough to easily be implemented by SMEs and SMPs.

Regulators and Audit Oversight Bodies

n/a

Developing Nations

No further comments.

Translations

In general, the language is clear and precise enough to enable translations.

20 Association of Chartered Certified Accountants

Small and Medium-Sized Entities (SMEs) and Small and Medium Practices (SMPs):

This topic is of particular significance to SMPs and SMEs. Due to the more limited resources within SMPs and SMEs, it is important that the Code is supported by relevant guidance and other resources if behaviours are to change and the public are to understand the responsibilities of professional accountants. We believe that the current proposals, as drafted, achieve meaningful improvements and provide greater clarity (subject to our comments on public interest).

Regulators and Audit Oversight Bodies:

Any changes to the Code must focus on the desired outcomes, and the behavioural changes that will be perceived by the public, rather than simply whether the Code's requirements are comprehensive. Therefore, the drafting of the Code must be clear, and it must be drafted with due regard to enforceability.

Developing Nations:

Member bodies in different parts of the world operate within a range of cultural environments. While ethical values should not be regarded as relative to location or culture, clarity and sensitivity are important with regard to developing the restructured Code. We believe the Code should remain principles-based and provide a clear framework, while allowing the flexibility for tailored implementation guidance by professional bodies. The provisions need to provide practical and effective guidance, in order to aid consistency of understanding, interpretation and application across all the IFAC member organisations.

Translations:

Translation of the restructured Code for adoption in their environments is a challenging process for translators. Further changes so soon after the restructure create inefficiencies and will inevitably place additional demands on translation resources which could threaten accurate translation of the Code and compliance. However, we acknowledge that the IESBA made a prior commitment to promote the role and mindset expected of professional accountants and we recognise that the revisions are important, as the concept goes fundamentally to the heart of what it means to be a professional accountant.

Although, as drafted, most of the proposed revisions would be unlikely to present translation issues as they use generally understood phrases rather than specific terms, we believe there may be problems in translating the examples of bias. The IESBA should remain alert to this in proposing any further changes to the existing wording and ensure the proposals are clear.

25 CPA Australia Ltd

The IESBA requested participants to provide general comments with respect to questions raised at paragraph 64 of the ED.

Small- and Medium-Sized Entities (SMEs)

CPA Australia has no general comments in relation to SMEs.

Regulators and Audit Oversight Bodies

CPA Australia has no general comments in relation to regulators and audit oversight bodies.

Developing Nations

CPA Australia has no general comments in relation to developing nations.

Translation

We refer the IESBA to issues noted as follows:

Within 'Specific Question 2 – Determination to Act Appropriately', CPA Australia has expressed its views

regarding the use of the phrase, 'standing one's ground'.

28 FAR

Small and Medium Entities (SMEs) and Small and Medium Practices (SMPs)

FAR does not foresee that the changes will have any special impact on them. However, any changes of the Code create an administrative burden to take part of the new information and implement the changes among employees.

Regulators and Audit Oversight Bodies

Not applicable.

Developing Nations

Not applicable.

Translations

Some difficulties regarding the translation of "bias" and the examples of "bias" can be foreseen. "Public interest" is already a difficult concept to translate.

31 Instituto dos Auditores Independentes do Brasil

Small- and Medium-Sized Entities (SMEs) and Small and Medium Practices (SMPs)

No comments.

Regulators and Audit Oversight Bodies

Not applicable.

Developing Nations

Not applicable.

Translations

As mentioned in the question #5 above, the term "further investigation" used in paragraphs 120.5 A3 (a) may be translated to other languages as significant procedures to be applied to the professional accountants.

37 Institut der Wirtschaftsprüfer

Small- and Medium-Sized Entities (SMEs) and Small and Medium Practices (SMPs)

We have not identified any issues that relate to matters of concern solely to SMEs and SMPs.

Regulators and Audit Oversight

As we are not from the regulatory or audit oversight communities, we do not respond to this question.

Developing Nations

As we are not from a developing nation, we do not respond to this question.

Translations

We have not identified any translation issues at this stage.

39 Japanese Institute of certified Public Accountants

Small- and Medium-Sized Entities (SMEs) and Small and Medium Practices (SMPs)

We do not have any specific comments.

Regulators and Audit Oversight

Not applicable.

Developing Nations

Not applicable.

Translations

English is not the official language in Japan, thus, it is inevitable to translate the Code from English to Japanese in an understandable manner. For this reason, we pay close attention to the wording used in the Code in respect of whether it is translatable and comprehensible when translated. With regard to the concept of “inquiring mind” that is introduced in section 120, we request that a clarification of the purport and nuance of this term be provided in the Basis for Conclusion so that we can translate the Code into Japanese appropriately.