

EXPLORING THE IESBA CODE

Installment 11: The Role and Mindset Expected of Accountants—A Focus on Bias



In order to meet their obligations under the Code and support the profession’s responsibility to act in the public interest, professional accountants (PAs) need to understand the expectations that come with their role and adopt the appropriate mindset. The IESBA’s Role and Mindset project clarifies these obligations in new [provisions](#) that become effective December 31, 2021, with early adoption permitted. One important aspect (among others) of the new provisions is a strengthening of the fundamental principle of objectivity, which requires PAs to exercise professional judgement or business judgement without being compromised by bias, conflict of interest, or undue influence or reliance. This installment highlights the effects that bias can have and the role and mindset expected of PAs in meeting public expectations.

What are the Key Role and Mindset Revisions to the Code?

- 1. [Refinement of the Fundamental Principles:](#)** PAs must be aware of the central role that compliance with the Code plays, especially with respect to the principles of integrity, objectivity, professional competence and due care, and professional behavior.
- 2. [Awareness of Bias and Importance of Organizational Culture:](#)** PAs are expected to have a mindset that encapsulates an awareness of the potential adverse influence of bias on judgements and decisions. They are also expected to promote an ethics-based culture within their organization.
- 3. [Having an Inquiring Mind:](#)** Applying the conceptual framework requires that a PA have an inquiring mind when identifying, evaluating and addressing threats to the fundamental principles. This includes asking the right questions, for example, about the source, relevance and sufficiency of information for judgments and decisions.

Professional skepticism and an inquiring mind.

The requirement to have an inquiring mind when applying the conceptual framework applies to all PAs regardless of the professional activity undertaken. Under auditing, review, and other assurance standards—including those issued by the IAASB—accountants must also exercise professional skepticism, which includes a critical assessment of evidence.

Consider how bias might be illustrated in the following scenario:

An audit manager chooses the engagement team for an upcoming audit. The manager asks the audit partner to approve the team. The partner points to a name on the list and says “I’m not sure it’s a good idea to have him on the team. I think that might pose too much of a familiarity threat.” “Really?” the manager asks “Does he have a connection to the client?” The partner replies “I have no idea, but you know there are lots of indigenous employees at that client, including some of the senior staff – I wouldn’t want our team member to be in an awkward position because of pressure from his own people.”

Conscious or unconscious bias affects the exercise of professional judgement when identifying, evaluating and addressing threats to compliance with the fundamental principles. Mitigating the effects of bias can be particularly challenging because we often fail to see our own biases and mistakenly believe we are acting objectively. PAs should be alert for biases, including these eight common examples:

TYPE OF BIAS	DESCRIPTION	FOR EXAMPLE...
Anchoring	The tendency to use an initial piece of information as an anchor against which subsequent information is inadequately assessed.	An auditor’s judgment is clouded by the first impression they have of a client or of management.
Automation	The tendency to favor output generated from automated systems, even when human reasoning or contradictory information challenges whether such output is reliable or fit for purpose.	A PA acts on the output of an AI-enabled system without questioning the results.
Availability	The tendency to place more weight on events or experiences that immediately come to mind or are readily available.	A PA undertaking “what-if” analysis models alternative scenarios only using the most common ideas of what might happen.
Confirmation	The tendency to place more weight on information that corroborates an existing belief than on information that contradicts or casts doubt on that belief.	An auditor develops a theory about why certain account balances have changed. Evidence supporting their theory is given more weight than contradictory evidence.
Groupthink	The tendency for a group of individuals to discourage individual creativity and responsibility—resulting in decision making without sufficient critical reasoning or consideration of alternatives.	A board and management team that lacks adequate diversity approves the use of an AI-enabled loan application approval system without closely examining its underlying decision factors.
Overconfidence	The tendency to overestimate one’s own ability to make accurate assessments of risk or other judgments or decisions.	An auditor fails to adequately evaluate independence threats based on their confidence that their own judgment is beyond reproach.
Representation	The tendency to base one’s understanding on a pattern of experiences, events, or beliefs that is assumed to be representative.	A forensic auditor’s assessment of the risk of money-laundering occurring is swayed by the ethnicity of the owners of firms.
Selective perception	The tendency for a person’s expectations to influence how the person views a particular matter or person.	A PA who believes their team is happy at work perceives all of the team’s responses as more positive than they actually are.



BE AWARE

In carrying out their roles, PAs comply with the Code, giving appropriate regard to the aim and intent of its specific requirements. But compliance does not mean that PAs will have always met their responsibility to act in the public interest. There might be unusual or exceptional circumstances in which a PA believes that complying with the requirements might not be in the public interest or would lead to a disproportionate outcome. In those circumstances, the PA is encouraged to consult with an appropriate professional or regulatory body.

Actions that might mitigate the effect of bias include:

- Seeking advice from experts to obtain additional input.
- Consulting with others to ensure appropriate challenge as part of the evaluation process.
- Receiving training related to the identification of bias as part of professional development.

In applying the conceptual framework in the context of the Role and Mindset provisions, the audit manager in the scenario earlier should:

- Recognize that allowing discrimination in workplace decisions does not reflect behavior that is consistent with the profession’s responsibility to act in the public interest.
- Consider whether and how the audit partner’s bias might be impacting objectivity.
- Have the strength of character to engage in further discussions with the audit partner, even if doing so is challenging.
- Discuss the situation with others to ensure that perceived biased thinking is appropriately challenged.

Longer-term, education and training on bias and decision-making could benefit the partner, audit manager and their team—in order to better promote an ethics-based culture. In this situation, that might take the form of diversity, equity and inclusion training.

WHERE TO GET ASSISTANCE?



The new Role and Mindset provisions, including the explanatory Basis for Conclusions, are available. The eCode, which is available at www.IESBAeCode.org, is an on-line resource for accountants and other users of the Code. It provides quick and efficient access to the Code, making it easier to use, implement, and enforce.



www.IESBAeCode.org