

## **Proposed Changes to Part C of the Code Addressing Presentation of Information and Pressure to Breach the Fundamental Principles**

### **Proposed Revised Section 320**

#### **Question 1**

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

#### **Comments to Question 1**

Yes, the enhanced guidance has made Section 320 more explicit by defining the responsibilities of the PAIB in preparation and presentation of information both financial and non-financial to stakeholders inside and outside the organization.

Section 320 has given more guidance to what is ‘fair and honest’. However, another principle could be added, i.e., presenting the information in accordance with relevant laws and regulations.

#### **Question 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?

#### **Comments to Question 2**

Paragraph 320.3 has now prescribed ways of how mis-use of discretion could not mislead users of information. However, it must be pointed out that this ‘list’ is not exhaustive. Examples could also be given on cash manipulation, structuring transactions to favour related parties, and timing of expenses.

#### **Question 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?

#### **Comments to Question 3**

There could be a guidance to prepare report when there is no set framework, and how to apply purpose, context, and audience.

#### **Question 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?

#### **Comments to Question 4**

Yes, the list provided under paragraph 320.2 would act as a preventive measure in order to be in line with the “fair and honest” principle.

#### **Question 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?

#### **Comments to Question 5**

Yes. However, 320.8 should contain the following:

‘If after exhausting all possible options, the professional accountant determines that the information is still misleading, the professional accountant shall refuse to be or to remain associated with the information.’

The rationale of this proposal is to prevent constructive dismissal of the PAIB. Also, the PAIB should not bear the consequences of bad governance of the organisation.

Also, the Exposure Draft does not address what would be the consequences of a PAIB not considering proposals in 320.7 and 320.8. The PAIB could consider adopting a whistleblowing approach depending on the applicable law in the country.

## **Proposed Revised Section 370**

### **Question 1**

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

### **Comments to Question 1**

Agree to the proposals. However, it is to be noted that pressure from holding company or higher level management has not been addressed.

### **Question 2**

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

### **Comments to Question 2**

Yes, the examples are very explicit.

### **Question 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?

### **Comments to Question 3**

Yes

### **Question4**

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?

### **Comments to Question 4**

Yes, the guidance is explicit. However, the ED could have addressed ‘ whom does the professional accountant report to when he faces pressure from senior level management like directors or those charged with governance.’

**Question 5**

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

**Comments to Question 5**

Yes, would be helpful to professional accountants