

# The role and mindset expected of professional accountants

How the revisions to the *Code of Ethics for Professional Accountants* better promote the role and mindset expected of all professional accountants

In October 2020 the International Ethics Standards Board for Accountants (IESBA) issued its final pronouncement on revisions to the *International Code of Ethics for Professional Accountants* (Code of Ethics) to better promote the role and mindset expected of all accountants. The Hong Kong Institute of CPAs issued its corresponding revisions to the local Code of Ethics in December 2020. The revisions take effect from 31 December 2021.

The revisions recognize that the accounting profession is entrusted with public confidence in the wide-ranging roles it plays in society and that such confidence is based on the skills and values it brings to its professional activities. Disruption to the work environment in the form of new business models, technological developments and expectations from society about corporate governance are transforming the profession, and affect the ethical basis of accountants. The revisions reaffirm the profession's responsibility to act in the public interest and the fundamental role of the Code of Ethics in meeting that responsibility.

## Strengthening the fundamental principles

The five fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour are the foundations of the trust society places in the accounting profession. Accountants must comply with them at all times. The role and mindset revisions strengthen the principles through providing more discussion of expectations and examples. The following summarizes the key revisions in the respective fundamental principles.

**Integrity:** The definition of integrity is expanded to detail the concept of acting appropriately, even in situations where there may be pressure to do otherwise or doing so may lead to adverse personal or organizational consequences. Acting

appropriately involves having the strength of character to face challenges and do what is right.

**Objectivity:** Accountants must be objective in their actions. It is vital that all actions they take are not compromised by a range of factors. The changes to the Code of Ethics detail potential compromises – bias; conflict of interest; and undue influence of or reliance on individuals, organizations or other factions including technology.

### Professional competence and due care:

Accountants must maintain their professional knowledge and skill at a level that ensures they can provide competent professional services to their client or employer.

It requires accountants to have a continuing awareness of developments, including in technology and the profession generally. It also sets out the importance of continuing professional development to ensuring that an accountant can carry out their tasks effectively.

**Professional behaviour:** The changes reiterate the accountants' responsibility to comply with laws and regulations while behaving in a manner consistent with the profession's public interest responsibilities. Accountants must also avoid any activity that may discredit the profession.

## Enhancements to the conceptual framework

The conceptual framework in the Code of Ethics sets out the approach that should be taken to identify, evaluate and address threats to compliance with the fundamental principles.

The revisions strengthen the responsibilities of accountants to constantly have an inquiring mind, remaining alert to the threat of bias, and the importance of organizational culture to the professional accountant.

**An inquiring mind:** A questioning mindset

is needed by accountants to ascertain the full facts behind a situation. A professional accountant should consider the source and relevance of information, and be open to the need for further investigation. The professional accountant should be aware of any new developments, and consider how they apply their professional judgement.

As well as an inquiring mind, an accountant must consider how they apply their professional judgement to situations. Professional judgement enables the accountant to make informed decisions about the actions to take. When making a judgement, the accountant should consider whether they have the prerequisite skills and knowledge necessary to make an informed judgement, and if not to consult with others who do have the expertise or experience. They should also consider their own biases.

**Awareness of bias:** Conscious or unconscious biases affect an accountant's professional judgement. The revisions include a list of biases to be aware of: anchoring, automation, availability, confirmation, groupthink, overconfidence, representation and selective perception.

It suggests actions to mitigate bias, including seeking advice from experts, consulting with others and undertaking continuing professional development relevant to the identification of bias.

### Importance of organizational culture:

Finally, the effective application of the conceptual framework is enhanced with the ethical values in the Code of Ethics is promoted in the accountant's organization. The revisions consider how an ethical culture can be promoted within an organization, and the expectations of professional accountants to promote an "ethics-based culture" in their organizations.



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