Comments to the Professional Skepticism Project Proposal by Standard-Setting Board (SSB)/IFAC Technical Managers

The comments of SSB/IFAC Technical Managers for the technical areas within, or supported by, IFAC are required before this Project Proposal is considered by the SSB or IFAC committee proposing to undertake the project.

Technical Manager to the Compliance Advisory Panel and Professional Accountancy Organization Development Committee

In addition to the implications already identified in paragraphs 17 and 22, we emphasize that in jurisdictions where a) the national standard-setter and/or PAO has to translate the standards for adoption and implementation or b) the national standard/setter and/or PAO has limited means to address and align changes within its own Code on a timely basis, this might impact global application of any changes. We also note that some changes to the Code can result in competitive disadvantages for members of PAOs that must legally adhere to the Code—this was seen with NOCLAR—and given the seemingly broad nature of “professional skepticism” and potential impact on all professional accountants we raise this point for consideration here.

No additional material concerns or comments related to this project proposal.

Finally, we always encourage the IESBA to update, issue, and if feasible translate, the guidance for the changes, especially for PAOs in developing contexts.

Signed: Sarah Gagnon

Date: 9/10/18

Technical Manager to the International Accounting Education Standards Board (IAESB)

The coordination efforts relating to Professional Skepticism initiative are being progressed at Working Groups/Task Forces level. Accordingly, the Professional Skepticism WG/TF Chairs of IAASB, IESBA and IAESB meet to discuss matters of mutual interest as appropriate. For example the IAESB has questioned what would be examples of core values and how they should be characterized in the Code.

Signed: David McPeak

Date: 9/11/2018

Technical Director to International Auditing and Assurance Standards Board (IAASB)

The coordination efforts relating to Professional Skepticism initiative are being processed at Working Groups/Task Forces level. Accordingly, the Professional Skepticism WG/TF Chairs of IAASB, IESBA and IAESB meet to discuss matters of mutual interest as appropriate.

Technical Manager to the Professional Accountants in Business (PAIB) Committee

From a staff perspective, we support the overall approach of expanding the Code’s provisions in part 1 on the core values and behavioral characteristics on what it means to be a PA.

However, it is important to note that the PAIB Committee is of the view that it is necessary to ensure that professional skepticism and professional judgement clearly applies to all professional accountants, and
given that guidance specifically for those in public practice has already been included in Part 1, it is now necessary to expand the material to include content relevant to professional accountants in business. This would mean that PS has to be described and supported specifically in relation to PAIBs, and that the proposed changes to part 1 being proposed may well be insufficient to address the expectation that PS is clearly understood and defined in relation to all PAs.

This proposal does not address the issue that PS has already been linked to the relevant fundamental principles for auditors in Part 1. If IESBA is not going to expand the material in this section for PAIBs – then at a minimum, IESBA needs to consider defining the values and behaviors that relate to all PAs, and place the content on PS for auditors to part 3.

Furthermore, in exploring how and where best to describe the linkage between, on the one hand, the core values and behavioral characteristics set out in the Code, and on the other hand, the concept of professional skepticism as defined in the IAASB’s standards, any related material should probably feature in part 3.

Finally, in your board agenda paper 7A, where you have analyzed responses to Q6 in the CP, you have stated that this option (keep the term ‘professional skepticism’ but develop a new definition that would be appropriate for all types of professional activity) also received virtually no support in any forum. In our own analysis of various PAO responses to the CP, we find this conclusion not to be strictly true with a number of responses suggesting that PS should be understood, or described (or indeed defined) in a way that is relevant to all PAs.

Signed: Stathis Gould
Date: 9/11/2018

Technical Director to the International Public Sector Accounting Standards Board (IPSASB)

My only comment is whether the term professional accountants in business at paragraph 19 (b) needs to be qualified with a bracketed suffix that this includes accountants working in sectors such as public sector and private not-for profits. This might reinforce the view that all professional accountants should apply the behavioral characteristics encompassed in the term ‘professional skepticism’. Not all readers will be familiar with the scope of the PAIB.

Signed:  
Date: 9/10/2018

Senior Technical Manager to the IFAC Small and Medium Practices (SMP) Committee

In its response to the IESBA Consultation Paper, the SMPC stated that the fundamental principles already in the Code are sufficient to meet the standard of behavior expected by professional accountants. It supported the development of guidance material which highlights the concept of professional skepticism within the restructured code that is driven by compliance with the fundamental principles. This appears in line with the project scope and outline proposed. However, the IESBA will need to be careful in its use of words to not inadvertently increase work effort requirements in an inappropriate way for the nature of the activities covered. It is also critical that the IESBA continues to closely co-ordinate on this project with the IAASB.

Signed: C.Arnold  
Date: 9/7/18
Technical Manager to the Transnational Auditors Committee (TAC)
Supportive of this project with no comments.

Signed: Barry Naik                  Date: 9/7/2018