

Professional Skepticism – Summary of Comment Letters on Consultation Paper (For IESBA CAG Reference Only)

General Observations	
Regulators	
BCBS ¹	<p>The Committee is supportive of the standard being raised for all accountants (both auditors and PAs other than auditors), but the highest standard should be applied to auditors, for whom the term “professional skepticism” should be solely reserved.</p> <ul style="list-style-type: none"> The Committee believes that it is beneficial for all PAs to adhere to a set of behavioural characteristics that require maintaining an open and inquisitive mind in order to achieve the outcomes described in paragraph 10 of the CP. PAs who are preparers play a fundamental role in the financial reporting process by ensuring the financial statements are free from fraud, errors and material misstatements. The importance of this role increases when there is no subsequent audit of that information (e.g. there is much information produced by a bank that the regulators rely upon, but is not audited). To ensure the integrity and rigour of their work, they should be prepared to question the adequacy and sufficiency of the information they receive by way of input to their work. The Committee believes, however, that auditors, and in particular auditors of public interest entities, should be held to a much higher standard than PAs other than auditors. It is an essential feature of an audit that the auditor critically assesses and challenges the information they receive, particularly the assumptions, assertions and representations made by management. This higher standard would best be pursued by the International Auditing and Assurance Standards Board (IAASB) by, for example, expanding the guidance on the exercise of professional skepticism in International Standard on Auditing 200 Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with ISA (ISA 200)². <p>The Committee believes the term should be retained and used within the ethics standards for auditors only. A different term should be developed for and serve as the baseline for the mind-set to be applied by PAs more generally. The baseline, which could build on the expected behaviour described in paragraph 10 of the CP, would also be the foundation for the concept of professional skepticism for auditors.</p> <p>The IESBA should explore the behavioural characteristics of the baseline mind-set and the higher standard of professional skepticism. The Committee encourages the IESBA to give particular consideration to the practical implementation of the definitions and characteristics of these terms, and how auditors and PAs can demonstrate and evidence their application of the baseline mind-set and professional skepticism, as appropriate.</p>

¹ For a list of abbreviations, see Appendix A to Agenda Item 7-A.

² Based on the audit deficiencies related to professional skepticism identified by audit regulators, these deficiencies appear to represent a failure to comply with auditing standards, which the IAASB should consider when undertaking efforts to raise the standard for professional skepticism for auditors.

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	<p>We would urge caution when referring to scalability because it may imply to some that different degrees of adherence to the baseline mind-set and, for auditors, professional skepticism are acceptable. The standards should seek to have all PAs behave in a manner that achieves the outcomes described in paragraph 10 of the CP without regard to the work being undertaken by, and the particular role or position of, the PA.</p> <p>Application material for PAs other than auditors could explain the expectations for exercising the baseline mind-set to achieve these outcomes in ways that recognise differences in the work and roles of such accountants in their organisations.</p> <p>With respect to auditors, further elaboration in this area should fall to the IAASB, perhaps through enhancements to ISA 200, in coordination with the IESBA. When developing scalability for auditors, the IAASB could consider differentiating between the individual level (e.g. by emphasising keywords like “questioning mind-set”), and the firm level (e.g. by setting out appropriate preconditions for planning, managing and monitoring of the audit project as an audit firm). At the firm level, this could for instance also include the proper composition of the audit team with enough involvement from senior staff and partners, a culture of consultation within the firm and a “tone at the top” of the firm that encourages the exercise of professional skepticism, all of which should be supported by engagement letter terms and conditions, including a sufficient audit fee, that promote a high quality audit.</p> <p>We encourage the IESBA to liaise with the other standard-setting boards to closely coordinate their work to ensure the ethics standards on the baseline mind-set and professional skepticism are reinforced within the auditing and educational standards.</p>
IRBA	<ul style="list-style-type: none"> ○ The IRBA supports <ul style="list-style-type: none"> • the IESBA's initiative • the collaborative approach between the different IFAC Boards. The high public interest in the project is evident. We look forward to IESBA proposals that will impact the behaviour of registered auditors and other PAs, as that will contribute towards creating an environment for improved audit quality and enhanced public protection. ○ We agree that professional scepticism should be exercised by all PAs, but highlight that the application will be different for auditors and PAs as they consider evidence and information for different purposes.
IOSCO	<p>With the increasing complexity of business transactions and financial reporting together with greater judgment and estimates therein, there is a heightened sense of urgency for all accountants to exercise greater levels of scrutiny and attentiveness in the performance of their duties. However, we believe the Board's greatest focus should be on how to engrain the desired mind set and behavior, including – where appropriate – professional skepticism, into the day-to-day work PAs, including auditors, perform in their various roles. We believe this cannot simply be accomplished through changes to words or an additional definition in the Code but it must be a deliberate effort by the leadership of companies and audit firms to impact the mind set and behavior of PAs.</p> <p>Having said that, the Board should be careful that any attempt to address the matters discussed in the Paper does not dilute the quality of information underlying financial reporting, quality of audits or the responsibilities of auditors to uphold the public interest. With this in mind, we believe the concept of professional skepticism that we have today in the auditing literature should be reserved for, and applied solely to, auditors while the Board should define a separate term describing the desired mind set and behavior that would apply to all PAs.</p> <p><u>Establishing a Culture of Professional Skepticism</u></p>

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	<p>We believe that it is important that the culture within both audit firms and other organizations where PAs practice be infused with the behavioral qualities similar to those currently articulated in the Code's fundamental principles and, where appropriate, the professional skepticism mind set. We believe it starts with establishing the appropriate "tone at the top" and "tone at the middle" whereby boards of directors (through their audit committees or other applicable board committees) and top and middle-level management communicate and demonstrate this behavior on a consistent basis as it relates to PAs.</p> <p>We recognize that influencing the culture within audit firms and other organizations is not the sole responsibility of the Board. All relevant stakeholders, including regulators, boards of directors and audit committees, management, the International Auditing and Assurance Standards Board (IAASB), the International Accounting Education Standards Board (IAESB), professional organizations of accountants, and others can do their part to effect the desired change. As part of its potential outputs, we encourage the Board to coordinate with the IAESB to develop education and training materials to enhance the alertness of PAs to the desired behavioral qualities.</p>
UKFRC	<p>We share IESBA's views regarding the importance of considering further the steps that need to be taken better to embed the application of professional scepticism in the work of PAs, and in particular auditors.</p> <p>We also think it is important to consider further how the application of professional scepticism is evidenced in the work of both. IESBA should focus on what actions, key characteristics and behaviours are required on the part of a practitioner to ensure the application of appropriate professional scepticism in a way that will meet the expectations of users of information. In applying those actions, characteristics and behaviours, how should they be clearly and unambiguously evidenced so that regulators can satisfy themselves that ethical and behavioural considerations have been at the forefront of the mind, and have driven the actions and work of those individuals.</p> <p>We know a lot about what is needed to best meet the expectations of users, namely: high quality, robust and reliable financial information to use for making decisions on capital allocation and investment, and for demonstrating financial stability and regulatory compliance in the public interest. This requires the consistent application of both technical skills and behavioural competencies and given IESBA's limited resources we believe that should be the focus of that. The fundamental principles articulated in the Code offer a sound platform for this assessment, and it may be that this could be better supported by additional application material.</p>
National Standard Setters	
APESB	<p>APESB is supportive of the IESBA's project to clarify professional scepticism and its applicability to all PAs.</p> <p>The concept of professional scepticism is an important element in guiding the professional and ethical behaviour of all PAs. APESB supports the adoption of a new definition of professional scepticism as articulated in the CP and the development of new application material within the Code.</p> <p>APESB is of the view that all PAs apply varying degrees of professional scepticism which is dependent on the professional activities they perform. Within the accounting profession, a high degree of professional scepticism will be applied by assurance practitioners, forensic accountants, independent experts and insolvency practitioners.</p>

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	<p>We also do not believe that the term professional scepticism is limited to the accounting profession as most other professions will also apply varying degrees of professional scepticism when exercising professional judgement to arrive at a conclusion or forming opinions in their professional work whether they are medical professionals, lawyers or engineers.</p> <p>In these circumstances, we do not believe that it is appropriate for a segment of the accounting profession, i.e. auditors, to claim that it only applies in the assurance context due to the existence of a definition within the auditing literature which is clearly audit centric.</p> <p>APESB recommends that:</p> <ul style="list-style-type: none"> • the term 'professional scepticism' be defined in a similar manner as articulated by IESBA in the Code as a concept applicable to all PAs; • additional guidance material be included in the Code to clarify the use of professional scepticism; and • IESBA influence IAASB to rename the existing definition in the auditing standards as "audit scepticism," "assurance scepticism" or a similar term.
NZAuASB	<p>The NZAuASB does not support "professional scepticism" being introduced into the Code as a "catch all" term for all PAs. Adopting this approach might dilute or otherwise adversely affect the understanding and application of professional scepticism in the context of audit and other assurance engagements, and therefore be detrimental to the public interest.</p> <p>The NZAuASB believes that</p> <ul style="list-style-type: none"> ○ the Code's existing fundamental principles provide an appropriate foundation for the expected professional behaviour of all PAs. ○ if the issue is with the application or understanding of the Code by PAs other than auditors, there may be a need to better emphasise the expected professional behaviour of those PAs in the Code, and to develop additional guidance material on how to apply the fundamental principles when performing various professional engagements. ○ Guidance about threats (including biases, pressures and other impediments) is particularly important. <p>The NZAuASB further strongly supports the option discussed at the recent roundtable in Melbourne of having an overarching statement of purpose for all PAs in the Code, for example, to emphasise professionalism, by acting in the public interest and complying with the fundamental principles.</p>
Firms	
BDO	<p>We believe that the combination of fundamental principles in the IESBA Code, as currently drafted, are sufficient and appropriate for the purposes of embedding the concept of professional skepticism within the accountancy profession. However, we do acknowledge that, for some external stakeholders, there is a concern that the Code and the fundamental principles as currently drafted are not sufficient and require more clarity in respect of professional skepticism. We would support additional application guidance or guidance documents outside of the IESBA Code to address these concerns.</p> <p>We understand that there has been some initial discussion about consideration of a type of pledge or oath, similar to other professions (medical, police) to focus on professional skepticism (and potentially other areas of importance). We question whether the IESBA has the remit to require such an oath by PAs and therefore, this matter might be better served if considered by the Independent Federation of Accountants (IFAC) (e.g., as a possible Statement of Membership Obligations (SMO)) or by the regulator community.</p>

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DTT	<p>The fundamental principles provide a robust framework that, when applied appropriately, have the necessary flexibility to guide a PA to act ethically when performing professional activities. Additional guidance can be useful to help both PAs in public practice and PAs in business understand the application of the fundamental principles, especially when being confronted by ethical decisions.</p> <p>We urge the Board not to apply the concept of professional skepticism to PAs in business and PAs in public practice who are engaged to provide non-assurance services. A broader application has the potential for causing unrealistic expectations for a non-auditor and diluting the application of professional skepticism by auditors, both of which would be against the public interest.</p>
EY	<p>The Code's fundamental principles require both auditors and other PAs to act in a manner that demonstrates integrity, objectivity, professional competence and due care. These principles represent behaviors which all PAs are expected to exhibit.</p>
GT	<p>We support the Board's proposals.</p>
KPMG	<p>We agree that the public expects and should be able to expect that information with which PAs (PAs) are associated can be relied upon for its intended use.</p> <p>We believe the fundamental principles currently present in the IESBA restructured code of ethics provide the behavioural characteristics to which PAs should adhere.</p> <p>We believe that the expansion of the Code to include a concept of professional skepticism, or a questioning mind set, for all PAs, beyond what is currently required in the Code, may create undue requirements for PAs in business (PAIBs) and PAs in public practice (PAPPs) who do not perform assurance engagements (e.g. tax and advisory). Such requirements could create negative unintended consequences.</p> <p>Lastly, we believe developing application materials to expand upon the concepts underlying the existing fundamental principles in the Code would increase awareness of the behaviours to be applied by all PAs.</p>
PwC	<p>Since this is very much a behavioural driven area, we do not believe that additional requirements are appropriate. However, we do support the development of application material that would further highlight the need to apply appropriate professional behaviours, such as a questioning mind, when a PA is undertaking a professional activity.</p>
IFAC Member Bodies	
ACCA	<p>From the round tables, we perceive the main objective of this project to be aligning the responsibilities of PAs (when they allow themselves to be associated with a piece of work) with the understanding and expectations of stakeholders. We question the need to attach the term 'professional skepticism' to the required behaviours of PAs in situations other than audit and assurance engagements.</p> <p>We believe it is unnecessary to attach any term to the attitudes and behaviours required of a PA who is observing the fundamental principles and conceptual framework.</p> <p>We support the statement in paragraph 10 that '[w]hether it is appropriate to expect all PAs to apply all or any of the characteristics and actions identified in paragraph 7 depends upon the nature and context of the work being undertaken and the particular role or position of the PA'.</p>

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	<p>The factors in paragraph 14 illustrate clearly the need for scalability. Hence, we recognise that different levels of scepticism may be expected to be exercised in different situations.</p> <p>Paragraph 16 of the CP states that ‘there is a public expectation that information with which a PA is associated can be relied upon for its intended use’. If this is the case, then the expectations of the public are unreasonable. (Such reliance is, of course, the purpose of an assurance engagement.) We believe this fundamental misunderstanding of the public should be addressed, and the proposals in (a) to (c) of paragraph 16 will not address this expectation gap.</p> <p>We recognise that there is a public perception that PAs add value when they are associated with any report or other work, and the good reputation of the profession that ensues is itself in the public interest. Therefore, it may be assumed that PAs will question (to the extent appropriate) information that they receive and use in their work.</p> <p>In our view, linking the fundamental principles to the PA’s public interest responsibility would be particularly effective. Therefore, we would support application material in Part 1 of the Code to include the following elements:</p> <ul style="list-style-type: none"> • an introduction that emphasises the need to act in the public interest (as already stated in section 100), and links this to compliance with the fundamental principles • an explanation of the required behaviours and outcomes expected of a PA, and flowing from compliance with (and safeguarding of) the fundamental principles • the fundamental principles themselves (including an explanation of how objectivity, integrity and professional competence interact, at times, to give rise to the need for due scepticism) • application material to explain how cognitive bias might be recognised – in a client, employer, the PA or a third party. <p>At the round table events, there appeared to be a high level of support for application material along these lines.</p>
AICPA	<p>The fundamental principles address the characteristics and actions specified in paragraph 7 of the CP.</p> <p>PEEC is supportive of the development of application material that is designed to achieve the behavior addressed by these characteristics and actions, which we agree should be expected of all PAs.</p> <p>Paragraph 10 reduces the characteristics and actions specified in paragraph 7 into two elements of behavior. With respect to the first element, PEEC recommends that the term “objective” replace “impartial” because the first element seems to be addressing the fundamental principles of <i>Integrity</i> and <i>Objectivity</i>.</p> <p>With respect to the second element, PEEC recommends the phrase “to the activities” replace “to the evaluation of information” because the second element seems to be addressing the fundamental principle of Professional Competence and Due Care. In addition, PEEC believes the phrase “evaluation of information” implies that some level of assessment, such as an audit, is being performed so the suggested replacement would provide for the necessary scalability.</p>

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CAANZ	The expectations of the public exist without necessarily understanding the role of a PA. Therefore we feel that the management of public expectations needs to be an integral part of this project. To retain trust in the profession and serve the public interest, we consider that more could be done through public education to close the expectation gap.
CPA Canada	Overall, we found consistent support for enhancing information about professional skepticism applicable to all PAs within the Code through application material and we recognize and understand the desire of stakeholders of the accounting profession to emphasize this important concept.
EFAA	<p>We commend IESBA on addressing longer term issues of professional skepticism. Professional skepticism is a vital concept for PAs, a concept important for all those entering the profession and remaining important throughout the life of all PAs.</p> <p>While we believe the fundamental principles in the Code and related application material are sufficient to support the behaviors associated with the exercise of appropriate “professional skepticism” we support enhancing the Code with further guidance in the application material on how to specifically exercise professional skepticism by all PAs.</p> <p>We believe that the Code should state that PAs will be expected to apply their professional judgement in determining the appropriate nature and extent of the actions to be taken in the circumstances and provide a list of the factors to help them do so.</p>
FSR	We agree that professional scepticism is of great importance if reasonable public expectations are to be met. Information and relevant application material seem more important than new definitions and, even worse, introducing competing definitions in the Code compared to specific standards.
HKICPA	As discussed at the Tokyo Roundtable, the concept of "professionalism" and to introduce to the IESBA Code an overarching statement for PAs to act in public interest and uphold the fundamental principles etc. would be a more appropriate approach for IESBA to move forward on this project.
ICAS	<p>To act in the public interest is a fundamental requirement of the accountancy profession.</p> <p>In recent years there has been a decline in public trust in business and in the accountancy profession. In the UK in particular, the wider stakeholders - society, government, regulators, media etc. - are expecting more from PAs.</p> <p>As societal requirements evolve, and the trust gap continues to grow, standards also need to keep pace. We therefore welcome the timeliness of this consultation and our ability to respond.</p> <p>We are supportive of the IESBA giving greater consideration to the characteristics which should be expected of PAs. We agree that the concept of ‘professional scepticism’ is one of those traits, and enhancement of the concept within the Code will animate the Code, providing helpful practical guidance for users.</p> <p>We believe that the concept of ‘professional scepticism’ should be applicable to all PAs and not just those performing audit or other assurance engagements.</p> <p>We do not believe that the term or definition of ‘professional scepticism’ as used for the purposes of the ISA is appropriate for use by all PAs. Instead, we believe that a new ‘umbrella’ term and definition, for example ‘enquiring mind set’ or ‘impartial, diligent and challenging mind set’, should be developed for the Code of Ethics to highlight the concept of ‘professional scepticism’ for all PAs. We believe that the IAASB’s term and definition of</p>

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	<p>'professional scepticism' could then sit as a sub-set of, for example, 'enquiring mind set' as defined in the Code of Ethics, being more indicative of how the 'umbrella' concept of 'enquiring mind set' would apply under the specific circumstances of an audit or assurance engagement.</p>
IDW	<p>We believe that IESBA needs to apply a more systematic and in-depth analysis for its conceptual starting point. In this respect our main issues with the initial analysis undertaken by IESBA include:</p> <ul style="list-style-type: none"> • Not recognizing the link to the requirement in R 111.2 of the current Code to not being <i>knowingly</i> associated with information the PA <i>believes</i> is misleading • Not having undertaken an in-depth analysis of the meaning of "association" for both PAs in public practice and in business • Using the assurance paradigm of "reliance upon information" for all activities of PAs and not recognizing that many activities that PAs perform generate information that is relevant to <i>intended</i> users for particular purposes, not to all potential users for all purposes • Simply accepting commentator views as to their expectations of all PAs without having analyzed whether the expectations are reasonable. <p>We believe that IESBA's analysis needs to provide a better basis for justifying the need for a concept similar to professional skepticism for all PAs. We agree with neither the proposal for a statement of behavior associated with public expectations of PAs as described in paragraph 10, nor with the proposed alternative definition of professional skepticism or other term in paragraph 19, nor would we regard it as appropriate that these be extended to any, let alone all, PAs.</p> <p>There is a case for IESBA exploring whether the fundamental principles in the Code together with additional guidance suffice to address the reasonable expectations of stakeholders, or whether additional concepts, such as critical thinking and professional fortitude, might be helpful. In this context it is critical that IESBA does not use words that extend responsibilities to all PAs that are beyond those in assurance engagements or that result in inappropriate work effort for assurance engagements and other activities.</p> <p>"Professional skepticism" is a term of art that is defined and designed exclusively for an assurance engagement context. Extending the current term and definition of professional skepticism to all PAs would result in all engagements performed by practitioners becoming assurance-type engagements, which would lead to assurance-only firms through the back door. Using the same term with a different definition would lead to confusion. It could lead to the IAASB needing to develop a new term, which would add to the confusion.</p> <p>Our preference would be for IESBA to first determine whether additional guidance to the current fundamental principles would suffice to meet the reasonable expectations of stakeholders.</p>
IIA	<p>The IIA agrees with the suggestion from IOSCO that professional skepticism should be relevant to all accountants, not just those who perform audit and other assurance engagement. The IIA standard on Due Professional Care (1220) states:</p> <p style="padding-left: 40px;">"Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility."</p> <p>The IIA's Global Internal Audit Competency Framework, includes critical thinking as one of 10 core competencies needed to meet the requirements of The IIA's International Professional Practices Framework (IPPF).</p> <p>The first of 11 characteristics of the critical thinking competency is that an internal auditor, "Maintains curiosity and exercises professional skepticism."</p>

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	<p>The IIA has concerns that redefining the term, "professional skepticism", developing a new label for the concept, or otherwise seeking alternative terms or formulations could create further confusion. Of greatest concern is that such efforts create a conflict with The IIA's standard on Due Professional Care.</p> <p>The IIA encourages IESBA to:</p> <ul style="list-style-type: none"> • Rely on the principles-based approach to Professional Competence and Due Care from the Code cited in Appendix 2. • Avoid promulgation of new definitions for professional skepticism that would create conflicts with The IIA's existing Due Professional Care standard (1220).
IMA	<p>We commend the Board for investigating the need for clarification of the responsibilities of PAs to exercise skepticism.</p> <p>Although the topic of professional skepticism (PS) has been discussed within the context of auditing, we are unaware of public expectations for PAIB to consider the need to exercise PS in their very different contexts of employment. We believe that the Fundamental Principles are adequate coverage of the need for all PAs to exercise the behaviors set forth in Paragraph 7 of the CP.</p> <p>We would not object to inclusion of additional explanatory material to the Fundamental Principles, but disagree with application of the term PS to the activities of PAIB because it is so closely associated with the audit process.</p>
ISCA	<p>We support an overarching statement which captures the ethical behavioural expectations/requirements of all PAs on a high and broad level. We also wish to re-iterate our recommendation that IESBA prioritise the development of a 'public interest' framework</p>
MIA	<p>Support and active participation from the preparers and other stakeholders in the financial reporting supply chain are paramount to enable the flow of reliable information for its intended use. We urge IESBA to encapsulate this point in the introduction or preamble to the Code material emphasising the importance of professionalism as it sets the context for the expectation of what it means to be a PA. Application material under the fundamental principles should then be developed to explain how the fundamental principles apply to PAs undertaking different roles.</p>
NBA	<p>In May 2016, the NBA has introduced a mandatory oath for all her members. The text of the oath is:</p> <p><i>'I am aware that as a PA I am bound to act in the public interest. I will exercise my profession with an attitude of professional skepticism. When exercising my profession as a PA I am guided by fundamental principles of integrity, objectivity, professional competence and due care and confidentiality. I will comply with the laws and regulations applicable to my profession. My professionalism implies that I will not execute any acts of which I know or ought to know that these could bring the accountancy profession into disrepute.</i></p> <p><i>So help me God/I promise/I declare.'</i></p> <p>In the illustration to the bylaw that implemented the oath it was explained that professional skepticism should not be read in the way it is defined in the ISAs. It is meant in a more generic manner.</p> <p>This text is based on a consultation from our members and others. One of the take a ways from this consultation was that our members and others who are less familiar with the definition of the ISAs find it difficult to understand that PAs should not be professional sceptic in a more generic way.</p>

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	<p>We therefore suggest that as part of adding application material to the code, it should be explained that the concept of professional skepticism in a generic manner applies to all PAs, but that given the long standing definition in the ISAs, IESBA has chosen to implement this concept in a different way.</p>
WPK	<p>We agree that it might be useful to better articulate in the Code what the public can reasonably expect from PAs. Supplements to the Code would offer the opportunity for IESBA to clarify the role of PAs and draw the line with regard to responsibilities which the profession is not in charge of. IESBA would thereby contribute to reducing expectation gaps.</p> <p>Against this background, we support IESBA to develop additional application material to the re-structured Code (paragraph 21). It is essential that IESBA does not use new terminology which may (inadvertently) set up new responsibilities for all PAs, and thus widen the expectation gap, in particular with regard to the variety of non-assurance services PAs are providing.</p> <p>In this respect, we oppose the use of the term “professional skepticism” in the Code as defined in the ISAs, and object to the introduction of new principles or terms in this context (para-graphs 18, 19, 20). The former would undermine IAASB international standards. New principles or terms would bear the risk of bringing about confusion of the profession and a considerable disruption of the understanding of the fundamental principles.</p>
PAIBs	
PAIBC	<p>The PAIB Committee strongly believes professional skepticism is a fundamental ethical obligation applied in the work of all PAs including PAs in business, and is a key distinguishing element of the profession. This view is also supported in the recent ICAEW publication, Scepticism: The Practitioners’ Take.</p> <p>We are of the view that any terminology used in the Code needs to be of a sufficient profile that reflects the importance of the concept, and believe the term 'professional skepticism' should be retained.</p> <p>There is no confusion that the Code, its fundamental principles and conceptual framework apply to all PAs and we view the concept of professional skepticism as no different. If material on professional skepticism followed the existing structure of the Code, with an overarching understanding and description that is relevant in the context of the ethical responsibilities and the fundamental principles of all PAs, and separate guidance distinguishing between how professional skepticism is relevant to the assurance practitioner, a PA providing consulting or tax services, and a PA in business, we believe this would strengthen the concept of professional skepticism without undermining the current understanding in an audit context.</p> <p>There is a shared responsibility across the reporting supply chain for achieving high quality corporate reporting and we believe that the application of professional skepticism by all PAs would strengthen reporting quality as well as audit quality.</p>
Academics	
SwinburneU	<p>We do not support the proposition that the Code would be improved by making “professional scepticism” a requirement of all PAs.</p> <p>It is well accepted that a foundational aspect of audit quality and the integrity of the audit process is the application of professional skepticism in the audit of financial statements (and reviews and other assurance engagements).</p>
Others	

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AE	<p>In our view, the most appropriate response from the IESBA is to insert additional application material into the restructured Code (<i>Option 4</i>). New principles-based guidance should be added in the Code to highlight what is expected of the PA, including their public interest responsibilities.</p> <p>Additionally, consideration should be given to reviewing the application material that supports the fundamental principles to see whether this needs to be strengthened to better emphasise the expected behavioural characteristics.</p> <p>We do not think that the IESBA should develop a new term and a new definition on top of the existing definition of professional skepticism issued by the IAASB. It is strategically important that the IESBA continues to coordinate its activities on this initiative with both the IAASB and the IAESB</p>
CAQ	<p>The importance of professional skepticism cannot be understated, especially in light of complexities such as globalization, emerging technologies, and the nuanced intricacies of business and financial reporting. We view drivers of skepticism as a combination of personality traits, learned skills, and incentives.</p> <p>All members of the financial reporting supply chain have an obligation to exercise skepticism, to ask questions, and to not take things at face value. The CAQ recommends that IESBA take a deeper look into the biases that are associated with professional skepticism. Understanding these behavioral characteristics is key to unlocking the traits and characteristics of auditors and other accountants. Biases that should be looked at more thoroughly include (but are not limited to):</p> <ul style="list-style-type: none"> • Confirmation bias: A bias that suggests we don't perceive circumstances objectively. We pick out those bits of data that make us feel good because they confirm our prejudices. • Anchoring bias: During normal decision making, individuals anchor, or overly rely on, specific information or a specific value and then adjust to that value to account for other elements of the circumstance. Usually once the anchor is set, there is a bias toward that value. • Overconfidence bias: A bias in which a person's subjective confidence in his or her judgments is reliably greater than the objective accuracy of those judgments, especially when confidence is relatively high. • Groupthink bias: This bias occurs when a group with a particular agenda makes irrational or problematic decisions because its members value harmony and coherence over accurate analysis and critical evaluation. • Availability bias: The availability bias includes a tendency to consider information that is more readily available from memory that as more likely, relevant, and more important. It limits alternatives for consideration. <p>Inspection reports from regulators around the world often express concern with the application of professional skepticism. However, in order to enact measures to improve skepticism, there must be a better understanding of the concepts that underlie it and the factors at different structural levels that influence it.</p>
Coates	<p>Skepticism needs to be understood as a process and not a position taken. "Skepticism is an essential, and meaningful, component of the search for truth".</p> <p>This kind of approach should be applied by all accounting professionals to any engagements undertaken and should always be part of their professional arsenal irrespective if an assurance or non-assurance engagement is undertaken. Professional Skepticism should be extended to cover all accounting professionals that are associated with IFAC as members providing assurance and non-assurance services.</p>

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IAESB	Overall, the IAESB strongly supports the efforts of IESBA to seek input from stakeholders to gain clarity on the longer-term professional skepticism issues that were articulated in the Joint Professional Skepticism Working Group publication, <i>Toward Enhanced Professional Skepticism</i> .
IAESB CAG	<p>In general, the CAG is of the opinion that professional skepticism is a concept that applies to all PAs. Professional skepticism represents a questioning mind set, yet the concept of a questioning mind set needs to be placed in the context of the situation in which the PA finds him or herself.</p> <p>Further, the CP does not address a critical aspect of a questioning mind set. A critical aspect of a questioning mind set, is a concurrent self-reflection activity. Good professionals self-monitor their thought processes even while they are thinking about the task in front of them. Hence, a questioning mind set involves a self-reflection to ensure that the professional is fully aware of the situation and circumstances that are at play, and that all such elements have been appropriately considered.</p>
NYSSCPA	We believe that additional application material (whitepapers, educational courses, etc.) both within and around the Code, that provides both specific and generally applicable guidance regarding some of the pressures and other impediments to the exercise of professional skepticism and how the PA can overcome those pressures and impediments, would be appropriate.
SMPC	<p>We agree that beyond the audit and assurance environment, PS seems to have become a “catch all” term that is used inconsistently to capture the behaviors and actions that the public expects PAs to demonstrate when performing professional activities. There is a risk that extending the term PS to all PAs, irrespective of their roles, would serve to increase the so-called expectations gap, especially that part of the gap that is based on unreasonable expectations due to the lack of understanding of the different roles and scope of various types of services performed by a PA.</p> <p>We are also significantly concerned about the potential unintended consequences, including an expectation from regulators for PAs to document how they have exercised these behaviors everyday on every task performed. We are concerned if this was to occur, it may not lead to an improvement of quality output, but could result in increased costs for no benefit.</p> <p>The SMPC believes that the fundamental principles already in the Code should be sufficient to meet the standard of behaviors described in Paragraph 10 providing PA’s have these principles at the front of their mind when considering how they approach their duties. In our view, the IESBA should develop additional guidance materials on the application of these fundamental principles, in order to make it clear to all PA’s of the standards expected of them as a PA.</p> <p>We consider for reasons set out in this letter that having two different definitions for PS adopted by the Standard Setting Boards would be unhelpful and therefore, IESBA should consider approaching this project by highlighting through guidance materials the characteristics which should be expected of PAs that captures the essence of a “diligent mind set” or “critical thinking”.</p>
USGAO	We believe that professional skepticism is a specific term applicable to PAs who perform audits, reviews, and other assurance engagements, and we are concerned that if the concept is applied to all PAs the term will ultimately be interpreted differently and its importance to auditing and assurance engagements will be diminished. Generally, we believe that the fundamental principles in the Code are sufficient to support the behaviors associated with the exercise of appropriate “professional skepticism,” and we suggest that IESBA consider enhancing application guidance to discuss behaviors that may assist PAs in complying with the Code.

Q1: Paragraph 5 – Do you agree with the premise that a key factor affecting public trust in the profession is whether information with which a PA is associated can be relied upon for its intended use?

Regulators

NASBA	NASBA agrees with the premise that the public relies on the work of PAs. This is at the core of what the public expects, and why employers and clients seek out credentialed, PAs. Thus, a lack of thoroughness in the accountant's work negatively impacts public trust in the profession.
IRBA	Yes. A PA's involvement adds a level of credibility, which may lead to reliance by the intended user.
UKFRC	We agree with the basic premise that information prepared by a PA should be something that can be relied upon for its intended use and should have been prepared with due skill and care to meet the needs of those that it has been prepared for.

National Standard Setters

APESB	Yes
NZAuASB	The NZAuASB agrees that there is a perception held by some sections of the public that information with which a PA is associated should be relied upon for its intended use. However, the NZAuASB cautions that expectations of PAs need to be realistic and consistent with what can reasonably be expected from them based on the nature, scope and extent of the work they undertake.

Firms

BakerTilly	Yes, we consider that the ability to place reliance on information prepared and/or reviewed by a PA is one factor which impacts on public trust in the accounting profession.
BDO	<p>We have concerns that the premise, as currently worded, could be open to misinterpretation, and may not address the specific public concerns that have been cited. Specifically:</p> <ul style="list-style-type: none"> • '...information with which a PA is associated...' – PAs perform so many different roles and make 'use' of information in different ways depending on the task. • '...to have been prepared with the benefit of the PA's skills and experience...' – the way this is currently structured implies that PAs always prepare the information. However, in many instances, a PA's work may only be a portion of the information being produced or the overall work being performed and as a result, the PA may not be in control of the whole process. • '...relied upon for its intended use...' this particular phrase, including 'relied', does imply assurance-generating connotations. Probably the most important piece of this paragraph is hidden right at the end in the phrase 'intended use' which addresses the contextual aspects of individual PAs' roles and should be given more prominence within the premise.
Crowe, GT, KPMG	Yes

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DTT	<p>We agree a key factor affecting public trust in the profession is whether the information with which a PA is associated can be relied upon for its intended use.</p> <p>An area of concern is what this means for a PA in public practice. The majority of professional services provided by PAs do not result in deliverables that become available to the public, but which are rather for the internal use of the client.</p>
EY	<p>We acknowledge that there are some stakeholders who have expectations with respect to the information with which the PA is associated. However, the concept of reliance would only be relevant to assurance engagements where reports are issued under applicable professional standards. There is much information with which PAs are associated, but that does not form the basis for reliance. Therefore, it would be helpful to include within the Code more application material with regard to what is meant by being “associated” with information and the circumstances that would lead to a basis for reliance.</p>
MNP	<p>Yes. However, this may not help address the public expectations gap.</p>
PwC	<p>It is fair to say that intended users expect to rely on information with which a PA is associated.</p> <p>It is important to address the issues from all types of associations.</p>
RSM	<p>Yes, we agree with this premise.</p> <p>However, the profession needs to do more to educate the public to understand the limitations of the work of PAs. There is a tendency for the public to believe that all information with which a PA is associated is presented to the same standard as financial statements which have been audited in accordance with ISA.</p>
IFAC Member Bodies	
AAT	<p>AAT fully agrees with this premise. It is a fundamental basic expectation for any professional that their work is undertaken with care and can be fully relied upon for its intended use.</p>
ACCA	<p>On the surface, this premise appears very reasonable. However, it is not expressed sufficiently clearly to be applicable to all PAs and their variety of different roles. The important factor when considering the extent to which the public may rely on information is whether the public is aware of the PA’s association with the information and the role he or she has played. An assurance engagement must be clearly identifiable as such; and a PA’s role and responsibilities in respect of other engagements (or in an employed role) must be clear to those using the resultant information.</p>
CAANZ	<p>We do not agree with this premise. Involvement of a PA should engender trust and bring credibility to the information with which they are associated. But the extent to which the public may ‘rely’ on it depends on the nature of the work the PA has been engaged to do. The public often does not have regard to the inherent limitations of the engagement undertaken and hence their expectations around reliance are unreasonable.</p>
CIMA	<p>Yes. The key duty of accountants – whether working in business or in practice – is to enable sound decision making and reporting by businesses or individuals based on adequate data and analysis.</p>

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CPA Canada	Yes. We also agree that this applies in respect of financial and non-financial information and to services provided by PAPPs and PAIBs.
EFAA	We strongly agree with the premise.
FACPCE, FSR, ICAN, ICAZ, IMA, ISCA, IranCPAs, JICPA, MIA, MICPA	Yes.
ICAEW	We agree: the provision, analysis and interpretation of information is at the heart of what PAs do. In terms of reliance, it is important to bear in mind and explain that given the wide variety of roles that PAs undertake and circumstances that they face, there are degrees of 'association'.
ICAG	We completely agree with this. Public trust only exists because they believe they can rely on information associated with PAs. If the public could not rely on the information, they would not have trust in PAs.
ICAP	We believe that reliability of the information with which PA associates himself is one of the fundamental factors affecting the public interest.
ICAS	We agree with this premise. The public need to be able to trust PAs because of the important role they play in serving markets and informing decisions on accountability and allocation of resources. In turn, PAs have a duty to maintain that trust, confidence and certainty for society.
SAICA	Yes. It should however be noted that PAs cannot be all things to all people and that there are limits to what PAs can find or pick up during an engagement or acting in a position.
ICPAU	Yes – the purpose of accounting is to provide useful information for decision making.
IDW	<p>We disagree with the premise that the key factor affecting public trust in the profession is whether information with which a PA is <i>associated</i> can be <i>relied upon for its intended use</i>. Overall, we believe that the wording in this premise is based on the fallacy that all information a PA in some way uses or provides to others is relied upon by users in analogy to an assurance engagement, such as an audit or review. For reasons set out in its response, IDW contends that the premise in paragraph 5 ought to be reformulated along the following lines:</p> <p>"Pursuant to R 111.2, intended users expect PAs not to be knowingly associated with misleading information. Furthermore, intended users expect that information prepared by the PA or upon which a PA reports can be used by those users as intended."</p>
WPK	<p>We disagree with the premise laid down in question 1.</p> <p>Firstly, we caution the use of the term "associated". The Code does not define this term so that its precise meaning remains unclear.</p>

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	Secondly, in our view the decisive factor is whether the information can be “used as intended” rather than whether the information can be “relied upon its intended use”.
PAIBs	
PAIBC	Yes, we agree in principle, although some clarification of wording may be needed around what is implied by being ‘associated’.
Academics	
Nolder, SwinburneU	Agree.
ThomasRay	The statement that, “... the information can be relied upon for its intended use,” is not clear. The role of the PA is critical in understanding the nature of the responsibility for the information. Perhaps this is addressed by the words “intended use.”
Others	
AE	We suggest that the key factor affecting public trust in the profession should be reworded along the lines of whether information produced by a PA can be “ <i>used as intended</i> ”. IESBA needs to be clear about what the term “ <i>association</i> ” means. We consider “ <i>PAs should not be knowingly associated with information the accountant believes to be misleading</i> ” a more accurate statement. In addition, characteristics expected from PAs in this context should be made clearer, especially to their stakeholders and to the public at large.
CAA-TAS	We agree. More often than not the court of public opinion always queries the role of the PA in these scandals, as the expected gatekeeper.
IAA, Coates, Azoor Hughes, USGAO	We agree with this premise.
IAESB CAG	We have concerns about the statement “relied upon for its intended use.” First, the accountant and the user(s) may have differing perspectives about the intended use. Second, this statement does not capture any inherent limitations of the PA’s association with the information; for example: 1) materiality considerations, 2) the accountant is engaged to provide limited or no assurance, or 3) the level of expertise of the PA within an organization.

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NYSSCPA	We agree. However, we believe that the “public” should be made aware and the accountant should make clear that there are engagements and circumstances where the accountant’s responsibility with respect to that information is limited, to varying degrees. A failure in understanding on the part of the public would diminish, rather than enhance, that information’s reliability.
SMPC	<p>Yes – However, we believe the problem can arise if the public does not understand the different types of reports and roles of the PA and therefore does not understand the depth of work performed and that the individual degree of reliance on information provided by the client differs significantly depending on the type of the role or engagement.</p> <p>In our view, the relationship between a PA’s association with information and the notion of “relied upon for its intended use” needs further consideration, as it would be unreasonable to expect all forms of association to involve testing the veracity of information.</p>

Q2: Paragraph 10 – Do you agree with the behavior associated with public expectations of PAs? Are there aspects that should be included or excluded from the summary?

Regulators	
NASBA	NASBA agrees with the summary in paragraph 10, which is driven by the elements described in paragraph 7. We suggest the IESBA incorporate the element of public interest, that is, the PA should approach his or her work being mindful of the public interest.
IRBA	<p>Yes. The words “impartial and diligent mind-set” seem to be all-encompassing of behaviors we would expect of PAs. It should, however, be noted that the IAASB definition of professional skepticism includes the word “questioning” which seems to be missing from paragraph 10(a) of the CP.</p> <p>To the public, there may still be a question of why professional skepticism is not a fundamental principle. It is suggested that professional skepticism be included alongside “acting in the public interest” as it differentiates a PA from someone performing accounting services.</p>
UKFRC	<p>Our experience is that public expectations would also need to include ‘challenging’ information where appropriate, as we believe that there is a strong demand to be able to demonstrate that a PA has undertaken steps to satisfy themselves as to the veracity of the underlying information they are drawing on in preparing material which may be used to support decision making.</p> <p>Users want information to be reliable, consistent and comparable. Judgment should be exercised in a way that does not allow unnecessary detail to get in the way of making a clear and unambiguous assessment.</p>
National Standard Setters	
APESB	Yes. We are of the view that there is a continuum of professional scepticism that ranges from a low level to a higher level.
NZAuASB	The NZAuASB agrees with the summary of behavioural characteristics noted. Para 111.2 of the Code already stipulates how PAs must behave when being associated with information.

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	The Code, however, is silent on how much effort should be exercised by the PA to form this belief. It may be helpful for the Code to explain that not associating with misleading information involves considering whether the information is balanced, unbiased and fit for purpose.
Firms	
BakerTilly	We agree that the behaviours associated with public expectations outlined in paragraph 10 are reasonable. We believe that clarity is required as to what is meant by “evaluation of information with they are associated”. We also consider that the concept of ‘moral courage’, included in the ICAS Power of One series is worth exploring and including as a key behavioural attribute that the public may expect from PAs.
BDO	<p>We are supportive of the behaviours and actions listed in paragraph 7. We also accept that the term ‘professional skepticism’ has become a ‘catch-all’ term used by a variety of stakeholders to address many different behaviours expected of PAs.</p> <p>With respect to the wording of paragraph 10, we have the following concerns:</p> <ul style="list-style-type: none"> • In part (a), the use of the word ‘impartial’. We believe ‘objective’ would be a more appropriate word. In many situations a PA is not intended to be impartial - however, they would be required to remain objective in the advice that they might provide. • In part (b), the reference to an ‘evaluation of information’ would suggest that in all instances, a PA is required to evaluate the information. We do not believe that an evaluation is required in all instances. • As noted above in our response to question 1 – the term ‘associated’ as used in this particular context is not clear and open to misinterpretation.
Crowe	This is a reasonable and succinct assessment of the behaviours expected of PAs.
DTT	We agree. The challenge is managing the proper level of expectation. The expectations should vary based on the role of the PA, as well as the nature of the professional service or activity and the intended use of the deliverables.
EY, MNP, RSM	Yes.
GT	GTIL agrees. An appropriate articulation of these behaviours in the Code is needed.
KPMG	We believe that use of the term “objective” would be preferable to use of the term “impartial”. Likewise, the term “evaluation” can have various meanings and its use could suggest a level of diligence that goes beyond what would be expected or appropriate in certain circumstances.
PwC	<p>The behaviours and expectations of a PA set out in paragraph 7 seem broadly appropriate, although their relevance will depend on the nature of the activity that the PA is involved in.</p> <p>In broad terms, we agree with the articulation of the expected behaviour, as set out in paragraph 10, whether as a PAIB or a PAPP.</p> <p>In relation to certain non-assurance services provided by a PAPP (such as litigation support), we do not regard “impartiality” as a necessary or expected behaviour. The guidance needs to be consistent with the PAPP’s ability to advocate for their client when needed and appropriate.</p>
IFAC Member Bodies	

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AAT	Paragraph 10 provides a reasonable ‘high-level’ description of the behaviours.
ACCA	Paragraph 10 focuses less on the PA’s behaviour than on a mind-set. Although there is an expectation that the mind set will be applied to the evaluation of information, there is no expectation that the PA will actively challenge that information.
CAANZ	Paragraph 7 appears to better capture ‘behaviours’ that could be expected of a PA. This is then condensed down to paragraph 10 which focuses on what could be expected in terms of the mind-set of a PA.
CIMA	Yes, save that the phrase”...the evaluation of information with which they are associated” is somewhat vague.
CPA Canada	<p>Through our consultation, some expressed that the articulation in paragraph 10 had become too distilled. It was noted that the summary articulation seemed to describe the characteristics of acting professionally without specifically emphasizing an element of doubt that is inherent to the exercising of professional skepticism. The aspect that was not seen in the summary articulation by most was that of a questioning mind, critical thinking or critical thought. A suggestion was made that “ethical” should also be part of the description as the desired approach in performing professional activities should involve applying an ethical aspect as well as an “impartial and diligent mind set”.</p> <p>Impartiality was noted as being the same or similar to the fundamental principle of objectivity by some; while others questioned whether there could be limitations to impartiality depending upon the roles and responsibilities of the PA. Some questioned if impartial should be replaced with critical thinking or critical thought to both improve the strength of 10 (a) and reduce the possible questions or confusion that could be encountered with a term that may be understood as the same or similar to the fundamental principle of objectivity.</p>
EFAA	We broadly agree with the behavior associated with public expectations of PAs.
FACPCE, FSR, ICAN, IMA, IranCPAs, JICPA, MIA, MICPA	Yes.
ICAEW	We think the proposal is a reasonable summary of the general professional behaviour required to comply with the fundamental principles.
ICAG	We generally agree with the summary behavior defined in paragraph 7. However we suggest the addition of “ability and willingness to stand their ground when facing pressure to do otherwise”.
ICAS	We believe this summarisation could be enhanced to include more of the behaviours and actions expected of PAs noted in paragraph 7. ICAS believes that PAs need to have ‘moral courage’. ICAS has now incorporated into paragraph 100.5 of its Code of Ethics the following text to highlight this need for courage to act morally:

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	<p><i>'In order to ensure compliance with the fundamental principles, an underpinning qualitative characteristic required of the PA is the 'courage' to act morally. 'Courage' for the PA is the need to act in accordance with the fundamental principles, especially in situations where there is a risk of suffering adverse personal consequences.</i></p> <p><i>There is a need for the PA to confront ethical dilemmas with courage. When facing an ethical dilemma, the PA needs to have the courage to acknowledge the dilemma, to make a reasoned judgement as to the ethical action required to resolve the dilemma, and then to act accordingly.'</i></p>
SAICA	Yes, we agree with the behaviour required.
ICPAU	Yes – a measure of professional skepticism is required from PAs in business and in practice.
ICAZ	Yes – the behavior must be transparent and trustworthy
IDW	<p>We do not agree with the summary of behaviour associated with public expectations of PAs as described in paragraph 10. The theory underlying the expectations gap recognizes that a portion of the expectations gap is the “reasonableness gap” – that is, the difference between the reasonable expectations that stakeholders ought to have and the partly unreasonable expectations that they do have. This gap can only be reduced through education – not by pretending to fulfill unreasonable expectations, which will only disappoint. Consequently, just because some commentators view certain things to be desirable does not automatically imply that these are reasonable and that therefore the Code should be changed to meet these unreasonable expectations.</p> <p>The wording in some of the bullet points in paragraph 7 reflects these unreasonable expectations. In particular:</p> <ul style="list-style-type: none"> • Outside of assurance engagements, the need to obtain additional information should be limited to situations in which the PA becomes aware that the facts and circumstances known appear to be incomplete or it becomes apparent to the PA that a sound judgment cannot be made based upon the facts and circumstances known. • The statement in the second bullet point addresses making informed challenges of the views of others. It seems to us that the misuse of the word “challenge” appears to be the current political fad among commentators to both IESBA and the IAASB. In an assurance engagement, it is quite right for assurance practitioners to have a questioning mind and therefore to consider the veracity of views expressed by others that may form evidence in an assurance engagement, including obtaining further evidence when necessary. However, if no further evidence is needed, practitioners need not question views expressed that are sufficiently supported by evidence or that otherwise appear reasonable. For other activities, PAs need to question the views of others only if the views are at variance with what would be reasonable or with information known to the PA. It is inappropriate for PAs (or any other professional, for that matter) to issue unsubstantiated “challenges” to the views of others. • The statement in the fourth bullet point sets the unreasonable expectation of “withholding judgment pending thoughtful consideration of <i>all known and relevant available</i> information”. <p>Overall, the so-called “expectations of commentators” in these bullet points indicates that these commentators have unreasonable expectations about what is reasonable in the circumstances. However, these expectations, if appropriately modified so that they are reasonable, form an excellent basis for further work by IESBA in this area.</p>

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	<p>Approaching professional activities with an impartial and diligent mindset in (a) is already covered by the fundamental principles in the Code of “objectivity” (which covers impartiality) and “due care” (which covers diligence). The statement in (a) is therefore redundant and can be deleted. The consequence is that it would be unclear which “mindset” is being applied in (b). The reference to professional expertise is also unclear because it is unclear how this relates to the fundamental principle of professional competence. If the same concept is meant, the statement in (b) is also redundant and can be deleted.</p> <p>The statement in (b) also suffers from the use of the term “evaluation of information”. The IAASB has a very specific meaning for the word “evaluate” in its Glossary of Terms, which involves the identification and analysis of relevant issues, including the performance of additional procedures as necessary, to come to a conclusion on a matter. Consequently, the use of the word “evaluate” in this context by IESBA when applied to non-assurance engagements for which the IAASB has standards may cause considerable confusion as to the level of work effort required.</p>
ISCA	The Institute response focussed on its concern at the term 'impartial mind set' which it considered would be a more stringent requirement than 'objectivity' and would present considerable difficulties for PAs in business
WPK	<p>We do not agree with the behavior associated with public expectations of PAs as described in paragraph 10 for two reasons: Firstly, the expectations in paragraph 7 on which the behavior in paragraph 10 is based, are misleading. Secondly, the expected behavior in paragraph 10 is questionable.</p> <p>It is essential in our view that IESBA does not automatically address stakeholders’ concerns by means of adjusting the Code rather than diligently examining whether expectations are really reasonable. In this context, we would like to remind IESBA to its commitment to pursue an evidence-based standard setting approach as recently described in its CP “Proposed Strategy and Work Plan, 2019-2023” (paragraph 29).</p>
PAIBs	
PAIBC	We do not agree that 'impartial and diligent' mind set adequately reflects the essence of professional skepticism. It is not synonymous with maintaining a 'questioning mind' (as used in the ISA definition).
Academics	
Nolder	No.
SwinburneU	<p>No, we do not agree.</p> <p>The Code is about the responsibility to act in the public interest – the distinguishing characteristic of the PA. The behaviour expected of PAs should be expressed upfront of the Code.</p> <p>It is through “living” the five fundamental principles expressed in the Code (subject to non-compliance with laws and regulations [NOCLAR]) that PAs satisfy their responsibility to act in the public interest. These are the behaviours associated with expectations of PAs and the Ethics Board needs to ensure this expectation is communicated and reinforced to all stakeholders including PAs.</p>
Others	

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AE	<p>Approaching professional activities with an impartial and diligent mind is already covered by the fundamental principles in the Code of Objectivity and Professional Competence and Due Care. The IESBA should use application material to emphasise that compliance with the fundamental principles supports the exercise of these behavioural characteristics.</p> <p>The use of the term “<i>evaluation of information</i>” begs the question as to why all information that PAs use ought to be evaluated and for what purpose. Whether an evaluation is necessary and for what purpose depends on the activity the PA is performing.</p> <p>In this regard we note that the term “<i>evaluate</i>” is already understood in an audit and assurance context as defined within the IAASB’s glossary.</p>
CAA-TAS	We agree with the behaviour associated with public expectations of PAs, appointed as stewards’ PAs must be transparent and trustworthy.
IAA, Coates, Azoor Hughes, NYSSCPA, SMPC	Yes.
IAESB CAG	First, paragraph 10 must be evaluated in the context of the attributes outlined in paragraph 7. When reading these together, the CAG believes that certain characteristics are still missing related to a questioning mind. This is not captured in the term used in paragraph 10, “a diligent mind set.”
US GAO	We support the current requirement from the Code that PAs shall comply with the fundamental principles of ethics

Q3: Paragraphs 13 and 14 – Do you agree that the mind set and behavior described in paragraph 10 should be expected of all PAs? If not, why not?

Regulators

NASBA	NASBA agrees that the mindset and behavior described in paragraph 10 should be expected of all PAs.
IRBA	Yes. However, we caution that the expectation of auditors will be different from what is expected of other PAs.
UKFRC	<p>We agree that the expectation of public stakeholders is likely to be that all PAs should adhere to a common and high standard in terms of the mind set and behaviour that they apply in their work. However, we would make two observations in that respect:</p> <ul style="list-style-type: none"> Any assessment by a public stakeholder of matters like mind set, behaviour and judgment will be by reference to the circumstances in which that assessment is made; and IESBA should explicitly recognise that there are fundamental behavioural differences between preparers of information and auditors of that information.

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National Standard Setters	
APESB	Yes - Whenever the fundamental principles of integrity and objectivity (including Independence) are a key requirement of the engagement, a PA must, to varying degrees, display a degree of professional scepticism when undertaking their work.
NZAuASB	The NZAuASB agrees with the description in paragraph 10.
Firms	
BakerTilly, EY, MNP, PwC, RSM	Yes.
BDO	We agree that across the accountancy profession there should be a foundational level of behavioural competence as it relates to professional skepticism.
Crowe	There is a standard that should be expected of all members of a profession.
DTT	We do not object to the Code setting out broad expectations of a PA's behavior, but we believe this needs to be further expanded. We urge caution if the Board is contemplating having PAs question all information provided to them in every instance, even when a service is provided outside an audit or other assurance engagement.
GT	GTIL agrees that the mind-set and behaviour described in paragraph 10 should be expected and exercised by all PAs.
KPMG	We believe that the requirements to apply such mind set and behaviour are already present in the Code through the fundamental principles of integrity, objectivity, and professional competence and due care, and the application guidance to those fundamental principles.
IFAC Member Bodies	
ATT	AAT agrees that public expectations do not take into account different roles within the profession, and nor should they be expected to.
ACCA	We agree that the public expectation of all PAs is that PAs adopt a mind-set similar to that articulated in paragraph 10.
CAANZ	We support the statement in paragraph 10 that "whether it is appropriate to expect all PAs to apply all or any of the characteristics and actions identified in paragraph 7 depends upon the nature and context of the work being undertaken and the particular role or position of the PA". This sentiment should be extended to the mind set described in paragraph 10.
CIMA	Yes. CIMA strongly believes that the concept of "professional skepticism", as well as professional judgement, should be applied by all PAs regardless of where they are employed given their professional status and influence in the financial reporting supply chain.
CPA Canada,	Yes.

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ICAEW, ICAG, ICAN, ICAP, ICAS, ICPAU, IMA, IranCPAs, JICPA, MICPA	
EFAA	We agree that the mind set and behaviour described should be expected of all PAs.
FACPCE	We agree - as long as we consider the nature and context of the work that is being carried out and the particular role or position of the professional
FSR	Yes. The profession should have no interest in members in business or education who cannot or will not adhere to professional skepticism in their line of work.
SAICA	Yes, we would support the mindset and behaviour being applicable to all PAs, depending on the level of the person.
ICAZ	Yes – the public does not separate those in business and those in practice – hence uniform behavior is needed.
IDW	Given the technical, conceptual and wording deficiencies that we have identified with the mindset and behaviour described in paragraph 10, we do not agree that the mindset and behaviour described in paragraph 10 should be expected of any, let alone all, PAs.
ISCA	Yes (subject to the comments above related to 'impartial mind set')
MIA	Yes. The term 'professional' invokes a higher sense of duty by professionals to supply objective advice or courses of action.
WPK	We agree that the “right” mind set and behavior should apply to all PAs. However, as illustrated under question 2, we disagree with the mind set and behavioral characteristics described in paragraph 10 (and paragraph 7).
PAIBs	
PAIBC	We believe that professional skepticism and professional judgement should be applied by all PAs, regardless of their role.
Academics	
Nolder	If the fundamental characteristics were included instead of the word mind set, I would agree.
SwinburneU	No, we do not agree. We believe the Code clearly articulates expectations about behaviour as they apply to all PAs by role and level of experience.

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Others	
AE	We agree that these core behavioural traits are relevant for all PAs, regardless of their role and professional responsibilities.
CAA-TAS	The mind set and behaviour should be expected of all PAs so that there is uniform behaviour and PAs maintain a good reputation and earn public trust.
IAA, Coates	Yes.
Azoor Hughes	Scalability for professional skepticism is needed in proportion to the nature and purpose of the task, and the extent of discretion the PA is permitted to exercise in completing that task.
IAESB	The IAESB believes that the mind set and behaviors described in paragraph 10 should be expected of all PAs.
IAESB CAG	In the CAG's opinion, professional skepticism should be expected of all PAs.
NYSSCPA	The impartial and diligent mind set described in paragraph 10 should be applied to all PAs and not just to those in public practice or in the provision of attest services. This mind set is with professionals all the time.
SMPC	Yes – the Code already requires this mind set and behaviour of all PAs
USGAO	We agree that the mind set and behavior described in paragraph 10 are currently expected and required of all PAs

Q4: Paragraph 16 – Do you believe the fundamental principles in the Code and related application material are sufficient to support the behaviors associated with the exercise of appropriate “professional skepticism?”

Regulators	
NASBA	NASBA does not believe the current Code states clearly enough that all PAs should exercise “professional skepticism” in performing professional activities.
IRBA	No. We do not believe that the current definitions, IAASB standards and the Code requirements and application material are sufficient. This is evidenced by regulators continuing to raise findings on auditors’ lack of professional skepticism. We believe that the reason for the expectation gap is a combination of the Code not containing adequate material in support of the fundamental principles or to establish behavioral characteristics of a PA, and a lack of proper understanding and adherence to the Code.
UKFRC	The FRC is strongly supportive of a principles-based approach to standard setting, and it would be good to be able to say that the fundamental principles alone are sufficient to drive the behaviours necessary to exercise appropriate professional scepticism. However, we agree with IESBA’s assessment and our own investigation and enforcement work shows that this is not consistently the case.

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National Standard Setters	
APESB	<p>The fundamental principles establish a robust framework for PAs. APESB does not believe substantive changes to the current fundamental principles are necessary.</p> <p>We are of the view that an additional definition of professional scepticism and application material is required to incorporate professional scepticism into the Code for all PAs. The material should link to the relevant fundamental principles and clarify that the concept is applicable to all PAs, not just applied by PAs in an assurance context.</p>
NZAuASB	<p>The NZAuASB believes that the Code's existing fundamental principles provide an appropriate foundation for the expected professional behaviour of all PAs. It is more likely that the issue is with the application or understanding of the Code. There may be a need to develop additional guidance material on how to apply the fundamental principles when performing various types of professional engagements.</p> <p>The NZAuASB recommends that the Code emphasise the need for the PA to consider whether information is balanced and unbiased.</p>
Firms	
BakerTilly	No. While we acknowledge that the requirement to exercise professional scepticism may be implicit in the Code, we consider it would be appropriate to make this requirement explicit.
BDO	Yes. However, we also recognize that the lack of professional skepticism specificity within the Code, as currently drafted, may mean that another solution (e.g. new application material or material outside the IESBA Code) should be considered to show the potential interaction of the fundamental principles (and other parts of the Code) through a professional skepticism lens.
Crowe	Expectations have changed, and the Code does need to say more about professional scepticism.
DTT	<p>As it relates to a PA undertaking an assurance engagement, it would be beneficial to the consistent application of the necessary level of professional skepticism if there was further guidance and education on what it means to exhibit professional skepticism. This consistency is key to promoting the public's trust in the profession and their ability to rely on audited financial statements. We believe it is more appropriate for the IAASB to publish this guidance as part of its existing project on professional skepticism, with the necessary support of the IESBA and the IAESB.</p> <p>For PAs providing services other than assurance services and PAs in business performing professional activities, the Code has guidance that adequately describes at a high level the fundamental principles of objectivity, integrity and professional competence and due care.</p>
EY	We believe that the fundamental principles in the Code are sufficient to support the behaviors associated with the exercise of appropriate professional skepticism.
GT	GTIL believes the fundamental principles in the Code are sufficient to support the behaviours associated with the exercise of professional skepticism. However we believe that the application material in the Code is not sufficient to support these behaviours.
KPMG	We generally believe that the current Code is sufficient as the behaviours contemplated are already embodied in the fundamental principles. We believe that the IESBA should develop application guidance either within the Code or in other material outside of the Code that provides examples of

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	expected behaviour by PAIBs, PAPPs performing non-assurance services, and PAPPs performing assurance services in specific practical circumstances.
MNP	We believe the fundamental principles encompass the behaviours – but they alone are not sufficient. Further application material and illustrative examples are needed.
PwC	We agree the Code addresses in sufficient detail the fundamental principles with which all PAs should comply. However, there is scope for additional application material in the context of other professional activities undertaken by PAs, including non-assurance services provided by PAPPs.
RSM	We believe that the fundamental principles in the Code are sufficient to enable PAs to exercise professional skepticism. However, we recognise that more guidance may be required to educate the public about the responsibilities of preparers and reviewers.
IFAC Member Bodies	
AAT	The principles remain sound.
ACCA	Broadly, we agree.
CAANZ	Application of the fundamental principles of objectivity and professional competence and due care should reasonably be expected to result in a demonstration of the described characteristics and actions. However, there is no application guidance for non-assurance engagements on how PAs would demonstrate the same underlying concept, or how it links to the fundamental principles. This is an area we recommend application material be developed.
CIMA	No. CIMA agrees that the Code should be strengthened in this respect and would like to see a description and understanding of “professional skepticism” within the Code that is relevant in the context of the ethical responsibilities, and the fundamental principles, of all PAs.
CPA Canada	Yes. However, we recognize there is room for enhancement to assist all PAs by most notably providing clear, strong guidance in application material that would be applicable to diverse situations and providing insights into expected behaviors.
EFAA	We believe the fundamental principles are sufficient. However, enhancing the Code with further guidance in the application material on how to specifically exercise professional skepticism by all PAs is welcome.
FACPCE	We believe that it would be appropriate to develop in the Code material to promote the effective exercise of appropriate "professional skepticism" on the part of all PAs.
FSR	We consider that professional skepticism is a prerequisite to live up to the five fundamental principles that already are fundamental to the behavior of all PAs.
ICAEW	As noted above we believe that the behaviour described is implicit within what is needed to comply with the fundamental principles. However, we believe that it would be appropriate to include some explicit high level guidance reminding PAs of this.

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ICAG	Whilst the fundamental principles in the code and related application materials appear to reasonably define the principles and expected behavior of PAs, we think its relationship to the exercise of professional skepticism is rather unclear. We think that there should be additional guidance in the code meant to bridge the gap between the behaviours expected from compliance with the fundamental principles and professional skepticism.
ICAN	Yes.
ICAP	We believe that professional skepticism is necessary for all PAs in order to adhere to fundamental principles of the Code of Ethics.
ICAS	We believe further material on ‘professional scepticism’ could helpfully lead on from the fundamental principles to provide more practical guidance for users of the Code in terms of the behaviours expected of them. We believe that material to incorporate what the public expects of a PA could usefully be included at the beginning of the Code to better highlight the important societal role that the PA plays.
SAICA	The Code sets out the five fundamental principles in a compelling way. Our suggestion is to release some practice notes or case studies as guidance rather than increase its length further.
ICPAU	Yes – we are of the view that what is contained in the Code ought to be supported further.
ICAZ	The fundamental principles are not sufficient on their own. There is a need to train PAs to fill in the gaps in the Code.
IDW	Consideration could be given to strengthening the Code in terms of how PAs need to be alert to information that they use or are associated with that appears to be misleading or incomplete. IESBA may also wish to consider whether the current fundamental principles with additional application material might address the reasonable desires of stakeholders. If these measures do not lead to the strengthening of the Code desired, IESBA may also consider exploring whether additional concepts beyond the current fundamental principles of the Code like “critical thinking” and “professional fortitude” might be helpful in this regard.
ISCA	The fundamental principles provide an overall ethical framework on how a PA should conduct himself. Although the fundamental principles support to a certain extent the behaviors associated with professional skepticism, we think that attempting to amalgamate the two behaviors would be confusing and lead to unintended consequences.
IMA, MICPA	We agree.
IranCPAs	No. There is not sufficient reference to professional skepticism in other areas.
JICPA	We believe that the fundamental principles provide sufficient support for the behaviors described in paragraph 10. However, we also agree that there are concerns that parts of the application material may be unclear and the behavior of the PA is not grounded on an adequate understanding of the fundamental principles. Accordingly, we believe additional materials should be developed.

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MIA	Whilst we believe the fundamental principles are sufficient to support relevant behaviour, the same cannot be said of the related application material. Efforts to address behavioral characteristics through application material will be helpful.
WPK	In principle, we think that the fundamental principles in the Code and related application material are sufficient to support the “right” behaviors. However, we think that it might be useful to better articulate in the Code what the public can reasonably expect from PAs. Such supplements to the Code would offer the opportunity for IESBA to clarify the role of PAs and draw the line with regard to responsibilities which PAs are not in charge of. IESBA would thereby contribute to reducing expectation gaps. Therefore, we would deem additional application material to expand upon the behavior which can be reasonably expected from PAs as useful.
PAIBs	
PAIBC	We believe that there is a need to strengthen the concept of professional skepticism in the Code for all accountants.
Academics	
Nolder	No. The Code could increase its guidance on the exercise of appropriate professional skepticism.
SwinburneU	We do not support the idea of extending the use of the application of the concept of professional skepticism beyond its current use in the audit of financial statements, reviews and other assurance engagements.
ThomasRay	Yes.
Others	
AE	We agree that new application material should be inserted in the Code to highlight what is expected of the PA, including their public interest responsibilities. We also think the IESBA should review the application material that supports the fundamental principles to assess whether it needs to be expanded to better emphasise the expected behavioural characteristics.
CAA-TAS	The existence of expectation gaps promotes the need to enhance the Code specifically to promote the effective exercise of appropriate “professional scepticism.”
IAA	Yes.
Coates	The IESBA must consider enhancing the Code to promote the appropriate “professional skepticism” by all PAs.
Azoor Hughes	The fundamental principles in the Code and related application material are sufficient to support the behaviours associated with the exercise of appropriate professional skepticism.
IAESB	The IAESB believes that it is important to have a Code that establishes and articulates the behaviors that are expected by all PAs.
IAESB CAG	The IAESB CAG has mixed opinions on whether the fundamental principles in the Code, and related application material are sufficient to support the behaviors associated with the exercise of appropriate professional skepticism.

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NYSSCPA	The fundamental principles in the Code and related application material provide useful guidance on what is contemplated by professional skepticism and associated behavior.
SMPC	<p>We believe that the fundamental principles in the Code already require the behaviors associated with the exercise of PS to be embraced by all PAs. We acknowledge the concerns raised in the CP in relation to public trust and believe additional guidance could be provided to PAs demonstrating how by following the fundamental principles they need to embrace the behaviors associated with PS as described in Paragraph 10. We believe that all PAs need to be aware of the standards of behavior expected in the Code in order to avoid information that they use or are associated with being misleading or incomplete and to ensure their work is of a quality that can be relied upon for its intended use.</p> <p>It is also our view that it is not appropriate to presume the lack of public trust in the profession lies solely with the Code and/ or the behavior of PAs. We believe some of this perception is due to a lack of understanding by the public and resources need to be developed by the profession to help the public understand the diverse range of reports and the differing role of PAs in the preparation of those reports.</p>
USGAO	Generally, we believe that the fundamental principles in the Code are sufficient to support the behaviors associated with the exercise of appropriate “professional skepticism.” However, we suggest that IESBA consider adding application guidance to explain that PAs may face impediments to complying with the fundamental principles and how they are expected to behave when faced with these impediments.

Q5: Paragraph 18 – Do you believe professional skepticism, as defined in ISAs, would be the appropriate term to use?

Regulators	
NASBA	Since “professional skepticism” is a term of art with a long history in the audit literature, we believe the use of the term outside of the audit literature would cause confusion.
IRBA	No.
IOSCO	No. We believe the term “professional skepticism” should be reserved for, and applied solely to, auditors. This is because we are concerned that trying to redefine the term in a broad enough manner, such that it might be applied to all PAs playing varying roles in public and private practice, might dilute or otherwise adversely affect the understanding and application of professional skepticism which concept is fundamental to high-quality audits and other assurance services.
UKFRC	It is not helpful to have the same term used in different ways in different standards. If IESBA reaches a position where the mind-sets and behaviours it is seeking to focus on and address are, in fact, broader, than would generally be understood by the term 'professional scepticism', then it could consider whether better clarity could be achieved by the use of other terms in place of, or as well as, professional scepticism.
National Standard Setters	
APESB	APESB agrees that the disadvantages outlined in paragraph 18 of the CP make it evident that this definition should not be used more broadly.

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	<p>However, APESB is concerned about how the restriction of the use of the term professional scepticism could be interpreted by the wider accounting profession, general public, clients, and employers. If the term is to be restricted to just assurance practitioners, what message are we sending, if we state that it is only appropriate for auditors to undertake services with an open mind set and the use of their knowledge and experience? Surely the public, clients, and employers would expect that of any PA who performs professional work for them.</p> <p>Therefore, APESB is of the view that the concept of professional scepticism should be applied by all PAs to varying degrees based on the work they perform. We believe the Code can be enhanced by including relevant content in respect of professional scepticism.</p> <p>APESB is of the view that the IAASB should consider renaming professional scepticism in the International Auditing Standards to “Audit Scepticism”, “Assurance Scepticism” or a term with similar phrasing. This will create differentiation from the definition of professional scepticism developed by the IESBA.</p> <p>This approach could then be applied consistently to consider other levels or forms of professional scepticism. For example, within the literature on forensic accounting services, APESB has noted the use of the term ‘forensic scepticism’ to articulate the approach a PA should use in performing forensic accounting services such as in a lost profits determination.</p> <p>APESB acknowledges that the decision to rename professional scepticism in the ISA to another term is a matter for the IAASB to determine.</p>
NZAuASB	The NZAuASB does not believe that professional scepticism, as defined in the ISAs, would be the appropriate term to use to apply to all PAs.
Firms	
BakerTilly, BDO, DTT, EY, GT, KPMG, PwC, RSM	No.
Crowe, MNP	Yes.
IFAC Member Bodies	
AAT	As ‘professional scepticism’ has a strong degree of historical usage and familiarity it might not be wise to remove it from the context it is currently used in, and to retain for audit and assurance purposes.
ACCA	We are strongly opposed to this suggestion.
CAANZ	We do not support the extension of the term ‘professional scepticism’ to non-assurance engagements.
CIMA	The adoption of the definition of “professional skepticism” set out in the ISAs may be unhelpful, given that it appears explicitly to link the concept with assurance and audit activity

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CPA Canada	We received mixed feedback through our consultation with some believing the ISA definition would be appropriate as long as new application material was provided describing the underlying concepts as they apply outside of audit and assurance. Others thought a slight modification to the ISA definition would be required and some thought it would not be the appropriate term to use.
EFAA	We do believe professional skepticism, as defined in the ISAs, is the appropriate term to use.
FACPCE	We believe that the term "professional skepticism" may be appropriate if a definition is contemplated that is appropriate for all types of professional activity.
FSR	We feel it is important that professional skepticism is overarching all professional activities both for PAs in practice and their staff, and PAs in business. The practical deduction by applying the principle in specific circumstances is a matter for standard-setting in ISA, ISRE, ISAE and ISRS.
ICAEW	The description of professional scepticism in the ISAs should not be applied to all work undertaken by PAs.
ICAG	No. A more specific definition to suit the generally broad concept of professional skepticism that can be applied to the general accounting profession will be more appropriate.
ICAN, ISCA	No.
ICAP	It is not appropriate to use the same definition of professional skepticism as described in ISAs due to potential disadvantages mentioned in the CP.
ICAS	We do not believe that the term or definition of 'professional scepticism' used for the purposes of the ISA is appropriate for use by all PAs.
SAICA	Due to the use of the term professional scepticism in the auditing context we would not support the use of the same wording for PAIB.
ICAZ	No – the definition in the ISA relates to the behavior of an auditor gathering evidence and so is not inclusive of all PAs.
IDW	We do not support using the IAASB's term and definition, which apply only to assurance engagements, because this would be inappropriate for other activities.
IMA	We disagree for the reasons set forth previously.
IranCPAs, MICPA	Yes.
JICPA	We do not believe that professional skepticism, as defined in ISA, would be an appropriate term for use in the IESBA Code.
MIA	The ISA definition represents a good starting point but suffers from the premise that it is designed by auditors for auditors.
WPK	We disagree with the proposal to use the term professional skepticism as defined in the ISAs.
PAIBs	

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PAIBC	It would not be appropriate in its current form.
Academics	
Nolder	Yes. Both accountants and auditors must critically evaluate information and must be alert to evidence that brings into question another person's assertions.
SwinburneU	No.
ThomasRay	The definition included in the ISAs is appropriate in the context of an audit. An alternative definition may be needed for more broad application.
Others	
AE	No.
CAA-TAS	Professional scepticism as defined in ISAs would not be appropriate since it is related to the behaviour of an auditor in gathering audit evidence, in an audit and assurance context.
IAA, Coates	Yes.
Azoor Hughes	It is not appropriate to introduce the term "professional skepticism" to be applicable to non-assurance service providers.
IAESB	Overall, it is less important to the IAESB what label (e.g., professional skepticism or skepticism or a new term) or definition (e.g., existing ISA definition or a new one) is used in the Code. What is important is that the Code articulates the behaviors expected to be exercised by all PAs.
IAESB CAG	Professional skepticism, as defined in the ISAs is too narrow, and not the appropriate term to use in the Code for PAs.
NYSSCPA	The definition of professional skepticism in the ISA is focused within the auditing context.
SMPC	No - the term PS adopted by the IAASB is understood by the PAs, particularly those who practice in the area of audit.
USGAO	We believe that professional skepticism is a specific term applicable to PAs who perform audits, reviews, and other assurance engagements. In our view, the meaning of the term and its importance to auditing and assurance engagements will be diminished and it will ultimately be interpreted differently if the concept is applied to all PAs.

Q6: Paragraph 19 –

(a) Do you believe that the Code should retain/use the term "professional skepticism" but develop a new definition?

(b) If so, do you support a new definition along the lines set out in paragraph 19?

(c) If you do not support a definition along the lines described, could you please provide an alternative definition.	
Regulators	
NASBA	(a) NASBA recommends the IESBA consider other terms that may be used in place of “professional skepticism”. (b) NASBA does not support creating a new definition of “professional skepticism.”
IRBA	Yes. We would support a strong definition in the Code. The definition provided in paragraph 19 of the CP provides a good basis, but it is missing the important phrase “questioning mind” which is found in the IAASB definition.
UKFRC	Focusing on the definition at this stage is a distraction from addressing the real need here – namely a better articulation of the behaviours/ competencies necessary to consistently apply robust professional scepticism, and also to ensure that PAs are able to evidence that in a consistent way that underpins user confidence among those who rely on the information that is produced.
National Standard Setters	
APESB	APESB is of the view that the Code should continue to use the term professional scepticism and develop a new definition along the lines proposed in paragraph 19 of the CP.
NZAuASB	The NZAuASB does not support using the term professional scepticism where the nature and expected level of work effort cannot reasonably be expected to meet the work effort associated with the application of professional scepticism as required by the ISAs. The NZAuASB further believes providing a second definition of professional scepticism would result in watering down of professional scepticism.
Firms	
BakerTilly	We believe that it is more appropriate to retain Professional Skepticism as a term for audit and assurance. If the term professional skepticism is retained it is imperative that we do not have more than one definition of the term. We consider that introducing a new term would be preferable to redefining Professional Skepticism.
BDO	We do not believe that the IESBA Code should use the term ‘professional skepticism’ for application to all PAs or develop a new definition.
Crowe	The term and definition should be consistent with ISA.
DTT	We do not support developing a new definition of “professional skepticism” in order to apply this concept more broadly beyond assurance engagements. We do not consider a single defined term to encompass various elements of existing fundamental principles will have a measurable impact on PAs demonstrating ethical behaviour. Rather, providing guidance on applying the fundamental principles robustly, including when providing non-assurance services and performing other professional activities, will ultimately support a PA’s understanding of the way they are expected to behave.
EY	No, we believe a new definition of the term “professional skepticism” that would be applied to all types of professional activity would be confusing.

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GT	GTIL believes the Code should retain/use the term “professional skepticism” for audit and assurance engagements; however we do not believe the Board needs to redefine professional skepticism to make the definition applicable to all PAs.
KPMG	No, we do not believe the term “professional skepticism” should be used with a new definition.
MNP	We believe that the ISA definition is a good starting place. We would support a definition along the lines of that in paragraph 19.
PwC	We do not support the development of a new definition to be used in the broader context.
RSM	Using the same term but defining it differently depending on the context in which it is applied runs the risk of causing substantial and unwarranted confusion for both practitioners and the public.
IFAC Member Bodies	
ACCA	We do not believe that simply amending the definition to make it scalable is the best option.
CAANZ	The Code should retain the term ‘professional scepticism’, as currently defined in the ISA, but only in the context of assurance engagements. As mentioned above in our response to question 5, we do not support the use of the term ‘professional scepticism’ for non-assurance engagements.
CIMA	(a) CIMA is not wedded to the use of any particular term to describe the concept of “professional skepticism”. (b) No. We favour a modification of the definition contained in ISA 200 along the following lines: “An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement in an organization’s financial information or data due to error or fraud, and a critical assessment of existing evidence.”
CPACanada	(a) As noted previously, we believe the ISA definition of professional skepticism is established and understandable. We also recognize that there could be confusion caused if the term is redefined. We believe focusing less on the precision of a defined term and more on the application material in the Code to provide guidance to PAs regarding the mind set and behaviors expected would be preferable. (b) Overall, we do not support a new definition
EFAA	We do support redefining professional skepticism.
FACPCE	Yes.
FSR	No
ICAEW	The general concept of professional scepticism should be described, but not be defined.
ICAG	(a) Yes. The definition should be enhanced, and should be highlighted more prominently in the code to reflect the more universal applicability of this concept to all PAs.

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	(b) Yes we do support a new definition along the lines set out in paragraph 19 of the code.
ICAN	Yes. We believe that the Code should retain the term “professional skepticism” but develop a new definition.
ICAP	We support retaining the term “professional skepticism”, due to its familiarity, wide awareness and usage in the accountancy profession. We also support the explanation of the term professional skepticism in consideration of differing application for different engagements and roles of PAs.
ICAS	<p>We do not agree that the <u>term</u> ‘professional scepticism’ should be used when applying the concept to all PAs.</p> <p>We believe that a new ‘umbrella’ term and definition should be developed for the Code of Ethics to address the <u>concept</u> of ‘professional scepticism’ for <u>all</u> PAs. We believe that the IAASB’s definition of ‘professional scepticism’ could then sit as a sub-set of the ‘umbrella’ term defined in the Code of Ethics, being indicative of how the ‘umbrella’ concept should apply under the specific circumstances of an audit or assurance engagement.</p> <p>We would therefore support the introduction of a new term and a new definition which would be applicable all PAs along the lines of that set out in paragraph 19.</p>
SAICA	We do not support the use of the term “professional skepticism” with a new definition.
ICPAU, ICAZ	Yes – keep the term and develop a different definition.
IDW	<p>We do not support using the term professional skepticism but providing a different definition, since having a term with different definitions would cause confusion.</p> <p>We suggest the following guidance to the current fundamental principles (perhaps to objectivity), or if needed, term and definition of critical thinking as a basis for further discussion:</p> <p><i>“Being alert to information that appears not to fulfill the purpose for which it is to be used by intended users or that appears to be otherwise misleading, and critically considering whether information being used by the PA appears to represent an inadequate or incomplete basis for forming sound judgments.”</i></p>
ISCA	No. Having one term with two different definitions would create confusion.
IranCPAs	No - the term “professional skepticism” is the most suitable.
JICPA	We oppose developing a new definition and continuing to use this term “professional skepticism” because it would create the confusion described in paragraph 19.
MIA	<p>We are of the view that the Code should retain the term 'professional skepticism'. We suggest IESBA consider explaining what professional skepticism means to the different roles of PAs.</p> <p>We support the definition in paragraph 19 – but with the term 'questioning mind set'.</p>
MICPA	The Code should retain/use the term “professional skepticism” without any change.

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WPK	We do not agree with using the term “professional skepticism” but developing a new definition. One term with two different definitions would cause confusion among PAs. Neither a new definition nor a new concept is necessary in our view. Instead, the development of new application material is sufficient to support the “right” behaviors.
PAIBs	
PAIBC	<p>(a) Yes, this is the PAIB Committee’s preferred option.</p> <p>(b) We do not support the proposed definition set out in paragraph 19.</p> <p>(c) Ultimately we see the application of professional skepticism by PAs in all roles as ensuring that data or information (whether that be financial or non-financial) being used for reporting purposes and/or for decision making, is fairly stated and appropriate to the circumstances in which it is being used.</p> <p>A modified definition to reflect this could be:</p> <p style="text-align: center;"><i>“Approaching professional activities with a skeptical mind set and applying this mind set and relevant professional expertise to ensure financial and non-financial information or data being used for reporting and/or decision making is fairly stated and appropriate to the circumstances in which it is being used.”</i></p>
Academics	
Nolder	I believe the Code should retain the term and keep the current definition.
SwinburneU	We support retaining the current term as defined for its current use in the audit of financial statements and reviews and other assurance engagements.
ThomasRay	Yes, I believe the concept of professional skepticism is useful, and that a revised definition is necessary if it is intended to apply to engagements other than those governed by the ISAs. A possible approach for a definition that could apply to all PAs would be, <i>“An attitude that includes a questioning mind and a critical assessment of the evidence.”</i> Additionally, the Board might consider replacing the word “evidence” with “information.”
Others	
AE	Accountancy Europe is not supportive of the IESBA adopting a new term and developing a new definition to reflect the behavioural characteristics expected of all PAs.
CAA-TAS	<p>(a) We would suggest the retention of the term professional scepticism as it has been widely used and there is now a generally accepted meaning to the term.</p> <p>(b) We support the proposed definition. On the concern around confusion due to use of one term, we are of the opinion that would not be the case as it will not be the only case where the meaning of the term would need to be taken in the context of the work being done by a PA and the concern would also be addressed by the inclusion of application material in the code.</p>

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IAA, Coates	We agree with paragraph 19
Azoor Hughes	<p>“Professional skepticism” is understood in the context of audit and assurance services and should be retained for these services only.</p> <p>The examples of other terms provided in paragraph 20 (i.e. critical thinking, critical analysis and diligent mind set) are representative of the language used currently to describe the behaviours expected when non-assurance service providers exercise professional skepticism. The Code should use these plain English terms as they are well understood by PA and their clients.</p>
IAESB CAG	<p>The CAG supports retaining and using the term “professional skepticism” and developing a new definition.</p> <p>In our opinion, an impartial and diligent mind set as stated in paragraph 19 is not sufficient. The Code needs to address a “questioning mind set” in the context of the work of the PA. Further, a “questioning mind set” should include a self-reflective activity.</p>
NYSSCPA	We believe that the Code should retain the present term and definition of professional skepticism. However, we think that additional application material both within the Code and in for the form of additional educational material, whitepapers, etc. should be developed.
SMPC	We do not believe that the definition of PS used by IAASB will meet the aims of IESBA. Therefore its adoption is not supported. We are further concerned that using the term PS with a different definition in the Code, compared to the ISAs would create confusion, possibly leading to an increase in the expectations gap and potentially reducing the robustness of the IAASB’s current definition.
USGAO	Professional skepticism is a specific term applicable to PAs who perform audits, reviews, and other assurance engagements, and we are concerned that applying the concept to all PAs would dilute the meaning of the term.

Q7: Paragraph 20 –

(a) Would you support an alternative term to ‘professional skepticism’, such as ‘critical thinking’, ‘critical analysis’ or ‘diligent mind set’?

(b) If not, what other term(s), if any, would you suggest which focusses on the mind set and behaviors to be exercised by all PAs?

Regulators

NASBA	<p>NASBA supports development of an alternative term that would connote the mindset, behaviors and characteristics described in the paper. We believe that selecting an alternative term applicable to all PAs performing work under the Code would be the best approach for these reasons: first, the term would be distinguishable from and preserve “professional skepticism” so that it is used only in the context of assurance services. Second, the creation of an alternative term would help to raise awareness about the need to adopt a mindset and behaviors that enhance skepticism in the performance of all professional activities apart from the assurance function.</p> <p>NASBA believes that IESBA should consider the following attributes as part of an alternative term used in this context:</p> <ul style="list-style-type: none"> • Questioning mindset with informed awareness of possibilities
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	<ul style="list-style-type: none"> • Impartial mindset with a disposition to question • Critical perception • Professional integrity, which could be ability to apply a diligent impartial mindset, together with professional competence, to the evaluation of information with which the PA is associated.
IRBA	No.
IOSCO	<p>We believe the Board should separately define a term that would encapsulate characteristics from each of the Code's relevant fundamental principles that will emphasize the overarching mind set and behavior expected of all PAs. This definition may need to be more comprehensive than paragraph 19 as certain fundamental skills and characteristics, that is, those articulated in the fundamental principles, are broader than those listed in paragraph 19 and should be foundational to all PAs. In addition to the skills associated with the fundamental principles, the definition should include PAs having a critical, diligent mind set and being alert to conditions that may lead to the potential for irregularities and mistakes.</p> <p>We also believe that the new term and definition should include language that alerts PAs to the separate definition of professional skepticism applicable to those that are auditors.</p> <p>Further, if the Board decides to retain the concept of an "impartial mind set," we believe it will be important for the Board to clarify to whom the PA needs to be impartial.</p> <p>We also believe that the definition of the new term to be applied to all PAs should be scalable based on the role and responsibilities of the PAs considering the varying roles they play in public and private practice. However, it should also be based on the nature of the matter and the available evidence at the PA's disposal.</p> <p>Having said this, we believe that, regardless of the level of experience, all PAs should have the same mind set described by the new definition as they comply with the professional standards governing their work. However, we anticipate that the <i>effectiveness</i> of having such a mind-set may vary, in part, based on the level of experience and/or seniority of the PA. For example, accountants who have prior experience in uncovering fraudulent financial reporting or have greater awareness of past accounting irregularities may have a greater ability to uncover fraud or errors than less experienced accountants.</p>
UKFRC	<p>We believe the terms proposed in the CP are all too passive and do not focus on the actions required of practitioners.</p> <p>We think that it would be helpful to bear in mind that the necessary behaviours and mind set for a PA should be informed by the user perspective for the engagement being undertaken.</p>
National Standard Setters	
APESB	<p>We are of the view that the term Professional Scepticism should be applied to the proposed definition. We are of the view that this term is generally understood by professionals and will instill the required behaviours in the accounting profession.</p> <p>APESB does acknowledge that the use of the term 'critical thinking' could be an alternative to professional scepticism. It captures the need to consider or think objectively and would be enhanced by the use of professional knowledge and experience. The shortcoming with this term is there is</p>

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	no reference to questioning the information you have received or undertaking other activities to develop some confidence in the information. APESB is not convinced that this term conveys the appropriate attitude required by the PA.
NZAuASB	The NZAuASB will support an alternative term to professional scepticism should the IESBA decide to develop a new defined term.
Firms	
BakerTilly	(a) As noted above, we would support an alternative term to professional scepticism. (b) We have suggested a term such as “Professional Diligence”.
BDO	Our preferred option is for the IESBA to develop additional material, whether in the Code or otherwise, to highlight the importance of exercising the behaviours and relevant professional skills. We do not support terminology that refers to 'critical thinking', 'critical analysis' or 'diligent mind set'. This wording does not translate well internationally and could lead to greater confusion on the part of stakeholders, regulatory bodies and the wider public.
Crowe	Terms and definitions should remain consistent with ISA.
DTT	We do not think a newly defined, standalone term, is needed.
EY	No. We believe emphasis should be placed on understanding the fundamental principles, because they define what it means for a PA to be professional.
GT	GTIL would support an alternative term(s) to “professional skepticism” such as “critical thinking”, “critical analysis” or “diligent mind-set” to articulate the behaviours expected of PAs as discussed in paragraph 10.
KPMG	As standalone concepts within the Code, we would not support use of these terms as they could undermine or cause confusion as to where such concepts fall in relation to the fundamental principles. We could support use of these types of terms in enhanced application guidance for the fundamental principles of professional competence and due care to further describe what it means to act with “diligence”.
MNP	No – we do not think rebranding the concept would be effective.
PwC	We do not support the development of a new term, but we agree that the behaviours explored in the CP could usefully form part of the additional application material in the Code.
RSM	Yes, we would support an alternative term. One option might be a combination of the two suggestions into “critical and diligent mind set”.
IFAC Member Bodies	
AAT	‘Critical analysis’ might be a useful term to describe the behaviors expected across the whole of the profession.
ACCA	We would support this, although we would also question whether any defined term (new or otherwise) is necessary.

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CAANZ	We are not convinced that there is a need for a 'new' defined term for the mindset and behaviors to be exercised by all PAs.
CIMA	Yes. For the reasons set out previously, we believe an alternative term would underpin the need for the concept to apply to all PAs, and particularly those working in business
CPA Canada	Overall, we believe the terms noted could be used in strengthening the summary articulation for new application material which we believe should be added to the Code regarding the underlying concepts of professional skepticism as they apply outside of audit and assurance.
FSR	We consider those suggestions as equivalent signifiers. This fact might be established if professional skepticism is considered a sixth fundamental principle.
ICAEW	Critical thinking' (using 'critical' in its wider sense of applying skilled judgment, rather than implying automatic fault) expresses the concept reasonably well.
ICAG, ICAN	No.
ICAP	We believe that the term professional skepticism should not be replaced.
ICAS	<p>Yes, we would prefer an alternative term to 'professional scepticism' when the concept is being applied to all PAs.</p> <p>For all PAs, the concept is about the professional ability and willingness to ask the right questions. It is akin to constructive criticism – a reality check. It is something which enhances the public's trust and confidence in the professional because the professional is able to look at something from a different angle.</p> <p>When applying a phrase for all PAs, as opposed to just auditors, there is a need to reflect a starting point of an open mind, rather than a mind thinking 'guilty until proven innocent'. We would therefore prefer a term such as 'enquiring mind set', or 'impartial, diligent and challenging mind set'.</p> <p>A term such as, for example, 'enquiring mind set', when combined with the 'moral courage' we believe PAs should also be expected to exercise, should ensure that PAs do not just ask questions and ignore difficult answers.</p>
SAICA	We would support the alternative term as to ensure that it can be used by all PAs. We would support the use of the term "critical thinking" as PAs need to use their rational and sceptical evaluation of factual evidence.
ICPAU	We would support a more refined explanation of what constitutes professional skepticism.
ICAZ	No. These concepts could be used in the definition of professional skepticism.
IDW	If a new concept is needed beyond the current fundamental principles, we would support the use of an alternative term because the use of a new term and definition would be less disruptive to the IAASB. We currently prefer the use of the term "critical thinking".
ISCA	We support an overarching statement to capture the ethical behavioral expectations/requirements of all PAs on a high and broad level and address public expectations of what it means to be a PA. The overarching statement would be the overarching behavioural principle, encompassing the Code's fundamental principles.

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JICPA	We oppose developing an alternative term because this would cause confusion since a PA conducting an audit would be bound by two concepts if the alternative term to use of behavior expected of all PAs is introduced.
WPK	An alternative term to “professional skepticism” is in our view not necessary. The extant application material to the fundamental principles should be reviewed and examined as to whether improvements can be made to support the “right” behaviors.
PAIBs	
PAIBC	No this could cause unnecessary confusion and imply that the underlying concept is different. Professional skepticism in the audit and assurance context could be referred to as “assurance skepticism” or “audit skepticism.” A specific reference to "assurance skepticism" would clearly differentiate the nature of professional skepticism in this context from other forms of professional skepticism.
Academics	
Nolder, SwinburneU, ThomasRay	No.
Others	
AE	We consider that further amendment of the Code or adding additional overlapping concepts or using one term with two differing definitions would create more confusion to the end user, hindering clarity.
CAA-TAS	We would not support the use of alternative terms as we believe this may create further confusion to the understanding of the intended mind set. We recommend that we build on the current understanding of the term professional scepticism by use of a new definition supported by application material.
IAA	We support the term "critical analysis"
Coates	No
Azoor Hughes	The terms “critical thinking”, “critical analysis” and ‘diligent mind set’ could all be used to describe the behaviours expected.
IAESB CAG	The CAG would not support an alternative term to “professional skepticism”.
NYSSCPA	We do not support the use of an alternative term in lieu of professional skepticism.
SMPC	We are concerned that developing an alternative term may cause unnecessary confusion, especially when being translated. For example, the phrase “critical analysis” may give rise to unintended expectations regarding the additional work effort (i.e., analysis) required in non-assurance activities.

USGAO	Generally, we believe that the fundamental principles in the Code are sufficient to support the behaviors associated with the exercise of “professional skepticism” and suggest that IESBA consider adding application guidance to assist PAs in complying with the Code.
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Q8: Paragraph 21 – Should the IESBA develop additional material, whether in the Code or otherwise, to highlight the importance of exercising the behavior and relevant professional skills as described? If yes, please suggest the type of application material that in your view would be the most meaningful to enhance the understanding of these behavioral characteristics and professional skills.

Regulators	
NASBA	The IESBA should develop application material that explains the behavior, mind set and professional skills expected of all PAs and provide links to the Code’s fundamental principles.
IRBA	We would support additional requirements rather than application material. In order to have real behavioural change, we encourage the IESBA to introduce robust requirements that are supported by application material.
UKFRC	We are supportive of IESBA’s proposal to develop application material and think that this will be helpful in supporting the application of the fundamental principles and appropriate professional scepticism.
National Standard Setters	
APESB	APESB supports the addition of a new definition of professional scepticism, and accompanying application and requirements material, in the Code.
NZAuASB	The NZAuASB supports providing more application guidance on how to apply the fundamental principles, in the public interest, when performing professional services. The guidance should address the role of bias, pressure and other impediments applicable to the various roles. The NZAuASB supports having an overarching statement of purpose for all PAs in the Code, for example, to emphasise professionalism, acting in the public interest and complying with the fundamental principles. That approach may also require additional guidance to PAs in business on how to balance between obligations to their employers and the need to act in the public interest.
Firms	
BakerTilly	Yes – we would strongly support IESBA developing additional material to highlight the importance of exercising the behaviour and professional skills described.
BDO	We believe that that there should be additional material, whether in the Code or otherwise, that ties together all the fundamental principles and shows how they require the necessary behaviour in a professional skepticism context.
Crowe	It is important that additional materials are developed.

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DTT	Yes, we strongly support the IESBA developing additional material to highlight the importance of exercising certain behaviors, but especially complying with the fundamental principles.
EY	The Board could consider adding wording to sections 100 and 110 of the Code that conveys a strong opening message on the heightened degree of awareness all PAs should have with regard to expectations for adhering to the fundamental principles and exercising the appropriate behaviors.
GT	We believe the Board's objectives would be accomplished by creating additional application material that would help PAs better understand and apply the fundamental principles to all engagements/services.
KPMG	We support the option to develop additional application material to expand upon the concepts underlying the existing fundamental principles.
MNP	We agree that IESBA should develop additional application material which should explain the desired behaviour and link that behaviour to the fundamental principles. This should be supported with educational materials.
PwC	<p>We support option 4, that is, the development of application material to highlight the importance of exercising the behaviour and relevant professional skill expected of a PA.</p> <p>We note that an idea that came out of the earlier round-table discussions was to include some material at the front of the Code that focused on the "professionalism" expected of PAs such that it would lay the foundation for the overarching expectations that the public has of the profession at large. We believe that this is worthy of further consideration by the Board.</p>
RSM	We would not support this fourth option alone. However, if a new term and definition were included, application material would be required to set out the underlying characteristics relating to that definition.
IFAC Member Bodies	
AAT	Additional material in the form of guidance is always helpful when making changes.
ACCA	We believe there would be significant value in developing material with the objective of closing the expectation gap between PAs, their clients or employers and the public. We would not support any material that would suggest a requirement to exercise moral courage. Moral courage has, historically been seen as a virtue, which one may seek to acquire. But it is unreasonable to assume that every PA will possess it.
CAANZ	This is the option we support the most.
CIMA	No. CIMA believes that in order to strengthen the concept of "professional skepticism" and to give effect to its view that this concept should apply to all PAs, it would be preferable to include a new requirement of "professional skepticism" as part of the application of the conceptual framework.
CPA Canada	Yes, we believe that additional material should be developed within the Code to highlight the importance of exercising the behavior and professional skills as described in paragraph 10 with strengthening included.
FACPCE	Additional detailed information about the behavioral characteristics expected by all the PAs would be really helpful.

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ICAG	We agree that additional materials need to be developed to highlight the importance of exercising the behaviour and relevant professional skills described.
ICAN	No.
ICAP	We support IESBA's approach to develop application material
ICAS	Yes, we believe that additional material in the Code alongside a new term and definition would be helpful to explain the reasoning behind any new term and definition, and what it means in more practical terms for the PA.
SAICA	Additional material to describe the behaviour and relevant skills might be helpful.
ICPAU	Yes – we support development of additional material aimed at a better understanding and application of professional skepticism.
ICAZ	Yes – additional material will highlight the importance of the values and behaviors expected of all PAs.
IDW	Considering whether the requirements and guidance in relation to the existing fundamental principles of the Code ought to be strengthened or clarified further is our preferred option, but IESBA needs 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.
ISCA	We believe that a comprehensive review of the fundamental principles would to a large extent address the public's expectation of the behaviours expected of professional accountants.
IranCPAs	Yes.
JICPA	We support the option.
MIA	We welcome additional material to highlight the importance of exercising the behaviour and relevant skills described.
MICPA	Additional application material to highlight the importance of exercising the behaviour and relevant professional skills as described would be useful.
WPK	We would deem additional application material to expand upon the behavior which can be reasonably expected from PAs as useful.
Academics	
Nolder	The Code would benefit from an overarching framework that is rooted in theory that defines the PAs' requisite characteristics and depicts their theoretical relationship with critical thinking, professional judgements, and behaviors.
Others	
AE	We consider that developing additional application material to the Code (<i>Option 4</i>) would achieve the objective intended by the IESBA
CAA-TAS	Yes. Application material should be developed to support the context in which PAs will be expected to apply professional scepticism

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IAA, Coates	Yes.
IAESB CAG	Yes, once a definition of professional skepticism is developed, additional material in addition to the Code would be helpful.
NYSSCPA	Additional material developed by the IESBA to provide guidance to PAs in applying professional skepticism is always desirable.
SMPC	<p>The focus should be on developing guidance material which highlights the PS concept within the current Code that is driven by the compliance of the fundamental principles. This includes the characteristics expected of a PA, such as the willingness to ask the right questions when the PA believes client information may be misleading or otherwise incorrect and taking any appropriate follow through action when warranted.</p> <p>We believe that when developing any related application material IESBA will need to address the different expectations on PAs depending upon their roles, level of experience and reflect the concept of “scalability”. The Code would need to state that PAs should continue to exercise professional judgement in determining the nature and extent of actions to be taken in the circumstances. The scalability would be in the determination of appropriate actions, rather than in the degree of PS applied.</p>
USGAO	We suggest that IESBA consider developing application guidance that discusses how critical thinking, critical analyses, moral courage, and awareness of bias and pressure can assist PAs in complying with the fundamental principles of the Code.

Q9: What implications do you see for IAASB's International Standards as a result of the options in paragraphs 18 to 21?

Regulators	
NASBA	If application material is created, NASBA does not expect the IAASB standards would be impacted as a result of the IESBA's actions. Should the IESBA decide to expand use of the term “professional skepticism,” re-defined or not, it might diminish the significance of that term in the auditing and assurance literature.
IOSCO	<p>We believe that the IAASB's definition of professional skepticism in ISA 200 should be the basis for the definition for auditors – which would be separate from the new overarching definition applicable to all PAs which we mentioned above.</p> <p>The definition applicable to auditors should also incorporate the following two additional elements that could enhance the current definition in ISA 200:</p> <ol style="list-style-type: none"> 1. The auditor's response to audit evidence should be explicitly included in the definition. That is, not only should the auditor have an attitude that includes a questioning mind, being alert to indications of possible misstatement and a critical assessment of audit evidence but he/she should respond in a manner that is appropriate based on the audit evidence; and 2. Having not just a questioning mind set but challenging policies, estimates, assumptions, etc.
UKFRC	The options in paragraphs 18-21 demonstrate the importance on any work on professional scepticism being properly aligned and co-ordinated between IESBA and the IAASB.

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National Standard Setters	
APESB	APESB acknowledges the IAASB's concerns surrounding the use of the term professional scepticism. However, we note that our primary goal when developing professional and ethical standards is the betterment of the profession as a whole. Therefore, we are of the belief that IAASB's concerns should not inhibit the development of a requirement within the Code to formalise the concept of Professional Scepticism as applicable to all PAs.
NZAuASB	The NZAuASB recommends avoiding reference to professional scepticism in the Code unless referring to practitioners undertaking audit or other assurance engagements.
Firms	
BakerTilly	The impact will be wholly dependent upon whether Professional Skepticism is redefined in the Code or whether a new term is adopted for the behaviours required of PAs. If the term is redefined, then there would be a greater impact on the IAASB's international standards as the current definition of Professional Skepticism in those standards would differ from the Code. If the Code incorporates a new term which sets out the behaviors expected, we believe that the current definition of Professional Skepticism in auditing standards may be applied over and above the requirements of all PAs included in the definition of a new term included in the Code.
BDO	We believe the use of the auditing definition could lead to a potential dilution of the auditing requirement and application of it by auditors – especially if is being broadened to encapsulate PAs whose roles do not extend to evidence-based activities. Simply redefining professional skepticism within the Code could lead to a number of unintended consequences, one of which could be the impact that this might have on the auditing definition of professional skepticism (by potentially diluting the relevance of any such definition) or the heightened level of confusion that this might create. We do not see any implications for the auditing definition of professional skepticism or application in the ISAs if there is a different term created.
DTT	If not drafted carefully, the options in paragraphs 18 to 21 could create significant confusion and inconsistent application relative to audits and stakeholder perceptions/expectations, including with inspection and enforcement.
EY	In our view, there is an opportunity for the IAASB to enhance audit quality by considering how the ISAs, along with other guidance, can better assist the auditor's judgment of whether sufficient and appropriate audit evidence has been obtained.
GT	Paragraph 18 – GTIL concurs with the implications outlined in the Paper in that attempting to apply the concept of professional skepticism to all PAs could have the following implications: <ul style="list-style-type: none"> • Application of the IAASB's definition of professional skepticism to all PAs might dilute and adversely affect the understanding and application of the definition to audit and assurance engagements. • If the term professional skepticism is redefined, it could dilute the understanding and application of the existing definition in the International Auditing Standards, especially for audits and assurance engagements. Paragraph 20 – GTIL does not believe developing another term and definition encompassing “critical thinking”, “critical analysis”, or “diligent mind-set” would have an adverse impact on the IAASB's definition of professional skepticism.

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KPMG	We believe that using the term 'professional skepticism' in the Code may cause confusion in the context of applying and interpreting the ISAs and as to how such term would apply in the differing roles PAs play in the financial reporting chain.
MNP	We do not foresee any unintended consequences if the Board introduces additional application material to support the existing concept of professional skepticism.
PwC	Adding application material related to the fundamental principles in the Code, along the lines above, should have any significant implications for the application of the IAASB's International Standards.
RSM	The biggest risk to the IAASB's International Standards relates to confusion as to the meaning of "professional skepticism" if the term is defined differently by the IESBA. Again, using the same term but defining it differently for different contexts potentially causes significant and unnecessary confusion.
IFAC Member Bodies	
AAT	If 'professional scepticism' as a term is retained as is, then this should have no impact on the International Standards.
ACCA	We would not disagree with the CP where it sets out the disadvantages of extending the use of the term 'professional skepticism'.
CAANZ	<p>Option 1 – We agree with the disadvantages laid out in the CP, and believe these far outweigh the potential advantage of using a well-established term and definition.</p> <p>Option 2 – We agree with the disadvantages laid out in the CP, and believe these far outweigh the potential advantage of using a well-established term.</p> <p>Option 3 –This option may impact on the ISAs because assurance practitioners would have to exercise appropriate professional scepticism as well as the new concept.</p> <p>Option 4 –This option is unlikely to impact on the ISAs.</p>
CIMA	If the term "professional skepticism" is adopted within the Code with or without a revised definition, there may be some potential for confusion.
CPA Canada	We do not believe there will be implications to the ISAs, other than possible cross- references to the Code, if professional skepticism is not redefined, no new alternative terms are introduced and if new application material is added to the Code describing the underlying concepts of professional skepticism as they apply outside of audit and assurance capturing its relevance and importance to all PAs in their roles and responsibilities.
FACPCE	We believe that if a definition of the term "Professional Skepticism" is reached that is comprehensive and appropriate for all professional activities there would be no implications because the International Standards of the IAASB can reaffirm the key concepts and attributes that are necessary to achieve a level of assurance and issue an assurance conclusion.
FSR	In our opinion it is of paramount importance that there are no competing definitions of professional skepticism on principle.

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ICAEW	We do not see any direct implications.
ICAG	This will actually depend on the options chosen. If the term professional skepticism is maintained, then there will be a need for existing international standards that have applied the term in the context of audits and other assurance engagements to be modified.
ICAN	Adopting option one in Paragraph 18 will imply that the IAASB will not be required to make amendments to its standards. Adopting option two in Paragraph 19 will entail the IAASB working with other standard setting bodies to develop a definition that will be appropriate for all types of professional activities.
ICAS	<p>We believe that a new 'umbrella' term and definition should be developed for the Code of Ethics to address the <u>concept</u> of 'professional scepticism' for <u>all</u> PAs.</p> <p>We believe that the IAASB's term and definition of 'professional scepticism' could then sit as a sub-set of, for example, 'enquiring mind set' as defined in the Code of Ethics, being more indicative of how the 'umbrella' concept of 'enquiring mind set' would apply under the specific circumstances of an audit or assurance engagement.</p>
SAICA	There would be implications for the IAASB and confusion created by using the same terminology for different expectations. If the IESBA decides to use the same terms and definition then the IESBA and the IAASB would need to co-ordinate this process.
ICAZ	The proposals would benefit IAASB as the profession's reputation would be enhanced.
IDW	<p>Using the same term and definition or the same term with a different definition would have a serious impact on the IAASB because it would undermine existing standards in relation to compilation engagements and agreed-upon procedures engagements by effectively changing these into assurance-type engagements.</p> <p>Having two different definitions for the same term would cause confusion among PAs and would also be difficult to implement when the IAASB considers how both concepts would need to be applied in assurance engagements. Alternatively, the IAASB would need to develop a new term, which would cause some disruption among practitioners in relation to a term that is well-known and understood.</p> <p>The use of a new term and definition would be less disruptive to the IAASB. However, if the definition were to include wording that inappropriately increases work effort, such a definition could undermine current IAASB standards for compilation engagements and agreed-upon procedure engagements by effectively changing all engagements into assurance-type engagements.</p>
MIA	If a broader definition of 'professional skepticism' is adopted, it would not represent a conflict to the auditors' understanding of the term as defined in the ISAs because the latter's definition could represent a substantial subset in the context of the broader definition.
MICPA	The options in Para 18-21 would entail the IAASB to revamp its International Standards one way or another in order to meet the objective of meeting public expectation of professional scepticism.
WPK	Using the same term and definition would impact IAASB's International Standards significantly. The IAASB's standards pertaining to agreed-upon procedures engagements and compilation engagements could get undermined.

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	Using the same term but a different definition would also have a serious impact on IAASB's International Standards. Different definitions might cause considerable confusion among the profession. In addition, the IAASB and the profession would be challenged as to how to apply one term with two different definitions in the case of assurance engagements. These difficulties could prompt the IAASB to develop a new term.
PAIBs	
PAIBC	Commenting only on the PAIB Committee's preferred course of action, there would be clear distinction between professional skepticism in an audit context (as described in ISA 200) and a PAs in business context.
Academics	
Nolder	Explicit consideration of auditors in the Code should minimize any negative implications to the IAASB standards.
Others	
AE	With respect to the impact on the IAASB's standards, using the same term and definition or the same term with a different definition would have a serious impact on the IAASB as it would undermine existing standards in relation to compilation engagements and agreed-upon procedures engagements. Having two definitions is not feasible either, as it would cause confusion among PAs and would also be difficult to implement when the IAASB considers how both concepts would need to be applied in assurance engagements. It would be counterproductive to put the IAASB in the position of having to develop a new term, which would cause some disruption among practitioners in relation to a term that is well-known and understood.
CAA-TAS	Whichever option is finally selected we are of the opinion that the IAASB should adopt these changes to ensure consistent understanding of the term. However, the IAASB within its standards can then have application material which further explains how professional scepticism would apply with an auditing context.
IAA	It would affect positively, because the accountant in public practice could have more application material and greater and better examples of professional skepticism.
Coates	The implications to the IAASB International Standards should not cause confusion and may even have the effect that the assurance engagement is in fact enhanced
Azoor Hughes	If the term "professional skepticism" is retained for audit and assurance services only, there is no impact on IAASB's International Standards. Assurance providers will still be concerned with evidence, whereas the PAs in client companies will be concerned with obtaining reasonable explanation using a diligent mind set.
IAESB CAG	In the CAG's opinion, the IESBA should have a requirement that all PAs exercise "professional skepticism." Further, we suggest the IAASB develop a different definition, or different guidance, which is appropriate for auditors.
NYSSCPA	The IAASB may require application material focusing specifically on professional skepticism in the audit and attest environment.

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SMPC	Out of the four options as outlined in the CP, the development of additional application materials to expand upon the concepts underlying the existing fundamental principles in the Code carries less risk of creating confusion in the marketplace and coupled with the possible danger of “watering down” of the IAASB standards covering the audit and assurance engagements may therefore be a more appropriate way to further project the robustness of the restructured Code – to the PAs and the public at large.
USGAO	In our view, the meaning of the term and its importance to auditing and assurance engagements will be diminished and it will ultimately be interpreted differently if the concept is applied to all PAs.

Q10: Paragraph 22 – Should the Code include application or other material to increase awareness of biases, pressure and other impediments to approaching professional activities with an impartial and diligent mind set and exercising appropriate professional skepticism in the circumstances? If yes, please suggest the type of materials that in your view would be the most meaningful to help PAs understand how bias, pressure and other impediments might influence their work.

Regulators

NASBA	NASBA believes the IESBA should explore providing references to materials outside the Code to educate PAs about the biases, pressures and other impediments to exercising appropriate skepticism.
IRBA	Yes.

National Standard Setters

APESB	Yes
NZAuASB	Guidance about threats is particularly important.

Firms

BakerTilly	Yes. Such material should focus on impediments to the application of the Fundamental Principles.
BDO	We believe that illustrative examples could address bias, pressure and other impediments.
Crowe	This is important and case studies are one way of achieving this.
DTT, EY, GT, KPMG, MNP, PwC, RSM	Yes.

IFAC Member Bodies

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ACCA	Yes. We recommend that guidance material should be highlighted on the IESBA website, but not necessarily incorporated within the Code.
CAANZ	We support additional application material to include how bias, pressure and other impediments might inhibit this, using the threats and safeguards approach.
CIMA, CPA Canada, FACPCE, ICAS, ICPAU, ICAZ, MIA	Yes.
EFAA	EFAA research has revealed that PAs can be under immense pressure.
ICAEW	We do not believe that more detailed discussion in parts 2 and 3 of the Code is necessary.
ICAG	Introduction of additional materials to increase awareness of biases and pressures makes sense.
ICAN	No. Rather, provisions of the existing Code should be clarified to guide determination of possible biases, pressure and other impediments to approaching professional activities.
SAICA	Our suggestion is to rather release some practice notes or anonymized real life case studies as guidance rather than increase its length further.
IDW	Providing additional guidance on impediments to the application of the fundamental principles may be worth exploring.
JICPA	In order to address the issue of inappropriate responses to biases, pressure and other impediments, we believe scientific research should be conducted, including research on the psychological aspects, and application or other material should be developed based on the research findings.
MICPA	There is no reason why the Code should not include application or other material to increase awareness of biases, pressure and other impediments to approaching professional activities with an impartial and diligent mind set and exercising appropriate professional skepticism in the circumstances.
PAIBs	
PAIBC	Illustrative case study examples/scenarios would be useful and we encourage the IESBA to utilize the IFAC Global Knowledge Gateway as a channel to provide analysis, examples and case studies for the profession.
Academics	
Nolder, ThomasRay	Yes.

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SwinburneU	No.
Others	
CAA-TAS, IAA, Coates, SMPC	Yes.
Azoor Hughes	Bias (both conscious and unconscious bias) and pressures are valid threats to the quality of information prepared by PAs. It would be worthwhile including guidance materials to make these issues 'front of mind'.
IAESB CAG	We concur that the IESBA should consider developing additional material to increase awareness of these and other impairments and how they should be addressed.
NYSSCPA	The Code should include application and other materials discussing possible biases, pressure and other impediments that could have a bearing on the PA's judgment.
USGAO	We suggest that IESBA consider developing application guidance that discusses how critical thinking, critical analyses, moral courage, and awareness of bias and pressure can assist PAs in complying with the fundamental principles of the Code.