

31 October 2019

Mr Ken Siong
Technical Director
International Ethics Standards Board for Accountants
529 Fifth Avenue
New York, NY 10017
UNITED STATES OF AMERICA

Submission via www.ifac.org

Dear Mr Siong

Submission on Exposure Draft: Proposed Revisions to Code to Promote the Role and Mindset Expected of Professional Accountants

We welcome the opportunity to comment on the Exposure Draft (“the ED”). We support the principle-based approach taken to this important topic and generally consider that issues raised by various stakeholders in previous rounds of consultation on this topic have been addressed in the ED.

Appendix A provides our responses to the specific questions raised in the ED. Appendix B provides our additional comments regarding ED. Appendix C provides information about Chartered Accountants Australia and New Zealand. If you have any questions about our submissions, please contact Gillian Hawkesby, NZ Regulation Lead at gillian.hawkesby.nzica@charteredaccountantsanz.com

Yours sincerely



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Appendix A: Responses to specific questions

Role and Values of Professional Accountants

- 1. Do you support the proposals in Section 100 that explain the role and values of professional accountants as well as the relationship between compliance with the Code and professional accountants acting in the public interest? Are there other relevant matters that should be highlighted in these paragraphs?**

We support the proposals in Section 100, in particular, the additional comment on public interest in paragraph 100.1 A1 and the additional explanation of the role and structure of the Code in paragraphs 100.2 A1 – 100.2 A3.

We note that while paragraph 18 of the ED acknowledges that compliance with the Code does not mean that professional accountants necessarily discharge their responsibility to act in the public interest in full, the use of the word “enables” in the third sentence of 100.1 A1 suggests to the reader that it does. Therefore, in this context, IESBA should consider using “assists” rather than “enables” in this sentence.

The acknowledgement in paragraph 19 of the ED that the Code “*will not be up to date at any given point in time or be able to fully address the changing expectations of the public*” and therefore professional accountants need to ensure that they comply with the spirit of the Code (and not just the black letter of the Code) is welcome. However, the wording used in the third sentence of 100.1 A1 does not clearly convey this. We suggest that “Compliance with the Code ... involves complying, not merely with the words, but also with the spirit of the Code.” might be better.

Further, while we otherwise agree with IESBA’s decision to include the proposed amendments in section 100, paragraph 100.1 A3 would be better placed in a preface to the Code (as a similar preamble currently is) as its’ purpose differs from the other proposed amendments and its wording would not be adopted verbatim in an IFAC member’s code of ethics.

Determination to Act Appropriately

- 2. Do you support the inclusion of the concept of determination to act appropriately in difficult situations and its position in subsection 111?**

We support the proposed amendment to subsection 111. In the ordinary circumstances, there is arguably already sufficient guidance in the Code for professional accountants to determine this concept for themselves. However, the additional proposed guidance material in subsection 111 may assist professional accountants when facing complex ethical decisions.

Professional Behaviour

- 3. Do you support the proposal to require a professional accountant to behave in a manner that is consistent with the profession’s responsibility to act in the public interest in paragraphs 110.1 A1(e) and R115.1?**

We support the proposal to require a Professional Accountant to behave in a manner that is consistent with the profession’s responsibility to act in the public interest in paragraphs 110.1 A1(e) and R115.1.

Appendix A: Responses to specific questions

Again, we consider there is arguably already sufficient guidance in the Code for professional accountants to determine that acting contra to the public interest would constitute unprofessional behavior. However, clarifying and reinforcing this connection is welcome.

We note, however, that this new requirement may be challenging to enforce due to its subjective nature. Enforcement may be assisted by adding reference to R115.1 (a) in 115.1 A1 (i.e. by providing direct linkage to the reasonable and informed third party test).

Impact of Technology

4. Notwithstanding that IESBA has a separate Working Group that is exploring the implications of developments in technology, are any additional matters relating to the impact of technology beyond the proposal in paragraphs 110.1 A1(b)(iii), 113.1 A2 and 120.12 A2 that you consider should be addressed *specifically* as part of the Role and Mindset project?

We consider that the proposals in paragraphs 110.1 A1(b)(iii), 113.1 A2 and 120.12 A2 are sufficient to bring the impact of technology on ethical matters to front of mind for professional accountants pending a more considered response from the Working Group.

Inquiring mind

5. Do you agree with the concept of an inquiring mind as set out in the proposals in Section 120?

We agree with the intent behind the concept of “an inquiring mind” as set out in the proposals in section 120. However, we have reservations regarding whether the concept has yet been appropriately named or adequately described. We encourage IESBA to revisit its deliberations. Professional accountants have a responsibility to challenge matters, not just accept matters at face value, and take action, not just investigate, where appropriate. This responsibility seems to require more than just “an inquiring mind”.

We also note that, similar to the concept of professional judgement as discussed at paragraph 39 of the ED, “an inquiring mind” (or the thought processes implicit therein) is required for both the application of the conceptual framework and to achieve compliance with the fundamental principles. Therefore, while the guidance material in section 120 is welcome, further guidance material on how this concept should be used to achieve compliance with the fundamental principles would be welcome (especially in the non-assurance context – where the concept (or the more specific concept of professional skepticism) has not previously been advocated).

We note, however, that this new concept may be challenging to enforce as it may not always result in observable behaviours. Current R120.5 (b) “remain alert of new information and to changes in facts and circumstances” is much more enforceable. Therefore, from an enforceability perspective, it would be useful to retain this requirement in addition to introducing the new concept.

Bias

6. Do you support the approach to addressing bias? If so, do you agree with the list of examples of bias set out in paragraph 120.12 A2? Should any examples be omitted, or new ones added?

We support the inclusion of guidance material on addressing bias in the Code.

However, we note that, similar to the concept of an inquiring mind above, freedom from bias is required for both the application of the conceptual framework and to achieve compliance with the fundamental

Appendix A: Responses to specific questions

principle of objectivity. It is unclear whether paragraphs 120.12 A1 -A3 are intended to or should be used to provide guidance in this later situation. Therefore, a clarifying statement and further guidance material, if not applicable, would be welcome. In addition, it would also be useful to provide direction to paragraphs 120.12 A1 -A3 in the other paragraphs of the Code that mention bias so that the reader knows that further guidance material is available in the Code on the topic.

While we do not consider that any of the examples set-out in paragraph 120.12A2 should be omitted, IESBA should consider whether those examples adequately encompass bias created by professional accountants' relationships with and assessment of others (i.e. background, experience, character, age etc.) – i.e. bias that may give rise to self-interest threat; advocacy threat; familiarity threat; over reliance on expert opinion etc. and, therefore, whether further examples should be added to 120.12 A2.

Organisational Culture

7. Are there any other aspects about organizational culture in addition to the role of leadership that should be addressed in the proposals

IESBA could consider providing some guidance for professional accountants who are not in the role of leadership and find themselves in an organizational culture that does not enhance the effective application of the conceptual framework i.e. the need to be self-reliant, extra vigilant and potentially self-sacrificing in order to ensure compliance with the Code.

Appendix B: Other comments

Implementation Date

Paragraphs 61 and 62 of the ED suggest that the approval date of the final proposed amendments to the Code may also be the effective date for those amendments.

This possible alignment of approval and effective date is problematic for standard setting bodies who wish to adopt the same effective date as the Code in their jurisdictional code of ethics but are also required to consult with members prior to approving the amendments for inclusion in their jurisdictional code of ethics.

Therefore, we respectfully request that IESBA, makes the effective date of the proposed amendments sometime after the final approval date.

Appendix C: About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand is a professional body comprised of over 117,000 diverse, talented and financially astute members who utilise their skills every day to make a difference for businesses the world over.

Members are known for their professional integrity, principled judgement, financial discipline and a forward-looking approach to business which contributes to the prosperity of our nations. We focus on the education and lifelong learning of our members, and engage in advocacy and thought leadership in areas of public interest that impact the economy and domestic and international markets.

We are a member of the International Federation of Accountants, and are connected globally through the 800,000-strong Global Accounting Alliance and Chartered Accountants Worldwide which brings together leading institutes in Australia, England and Wales, Ireland, New Zealand, Scotland and South Africa to support and promote over 320,000 Chartered Accountants in more than 180 countries.

We also have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents 788,000 current and next generation accounting professionals across 181 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications to students and business.