

Meeting: IAASB
Meeting Location: New York, USA
Meeting Date: June 19–22, 2017

Agenda Item

9

Professional Skepticism

Objectives of Agenda Item

1. To:
 - (a) Receive an oral update on the activities of the joint Professional Skepticism Working Group (PSWG) and the IAASB Professional Skepticism Subgroup (the Subgroup)¹ since the March 2017 meeting from the Working Group Chair.
 - (b) Obtain the views of the IAASB on the premises, analysis, conclusions and recommendations related to an invariant vs. variable concept of professional skepticism.
 - (c) Obtain the Board's approval for publishing the PSWG publication – *Professional Skepticism – Strengthening the Pillars: Observations of the IAASB-IAESB-IESBA Professional Skepticism Working Group*.

Professional Skepticism Working Group

2. The PSWG includes representatives from the IAASB, the International Ethics Standards Board for Accountants (IESBA), and the International Accounting Education Standards Board (IAESB) and is comprised of the following members:
 - Prof. Annette Köhler, WG Chair, IAASB Member (supported by Wolfgang Böhm, IAASB Technical Advisor)
 - Charles E. Landes, IAASB Member
 - Susan Jones, IAASB Technical Advisor
 - Richard Fleck, IESBA Deputy Chair
 - Patricia Mulvaney, IESBA Member
 - Dave Simko, IAESB Member
 - Bernard Agulhas, IAESB Member
3. The IAASB Subgroup comprises Prof. Köhler, Mr. Landes, and Ms. Jones.

¹ Following the March 2016 IAASB Board meeting, a subgroup of the PSWG was formed (IAASB Subgroup or the Subgroup) in order to address specific areas for consideration raised by the Board. The Subgroup consists of the IAASB-related members of the PSWG.

Activities since the Last IAASB Discussion

4. The Subgroup held one physical meeting and one teleconference to further discuss matters related to potential changes to the concept/definition of professional skepticism within the ISAs. These discussions and the issues arising therefrom are summarized in **Agenda Item 9-A**.
5. Minutes of the March 2017 discussion of the IAASB on Professional Skepticism can be found in the Appendix.

PSWG Publication

6. Subsequent to the March 2017 IAASB meeting, the joint PSWG held two teleconferences to share updates of the IAASB, IESBA, and IAESB, as well as to develop the material included in **Agenda Item 9-B**.
7. In answering the stakeholder calls for joint coordination on the topic of professional skepticism among the three SSBs, the PSWG developed a Stakeholder Communication that summarizes the key messages received from respondents to the IAASB's ITC, feedback provided directly to the IESBA on the topic, and respondents to the IAESB's Consultation Paper about professional skepticism. This publication highlights the key observations of the PSWG, actions that the IAASB, IESBA and IAESB have taken, and intend to take, to address issues with respect to professional skepticism, as well as the role for others. The communication is included as **Agenda Item 9-B**.
8. Upon obtaining approval from all three boards in June 2017, the PSWG intends to finalize and publish the document in July 2017.

Actions Requested

9. The IAASB is asked to provide views on the conclusions and recommended actions of the Subgroup in **Agenda Item 9-A** related to the viability of a variable approach to professional skepticism within the ISAs.
10. The IAASB is asked to provide views on whether there would be objections to the release of the Professional Skepticism Joint Stakeholder Publication (see **Agenda Item 9-B**).

Material Presented

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| Agenda Item 9-A | Issues and Recommendations |
| Agenda Item 9-B | Draft Joint Stakeholder Publication – <i>Strengthening the Pillars of Professional Skepticism: Observations of the IAASB-IAESB-IESBA Professional Skepticism Working Group</i> |

Minutes – IAASB March 2017 Meeting²

Prof Köhler provided the Board with an oral update on the activities of the joint Professional Skepticism Working Group (PSWG) as well as the IAASB Professional Skepticism Working Group (the IAASB Subgroup) since the December 2016 Board meeting.

JOINT PSWG ACTIVITIES

Prof. Köhler highlighted that the PSWG is in the process of drafting a joint professional skepticism publication that would give prominence to the work of the PSWG, including the actions that have been undertaken by each of the SSBs, as a result of the feedback provided through responses to the Invitation to Comment (ITC)³ and other consultations of the SSBs. Prof. Schilder summarized the discussion noting that the draft joint professional skepticism publication will be tabled as an agenda item at the next meeting of the Board for discussion.

Prof. Köhler highlighted that the IESBA is currently considering exposure drafts related to professional skepticism that 1) describes the linkage between the fundamental principles and professional skepticism and 2) seeks to clarify the requirement for a professional accountant to exercise professional judgment when applying the conceptual framework. Prof. Schilder summarized the discussion by stating that a decision would be made regarding whether review by the IAASB would be appropriate once additional information has been communicated by IESBA.

IAASB SUBGROUP ACTIVITIES

Prof. Köhler noted that the IAASB Subgroup have begun analyzing potential fundamental issues related to issues raised by respondents to the ITC in relation to, a requirement to seek contradictory evidence, a shift to a more challenging mindset or presumptive doubt, and introducing a concept of levels of professional skepticism as opposed to the current invariant concept.

WAY FORWARD

The PSWG will continue to develop a joint professional skepticism publication to be presented to all three SSBs at their next meetings in June 2017. The IAASB Subgroup will address one or more of the issues described above relate to the concept of professional skepticism within the ISAs at its upcoming meeting on May 9-10, 2017 in Washington DC.

² These draft minutes are still subject to IAASB review and may be subject to further change.

³ Invitation to Comment, Enhancing Audit Quality in the Public Interest, www.iaasb.org/focus-audit-quality