



International Accounting
Education
Standards Board

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Meeting: International Accounting Education Standards Board
Meeting Location: IFAC Headquarters, New York, USA
Meeting Date: November 2-4, 2016
SUBJECT: **Professional Skepticism – IAESB Issues Paper (11/16)**

INTRODUCTION

1. The objective of this paper is to request input from the International Accounting Education Standards Board (IAESB) on the way forward to address the responses to the professional skepticism questions in the International Auditing and Assurance Standards Board (IAASB) [Invitation to Comment \(ITC\), *Enhancing Audit Quality in the Public Interest: A Focus on Professional Skepticism, Quality Control and Group Audits*](#) and the responses to the professional skepticism questions in the [IAESB's Consultation Paper, *Meeting Future Expectations of Professional Competence: A Consultation on the IAESB's Future Strategy and Priorities* \(FSP\)](#) consultation as they relate to the International Education Standards (IESs) and the IAESB activities.
2. An additional objective of this paper is to discuss the Professional Skepticism Working Group's (PSWG's) preliminary recommendations on the actions that could be taken by the three standard-setting boards (SSBs), individually and in coordination, to enhance the application of professional skepticism in their respective standards, and to provide recommendations on short-term activities for the IAESB and solicit the IAESB's views on these short-term actions from a public interest perspective.
3. Also relevant to this agenda item are the following agenda papers:

Number of Agenda Item	Title	Description
Agenda Item 5-1	Professional Skepticism – IAESB Issues Paper (11/16)	IAESB taskforce discussion of significant issues, proposals, & recommendations
Agenda Item 5-2	Professional Skepticism – IAESB Analysis of Comments – Extract on Professional Skepticism (04/16)	Respondents' comments to question on professional skepticism in IAESB Consultation Paper, Meeting Future Expectations of Professional Competence: A Consultation on the IAESB's Future Strategy and Priorities (2015)
Agenda Item 5-3(J3)	Professional Skepticism – IAASB Cover Paper (11/16)	IAASB's overview of agenda item, including objectives, project status,

		timeline, matters for IAASB/IESBA CAG Consideration
Agenda Item 5-4(J3-A)	Professional Skepticism – IAASB Issues Paper (11/16)	IAASB’s discussion of issues including feedback from its Invitation to Comment paper (2015) and Joint Working Group’s Preliminary Recommendations on the Proposed Way Forward
Agenda Item 5-5(J3-B)	Professional Skepticism – IAASB Impediments Table (11/16)	Excerpt of Impediments to professional skepticism and relationship to fundamental principles in IESBA Code of Ethics
Agenda Item 5-6(J3-C)	Professional Skepticism – IESBA Professional Skepticism Description Strawman (11/16)	IESBA representatives og the PSWG’s description of professional skepticism to support professional accountants’ compliance with the IESBA Code of Ethics
Agenda Item 5-7(J3-D)	Professional Skepticism – Supplemental Reference (11/16)	Background Information Paper: Current Treatment of the Concept of Professional Skepticism in IAASB and IAESB Standards, the IESBA Code, and the IAASB ITC on Audit Quality
Agenda Item 5-8(J3-E)	Professional Skepticism – Forward Looking Table (11/16)	Forward-Looking Table of next steps by IAASB, IESBA and IAESB

BACKGROUND

4. A joint Working Group (PSWG) was formed which include representatives from the IAASB, the International Ethics Standards Board for Accountants (IESBA) and the IAESB to respond to the feedback received on the ITC as it relates to professional skepticism. The goal of the PSWG is to enable the three independent Standard-Setting Boards (SSBs) to consider what actions may be appropriate within their collective Standards, and other potential outputs to enhance professional skepticism. Specific actions to be taken by the SSBs will be at the discretion of the respective boards. To help determine the appropriate actions for the IAESB, the IAESB formed a professional skepticism Taskforce (“the Taskforce”) to further discuss the outcomes of the PSWG as it relates to the IESs and the IAESB activities, and to discuss other possible activities that the IAESB should consider in response to the initiative to improve the application of professional skepticism.

5. The IAESB also asked stakeholders for input on professional skepticism as it relates to IAESB activities as part of the IAESB’s FSP consultation (see Agenda Item 5-2). Therefore, the Taskforce also considered comments received related to professional skepticism as part of the IAESB’s FSP consultation process.

6. Respondents to the ITC expressed support for a joint approach by the IAASB, IESBA and IAESB so there would be consistency between the SSBs on the concept/definition of professional skepticism.
7. The Taskforce met and has had several conference calls and identified several issues in the responses related to professional skepticism and education. This paper discusses the issues related to the IESs and the IAESB activities that were identified and whether there would be benefit in elaborating on, emphasizing or clarifying the role and importance of professional skepticism in relation to the IESs and IAESB activities.
8. The IESs use the definition of professional skepticism as defined in the IAASB Glossary of Terms and used within IAASB pronouncements. In this paper professional skepticism is defined as follows: *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 evidence.*

SUMMARY OF OTHER SSBs' RECENT ACTIVITY

9. IAASB – The IAASB met in September 2016. Members of the IAASB had mixed views on extending professional skepticism to all professional accountants and, but most cautioned on the unintended consequences of extending the concept. The IAASB felt that the concept of professional skepticism in the context of an audit would be diluted and therefore, not be in the public interest if extended to all professional accountants. Additionally, the IAASB felt that professional skepticism is closely linked to terms (e.g, audit evidence) that are unique to audit and assurance engagements. The IAASB felt that any changes to professional skepticism should be carefully evaluated. Overall, the IAASB felt that more time is needed for further analysis about the potential unintended consequences of extending professional skepticism to all professional accountants. As a result, the IAASB was open to a longer-term project to further evaluate expanding the definition of professional skepticism.
10. IESBA – The IESBA also met in September 2016. Members of the IESBA had mixed views of enhancing the concept of professional skepticism in the IESBA Code (the Code). However, in the short-term, the IESBA agreed to address the relationship between professional skepticism and independence and the fundamental principles in the Code. The proposed short-term revisions to the Code will be presented and reviewed by the IESBA at their December 2016 meeting. At the December 2016 meeting, the IESBA will determine whether to proceed with the short-term revisions to the Code. The short-term revisions to the Code would not introduce a broader description of professional skepticism. However, the IESBA was open to a longer-term project on expanding the definition/description of professional skepticism so that it applies to all professional accountants.

SUMMARY OF PSWG RECENT ACTIVITY

11. The Professional Skepticism Working Group (PSWG) met in Washington on 10-11 October 2016. During this meeting the PSWG considered feedback from the individual SSBs in respect of their recommended approaches to respond to issues raised by respondents in the ITC.
12. Feedback from the IAASB representatives included that the IAASB would consider professional skepticism from an audit evidence and documentation perspective, and that instead of tweaking the standards, a more substantive change may be required. It was noted that due to the timeline to finalize the restructured Code, the IESBA was perceived as moving faster than the other

SSBs and that the progress of the SSBs should be more coordinated. The discussions during the meeting to agree on short term activities across the SSBs addressed this need.

13. Feedback from the IAASB and IESBA representatives included a caution to be aware of unintended consequences, as well as a potential to dilute professional skepticism if broadened to include non - auditors. The IESBA also needed to consider the impact of changes in the short term on the structure of the Code and therefore engage with the IESBA Structure Task Force. The IESBA would continue to link professional skepticism to the fundamental principles in the Code as part of its restructuring project.
14. The PSWG considered and suggested improvements to draft wording presented by the IESBA for paragraphs 120.4 and 120.11 of the Code.
15. Representatives from the IAESB noted that the IAESB CAG was looking for an opportunity to meet with the other 2 SSB CAGs. The IAESB CAG also wanted to see potential actions aligned to defined problem statements – there was a need to understand what the issues and underlying problems were that the SSBs were trying to deal with. It was noted that the IAESB CAG did not support changing IESs in the short term. The IAESB would consider performing an evaluation of literature studies to gather more information on what had already been done to clarify concepts and promote education related to professional skepticism.
16. The PSWG heard feedback from the Professional Accountants in Business (PAIB) Working Group, which included that all accountants should apply some form of skepticism, regardless of who they were employed by. They also noted that the role of non-auditors should not be undermined, as it would impact negatively on their credibility and reputation. The PAIB believed that the application of professional skepticism should not be regulated, otherwise it might stifle creativity.
17. The PSWG considered and discussed some of the long term objectives, which included:
 - a) Performing a thorough analysis and developing a problem statement, which should be more outward focused and not inward focused on the SSBs.
 - b) Not coming up with a single common description for professional skepticism yet.
 - c) Coordination between the progress in the 3 SSBs was important.
 - d) A 2-stemmed approach should be followed: assurance and non-assurance, but focus on assurance first.
 - e) Further analysis of the root causes of inspection findings.
 - f) The starting point should be an analysis and the impediments.
18. The PSWG discussed the format and timing of a Feedback document, which would include the following: a) A Foreword, b) An Executive Summary, c) Messages, including expectations, biases, competencies, ethical behavior, questioning mind, d) Impediments and mitigating

measures and relationship to fundamental principles in the Code, e) Best practices, f) Call to action and g) Way forward

19. It was noted that the secretariat required capacity and support to develop the Feedback Statement, which should be issued by March 2017.

DISCUSSION

20. This issues paper identifies 4 key issues for the Board's input. These are as follows:
- a) Inconsistent description of professional skepticism across SSBs;
 - b) Lack of understanding of key concepts in the SSBs' standards and the IESBA code;
 - c) The impediments to the application of professional skepticism; and
 - d) Possible confusion caused by the joint reference in the competence areas/learning outcomes related to professional judgment and professional skepticism in the IESs.

Issue 1 – Inconsistent description of professional scepticism across SSBs

21. In general, respondents to the ITC preferred a common definition and application of professional skepticism across SSBs. The Taskforce believes that professional skepticism is an integral part of a professional accountant's skill set (adopting and applying a skeptical mindset is ultimately a personal and professional responsibility to be embraced by every professional accountant).¹ As a result, the Taskforce agreed that the concept of professional skepticism in the IESs should continue to be interpreted to apply to the broader context of the role of professional accountants (and not just auditors). The PSWG had identified the potential broadening of the concept of professional skepticism as long-term action for further discussion amongst the PSWG and the respective SSBs. The Taskforce acknowledges that there is currently an inconsistency between the way the concept of professional skepticism is used in the IESs and the ISAs.
22. The PSWG discussed a recommendation raised by the IESBA members on the PSWG to introduce a broader description of professional skepticism that aligns with the fundamental principles included in the IESBA Code and that could be incorporated into the Code. This change to the Code would establish a more direct link between the concept of professional skepticism and the fundamental principles that apply to all professional accountants. With this change, the Taskforce discussed the fact that the IAESB could then refer to the broader description within the context of IES 4 or potentially other application guidance that it might establish related to professional skepticism. The Taskforce concluded that it fully supports a broader description of professional skepticism within the IESBA Code and a link to the fundamental principles in the Code. However, as indicated above this would be a long-term action item for the IESBA. In the short-term, the IESBA agreed to address the relationship between professional skepticism, as it applies to auditors and assurance practitioners, and the fundamental principles in the Code.

¹ ACCA, BDO, CIPFA, ICAEW

23. Agenda Item 5-7 (J3-D) provides relevant background information about how the concept of professional skepticism is currently described and applied in the IAASB Standards, the IESBA Code and the IAESB Standards. This agenda Item indicates that there are different descriptions for professional skepticism throughout the IAASB Standards, the IESBA Code and the IAESB Standards based on their different target audiences.
24. The IESBA developed a 'strawman' to demonstrate a broader description of professional skepticism. The purpose of the strawman was to raise issues/stimulate debate on broadening the description of professional skepticism beyond audit and assurance professionals. This broader description is contained in Agenda Item 5-6 (J3-C). Because the discussion on expanding the concept of professional skepticism to all professional accountants has been moved to a long-term activity, the strawman is included for your reference only at this time.
25. The Taskforce discussed possible courses of action (short-term and long-term) which included the following:

Short-term

- a) Do nothing. No changes to the IESs should be considered until a post-implementation review is completed.
- b) Review the IESBA short-term proposed changes to the revised Code (Describe in the Code the relationship between professional skepticism, as it applies to auditors and assurance practitioners, and the fundamental principles in the Code) and determine implications, if any, on IESs. (Note: The IESBA is planning to discuss their short-term proposal as part of their December 2016 meeting).

Long-term

- c) Promote expanding the description of professional skepticism to apply to all professional accountants.
- d) Consider the outcome of the PSWG's discussion on incorporating a broader description of professional skepticism into the standards, and the resulting discussions among the SSBs, and determine how these changes should be reflected in the IESs.
- e) Review references to professional skepticism throughout the IESs for consistency (see issue 4 below) once there is clarity from the PSWG on the appropriate description and reference to professional skepticism.

CAG Discussion

26. The Taskforce sought the CAG's views on whether the definition of professional skepticism should be consistent among SSBs and whether it should apply to all professional accountants. The CAG's view was that there should be a consistent definition among the SSBs. The CAG emphasized that it believes that the IAASB does not own the definition of professional skepticism. Overall, the CAG felt that professional skepticism is a professional concept and ethical value that applies to all professional accountants.

Taskforce Recommendation

27. The Taskforce recommendation at this point is (a) and (b) above, while preparing to support the long-term actions above.

Issue 2 – Lack of understanding of key concepts in the SSBs’ standards and the IESBA Code

28. As a result of several respondents to the ITC preferring a common definition and application of professional skepticism across SSBs, the Taskforce discussed the need to increase awareness and understanding of concepts that are important/contribute to professional skepticism. These concepts include the fundamental principles of integrity, objectivity, professional competence, and due care as contained in the Code, as well as independence and critical thinking.
29. The Taskforce discussed the opportunity for a research paper (or identify ones that already exist) that explores the concepts that underlie professional skepticism and how they influence/are important to maintaining an attitude of healthy professional skepticism.
30. The Taskforce discussed the objective of performing this research and concluded that the objective of such research would be to inform the IAESB and other SSBs of the literature that is currently available. The SSBs could then evaluate the value in publishing this literature review for broader consumption.
31. The Taskforce discussed the fact that the IAASB previously performed a literature study on professional skepticism - *The State of the Art Research Related to Auditor Professional Skepticism (2013 – 2015)*. Additionally, the Taskforce discussed that other professional bodies (PIOB, Center for Audit Quality, FRC) have issued or plan to issue alerts on professional skepticism. The Taskforce agreed that these may be a useful starting point for the preparation of this literature review.
32. The Taskforce further discussed which IFAC Board should be responsible for the preparation of this literature review. The Taskforce discussed whether it was the IAESB's responsibility to explore the concepts that underlie professional skepticism and how they influence/are important to maintaining an attitude since these concepts primarily reside in the Ethics code. Additionally, the Taskforce also questioned whether the IAESB is the right board to issue this literature review since the term/concepts reside in the Ethics Code and the application relates primarily to auditors (For example, auditors are expected to be independent of their clients, both in fact and in appearance. Also, auditors are required to be objective in how they view audit evidence. Furthermore, due care must be exercised in the conduct of the audit. Thus, the auditing standards address not only what auditors must do, but also how they are to behave in the conduct of an audit.). However, the Taskforce concluded that it still made sense for the IAESB to perform the review even though the results may not be published by the IAESB because the results will help to inform the IAESB on potential improvements that could be made to learning outcomes related to professional skepticism.
33. Additionally, the Taskforce discussed the need to review the definition of professional skepticism and determine if there are aspects of that definition that would not apply to all professional accountants. For example, the definition of professional skepticism refers to evidence, which is a concept that is defined and used throughout the ISAs in the context of an audit only.

34. The Taskforce discussed possible courses of action (short-term and long-term) which included the following:

Short-Term

- a) Do nothing within the IAESB. Defer to the PSWG to drive this response.
- b) Perform a literature review to determine if any research exists on professional skepticism that explores the concepts that underlie professional skepticism and how they influence/are important to maintaining an attitude of healthy professional skepticism. Additionally, this literature review would focus on the behaviors necessary to exhibit professional skepticism (see Theme 3). Coordinate with the PSWG to identify the studies that have been already identified/performed as part of their discussions.
- c) If no research is found, develop a research paper that explores the concepts that underlie professional skepticism and how they influence/are important to maintaining an attitude of professional skepticism. Discuss with the IESBA and the IAASB the merits and potential ownership of developing a paper that clarifies the relevant concepts around the exercise of professional skepticism.

Long-Term

- d) Review the current definition of professional skepticism and determine applicability of the components of the definition to all professional accountants (see Issue 1).

CAG Discussion

35. The Taskforce sought the views of the CAG on improving the understanding among the key concepts in the SSBs' standards and the IESBA Code. The CAG's view was that the concepts were well defined and believes that the issue resides with the execution of professional skepticism. The CAG felt that the Board needs to determine what is contributing to professional accountants not being able to apply professional skepticism. The CAG did not specifically comment on the Board performing a literature review or issuing a research paper. However, at various points in the discussion, the CAG indicated that several research studies already existed on professional skepticism and urged the Board to consider them in their work.

Taskforce Recommendation

36. The Taskforce recommends (b) above. The outcome of (b) would determine if (c) (Develop a research paper that explores the concepts that underlie professional skepticism and how they influence/are important to maintaining an attitude of professional skepticism) should be considered. However, should we engage in the development of a research paper on this topic, the Taskforce believes that the PSWG needs to help determine which IFAC board is best positioned to issue this research paper.

Issue 3 – Impediments to the application of professional skepticism

37. Respondents to the ITC identified numerous impediments to the appropriate application of professional skepticism. These impediments were discussed by the PSWG. The PSWG analyzed the impediments and assessed each SSBs ability to help mitigate the impediment (see Agenda Item 5-5 (J3-B)). The Taskforce discussed the impediments that were applicable to the IAESB to determine potential actions the IAESB should consider to address those impediments.
38. The Taskforce noted that several of the impediments could not be influenced by IAESB activities and identified possible courses of action by the IAESB for each impediment that could be influenced by IAESB activities. The table below summarizes the impediments, whether the impediment can be influenced by the IAESB and the possible course of action to be taken by the IAESB for each impediment.

Impediments	Can Impediment be influenced by the IAESB?
Auditor Bias: Inherent cognitive biases of the auditor	<p>Yes. The Taskforce discussed the fact that bias extends beyond just the auditor. The Taskforce concluded that all professional accountants need to be aware of their bias and the IAESB can assist in raising awareness for professional accountants of their potential biases, especially given the powerful human tendency toward confirmation bias.</p> <p>One respondent suggested in their comment letter that a behavioral competence area should be created in the IESs. The Taskforce discussed the creation of a separate behavioral competence area in the IESs or referencing bias directly in the learning outcome(s) in the IESs. However, the Taskforce believes that in order to pursue this suggestion more information is needed on behavioral competence and bias and how behavioral competence and bias might interact with other competence areas to enable professional accountants to carry out their role. Additionally, the Taskforce believes that more information is needed to be able to explain how professional accountants can acquire and maintain behavioural competence. As a result, the Taskforce discussed the need to perform reserach of what behaviors are important for professional skepticism and bias.</p>
Payor Model, Fees for Non-Audit Services and Fee pressures	The IAESB believes that this impediment influences a professional accountant’s bias. See bias impediment above.
Environmental Factors (Groupthink, Risk of Priming, Environmental Influences, Resource constraints/High Staff	Yes. The Taskforce discussed how environmental factors such as culture can make it difficult to apply professional skepticism. In these situations, one needs to have/develop courage (an important attitude to have or to develop for the appropriate application of professional skepticism) through training,

Turnover, Tight financial reporting deadline/Time constraints)	education and mentoring. The Taskforce also discussed providing best practice examples of how to demonstrate that learning outcomes related to professional skepticism from IES 4 can be achieved given environmental impediments and to assemble these best practices and differences into implementation support materials to raise awareness of environmental factors and professional skepticism.
Performance metrics	No.
Familiarity Threat	The IAESB believes that this impediment influences a professional accountant's bias. See bias impediment above.
Unqualified Audit Opinion	No.
Automated Files/Checklists	The IAESB believes that this impediment influences a professional accountant's bias. See bias impediment above.
Documentation	No.
Personal traits	Yes. Identify best practices on how to train people to be more skeptical and overcome personal trait impediments to professional skepticism. Consider how to develop courage (an important attitude to have or to develop for an appropriate application of professional skepticism) through training, education and mentoring. Raise awareness of cultural/diversity differences and how these impact professional skepticism. Assemble these best practices and differences into implementation support materials to raise awareness of personal traits and professional skepticism.
Difficult client interactions	Yes. Review the IESs to determine if "conflict management/resolution" can be more directly incorporated in the learning outcomes. Also determine if the IESs can include the skills necessary to deal with conflict or difficult situations and how to exercise professional skepticism in these situations.
Competence	Yes. Perform a literature review to determine if any research exists on professional skepticism that explores the concepts that underlie professional skepticism and how they influence/are important to maintaining an attitude of professional skepticism. If no research is found as a result of the literature review, develop a research paper that explores the concepts that underlie professional skepticism and how they influence/are important to maintaining an attitude of professional skepticism (see Issue 2 above).

	<p>Promote the role that technical competence has in the application of professional skepticism. The Taskforce discussed that professional skepticism is influenced by personal behavioral traits (i.e., attitudes) and ethical values as well as the competence level and knowledge of the professional accountant. The Taskforce discussed the fact that, if a professional accountant does not have the technical knowledge to ask the right questions, then they cannot appropriately apply professional skepticism.</p> <p>As previously mentioned, the Taskforce discussed considering behavioral competence as a separate competence area. The Taskforce discussed the need to understand behavioral influences over the appropriate application of professional skepticism and how an individual's professional skills could be developed to better enable them to self-regulate their own behavior and to understand and influence others' behavior. However, the Taskforce believes that in order to pursue this suggestion more information is needed on behavioral competence (and bias - see above) and how behaviors might interact with other competence areas to enable professional accountants to fulfill their role. Additionally, the Taskforce believes that more information is needed to be able to explain how professional accountants can acquire and maintain behavioural competence. As a result, the Taskforce discussed the need to perform research on what behaviors are important for professional competence.</p>
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39. The Taskforce discussed several possible courses of action (short-term and long-term) which included the following:

Short-term

- a) Do nothing. No enhancements to the learning outcomes in the IESs should be considered until a post-implementation review of the IESs is completed.
- b) Perform a literature review to determine if any research exists on the behaviors necessary to exhibit professional skepticism. Additionally, this literature review would determine if any research exists on professional skepticism that explores the concepts that underlie professional skepticism and how they influence/are important to maintaining an attitude of healthy professional skepticism (see Issue 2 above).
- c) Identify best practices on how to train professional accountants to be more skeptical and overcome personal trait impediments and environmental factors to professional skepticism. Assemble best practices into implementation support materials to raise awareness of personal traits and environmental factors and professional skepticism.

Long-term

- d) Review IESs 2, 3, 4 and 8 for opportunities to more directly influence the identified impediments.

CAG Discussion

- 40. The Taskforce sought the views of the CAG on how to overcome the impediments to the application of professional skepticism. Due to time constraints, the CAG did not provide specific input on their views on how to overcome the impediments. However, the CAG’s view was that no enhancements to the learning outcomes in the IESs should be considered until a post-implementation review of the IESs is completed.

Taskforce recommendation

- 41. The Taskforce’s recommendation is (a), (b) and (c) above

Issue 4 – Possible confusion caused by the joint reference in the competence areas/learning outcomes related to professional judgment and professional skepticism in the IESs

- 42. The Taskforce has not done a thorough review of the IESs for opportunities to more directly influence the identified impediments (see Issue 3). However, the Taskforce identified an opportunity to review/improve the competence areas/learning outcomes related to professional judgment and professional skepticism in IES 3 and IES 4, which refers to the concepts jointly, instead of as separate concepts.
- 43. The competence areas/learning outcomes as they currently exist in IES 3 and 4 relating to professional judgment and professional skepticism are as follows:

IES 3 – Initial Professional Development – Professional Skills

Competence Area (Level of Proficiency)	Learning Outcomes
(a) Intellectual (Intermediate)	(ii) Apply professional judgment, including identification and evaluation of alternatives, to reach well-reasoned conclusions based on all relevant facts and circumstances.
(c) Personal (Intermediate)	(ii) Apply professional skepticism through questioning and critically assessing all information.

IES 4 - Initial Professional Development - Professional Values, Ethics and Attitudes

Competence Area (Level of Proficiency)	Learning Outcomes
(a) Professional skepticism and professional judgment (Intermediate)	(i) Apply a questioning mindset critically to assess financial information and other relevant data. (ii) Identify and evaluate reasonable alternatives to reach well-reasoned conclusions based on all relevant facts and circumstances.

44. The Taskforce discussed several possible courses of action (short-term and long-term) which included the following:

Short-term

- a) No enhancements to the IESs should be considered until a post-implementation review of the IESs is completed.

Long-term

- b) Evaluate whether the professional skepticism and professional judgment competence area in IES 4 should be split into two separate competence areas.
- c) Evaluate whether the learning outcomes in IESs 2, 3, 4 and 8 are sufficient for the development of professional skepticism skills and address the impediments identified. Additionally, evaluate whether the learning outcomes in IES 2, 3, 4 and 8 need amendment to include a direct reference to bias.

45. The Taskforce discussed the fact that professional skepticism and professional judgement were combined into one competence area in IES 4 because the Board previously concluded that it was easier to assess the achievement of the related learning outcomes if professional skepticism and professional judgement were combined (easier to obtain evidence of professional judgment than professional skepticism). However, the Taskforce believes that the competence areas in IES 4 should be split into two competence areas because professional skepticism and professional judgement are different concepts. The Taskforce believes that the competence areas in IES 4 should be split as follows:

Competence Area (Level of Proficiency)	Learning Outcomes
(a) Professional skepticism	(i) Apply a questioning mindset critically to assess financial information and other relevant data.

Competence Area (Level of Proficiency)	Learning Outcomes
(Intermediate)	

Competence Area (Level of Proficiency)	Learning Outcomes
(a) Professional judgment (Intermediate)	(ii) Identify and evaluate reasonable alternatives to reach well-reasoned conclusions based on all relevant facts and circumstances.

46. The Taskforce does not believe that the learning outcome for the personal competence area (Apply professional skepticism through questioning and critically assessing all information) in IES 3 needs to change since the IESs apply to the broader role of professional accountants (and not just auditors). Therefore, it is appropriate that the learning outcome references all information which is greater than evidence in an audit context.
47. The Taskforce does not believe that the learning outcome (Apply a questioning mindset critically to assess financial information and other relevant data) in IES 4 for the professional skepticism and professional judgement competence area needs to change since the IESs apply to the broader role of professional accountants (and not just auditors). Therefore, it is appropriate that the learning outcome references information and other relevant data which is greater than evidence in an audit context.
48. The Taskforce believes that the learning outcomes related to professional skepticism in IES 3 and 4 should be reviewed and possibly amended to reference bias. However, the Taskforce believes that before this is done the learning outcomes should be reviewed for additional opportunities to more directly influence the identified impediments.

CAG Discussion

49. The Taskforce sought the views of the CAG on clarifying the competence areas/learning outcomes related to professional judgment and professional skepticism in the IESs. The CAG's view was that the learning outcomes for professional judgement and professional skepticism are already separate and therefore it does not matter if they are combined into one competence area. Additionally, the CAG also indicated that it believes that IES 4 accurately describes the learning outcomes related to professional skepticism for professional accountants.

Taskforce Recommendation

50. The Taskforce recommendation is (a) above.

ACTION REQUESTED:

- i. Does the Board agree that professional skepticism should apply to all professional accountants and not just auditors? Or should the concept of professional skepticism be limited to professional accountants in the context of audit and other assurance engagements, and then only refer to the concept of “skepticism” or a “questioning mindset” for other professional accountants?
- ii. (ST) Does the Board agree that the Taskforce should review the IESBA short-term changes to the revised Code (Describe in the Code the relationship between professional skepticism, as it applies to auditors and assurance professionals, and the fundamental principles in the Code) and determine implications, if any, on IESs?
- iii. (ST) Does the Board agree with the Taskforce’s recommendation that a literature review should be performed to determine if any research exists on the behaviors necessary to support the application of professional skepticism and that explores the concepts that underlie professional skepticism and how they influence/are important to maintaining an attitude of professional skepticism? If no research exists, does the Board agree that a research paper should be developed to explore the concepts that underlie professional skepticism and how they influence/are important to maintaining an attitude of professional skepticism?
- iv. (ST) If the Board agrees that a literature review should be performed, what are the Board’s views on the IAESB performing this literature review and potentially issuing a paper on concepts that underlie professional skepticism and how they influence/are important to maintaining an attitude of professional?
- v. (ST) Does the Board agree that we should identify education and training best practices designed to help professional accountants to be more skeptical and overcome personal trait impediments and environmental factors to professional skepticism, and to assemble best practices into implementation support materials to raise awareness of personal traits and environmental factors and professional skepticism?
- vi. (LT) Does the Board agree that the long-term focus should be on the following:
 - a. Promoting within the PSWG and other relevant SSB discussions a description of professional skepticism that applies to all professional accountants.
 - b. Consider the outcome of the PSWG’s discussion on incorporating a broader description of professional skepticism into the standards, and the resulting discussions among the SSBs, and determine how these changes should be reflected in the IESs.
 - c. Leverage the literature study to determine how to best incorporate the concept of behavioural competence in the IESs.
 - d. Leverage the literature study and the results of the post implementation review to identify potential improvements to the learning outcomes that would better support the application of professional skepticism.

PROPOSED WAY FORWARD

51. The Taskforce will consider the Board's advice and suggestions and will share their input with the PSWG. Additionally, the Taskforce will use the input from the Board to determine the resources necessary for any workstreams (e.g., literature review workstream, identification of best practices, etc.) for the annual workplan.