

2. (untitled)

1. From which perspective are you providing this feedback? [* Required where indicated]

Regulator

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2. In which country or jurisdiction do you or your organization work or serve? (If international, please indicate so; if a region of the world, please indicate which region)

If country, please select country?

United Kingdom

OR if a region of the world, please indicate which region:

OR if international, please indicate by ticking the box:

3. (untitled)

B.1 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?

The impact of developments, and the continuing pace of innovation, in information technology (IT) is not new. It is reflected in what has been a gradual but unremitting trend towards ever broader use of IT by businesses, governments, other organizations and society at large. This trend has been seen most significantly in the last fifteen to twenty years.

It has endowed businesses, governments, other organizations and society at large with:

- Richer and deeper sources of data (about themselves and about other entities);
- Greater capacity to capture and store that data, and to analyze it to produce decision relevant information that is more targeted; and
- More timely access to, and greater capacity to communicate, that data and information, both internally and externally.

Harnessing the power of these IT advances is enabling greater efficiency and effectiveness in business processes: a better customer experience and better relationship management; better market and customer intelligence; more effective resource and supply chain management; more innovation; and, with reducing IT costs, increased productivity. IT is creating a new wave of disruptive innovation in business models and competition that has already transformed many businesses and led to new startups, particularly over the last decade. This is widely predicted to be an unstoppable force, but it is also important to recognize that these IT advances are not (or perhaps not yet) being embedded across all geographies, demographics or businesses at the same pace or as deeply, and indeed in the audit market itself, different firms are making greater use of IT in different ways and at different speeds. The global IT landscape therefore is, and is likely to remain diverse.

IT is also changing the way people are able to work and the capacity and accessibility of data and information resources available to them and the way in which data is created, captured, processed, stored and communicated.

These changes have inevitably been creating new ethical challenges and dilemmas for businesses and other organizations and for all the people, including professional accountants, involved in the design, implementation and operation of their IT systems. Whilst new challenges will continue to emerge, much is likely to be capable of being learned from current practice and experience.

As we have discussed in our responses to recent IESBA consultations, we strongly believe that a principles-based approach to ethics, which clearly establishes overarching ethical principles and supporting ethical provisions, supplemented by clearly linked requirements addressing particular circumstances, will result in better ethical and behavioral outcomes. Appropriate principles and clarity of ethical outcomes are capable of application to a wide range of circumstances. Overly detailed requirements should be avoided as they may lack the necessary flexibility to be adaptable to changing circumstances; they may also encourage a rules-based mindset.

We have not, at this time, encountered specific ethical issues related to IT that could not be addressed at a high level by the extant ethical principles. However, we recognize that this is a developing area and that it may be helpful to develop a broader consideration and codification of the ethical dilemmas that arise, or that are magnified, for professional accountants due to developments and innovation in information technology and how they should be analyzed in the context of the fundamental principles.

The challenges that are created by developments and innovation in IT for professional accountants are not uniquely concerned with ethics and there is likely to be considerable overlap of interests between IESBA, IAASB and IAESB, in developing an understanding of such implications. We would encourage the Boards to co-operate in this respect.

We would be interested to know what new ethical dilemmas the IESBA believes may be arising, how these give rise to challenges to compliance with the fundamental principles and where the IESBA believes more detailed supporting requirements and / or guidance may be helpful. We would encourage the IESBA to have regard to the moral and ethical considerations that have been developed in the context of IT developments more generally and to build on these rather than to start with a clean sheet of paper.

With respect to developments in IT, we believe that the fundamental principle of confidentiality is particularly important and that challenges arise in securing the confidentiality of data and information that may pose ethical dilemmas – this is an area where the boundaries between what may be unethical and what may be illegal are merging. The fundamental principle of professional competence and due care is also important as professional accountants may need to obtain new knowledge and skills to ensure and maintain their competence to make relevant professional judgments. The exercise of professional

judgment is important in the delivery of services by professional accountants, as well as in evaluating and addressing threats to compliance with the fundamental principles. Such compliance may be more difficult, for example, where the volume and nature of data and information available result in 'data overload' or data whose 'quality' is questionable. There may also be challenges to effective professional judgment when machine learning and artificial intelligence are used to support professional judgments if the 'audit trail' of the machine-based decisions and judgments is not transparent or requires specialized skills and knowledge.

To address these issues, it may, in part, be helpful to express required ethical outcomes having regard to examples of developments in technology, but we would caution against being too specific, which could result in a lack of adaptability in an area where there is a relatively rapid rate of development.

We do not believe that there is, at this stage, a need to "reconsider" the concept of independence of mind and the fundamental principles of integrity, objectivity in relation to this topic. It is not in any case clear to us how the IESBA thinks they might be reconsidered in relation to reliance being placed on "machine anticipation, synthesis and deduction". We suggest that a thoughtful analysis of the threats to the fundamental principles, of the types of dilemmas that are being encountered in practice would be the better approach at this stage.

B.2 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?

This not a new challenge, developments in models of service delivery are constantly evolving and are often related to or go hand in hand with developments in IT as discussed above. For example, we understand how firms of professional accountants may be able to create efficiencies by establishing different functions in parts of the world that be remote from the location of the core engagement team. However, that remoteness may introduce challenges for the direction, supervision and control of the work, including the need to ensure independence where applicable and maintain the confidentiality of information. We would be interested to know what ethical dilemmas the IESBA believes may be arising.

As stated above, we strongly believe that a principles-based approach to ethics, which clearly establishes overarching ethical principles and supporting ethical provisions, supplemented by clearly linked requirements addressing particular circumstances, will result in better ethical and behavioral outcomes. Appropriate principles and clarity of ethical outcomes are capable of application to a wide range of circumstances. Overly detailed requirements should be avoided as they encourage a rules-based mindset.

It may be helpful to express the required ethical outcomes having regard to examples of emerging or newer models of service delivery but we would again caution against being too specific, which could result in a lack of adaptability.

B.3 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?

We believe the IESBA definitions of "public interest entity" (PIE) and listed entity should be revised and clarified as a priority. However, we recognise that it may be difficult to find a common definition of a PIE that is agreed in all jurisdictions.

The current definition of a PIE establishes only "listed entities" as a common element. This can lead to significant variation across jurisdictions as a result of (1) inconsistency in other types of entity, if any, that are designated as PIEs; and (2) inconsistency in the interpretation of "listed entity".

As the IESBA explains above, some jurisdictions, including our own, understand "recognised markets" to be broader than "regulated markets". This can create issues when national laws and regulations may be specific to "regulated markets" (e.g. as a result of EU legislation). For example, in the UK, the Alternative

Investment Market (AIM) is considered to be a "recognised market" but it is not a "regulated market" in UK or EU law. Markets that are 'recognised' but not classed as 'regulated' are generally intended to be subject to 'lighter touch' regulation. Including all entities listed on recognised markets has led to some stakeholders suggesting that it is disproportionate to subject them to all the requirements applicable to all PIEs.

Proportionality, however, is also an important consideration for entities listed on regulated markets. For smaller listed entities there may be less 'public interest' concern that they be subject to the same level of requirements as the largest listed entities. In our Ethical Standard we have exempted 'SME listed entities' from a limited number of the more stringent requirements applicable to listed entities. Our definition of a 'SME listed entity' is based on that for the purposes of the EU Markets in Financial Instruments Directive (MiFID), the criteria for which include an average market capitalization of less than Euros 200m.

Proportionality will also need to be considered if other classes of entity are designated as PIEs,

Some entities are 'listed' on recognised exchanges but their shares, stock or debt are not in substance freely transferable or cannot be traded freely by the public or the entity. We believe that such entities should not be classed as "listed entities" for the purpose of ethical and auditing standards.

B.4 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?

The IESBA states that this topic "was regarded as important by a number of stakeholders, including from the regulatory community and CAG member organizations". Accordingly, we suggest this topic should be a priority if IESBA identifies significant ongoing concerns raised by users of the Code.

B.5 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?

This is understandably a sensitive issue and should be a priority. Professional accountants who are perceived as not acting in the public interest could be said to be failing to comply with the fundamental principles of integrity and professional behavior. If taken forward by the IESBA key considerations will include how to distinguish between acceptable tax planning and unacceptable 'aggressive tax avoidance' and whether guidance can be developed as to what is in the 'public interest' in these circumstances.

B.6 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?

This is a topic that should be prioritized. Materiality is a well understood concept in the contexts of preparing financial statements and auditing, but it is less clear how should be taken account of in relation to ethics where qualitative considerations may be particularly important.

For the contexts of preparing financial statements and auditing it is generally recognised that a matter is material if it could reasonably be expected to influence the economic decisions of the users of the financial statements. In the broader context of ethics we consider that materiality should be judged with regard to the 'third party test' - whether an objective, reasonable and informed third party would consider a matter to be material. The third party test should reflect the anticipated views of the public in whose interests the professional accountant has a responsibility to act, assuming that they are informed about the circumstances (e.g. about the nature of the threats and the nature of any safeguards) and on the assumption that they would be reasonable (i.e. rational, fair and moderate rather than extreme) in forming those views. Being "informed" should be considered in the general sense rather than suggesting a need for specific knowledge and experience.

When applying the third party test it is important to recognise that qualitative consideration may lead to something quite small in size being regarded as material and, in some cases, the appropriate response may be that the professional accountant should not be involved at all in the activity that gives rise to the

ethical issue.

B.7 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?

ISA 260, Communication With Those Charged With Governance, requires the auditor to communicate, inter-alia "all relationships and other matters between the firm, network firms, and the entity that, in the auditor's professional judgment, may reasonably be thought to bear on independence" and "the related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level". We suggest that the IESBA should amend the Code to reflect this requirement rather than just "encouraging" such communication.

While we agree that in general (and sometimes legally) TCWG have a responsibility to consider, and be satisfied with, the independence of their auditor, it should be clear that primary responsibility rests with the auditor.

B.8 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?

Having regard to the extant documentation requirements in both the Code and ISAs we do not consider this to be a topic that need be prioritized.

However, we observe there are many instances in the Code where the professional accountant is "encouraged" rather than required to document matters. This is unhelpful as expectations are not made clear. If there are circumstances where IESBA believes documentation should be produced it should establish a requirement to that effect. If documentation is not essential but could be helpful, the IESBA could better present that and explain why such documentation could be helpful.

The statement within the Code that "a lack of documentation does not determine whether a firm has considered a particular matter or whether it is independent" appears defensive and we agree that it could be taken to undermine the documentation requirements and their enforceability. We suggest that it would be better to emphasize the statement that "Documentation provides evidence of the firm's judgments when forming conclusions ..."

B.9 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?

We do not consider this to be a topic that need be prioritized unless the IESBA has evidence that there are significant issues arising in practice.

The familiarity threat is of particular relevance to professional accountants providing audit and other assurance services where independence is a key consideration. PAIB's need to be objective and act with integrity but it is necessary to recognise that they are not independent of their employers.

4. (untitled)

B.10 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?

This is a topic that should be prioritized. Guidance on how to deal with breaches of the Code is important. Further, with regard to reporting breaches, a professional accountant should always do so where there is a legal or regulatory requirement. In other circumstances we would expect a professional accountant to report a breach to an appropriate authority when it is in the public interest to do so unless prohibited by law or regulation.

When to report to others should also be covered and the extent to which this may need to be mandated

should be considered.

B.11 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?

This is a topic that should be prioritized.

While the IESBA and IAASB are 'independent standard setting Boards' they both fall under the umbrella of IFAC. Members of IFAC are expected to support the adoption of pronouncements issued by both the IESBA and the IAASB. To avoid risks of misunderstanding, the terms used in the pronouncements of the IESBA and IAASB should have the same meaning. This is particularly important for professional accountants undertaking audit and other assurance services.

We strongly recommend that the IESBA and IAASB work together to identify and address all inconsistencies in the terminology in their pronouncements.

B.12 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?

Given the importance of the restructuring project, we believe a post-implementation review to assess whether the restructured Code has effectively met the project's objectives is appropriate. However, it is important that professional accountants have had sufficient time to become familiar with the restructured Code and identify issues. We suggest such a review could be conducted no earlier than two years after the restructured Code has come into effect. It does not, therefore, need to be a priority over the next few years.

B.13 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?

This is a topic that should be prioritized.

As is noted in the Code, a distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest. However, it is important to recognise that the 'public interest' can change over time and it would be unhelpful to have a definition that is too rigid. Accordingly, guidance to help professional accountants judge when a matter is of public interest is important. While the MG Rover case illustrates some issues it is important that this matter is considered widely and further research undertaken on the meaning of 'public interest' in the global context.

Are there any trends, developments or issues not otherwise covered in this section that you would rank in your top six priorities? If so, please explain why.

Please refer to the issues we raise in Section C below.

Please rank your top six priorities among items B.1 to B.13 above (1 being highest and 6 being lowest).

1. B.13 Meaning of public interest in the global context
2. B.3 Concepts of "public interest entity" and "listed entity"
3. B.11 Definitions and descriptions of terms
4. B.10 Breach of the Code
5. B.6 Materiality
6. B.5 Tax planning and related services

5. (untitled)

C.1 Do you have any comments on any of the above activities or initiatives? In

particular, do you believe any of them should not be a strategic priority for the IESBA and, if so, why? Please be as specific as possible.

As part of tracking and reporting on the progress of global adoption of the Code, we strongly recommend that the IESBA seeks to understand the reasons why some jurisdictions do not adopt the Code and considers how those can be addressed. We are concerned that the IESBA does not appear to recognize the needs of jurisdictions with sophisticated markets.

C.2 Are there any specific activities or initiatives you believe the IESBA should undertake to promote further adoption and more effective implementation of the Code? If so, please explain why.

The IESBA should undertake further research to identify and understand the structure, presentation and content of ethical codes issued by other bodies and consider whether there are lessons to be learnt. With regard to the restructuring of the Code, we have continuing concerns relating to the absence of clear linkage between the fundamental principles and the detailed requirements. There is a risk that a focus on the requirements and application material presented in the Code will support a rules-based compliance mind-set rather than a principles-based focus on achieving appropriate ethical outcomes. These concerns are explained further in our responses to the restructuring EDs.

6. (untitled)

D.1 Are there any particular matters you believe the IESBA should consider in relation to any one of these pre-existing commitments? Please be as specific as possible and explain your reasoning.

Non-assurance services: There are now significant differences between the Code and the EU audit legislation that should be addressed. We highlight some of these in our response to the Safeguards Phase 2 ED.

Professional scepticism: We emphasise the importance of the IESBA working with the IAASB on this. To the extent professional scepticism may be addressed in the Code it is important that this is focused on ethical considerations and that IESBA does not overlap into establishing requirements and guidance that are better addressed in procedural standards such as the ISAs and other assurance standards.

7. (untitled)

Section E: Any Other Strategic Matters

E.1 Are there any other matters of strategic importance not covered elsewhere in this survey or your earlier responses that you believe the IESBA should consider as it positions the Code for 2025? Please be as specific as possible.

The IESBA needs to do more to meet the needs of jurisdictions with sophisticated markets. Please refer to our comments in Section C above.

We note that the IESBA has decided that "any new changes to the Code after the completion of the restructuring project will not become effective before June 15, 2020 unless there is an urgent need to respond to new or unforeseen circumstances." When determining whether new or unforeseen circumstances need to be addressed urgently, the IESBA should give strong priority to serving the public interest and not delay acting where that may fail to do so.

8. (untitled)

3. Please confirm that you have completed all your responses?

Yes