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Dear Ken

**Re: Proposed Changes to Part C of the Code Addressing Presentation of Information and Pressure to Breach the Fundamental Principles**

Thank you for the opportunity to comment on this Exposure Draft (ED). CPA Australia is one of the world's largest professional accounting bodies, with a membership of more than 150,000 finance, accounting and business professionals and leaders in 120 countries. We make this submission on behalf of our global membership and in the broader public interest.

CPA Australia supports the proposed changes to Part C of the Code in relation to presentation of information and pressure to breach the fundamental principles, which will assist professional accountants in business but also in public practice. CPA Australia sought the views of members in Australia, as well as a number of other jurisdictions in Asia where we have a presence and our comments are presented below.

**Specific Comments**

Section 320

1. *Is the enhanced guidance on applying the "fair and honest" principle in Section 320 helpful?*

CPA Australia supports the enhanced guidance on the fair and honest principle. However, we suggest that in paragraph 320.2 the first point be presented more generally and not restricted to contractual or regulatory outcomes, so as to include all possible situations. This can be expressed as: *Preparing or presenting information in a manner that is not intended to mislead or to inappropriately influence*. This approach is aligned with paragraph 320.1, which addresses information provided to internal and external stakeholders. We are also of the view that point three should refer to preparing and presenting financial and other information, instead of referring only to the presentation of information. This can be expressed as: *Preparing and presenting financial and other information in accordance with a relevant reporting framework, where applicable*.

2. *In particular, do respondents support the guidance in paragraph 320.3 addressing the issue of misuse of discretion in a manner that is intended to mislead? If not, please explain why. Are there any other considerations relating to this issue that should be addressed in Section 320?*

CPA Australia finds the guidance provided in paragraph 320.3 helpful. We think that it provides professional accountants with some possible occurrences of the application of discretion that is contrary to the fair and honest preparation and presentation of information. However, we would urge IESBA to refer to information in general instead of explicitly referring to financial information.

3. *Paragraph 320.4 provides guidance as to what PAIBs are expected to do ethically in order to prepare or present fairly and honestly information that does not have to comply with a relevant reporting framework. Is this guidance sufficient? If not, what further guidance could Section 320 usefully provide?*

While CPA Australia thinks that the guidance provided is valuable, we also think that more explicit guidance on the relevance of purpose, context and audience on the fair and honest preparation and presentation of information will be helpful. This paragraph also does not make it clear that it addresses circumstances when the information prepared and presented does not have to comply with a relevant financial reporting framework.

It is not clear how the content of paragraph 320.4 interacts with that of paragraph 320.2 and whether paragraph 320.4 is in fact necessary.

In addition, the professional accountant may not be always informed of the purpose, context and audience of information. Focusing on purpose, context and audience may communicate that the fairness and honesty of information is relative and we are not sure if that is what is intended. If the three criteria are retained then guidance for situations where they are not available and their interaction with honesty and fairness would be required.

4. *Do respondents agree that where a PAIB relies on the work of others, the PAIB should be required to take reasonable steps to be satisfied that such work enables the PAIB to comply with the overarching principle in paragraph 320.2?*

CPA Australia supports the proposed approach. However, some guidance on what the professional accountant should do if that is not possible or practical would be of value. For many professional accountants reliance on the work of others would be the norm so guidance on how such work should be used and information generated from it communicated would be of assistance.

5. *Do respondents agree with the guidance proposed in paragraphs 320.6 and 320.7 regarding disassociation with misleading information? Are there other actions that could be specified?*

CPA Australia supports the proposed guidance. However, some of our members in jurisdictions outside of Australia are of the view that consulting legal counsel and communicating with third parties would not be considered viable alternatives, due to high cost and lack of protection for disclosure to third parties, and in practice in most cases members would resign from their role. Members also mentioned that in the SME sector some or most of the mentioned steps may not be available so some SME specific guidance will be useful.

## Section 370

1. *Do respondents agree with the overarching requirements in paragraphs 370.1 and 370.2?*

CPA Australia agrees with the overarching requirements and is encouraged that implicit pressure is also addressed in paragraph 370.1. We are of the view that a reference to implicit and explicit pressure should be made in paragraph 370.2, as well.

2. *Are the illustrative examples of types of pressure that could result in a breach of the fundamental principles in paragraph 370.4 helpful?*

CPA Australia considers the illustrative examples helpful. Given the global emphasis on tax evasion and avoidance, it may be also appropriate to mention taxation issues in one of the examples.

3. *Is it sufficiently clear that Section 370 addresses pressure that could result in a breach of fundamental principles, as opposed to the routine pressures that exist in the workplace? In particular, does paragraph 370.5 provide sufficient guidance to assist the PAIB in making that distinction? If not, what other considerations should the PAIB take into account?*

While section 370 is clear that the pressure it focuses upon relates to pressure that could result in non-compliance with the fundamental principles, CPA Australia is of the view that paragraph 370.5 could be more explicit.

The way it is currently drafted paragraph 370.5 states that it provides guidance when the pressure is identified, i.e. faced. It is not clear how all of the four potential considerations provided will assist the professional accountant facing pressure. For example, the second point relates to culture and leadership. It is not clear how considering culture and leadership (which may vary in different parts within an organisation) can assist the professional accountant after the pressure has been exerted, so more clarity is needed.

The application of laws and regulations, policies and procedures and discussion with the person who is exerting the pressure relate to reactions to pressure so they may be more appropriately placed in paragraph 370.6.

We are of the view that it may be more useful to develop a paragraph on how to identify pressure, particularly focussing on implicit pressure. Given that many professionals are being 'groomed' to participate in corrupt and unethical practices, we are of the opinion that highlighting the possible ways that pressure may be exerted and how to identify and respond to it will be valuable. Following that, appropriate reactions to pressure can be develop in paragraph 370.6.

4. *Do respondents find the guidance in paragraph 370.6 on responding to pressure that would result in a breach of the fundamental principles helpful? Are there other actions that should be considered?*

Please see our response to question 3.

5. *Are the references to other sections of Part C of the Code, in paragraph 370.9, helpful?*

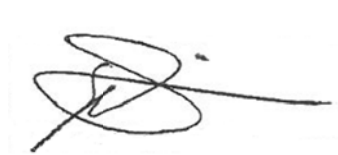
CPA Australia agrees that the references to other sections of the Code are helpful.

### Additional Comments

The last example in paragraph 340.3 refers to: Up to date education on ethical issues and on the legal restrictions and other regulations around potential insider trading. While we appreciate that this project has not focused on this part of the Code, we suggest that, if possible, this example be broadened to include other possible activities in addition to insider trading.

If you have any questions regarding this submission please do not hesitate to contact Dr Eva Tsahuridu, Manager – Accounting Policy, at [eva.tsahuridu@cpaaustralia.com.au](mailto:eva.tsahuridu@cpaaustralia.com.au).

Yours sincerely

A handwritten signature in black ink, appearing to be 'Stuart Dignam', with a long horizontal stroke extending to the right.

Stuart Dignam  
General Manager, External Positioning