

IESBA Strategy Survey Questionnaire, April 2017

A survey issued by the International Ethics Standards Board for Accountants (IESBA)

Responses from ACCA
July 2017

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants. We aim to offer business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

Founded in 1904, ACCA has consistently held unique core values: opportunity, diversity, innovation, integrity and accountability. We believe that accountants bring value to economies in all stages of development. We aim to develop capacity in the profession and encourage the adoption of consistent global standards. Our values are aligned to the needs of employers in all sectors and we ensure that, through our qualifications, we prepare accountants for business. We work to open up the profession to people of all backgrounds and remove artificial barriers to entry, ensuring that our qualifications and their delivery meet the diverse needs of trainee professionals and their employers.

We support our 188,000 members and 480,000 students in 178 countries, helping them to develop successful careers in accounting and business, with the skills required by employers. We work through a network of 100 offices and centres and more than 7,400 Approved Employers worldwide, who provide high standards of employee learning and development. Through our public interest remit, we promote appropriate regulation of accounting, and conduct relevant research to ensure accountancy continues to grow in reputation and influence.

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GENERAL COMMENTS

We welcome the opportunity to participate in this survey, which we understand to be a preliminary stage before the IESBA exposes its strategy consultation for comment in 2018.

Without knowing the full scope of a potential project arising in any of the areas discussed in the survey questionnaire, or a comprehensive analysis of the issues perceived by the IESBA, it is difficult to reach a clear opinion on those projects and initiatives that should be prioritised. Nevertheless, we have commented on the suggested areas, and attempted to suggest a top six priorities.

We are pleased to see a clear intention to resist ‘standards overload’ and to resist further changes to the Code in the near future following the completion of the restructure project. We believe that the justification for this should not only be to allow firms and national standard setters to implement the necessary changes, but also that professional accountants should be given the opportunity to test the effectiveness of the restructured Code without the ‘noise’ of constant change. We are also pleased to see an acknowledgement that not all projects and initiatives will culminate in changes to the Code. Sometimes, a more proportionate and effective outcome will be guidance such as question and answer publications or case studies.

RESPONSES TO QUESTIONS RAISED IN THE SURVEY:

SECTION B: POSSIBLE FUTURE STANDARDS-RELATED PROJECTS OR INITIATIVES

I. KEEPING THE CODE RELEVANT IN AN EVOLVING GLOBAL ENVIRONMENT

B1. Trends and developments in technology and innovation

Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritised?

We believe that technology and innovation are important aspects of our environment that cannot be ignored. To an extent, existing provisions within the Code address this topic, and various organisations are undertaking their own projects in this area. For example, ACCA is conducting research to consider *Ethics and trust in a digital age*,



which is exploring the relevance of the conceptual framework in the context of certain developments in technology. Some of the recent innovations being examined appear to involve very little human input, and rely on automation to deliver or facilitate the delivery of services or products. With the growing focus on information and cyber security and financial crime, service providers (and professional accountants within organisations) must concern themselves with ethical aspects, such as the safety of electronic data storage.

Although organisations are alert to the risks relating to developments in technology and the pace of innovation, this area should also be a priority of the IESBA. A proportionate approach might be to compile a compendium of available research outputs from other organisations.

B2. Emerging or newer models of service delivery

Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritised?

To a great extent, our comments relating to B1 above are also relevant here. Examples of recent innovations in service delivery include an increase in contingent workers and outsourcing, and some modes of delivery involve a high degree of automation and other uses of technology. This is an important area, given the direct impact on individuals, and the variety of organisations to which delivery may be outsourced. In addition, end consumers may be unfamiliar with the exact nature of the service delivery.

The International Independence Standards (IISs) refer to a firm's 'offices' in several areas. The concept of 'office' has evolved, with virtual offices now providing greater agility in the way services are delivered. We suggest that a future project of the IESBA might address any ambiguity arising as a result. In addition, the project might consider the implications for independence where partners work in the same office only occasionally, or work in different offices in the same city.

There is a trend towards a gig economy, with data security being an obvious risk (although all five fundamental principles are relevant in this area). However, the existing conceptual framework approach to resolving emerging ethical dilemmas, together with the IISs, is sufficient.

In times of change, it might be seen as important for the IESBA to be addressing emerging issues. However, in the context of a principles-based Code, we consider issues such as these would be best addressed with guidance, including case studies.



II. MAINTAINING A HIGH-QUALITY CODE FOR APPLICATION BY PAS GLOBALLY

B3. Concepts of ‘public interest entity’ and ‘listed entity’

Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritised?

This is an example of a possible project or initiative in an area where the issues appear to relate to specific jurisdictions and, at this preliminary stage, it is difficult to determine the extent of the problem. We recognise the value of clarity, but the underlying question is whether or not the existing concept of a public interest entity (PIE) is adequate for a global code of ethics. If the issue concerns listed entities that are not generally deemed to be PIEs, this highlights the importance of a ‘think small first’ approach to the IISs. In those jurisdictions where there are non-PIE listed entities, it would then be the responsibility of local standard setters to define PIEs in such a way that the IISs are enforceable.

We recognise that capital markets develop, and definitions may need to be reviewed. Guidance may be welcomed by standard setters in some jurisdictions to clarify how they might define a ‘public interest entity’.

B4. Collective investment vehicles (CIVs)

Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritised?

We do not regard this as a priority, and we suggest that guidance concerning the definition of a PIE should be addressed first. In some jurisdictions, CIVs are highly regulated, and the laws are clear and enforced. We suggest that any developments in this area should be left to local jurisdictions.

B5. Tax planning and related services

Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritised?

This is perhaps the area in which there is greatest consensus that it should be addressed. In Europe, for example, it is a current concern of the European Union, and guidance in the UK (produced jointly by seven professional bodies) has recently been updated to address the challenge laid down by HM Treasury and HMRC in March 2015



in a paper *Tackling tax evasion and avoidance*.¹ The need to prioritise a project to provide guidance in the area of aggressive taxation strategies is supported by the interest of the G-20 countries and the Organisation for Economic Co-operation and Development (OECD).

This is a matter that concerns many professional accountants – both in businesses (and other organisations) and in practice. There is a clear conflict between what a person charged with governance and ostensible fiduciary duties should do (eg maximising profits for shareholders, who are the most important stakeholders in a commercially motivated organisation) and their possible wider obligations to the public (eg paying higher local taxes). Inevitably, there is ambiguity concerning the interaction of what is *legal* and what may be perceived as *ethical*. There is also the question of what might be *advisable*. For example, companies should consider what amounts to reasonable transparency regarding their tax planning. This is unlikely to be an area that can be adequately dealt with within the Code itself. But the benefits to be gained from clear guidance material might be significant.

B6. Materiality

Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritised?

We believe that materiality is primarily a matter for the International Auditing and Assurance Standards Board (IAASB) to consider. The extent of the IESBA's responsibility is to ensure that references to 'materiality' in the Code do not cause confusion. It is not a concept that has to be narrowly defined in all contexts. Similarly, the concept of 'significance' may require explanation in certain contexts, but that does not imply that it is necessary or desirable to construct a single definition that accommodates all references throughout the Code.

We believe that a project concerning materiality in an ethical context should not be prioritised. However, with regard to the significance (or materiality) of a breach of the Code, our comments under B10 below propose that a decision-maker who is assessing a breach requires more guidance regarding the significance of that breach.

¹ *Professional Conduct in relation to Taxation* is produced by the Association of Accounting Technicians, the Association of Chartered Certified Accountants, the Association of Taxation Technicians, the Chartered Institute of Taxation, the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Accountants of Scotland, and the Society of Trust and Estate Practitioners.



B7. Communication with those charged with governance (TCWG)

Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritised?

We believe there is a lack of clarity concerning the role of communication with TCWG. A project to further explain its role, and when communication is appropriate, would risk undue focus on communication with TCWG at the expense of identifying effective safeguards to address threats to compliance with the fundamental principles.

To fully explain the benefits of adequate communication (which is certainly important to support the professional accountant's judgement and the exercise of due scepticism) would be a significant project, and should be undertaken with caution. (It is possible that such communications are still sometimes seen as a substitute for a modified audit report.) We would not anticipate any 'easy wins' in this area, and so we suggest that a project concerning communications with TCWG should not be prioritised.

B8. Documentation

Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritised?

A professional accountant faced with an ethical dilemma is required to use the conceptual framework in determining whether adequate safeguards have been put in place to protect the fundamental ethical principles. Without sufficient documentation, compliance with the Code may not be apparent. A professional accountant must be seen to comply with the fundamental principles, and so it is reasonable to regard adequate documentation as a sensible measure to be able to demonstrate compliance. Conversely, inadequate documentation may impact the reputation of the professional accountant and even the profession. Therefore, it is reasonable to expect adequate documentation without it being a specific requirement.

We do not believe that documentation requirements should be extended within the Code. However, there would be some advantages in explaining in guidance how adequate documentation will safeguard the interests of professional accountants. Not only does it act as a defence against allegations that adequate safeguards have not been implemented; it also provides a mechanism for the professional accountant to review (more objectively) how affectively the conceptual framework has been applied. In view of the potential 'easy wins' in this area, we believe that this initiative should be prioritised.



B9. Familiarity threat in relation to extant Part C

Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritised?

As a clear threat to the fundamental principles, the issue of familiarity must be adequately explored in a number of situations. But this does not necessarily imply the need for application material within the Code. For the professional accountant in business, threats may arise through familiarity with colleagues within the organisation or relationships with suppliers, customers and others outside the organisation. Although it is important to identify these various sources of threats (as examples only), we would not envisage this to be a major project.

B10. Breach of the Code

Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritised?

We believe this should be a priority. Currently, if a professional accountant identifies a breach of the Code (including a breach by that professional accountant), he or she is required to take prompt action to 'satisfactorily address the consequences of the breach', and to 'determine whether to report the breach' as appropriate. Therefore, it appears that current guidance on what action to take is inadequate. Questions remain concerning such matters as:

- the extent to which the professional accountant is expected to investigate the breach (or suspected breach)
- how to evaluate the significance of the breach
- the responsibility of the professional accountant to stop a breach or address the source of a potential breach
- the extent to which these matters should be documented.

Generally, we believe there should be little or no optionality in this area.



B11. Definitions and descriptions of terms

Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritised?

It is important that terms used within the Code are clearly defined, and it is equally important that terms used by the IAASB are clearly understood. We believe that there is also value in gaining greater consistency between the definitions across the IFAC Boards, although such a project would not be seen as critical in the context of competing priorities.

We note the feedback highlighted in the survey questionnaire concerning definitions and descriptions in the Code that require clarification in any event. This leads us to conclude that a future project around definitions and descriptions should be considered to be important, although there are several other projects that should take priority. Alternatively, straight-forward improvements to the Code in this respect might be considered during the course of the initial review of the restructured Code.

B12. Post-implementation review of the restructured Code

Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritised?

At this point, based on the published agreed-in-principle text, we believe that there are still vast improvements to be made to the restructured Code, and so we see this project as a high priority. Nevertheless, we suggest that a period of two years should elapse following the publication of the restructured Code before such a project could reasonably commence. This would allow both users of the Code and the IESBA to review the Code with a degree of objectivity.

III. GENERAL

B13. Meaning of public interest in the global context

Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritised?

Past attempts to define what is 'in the public interest' have encountered difficulty. Even if a generally applicable definition could be agreed, this would not necessarily assist with clarifying the meaning of 'public interest' within the Code. We believe that the course of action that furthers the public interest is rarely difficult to identify, even though



it may be difficult or impossible to define. Therefore, while this is an important subject, we do not believe that a project to determine the meaning of 'public interest' is a priority. Nor is it a project that we would welcome, as there are risks associated with trying to define the 'public interest' (or even seeking to explain its meaning) precisely.

Nevertheless, a project to produce a set of case studies could be explored, which might serve to support our suggestion above that the right course of action is rarely difficult to identify. Case studies have been welcomed in the past for the purpose of illustrating the operation of the conceptual framework.

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

1. Tax planning and related services
2. Post-implementation review of the restructured Code
3. Documentation
4. Concepts of 'public interest entity' and 'listed entity'
5. Trends and developments in technology and innovation
6. Breach of the Code

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.

We are not aware of any further issues that should feature among the top six priorities.

SECTION C: ADOPTION AND IMPLEMENTATION (A&I)

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 see our comments above. We do not believe that any of the proposed projects and initiatives is so urgent that it should be addressed before the restructured Code has been given the opportunity to be tested for clarity and usability.



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.

At this stage, we are not aware of any such activities or initiatives.

SECTION D: PRE-EXISTING COMMITMENTS

Are there any particular matters you believe the IESBA should consider in relation to any one of these pre-existing commitments?

We are not aware of any such matters.

SECTION E: ANY OTHER STRATEGIC MATTERS

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?

We are not aware of any such matters.

