



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

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INTRODUCTION

ICAS is a professional body for more than 22,000 world class business men and women who work in the UK and in more than 100 countries around the world. Our members have all achieved the internationally recognised and respected CA qualification (Chartered Accountant). We are an educator, examiner, regulator, and thought leader.

Almost two thirds of our working membership work in business; many leading some of the UK's and the world's great companies. The others work in accountancy practices ranging from the Big Four in the City to the small practitioner in rural areas of the country.

We currently have around 3,000 students striving to become the next generation of CAs under the tutelage of our expert staff and members. We regulate our members and their firms. We represent our members on a wide range of issues in accountancy, finance and business and seek to influence policy in the UK and globally, always acting in the public interest.

ICAS was created by Royal Charter in 1854. The ICAS Charter requires its Boards to act primarily in the public interest, and our responses to consultations are therefore intended to place the public interest first. Our Charter also requires us to represent our members' views and to protect their interests, but in the rare cases where these are at odds with the public interest, it is the public interest which must be paramount.

The ICAS Ethics Board has considered the IESBA Exposure Draft: 'Proposed Revisions to the Code to Promote the Role and Mindset Expected of Professional Accountants' and I am pleased to forward its comments.

Any enquiries should be addressed to Ann Buttery, ICAS Head of Ethics.

KEY POINTS

Overall, we are supportive of IESBA's proposals to promote the characteristics expected of professional accountants outlined in the above Exposure Draft. We particularly agree with the inclusion of the concepts of "determination to act appropriately in difficult situations" and "inquiring mind"; the recognition of the impact of technology; and also the introduction of the additional application material on "bias" and "organisational culture".

However, we note the following for IESBA's consideration:

Acting in the public interest

We agree with IESBA that there is something more to addressing the public interest than just complying with the Code. However, we are concerned that the wording in paragraph 100.1 A1 still implies that the responsibility to the public interest is met if the professional accountant adheres to the Code.

Public interest and the individual professional accountant

We note that both paragraphs 100.1 A1 and 100.2 A1 refer to professional accountants "...responsibility to act in the public interest." We agree that the accountancy profession has a responsibility to act in the public interest, however we note, in practice, the difficulties in requiring individual professional accountants to "act in the public interest". We would suggest that a requirement for an individual professional accountant to give "due consideration to the public interest", rather than to "act in the public interest", is more appropriate.

Organisational culture

Applicability to all professional accountants

We are supportive of the new application material in relation to organisational culture, however we believe that it gives the impression that only those at the top of organisations have a responsibility for an ethical culture within an organisation with the result that less senior individuals could think the paragraphs are not relevant to them. ICAS believes that all professional accountants have a responsibility to be ethical leaders within their own sphere of influence – and this is an aspect that ICAS actively promotes when training CAs. In order to ensure that all professional accountants recognise that they have a role to play in creating an ethical organisational culture, we suggest the inclusion of additional wording discussing the importance of individual ethical leadership within organisations.

Importance of effective “speak up/listen up/whistleblowing” policies to organisational culture

We would also suggest that another aspect of organisational culture which could be noted within the organisational culture application material is in relation to advocating the importance of “speak up/listen up/whistleblowing” mechanisms within organisations. To ensure a successful organisational culture, employees need to feel they can speak up about concerns without retribution, that their concerns will be listened to, and, most importantly, will be followed up. This could also effectively be linked to the content in the Code on Non-Compliance with Laws and Regulations.

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?

Ethical Leadership

We support the proposals in Section 100 that explain the role and values of professional accountants. We note that ICAS’ [The Power of One](#) business ethics initiative recognises that, through their ethical behaviour, CAs are a force for good in the organisations in which they work. They can also influence those around them, and thereby help shape the culture and values of their organisation.

Responsibility to “act” in the public interest

We do however note that both paragraphs 100.1 A1 and 100.2 A1 refer to professional accountants “....responsibility to act in the public interest.”

We agree that the accountancy profession has a responsibility to act in the public interest, however we note, in practice, the difficulties in requiring individual professional accountants to “act in the public interest”.

The difficulty is that a single agreed definition of “the public interest” is resolutely elusive - the “public interest” can mean different things to different people in different situations.

Professional accountants do have a public interest obligation. However, we would suggest a requirement for an individual professional accountant to give “due consideration to the public interest”, rather than to “act in the public interest”, is more appropriate. Professional accountants need to consider the public interest, and then ensure that the results of this consideration are reflected in the way in which they act.

We also add that we note an inconsistency between the proposed wording in the Professional Behaviour principle at 110.1A1 with that used at paragraph 100.1A1. The Professional Behaviour principle requires the professional accountant to “behave in a manner that is consistent with the profession’s responsibility to act in the public interest”, whereas the wording in Section 100 refers to “professional accountants... responsibility to act in the public interest”.

Paragraph 100.1 A1 and 100.2 A1

We agree with IESBA that there is something more to addressing the public interest than just complying with the Code. We therefore agree with the wording which puts emphasis on the need to uphold the ethical values upon which the Code is based, and not just the need to adhere to the specific requirements of the Code.

However, we are concerned that the use of the word “enables” in the proposed wording in the second sentence of paragraph 100.1 A1 - “Compliance with the Code enables accountants to meet their responsibility to act in the public interest...” - gives the impression that the public interest is met if the professional accountant adheres to the Code, which IESBA recognises is not necessarily the case in its Explanatory Memorandum, paragraphs 17 and 18.

This is also implied in paragraph 100.2 A1 with the use of the words “in meeting”: “The Code sets out the ethical behaviours and approach to professional activities expected of professional accountants in meeting their responsibility to act in the public interest”.

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 note that paragraph 111.1 A2 states the following:

“111.1 A2 Integrity also includes having the determination to act appropriately when confronting dilemmas or difficult situations. This would involve, for example:

- Standing one’s ground when facing pressure to do otherwise during the course of performing professional activities, or
- Challenging others as and when appropriate, even when doing so creates potential adverse personal or organizational consequences.”

We support the addition of this application material to supplement the requirement to act with integrity stated at paragraph R111.1. It serves to highlight that it is not always easy to do “the right thing”, and that ethical leadership often requires “moral courage”. As noted in paragraph 29 of the Explanatory Memorandum, ICAS has incorporated into paragraph 100.5 of its Code of Ethics (substantively based on the IESBA Code) the following text to highlight the need for courage to act morally:

‘In order to ensure compliance with the fundamental principles, an underpinning qualitative characteristic required of the professional accountant is the ‘courage’ to act morally. ‘Courage’ for the professional accountant is the need to act in accordance with the fundamental principles, especially in situations where there is a risk of suffering adverse personal consequences.

There is a need for the professional accountant to confront ethical dilemmas with courage. When facing an ethical dilemma, the professional accountant needs to have the courage to acknowledge the dilemma, to make a reasoned judgement as to the ethical action required to resolve the dilemma, and then to act accordingly.’

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?

Whilst we agree that professional accountants should “behave in a manner that is consistent with the profession's responsibility to act in the public interest”, the profession's responsibility to act in the public interest is supported by all of the fundamental ethics principles. We therefore do not believe the profession's, or the professional accountant's, public interest responsibility needs to be particularly highlighted in the professional behaviour principle, and in fact it could lead to confusion if it is only specifically referred to within the professional behaviour principle. We believe that the highlighting of the public interest responsibility of the profession at the start of Section 100 makes it clear that it applies under all circumstances.

Also, as noted in our response to Question 1, we note an inconsistency between the proposed wording in the Professional Behaviour principle at 110.1A1 with that used at paragraph 100.1A1. The Professional Behaviour principle requires the professional accountant to “behave in a manner that is consistent with the profession's responsibility to act in the public interest”, whereas the wording in Section 100 refers to “professional accountants... responsibility to act in the public interest”.

Impact of Technology

4. Notwithstanding that the IESBA has a separate Working Group that is exploring the implications of developments in technology, are there any additional matters relating to the impact of technology beyond the proposals 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 agree with the inclusion of “technology” within the objectivity principle in order to highlight the threat posed to objectivity by over-reliance on technology. We also agree with the inclusion of the reference to technology within the professional competence and due care principle.

Inquiring Mind

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

In our response to IESBA's Consultation Paper: ‘Professional Skepticism – Meeting Public Expectations’, we suggested the term “enquiring mindset” to address the concept of ‘professional scepticism’ for all professional accountants.

We agree that IESBA's term ‘inquiring mind’ appropriately represents the challenge, the willingness to ask the right questions, ‘digging deeper’ aspect of the professional accountant's role. It reflects the starting point of an open mind.

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 believe the examples of bias are a helpful addition to the Code and will assist professional accountants recognise when bias could be a threat to their professional judgement, particularly in relation to technology. We also note there are other examples of bias given in the ICAS publication: [“Shades of Grey: Directors' Dilemmas”](#) page 15 Table 1.

Organizational Culture

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

We agree with IESBA in paragraph 52 of the Explanatory Memorandum that “the internal culture of an employer, be it a firm or other organisation, can significantly impact whether professional accountants comply with the Code and act ethically”. This echoes the sentiment within ICAS’ The Power of One publications, and in particular, the ICAS publication [‘Organisational culture and values’](#)

We do believe that it is helpful to alert the professional accountant to the fact that an organisation’s culture could have an impact on their ability to comply with the Code and therefore we agree with the inclusion of the organisational culture paragraphs 120.13 A1 and 120.13 A2.

However, ICAS believes that professional accountants, at all levels, have a responsibility to be ethical leaders and have an important role to play in embedding a culture of ethics within their organisation. The Power of One publication [‘Personal Responsibility and ethical leadership’](#) calls on all CAs to place ethical leadership at the heart of their professional responsibilities, and to shape the culture and values of their organisations.

Whilst we agree with paragraph 120.13 A2, we believe that, on its own, it does give the impression that only those at the top of organisations have a responsibility for an ethical culture within an organisation. Individuals at less senior levels could therefore think these paragraphs are not relevant to them. ICAS believes that all professional accountants have a responsibility to be ethical leaders within their own particular sphere of influence. In order to ensure that all professional accountants recognise that they have a role to play in creating an ethical organisational culture, we suggest the inclusion of additional wording discussing the importance of individual ethical leadership within organisations.

We would also suggest that another aspect of organisational culture which could be noted in paragraph 120.13 A2 is in relation to advocating the importance of speak up/listen up mechanisms within organisations. To ensure a successful organisational culture, employees need to feel they can speak up about concerns without retribution, that their concerns are listened to, and, most importantly, are followed up.

This is discussed in ICAS research publications: [“Speak up? Listen up? Whistleblow? A survey of ICAS members”](#) and [“Speak up? Listen up? Whistleblow? In their own words – Insights into the ethical dilemmas of ICAS members”](#)