



529 Fifth Avenue, 6th Floor, New York, NY 10017
T + 1 (212) 286-9344 F +1 (212) 286-9570
www.iaesb.org

Prototype to Demonstrate the Functionality of the “Maintenance Framework”.

The purpose of the following table is to provide an illustrative example to show how the proposed framework can be used to maintain IAESB guidance. In response to the IAESB’s request at the July Steering Committee meeting to provide an example of how the framework would be applied, the taskforce has selected as an example, the IAESB’s International Education Practice Statement (IEPS) 3 on *Practical Experience Requirements – Initial Professional Development for Professional Accountants*. The taskforce has made this selection because of recent comment letters (DnR, FEE, CalSTRS, CNCC-CSOEC, GTI, PWC, CAANZ, ICAEW, ICAP, AUASB, JGrant, IOSCO, CPAA, ICAS) on the IAASB’s [Invitation to Comment \(ITC\)](#), [Enhancing Audit Quality in the Public Interest: A Focus on Professional Skepticism, Quality Control and Group Audits](#), which highlights the importance of mentoring in developing professional skepticism. IEPS 3 was removed from the public domain because it does not align well with the terminology used in IES 5, *Initial Professional Development - Practical Experience*. However, Section 2 of IEPS 3, Monitoring and Control, offers guidance to assist IFAC member bodies in identifying the role and responsibilities of the mentor and this guidance might be expanded to consider how the experience and training of other organizations (e.g., public accounting firms, education providers) can improve the use of mentoring in developing and fostering professional skepticism in audit professionals.

Please treat this as a first idea based on the description of selected activities during the Maintenance Process as set out in Agenda Item 2-1.

Area	Comments / application of the framework
1a) VALIDATE THE USE OF IMPLEMENTATION SUPPORT MATERIAL	
I. Establish what needs to be updated?	Description of professional skepticism
i. Implementation Support material (including FAQs, “good practice” examples)	Application guidance on the implementation of a better understanding of professional skepticism and how this attitude could be better supported.
a. How well is the existing Implementation Support material received and applied locally	<p>Definition of professional skepticism according to ISA 200 Paragraph 13. (I): “an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence.”</p> <p>No additional implementation support material available.</p>
b. Does the implementation support material relate to existing standards?	No. IEPS 3 (withdrawn) had a special reference to “mentoring”
c. Determine why an update of Implementation Support material is needed	Need for clarity on what professional skepticism is, what it involves and by what it is supported.
ii. Toolkits	Professional Skepticism practice aid issued by selected audit firms (example available)
II. Undertake systematic Collection of input by the ISAG based on interviews and surveys.	Collection of different guidance publicly available.
i. Formal input	
a. Written feedback from an IFAC member	<ul style="list-style-type: none"> • Feedback by regulators re concerns that professional skepticism is

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body or other stakeholders (e.g., Exposure Draft Comments)	<p>not consistently applied / documented. For example CPAB annual inspections report 2015 state (page 8): ‘Areas requiring the most professional judgment and skepticism continued to feature prominently in our 2015 inspection findings. Participation of senior engagement leaders at both the planning and issues resolution stages remains the best way to deal with these matters. To address audit team inexperience and to support the delivery of a quality audit, the timely and appropriate involvement of engagement leadership is essential. Failure to do so is a contributing factor to our most common inspection findings, especially in areas where a high degree of professional judgment is required’.</p> <ul style="list-style-type: none"> • Challenges re how could a good documentation look like?
b. Pulse surveys conducted by IFAC staff	None
c. Telephonic interviews, similar to the one conducted by the Board on IES 7	Could be planned.
d. Input from regular market scans, scientific research and similar surveys/studies	Literature on professional skepticism and why the concept fails to succeed.
e. Input from other IFAC boards and committees	<p>Please refer to the full details in Agenda item 5-7: “Professional Skepticism—Issues (Including Feedback to the ITC) and Joint Working Group’s Preliminary Recommendations on the Proposed Way Forward”. This paper summarizes the recommendations by other IFAC board. Some highlights are provided below:</p> <ul style="list-style-type: none"> • Need to approach professional skepticism holistically as no single

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	<p>key stakeholder can make a sufficient impact.</p> <ul style="list-style-type: none"> • Need to embed the concept of professional skepticism throughout the standards vs having a single standard. • Call for more discussion on how an auditor evidences professional skepticism and to demonstrate the application of professional skepticism. • Need for a broader application of the concept of professional skepticism to a whole range of professional accountants. • Focus on <i>behavior change</i> rather than additional requirements in the standards. This is specifically important for education providers and mentors.
ii. Informal input	
a. Results from outreach activities	Not yet planned.
b. Board member feedback	Thomas to report issues with regulators stating that the application of the concept is hard to find in any documentation. A framework would be highly appreciated. Current Deloitte framework consists of five distinct steps to be documented:

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	<ol style="list-style-type: none"> 1. Identify the issue 2. Gather the facts 3. Review relevant literature 4. Analyze the issue 5. Conclude and document
c. Unsolicited feedback from stakeholders	Not yet planned.
1b) REVIEW OF INPUTS AND CONDUCT IMPACT ANALYSIS AGAINST CRITERIA	
I. Important (is a strategic issue):	
i. Does the issue have a global perspective?	Professional skepticism is THE key concept for a successful audit.
ii. Have critical comments been received from a number of stakeholders identifying a particular need for change?	IFIAR, local regulators, firms being unsure about the requirements
iii. Does the guidance have the potential to be misunderstood by stakeholders?	Supporting factors are not clearly described in IEPS 3. Section 2 only talks about the “mentoring” process but not about concrete subjects. Professional skepticism could be one of those subjects being supported by mentoring and specifically be being a “role model” in the profession.
iv. Is there a need for further development of best practice?	<p>Best practice could focus on the following suggestions:</p> <ul style="list-style-type: none"> • Increasing coaching and on-the-job training/active supervision to serve as a “role model” for professional skepticism

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	<ul style="list-style-type: none"> • Involving staff in more client meetings and ensure that enough “critical questioning” is applied. • Encouraging staff to explain reasoning and document professional judgements using a Professional Judgement framework • Ongoing direct client communication to ensure early identification of concerns re professional skepticism and to avoid surprises.
<p>II. Urgent (needs immediate action):</p>	
<p>i. Are practices and processes being no longer applicable or demanding immediate attention?</p>	<p>Professional skepticism is often not applied in areas with a high degree of management estimates. Such areas are under constant scrutiny of regulators. Concept of professional skepticism applies to both accountants (during the process of preparing financial statements) and auditors (during the audit).</p>
<p>ii. Is the guidance not in line with existing / new IES?</p>	<p>No</p>