



Technical Director
International Ethics Standards Board for Accountants
International Federation of Accountants
529 5th Avenue, 6th Floor
New York 10017

April 1, 2015

Re: IESBA Exposure Draft - Proposed Changes to Part C of the Code Addressing Presentation of Information and Pressure to Breach the Fundamental Principles

Dear Mr Siong

Introduction

We¹ appreciate and thank you for the opportunity to comment on the IESBA's Exposure Draft "Proposed Changes to Part C of the Code Addressing Presentation of Information and Pressure to Breach the Fundamental Principles".

Principal comments

We believe that the proposed changes to the code will provide appropriate and enhanced guidance for accountants in business. Our detailed comments on the specific questions the Board has asked are set out in the Appendix.

Further, we understand that the Board envisages amending other sections of Part C and express again some concern about a piece meal approach to updating the code.

Contact

If you would like to discuss any of the points raised in this letter, please contact David Adair (tel +44207 804 2274) or e-mail david.adair@uk.pwc.com.

Yours sincerely,

David Adair
Global Independence Leader

¹ This response is being filed on behalf of PricewaterhouseCoopers International Limited (PwCIL). References to "PwC", "we" and "our" refer to PwCIL and its global network of member firms, each of which is a separate and independent legal entity.

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Appendix

Proposed Revised Section 320

1 Is the enhanced guidance on applying the “fair and honest” principle in Section 320 helpful?

Yes we believe that the guidance is helpful, although it may help a reader of 320.2 if the relevant fundamental principles were identified.

However, we see that the section is headed “Presentation of information” instead of the current “Preparation and reporting of information”. We note that the IAASB had a similar debate when updating ISA 200, but decided to go with “Preparation of financial statements” on the basis that preparation includes presentation (See ISA 200, para A12). This is in relation to management’s responsibility for the preparation of financial statements, subject to audit. While we recognise that the scope of 320 is broader, we question whether having a different approach to that in the ISA is helpful and we recommend that consultation with IAASB on this point may be useful to the Board.

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?

Yes we believe these examples are helpful, although we wonder whether the last bullet is sufficiently clear and suggest that it could read “For example, omitting or obscuring information such that the user of the information is misled”.

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?

Yes we believe that this guidance is helpful.

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?

Yes, although some guidance on what those reasonable steps might be could be helpful, such as making appropriate enquiries of those who prepared the work.

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?

We are concerned that the wording of the final bullet of 320.7 may inappropriately imply that resignation is to be a strong consideration even for a junior accountant in the organisation and we recommend that this might be better stated as “The professional accountant shall also consider whether it is appropriate to resign from the employing organisation”. Addition of the words underlined. This would apply to revised 300.15 as well. In addition, as a matter of practical importance (and to be consistent with content elsewhere in the guidance), it might be helpful if the



paragraph overtly recognise that the professional accountant could avail themselves of reporting protocols, such as use of an ethics hotline, that would enable them to come forward with protection from reprisals, as well as to ensure that appropriate matters of significance are brought to the attention of senior management or those charged with governance for action.

Proposed Section 370

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

These requirements seem appropriate, although we question whether the code can realistically be so explicit as in the last sentence of 370.1. This is very black and white and whilst the principle is entirely correct it may not take account of the wide range of circumstances that an individual may find themselves in.

We believe the language could be improved by re-drafting the paragraph as follows:

A professional accountant in business may face pressure that could create threats to compliance with the fundamental principles when undertaking a professional activity. Pressure may be explicit or implicit and may include, for example, intimidation creating pressure to breach the accountant's integrity. Pressure may come from within the organization (for example, from a colleague or superior to meet internal target or expectations) or from an external individual or organization such as a vendor, customer or lender. The professional accountant shall take all reasonable steps such that such pressure does not result in a breach of the fundamental principles.

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

We believe that in broad terms these examples are helpful, although we note some inconsistency in the drafting as there are two bullets which do not indicate "by whom" the pressure might be exerted.

In addition, as a practical matter, the guidance could usefully address what is often the most frequent pressure on PAIB – the intentional or misguided rationalisation by others or the individual themselves to "not cause others harm" (as opposed to listing only actions for "gain") by avoiding the conveyance of negative information. To address this issue consider, for example, adding language to the 3rd bullet point, which currently reads "Pressure to manipulate performance indicators from superiors, colleagues or others, for example, those who may benefit from participation in compensation or incentive arrangement" to the effect of " , or pressure by those who would assert the avoidance of harm to stakeholders in their rationalising the manipulation or withholding of otherwise accurate but negative information".

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?

The guidance seems clear and we concur with the importance of "tone at the top" and appropriate culture. That said, it is not clear how the corporate culture would be taken into account by an



individual facing pressure? The intent is surely not that an inappropriate culture would somehow make inappropriate pressure acceptable in context? This might be reconsidered.

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?

Yes.

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

Yes.

Other conforming changes

It would be helpful to clarify that salaried employees may include executive management, such as a chief financial officer, in the event the individual is not a “director” of the company.

No other comments.