

Professional Skepticism

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IAASB Meeting

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Joint Professional Skepticism Working Group (PSWG)

- Representatives of the PSWG (from the IAASB, IESBA, and IAESB)
 - Collaborative approach that includes other standard setting boards
 - IAASB already committed to a project, others SSBs not yet at this stage, but the topic is relevant to their planned activities
- Objective: To identify conceptual issues related to professional skepticism, broadly across the international standards (assurance/ethics/education) and
 - a) Identify where further alignment may be needed, or where issues may exist; and
 - b) Make observations, or recommendations for further action to be considered by the standard setting boards or others, as needed

Actions IAASB to Date

- IAASB Staff Q&A 2012
- Professional Skepticism [Panel Discussion](#) June 2015 meeting
- Consideration of conceptual issues relating to professional skepticism [September 2015](#) meeting
- Summary of academic research on professional skepticism undertaken in 2013–2015 and related discussion at [December 2015 meeting](#)
- December 2015: Professional Skepticism section in ITC Enhancing Audit Quality to obtain further input from stakeholders & outreach

Professional Skepticism driving Action

How Professional Skepticism Drives Action

Professional skepticism
is an attitude

Professional skepticism is
applied in making
professional judgments

Professional judgments
prompt actions

Documentation of
professional judgments
and related actions

Professional skepticism is essential in all aspects of the audit – from planning and risk assessment through to the critical assessment of audit evidence in forming the auditor’s conclusions.

Professional Skepticism: Results of Outreach (1)

- Joint IESBA/IAASB CAG, NBA und EU ITC Roundtables
- IAIS Accounting and Auditing Committee
- Issues raised
 - drivers and impediments at individual, engagement team and firm level (root cause analysis also to be linked to inspection findings)
 - Recruitment (are the right individuals being hired that have an innate skeptical attitude?)
 - Education (right education to be able to understand business model?)

Professional Skepticism: Results from Outreach (2)

- Training (to be able to challenge management)
- Quality vs. timing/cost trade-off (role of audit firms, preparers, TCWG, investors and regulators)
- Relationship to sufficient appropriate evidence and incremental change vs holistic change (implications to audit model: when can auditor stop?)
- Principles vs. rules-based approach (danger of checklist approach)
- Linkage with other IAASB projects (ISA 540, ISA 315, Quality Control, ISA 600, data analytics)
- Role of other SSBs (education; ethics: project being considered)

Next Steps: Potential Deliverables

- Short term proposal: Non-authoritative PSWG note (*Para. 16-19*)
- Contemplated Medium term deliverables (*Para. 20-26*)
 - Document on Preliminary Insights
 - Project Proposal, limited amendments to ISAs
 - Input to other IAASB Projects and other SSBs
 - Later, issues paper
- Potential longer term deliverables: Position Paper on principles for consideration of professional skepticism in auditing standard-setting and comprehensive standards setting project proposal (*Para. 27-30*)

Overview potential deliverables

Potential deliverable Time Line	Documents	Standard-Setting
Short-term (April)	PSWG Note	Input to other WG
Medium-term (December)	- Preliminary Insights from discussion and analysis of observations and responses to ITC and outreach activities	- Input to other WG - Project Proposal for limited amendments to ISA other than covered by WG - Input to other SBB
Medium-term (later)	- Issues paper based on preliminary insights, further conceptual work and experience from input to other WG	- Input to other current WG - Input to other SBB
Long-term	- IAASB Position paper on principles on the consideration of professional skepticism in auditing standard-setting	- Project Proposal for fundamental changes, e.g. in ISA 200 - Input to other SBB

Short term

- PSWG Note (1-2 pages):
 - To inform stakeholders of the activities of the IAASB, the IESBA and IAESB in the light of current developments in auditing and assurance;
 - To further stimulate public debate on the topic; and
 - To draw attention to the Staff Q&A and the continuing importance of professional skepticism.

Short term (continued)

- Proposed content could include:
 - Information on the PSWG (objectives/information-gathering/ collaboration with other SSBs);
 - Brief reflection on the outcome of information-gathering activities to date, including consultation IAASB CAG and discussions at roundtables;
 - A link to project page containing further useful resources, including Staff Q&A; and
 - Next steps, including that the intention is to publish a document on preliminary insights resulting from the analysis and observations from the ITC, outreach and CAG and Board deliberations.

Contemplated Medium Term

- Document describing the preliminary insights
- Input on professional skepticism by the PSWG to other IAASB projects underway
- A project proposal for limited amendments to certain ISAs, if applicable
- Input for the consideration of professional skepticism by the IESBA and the IAESB in line with their respective strategy and work plans.
- At a later stage, the publication of an issues paper for comments

Potential Longer Term

- Preliminary Views on Potential Project IAASB Position Paper on Principles for Considering Professional Skepticism in Auditing Standard-Setting
 - Types of questions that are taken into account in the development
 - Purpose of principles: could be used as criteria to determine if current standards appropriately deal with professional skepticism
 - Could form the basis for a comprehensive project proposal to engage in fundamental revisions to the ISAs in relation to the application of professional skepticism.

Matters for IAASB Consideration

- Are you supportive of the PSWG's proposed way forward?
- Feedback on the proposed or contemplated deliverables:
 - Short-term deliverables (Paragraph 16–19): Is the proposed content sufficient to demonstrate the SSB's ongoing efforts on enhancing professional skepticism and renew traction to the IAASB Staff Q & A issued in 2012?
 - Medium-term deliverables (Paragraph 20–26): Does the Board agree with the contemplated deliverables?

Matters for IAASB Consideration (Continued)

- Longer-term deliverable (Paragraph 27-30): Does the Board see the potential merit in developing an IAASB Position Paper setting forth the principles for the consideration of professional skepticism in auditing standards setting?
- Are there any other matters that should be taken into account in the different deliverables?
- Is the proposed timeline for the short-term deliverables appropriate?
- Potential opportunities to engage with stakeholders on issues relating to professional skepticism.



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