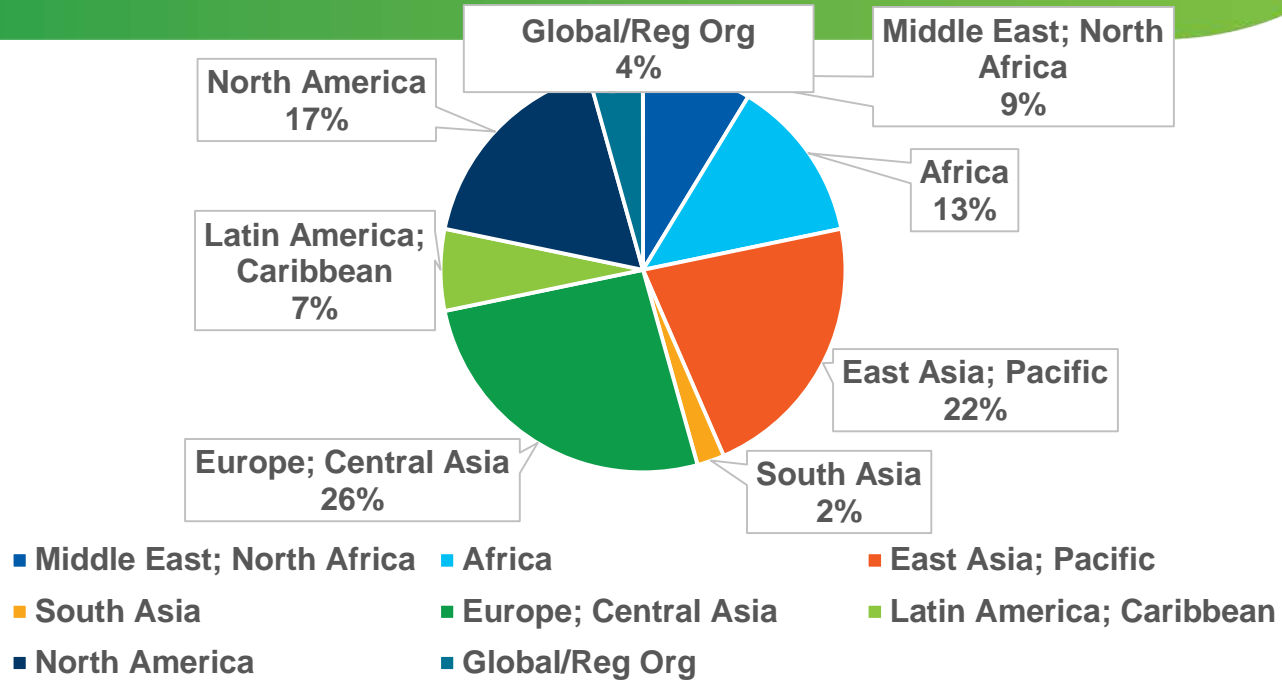


# PS Literature Review Task Force Survey Results

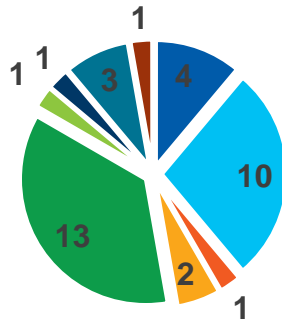
# Respondents

- Worked with the Global Accounting Alliance (GAA) Education Directors, Professional Accountants in Business (PAIBC), and the Forum of Firms (FOF) to complete a short survey
- Survey responses are as follows:
  - GAA – 10 responses
  - PAIBC – 9 responses
  - FOF – 27 responses

# Geographical Region of Respondents



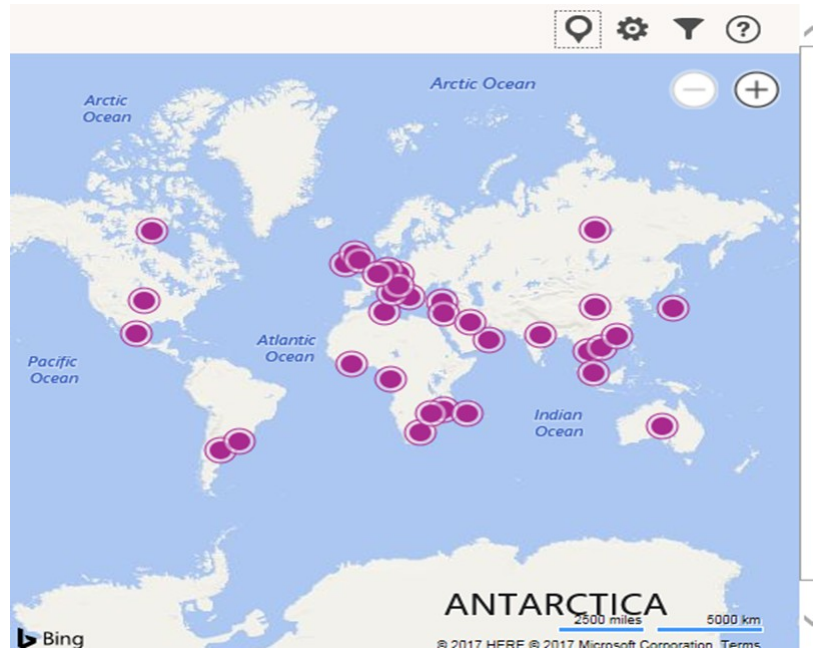
# Capacity of Respondents



- Large accounting firm
- Regional Organization
- IFAC Member Organization
- Academia
- Government / public sector organization

- Small or medium sized practice
- Privately held company
- National Standard Setter
- Publicly traded company

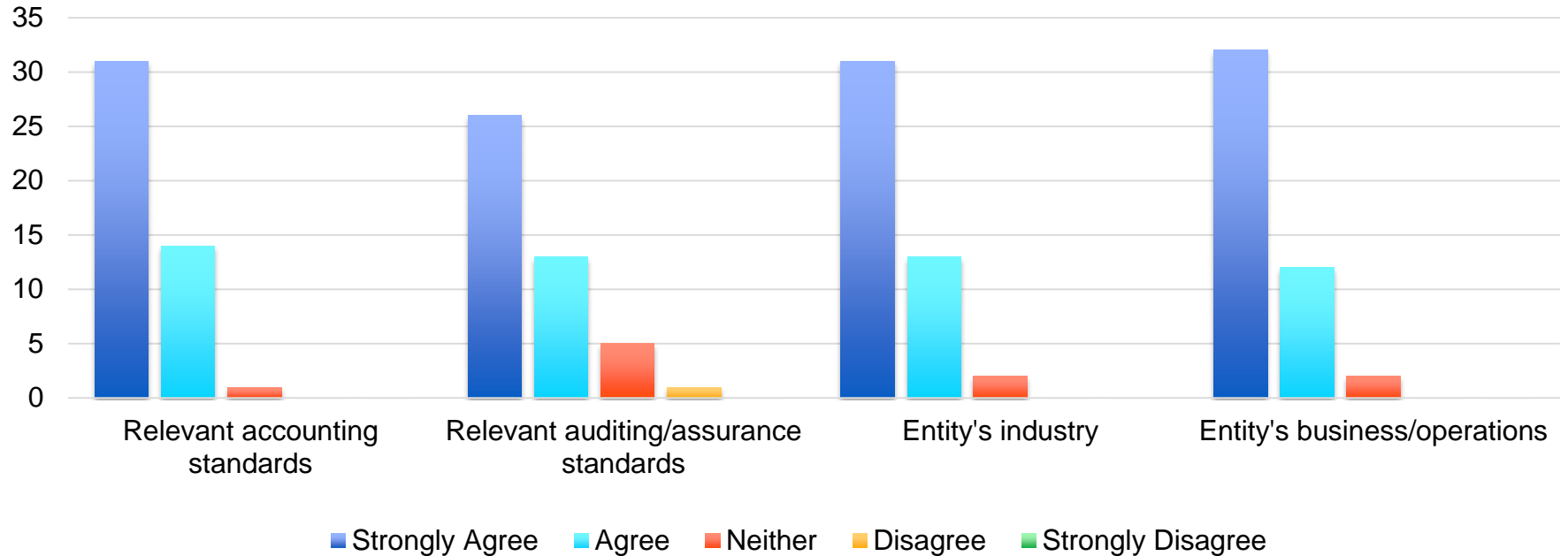
# Participation by Country



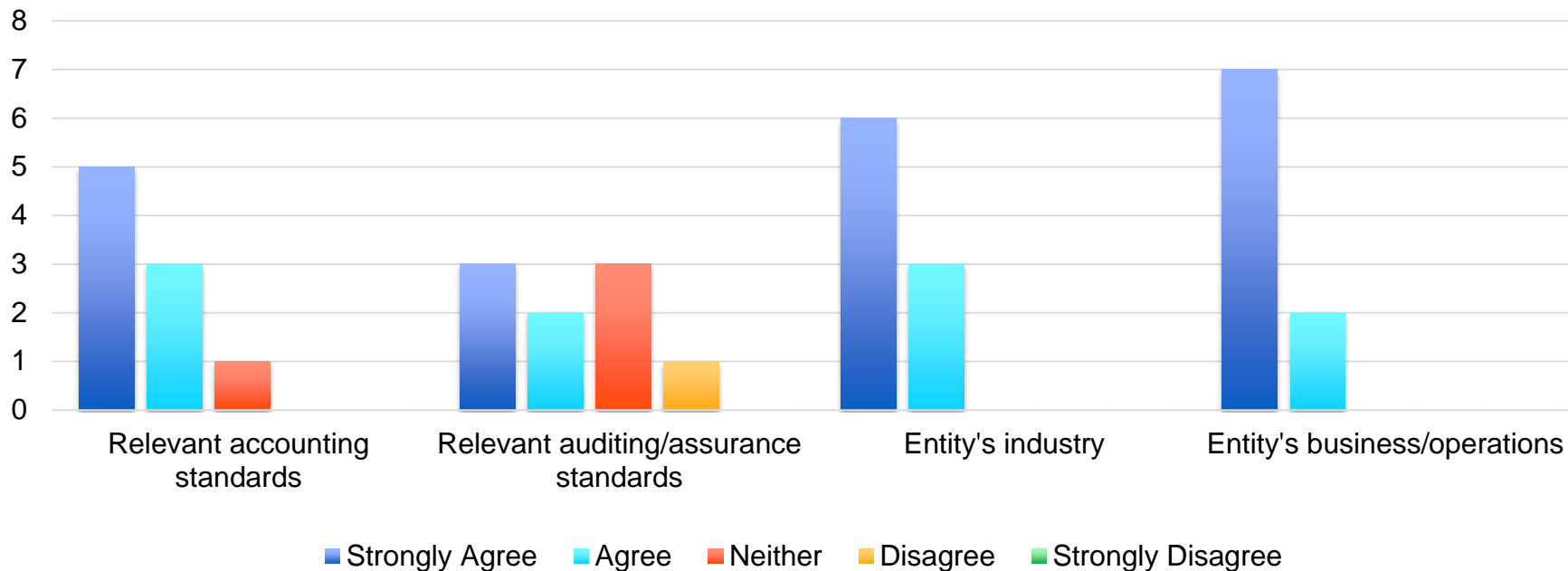
# PS Literature Review Task Force Survey Results

## Knowledge

# Knowledge

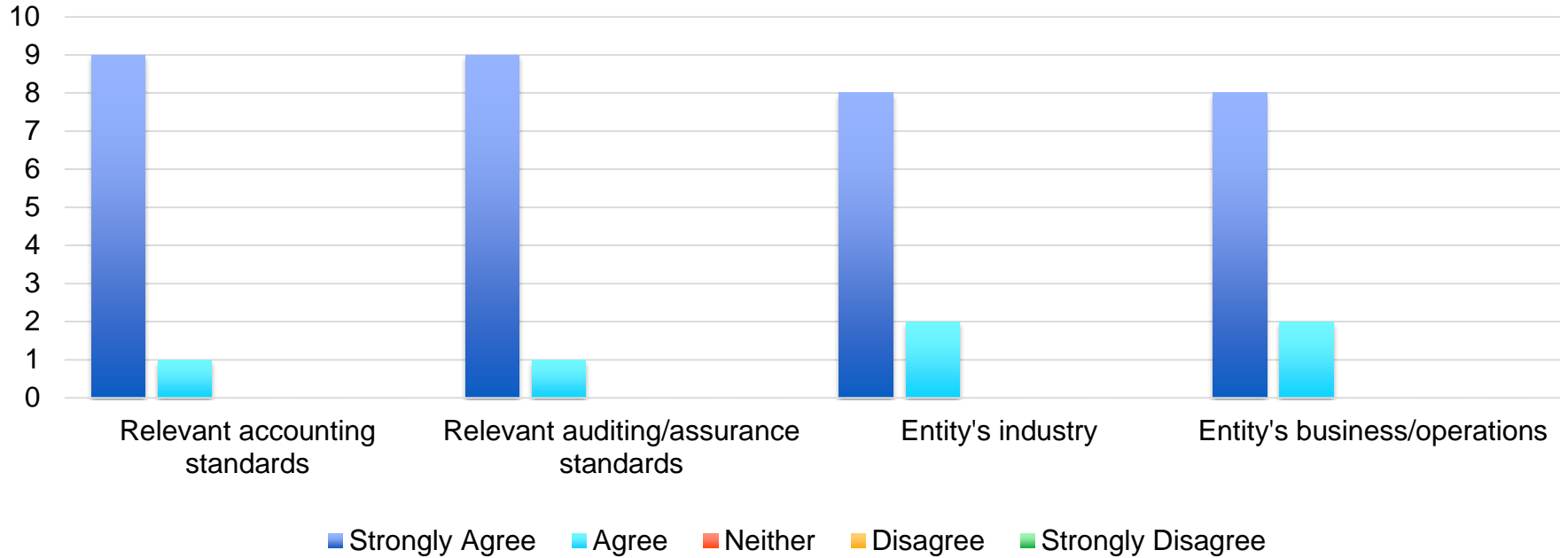


# Knowledge

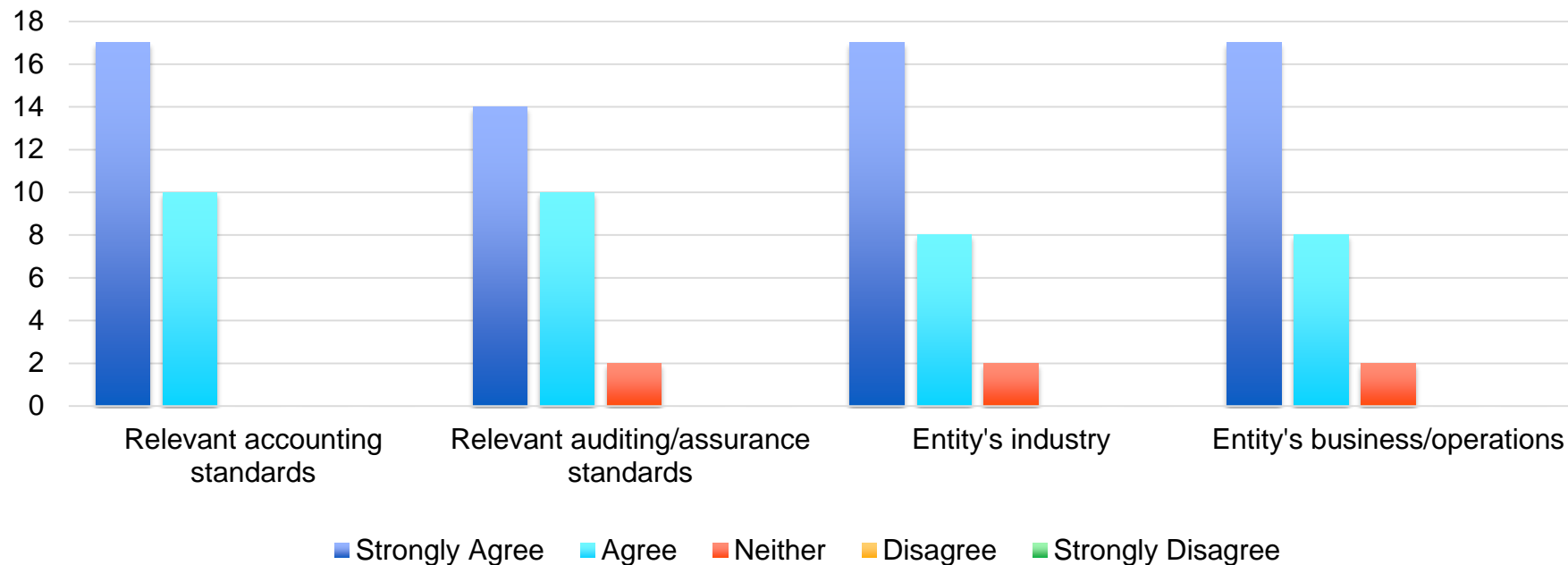




# Knowledge



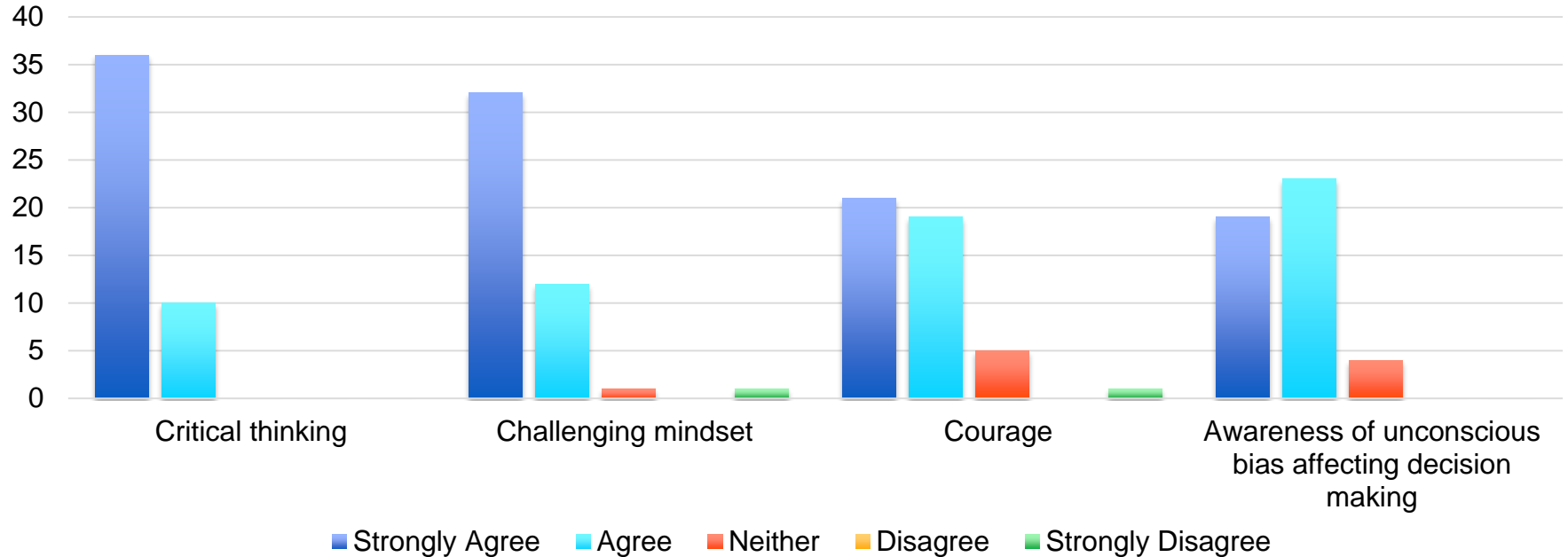
# Knowledge



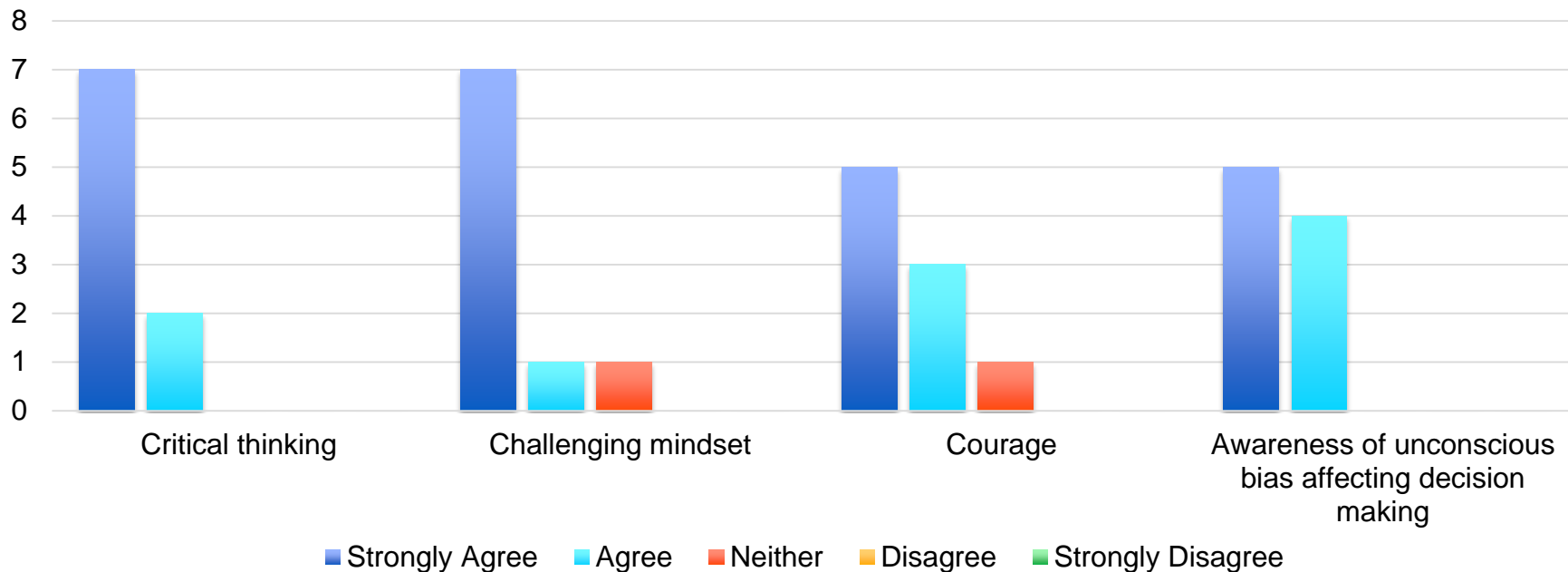
# PS Literature Review Task Force Survey Results

## Behavioral Factors

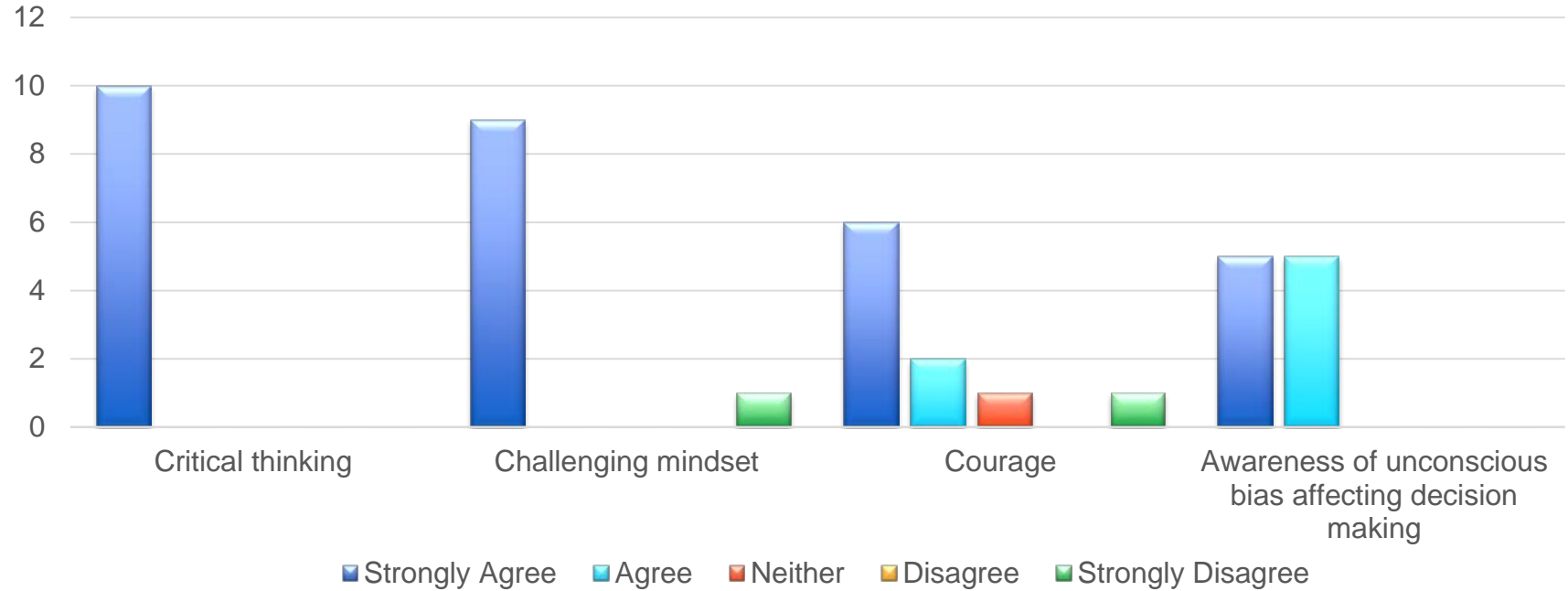
# Behavioral Factors



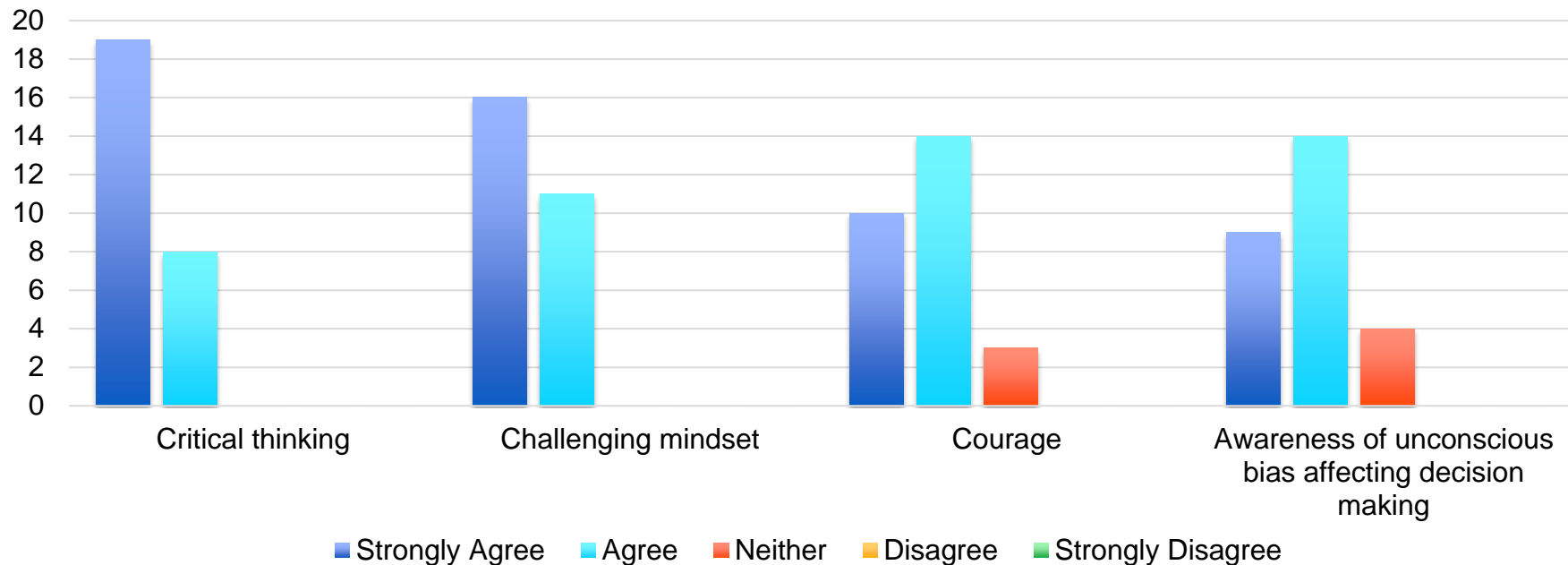
# Behavioral Factors



# Behavioral Factors



# Behavioral Factors

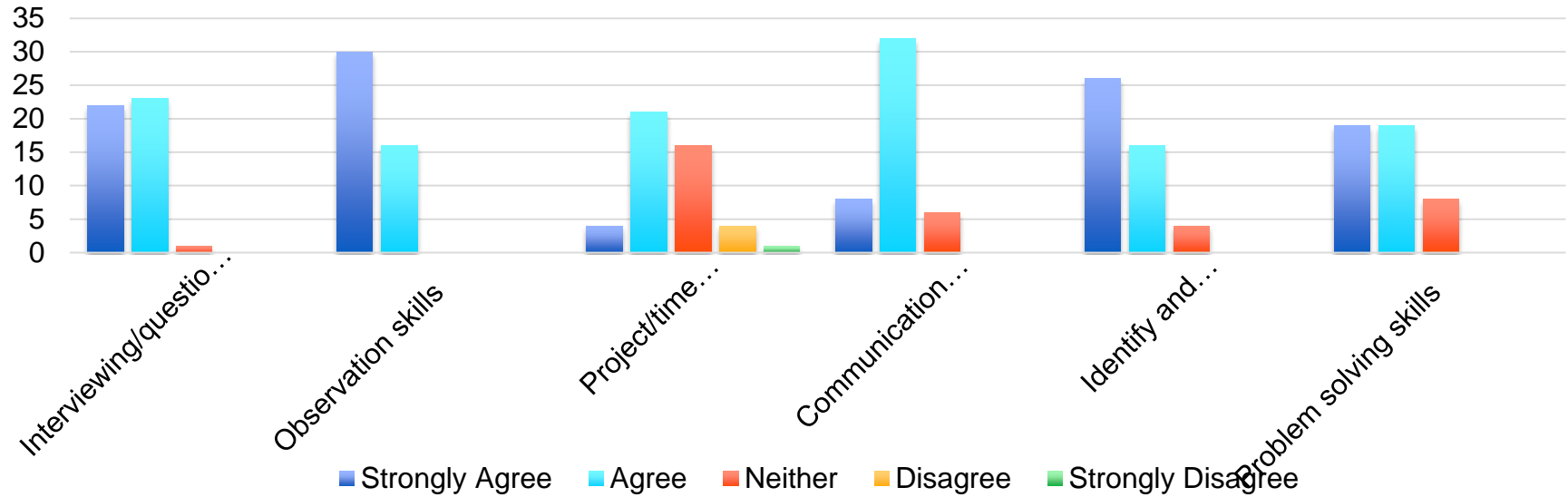


# PS Literature Review Task Force Survey Results

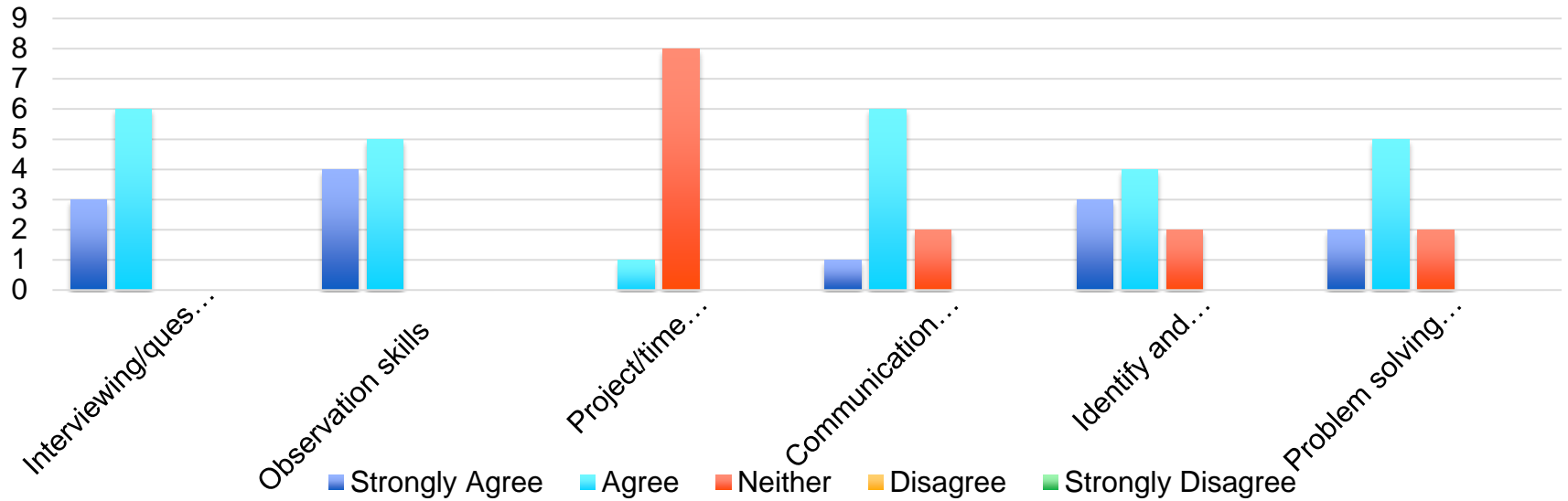
## Competence Factors



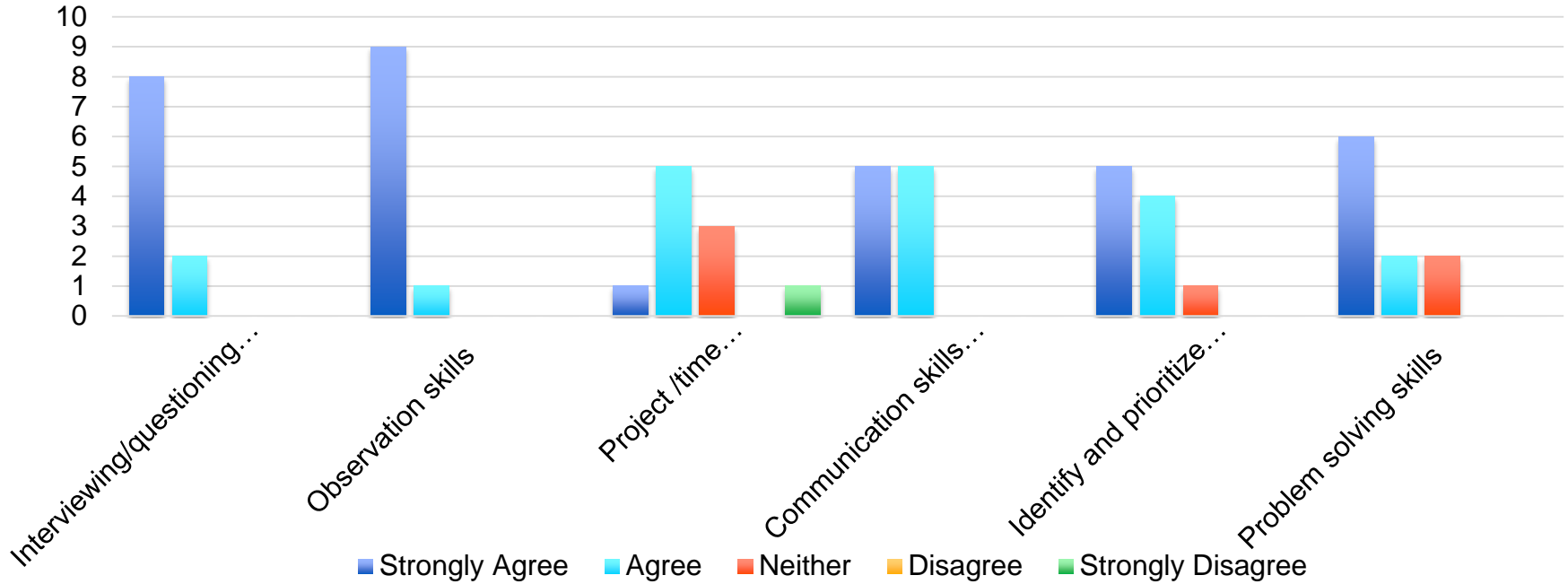
# Competence Factors



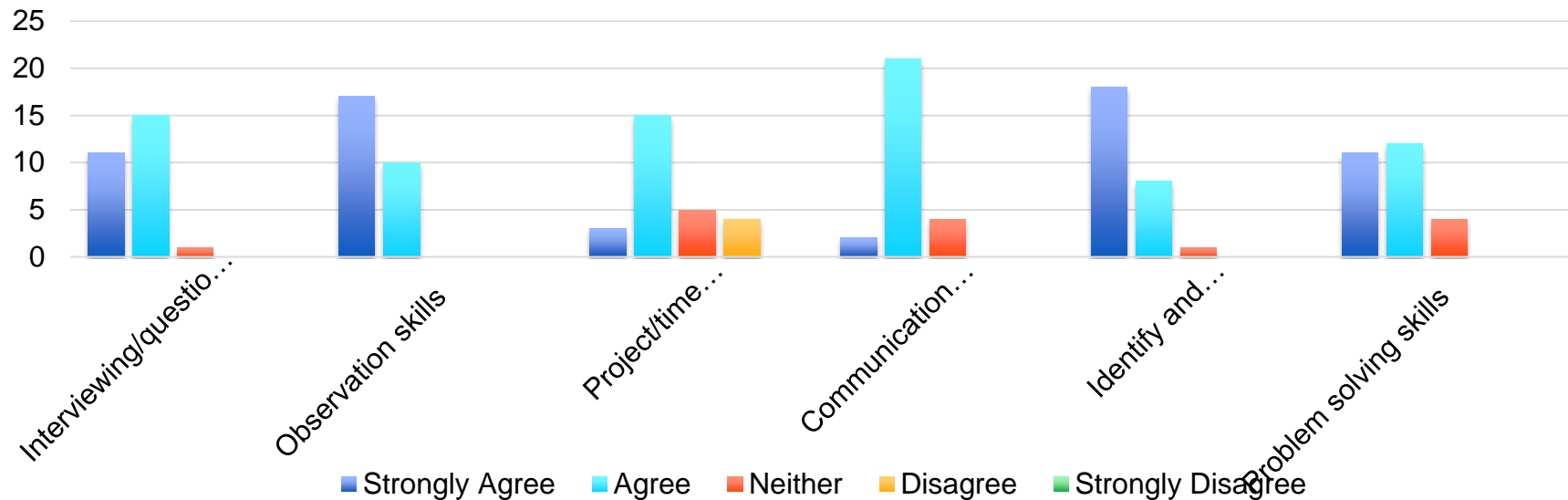
# Competence Factors



# Competence Factors



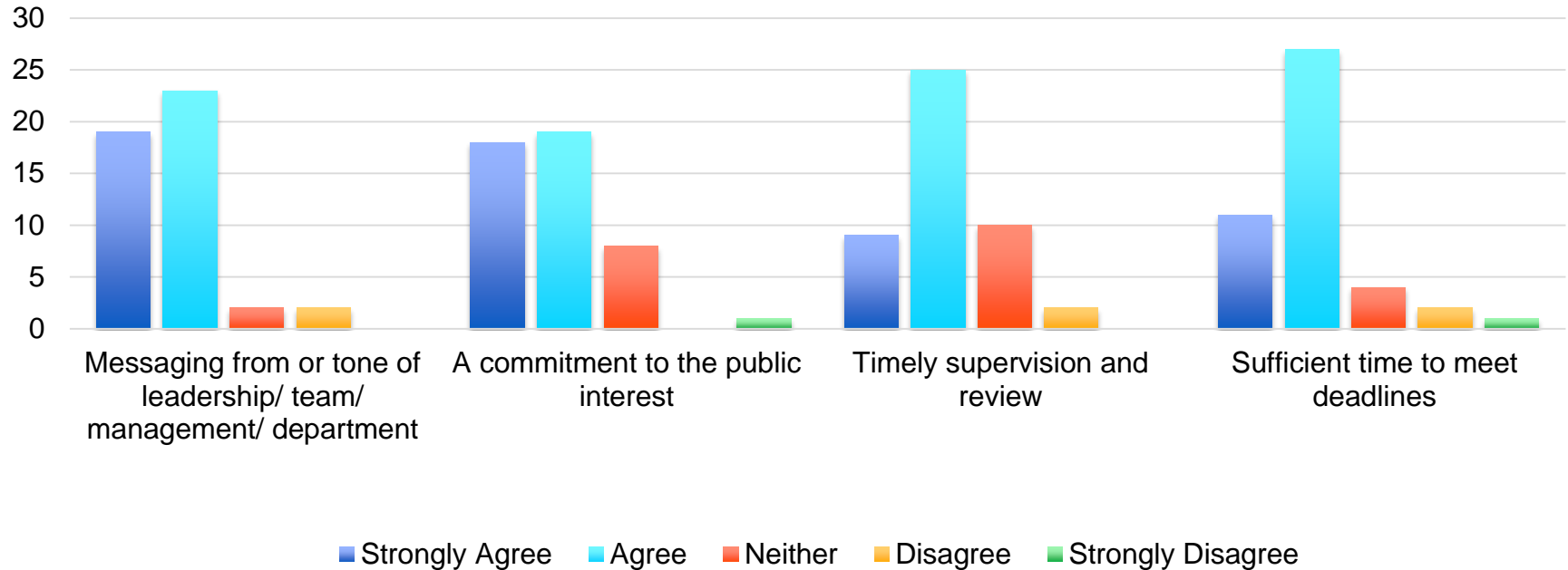
# Competence Factors



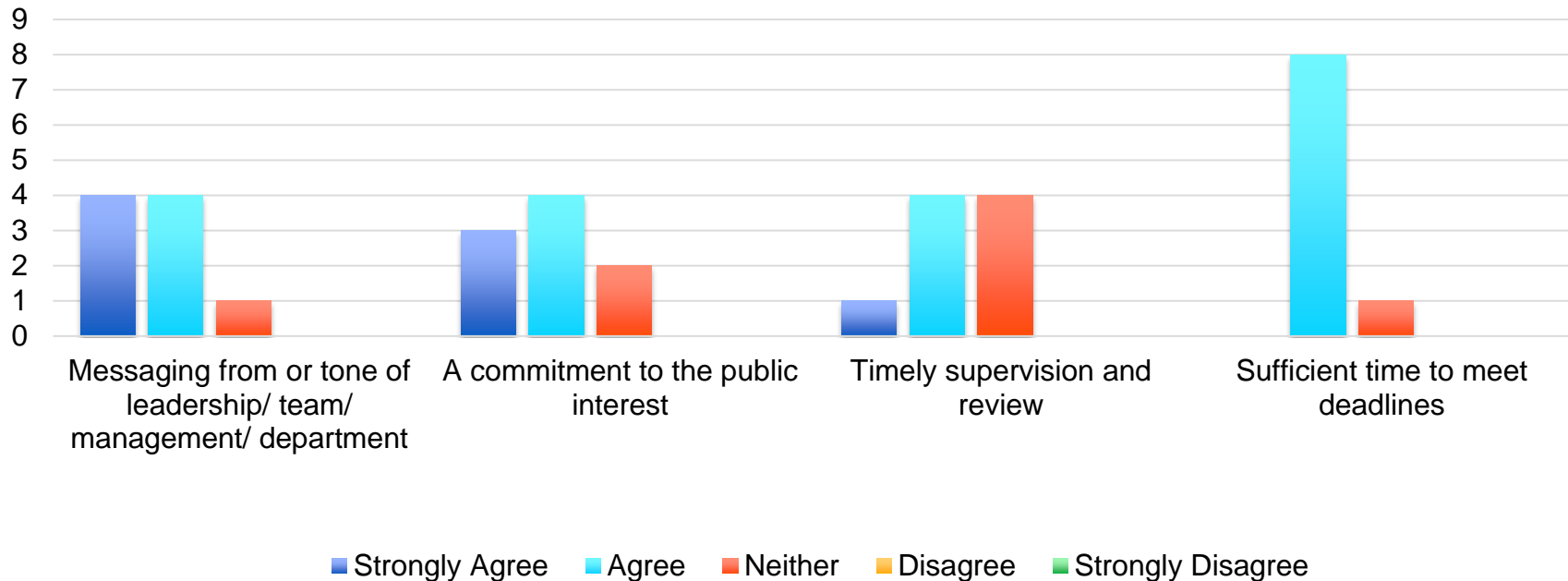
# PS Literature Review Task Force Survey Results

## Environmental Factors

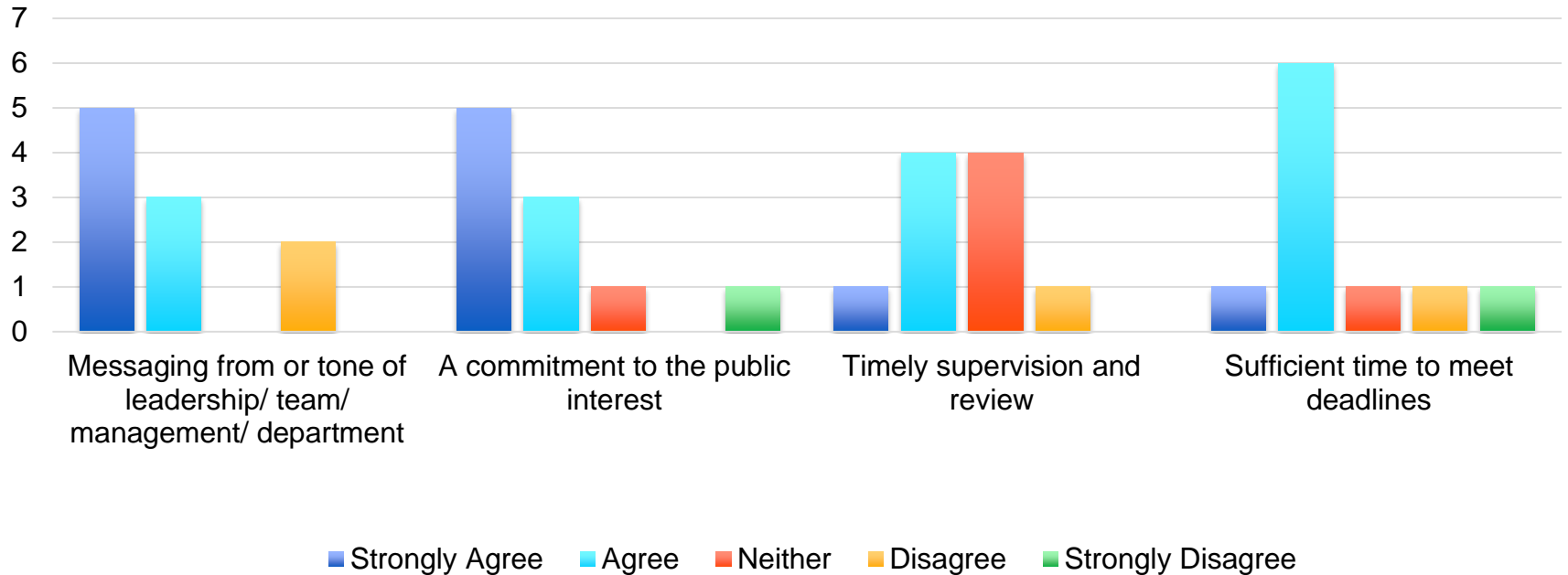
# Environmental Factors



# Environmental Factors

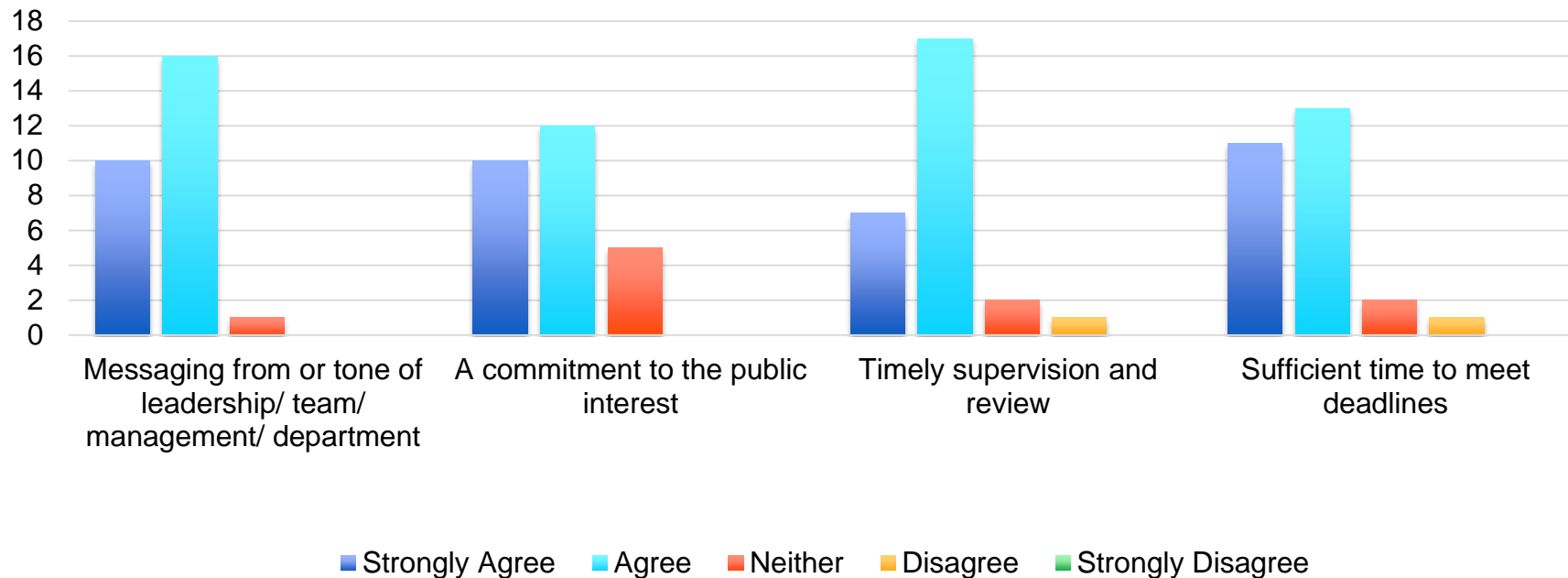


# Environmental Factors





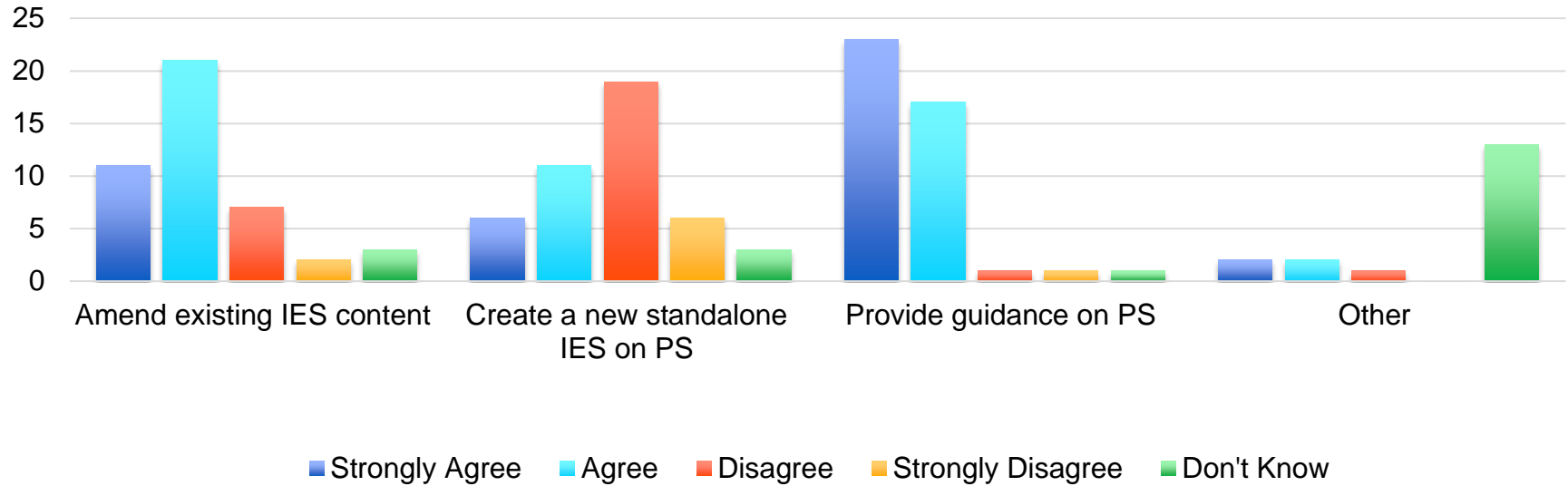
# Environmental Factors



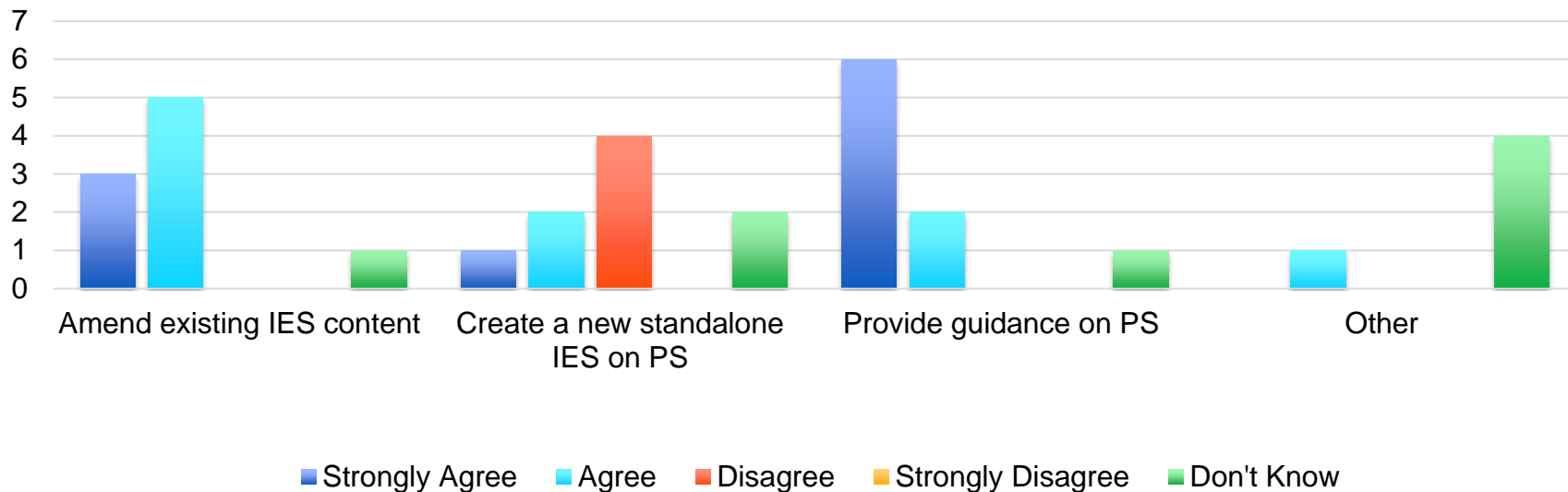
# PS Literature Review Task Force Survey Results

## Other Actions

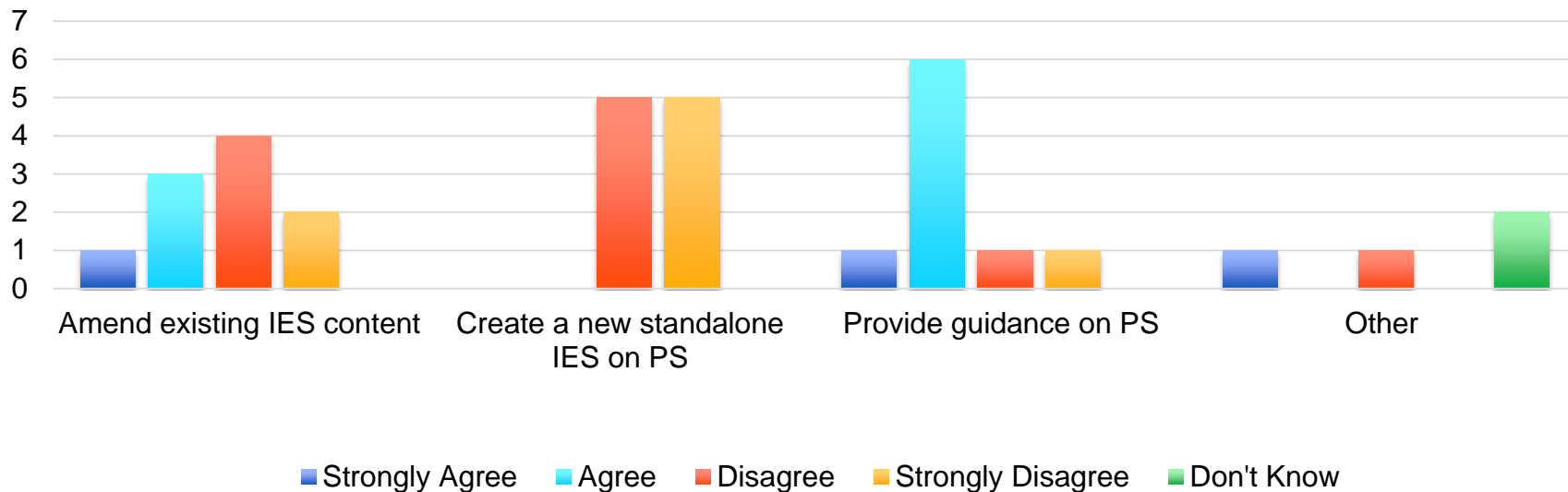
# IAESB Other Actions



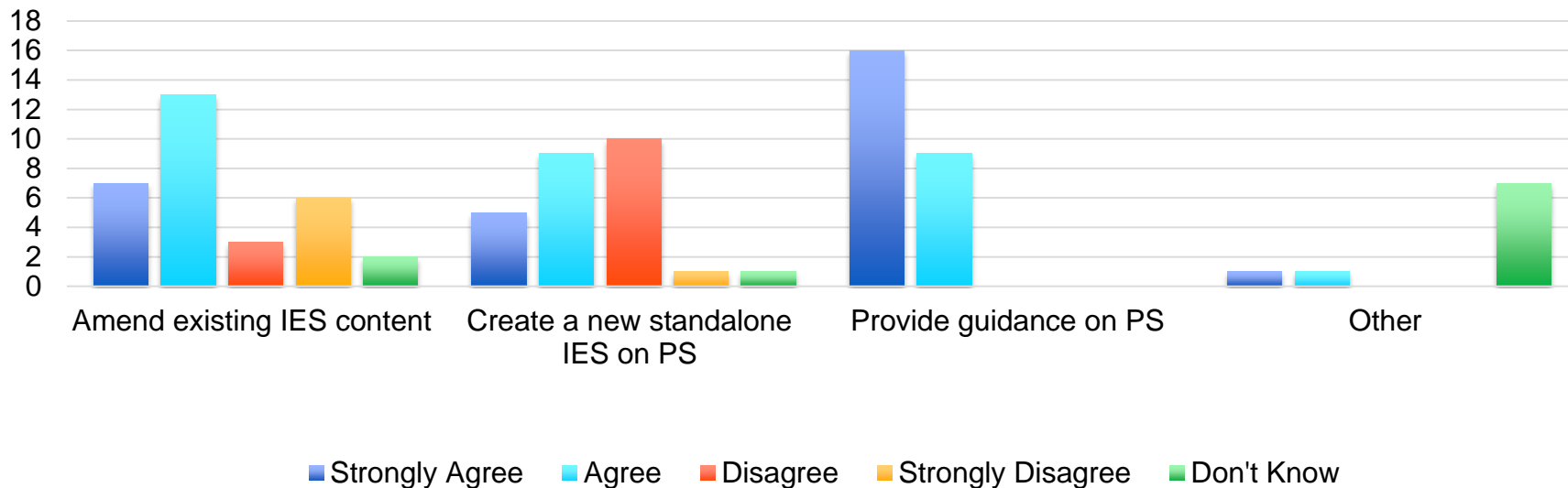
# IAESB Other Actions



# IAESB Other Actions



# IAESB Other Actions



## PS Literature Review Task Force Survey Results

Question: Are there other factors that are critical to the application of professional skepticism that have not been included in the list above?

## Are there other factors that are critical to the application of professional skepticism that have not been included in the list above?

- The ability to report findings/issues anonymously if necessary
- Implementation of an anti-retaliation policy for reporting potential issues
- Emotional Intelligence, diplomacy skills, interpersonal skills, leadership skills
- Professional skepticism must be applied within the context that the PAIB is part of the management and decision making team
- Professional skepticism must be applied in a positive, solution oriented manner consistent with the organization's risk appetite and competitive situation
- Error risk / Lack of knowledge / Lack of due diligence / Control risk / Detection risk
- Professional education environment



## Are there other factors that are critical to the application of professional skepticism that have not been included in the list above?

- Professional skepticism should only be directed to audit professionals
- Skepticism is relevant to accountants preparing tax returns, undertaking due diligence, in reporting roles in group organizations in fact in virtually all roles of professional accountants
- Ability to engage with experts other than professional accountants
- Ability to synthesize and evaluate information from a variety of sources including other experts
- Interpersonal skills, including influencing and conflict resolution skills
- Ability to use data analytics tools and interpret data to enable further investigation
- Over confidence or lack of confidence
- Fee / budget pressures
- Concerns over importance of client to firm and / or general assessment of client satisfaction
- Lack of consideration of contradictory evidence

# Are there other factors that are critical to the application of professional skepticism that have not been included in the list above?

- Knowledge of the Ethical Code, ethics
- Experience
- The number of rules, regulations, laws and others that have to be mastered for an audit is increasing year after year.
- Being so overwhelmed by other elements, auditors forget to apply "professional skepticism" by lack of time and budget
- Systems thinking
- Analysis of industry and company trend, organizations culture
- Ownership and financing
- Liberty of speech - providing a secure environment to help people in the organization feeling confident to share any doubt
- Statistical data and comparison with previous and assumptions for forward looking data

# PS Literature Review Task Force Survey Results

Question: What are the biggest obstacles (or challenges) that professional accountants face while exercising professional skepticism?

## What are the biggest obstacles (or challenges) that professional accountants face while exercising professional skepticism?

- Lack of understanding of the business/industry
- Lack of organizational support
- Lack of independence due to financial interest (auditors want to retain the client and PAIB are afraid of losing employment)
- Lack of protective mechanisms for victimization of professionals
- Culture of the organization/tone at the top is the most important
- Need a different term or description for PAIB (Professional skepticism is a well known requirement for an auditor in public practice. It is not and should not be the same for PAIB)

## What are the biggest obstacles (or challenges) that professional accountants face while exercising professional skepticism?

- Professional skepticism should be defined differently for auditors and PAIB
- Difficulty in making judgements and assessing information in areas where the professional accountant is not the expert
- Understanding when evidence is sufficient and appropriate
- IPD may not develop the depth of skepticism required
- Impact of goals and bonuses
- Accepted "culture"
- Exposure to a variety of different situations to learn / hone professional skepticism ability
- Budget and time constraints (reporting deadlines, heavy workloads, the availability and cost of more experienced staff)
- Lack of coaching or mentoring to develop the skills and competencies
- Difficulty in documenting the application of professional skepticism

# What are the biggest obstacles (or challenges) that professional accountants face while exercising professional skepticism?

- Professional skepticism is not a topic that is sufficiently touched in Universities during the Accounting careers, at least in Latin America
- The corruption on the business environment
- The auditors have to be reminded of their goals - most of the time, auditors have to juggle between serving the client and addressing public interest
- Since professional skepticism is an attitude that includes a questioning mind, then your ideas might be critical and might not lead always to audit evidence
- Insufficient knowledge of client and its industry
- Past relationships
- It's not easy to exercise professional skepticism when your fees are paid by the client.
  - When you think about the risk of losing the engagement and the client, the temptation to exercise in bad form your professional skepticism is high. If it was possible, we have to develop more strong independent situation in face of the audited entity.
- It is the most challenging when the issue requires expert knowledge (e.g. complex IT, complex accounting in financial sector) or when several views could be justified (e.g. judgement area)
- The right balance between professional skepticism and managing the client relationship

# What are the biggest obstacles (or challenges) that professional accountants face while exercising professional skepticism?

- Manner of clients
- Working environment in which he/she is working
- Authority to exercise professional behavior
- Leaders not caring about professional ethics, it will impair the professional skepticism mind set
- Lack of time allowed to carry out the work
- Service fee is low in order to retain experience accountants to carry out the work
- Changing the mindset of the way the auditors are doing
- Main obstacles are the cultural background and educational system
  - Thai culture is hierarchic with respect to seniority, resulting that challenging the more senior person is culturally challenging
  - The educational system is based on copying knowledge rather than analytical skills. In many classrooms it is fairly uncommon that students will ask questions.
- Familiarity risk
- Get the full picture of strategical data that should be disclosed by parties
- Understanding the client

## PS Literature Review Task Force Survey Results

Question: What training programs or learning and development are you currently using to help develop a professional accountants professional skepticism skills?



## What training programs or learning and development are you currently using to help develop a professional accountants professional skepticism skills?

- Training is part of leadership and communication skills, not just ethics
- Using classroom assessment and simulation, on-the-job training (practice), mentorship and discussions
- Analytics training to detect strange variances, including mistakes and/or errors

## What training programs or learning and development are you currently using to help develop a professional accountants professional skepticism skills?

- A Business Ethics course which is wider than professional codes of ethics
- On-the-job learning is key to assist the trainee
- Online training program that explores inherent cognitive biases and thinking processes underpinning judgements made by auditors
- Training programs to learn from the past examples of fraudulent accounting and financial reporting issues
- Training programs that explore actual findings and observations by regulators, JICPA quality review, and other quality monitoring processes
- Professional skepticism as a "topic" included CPD programs
- Professional skepticism embedded throughout all learning (examinations, professional development, practical training and ethics learning)

# What training programs or learning and development are you currently using to help develop a professional accountants professional skepticism skills?

- Training our people on Ethic and Independence topics, but we do not have a specific training program on Professional Skepticism
- Developed internal documents in order to train staff to be more aware of the required mindset with engagements
- Internal trainings
- No specific programs. I think, it's important to know the client ethic, his activity and operations, and also all the orientation and information given by the audit standard.
- Focus on "tone-on-the-top" and it is one of the objectives of the supervising staff to challenge the teams by asking questions
- Workshops on applying professional skepticism in particular circumstances (several illustrative "audit engagements")
  - These include a discussion of how to apply professional skepticism while doing analytical review, assessing inherent and control risks, on completion stage. These workshops are organized as a discussion moderated by partner/ senior manager.

# What training programs or learning and development are you currently using to help develop a professional accountants professional skepticism skills?

- Using Mazars Global training programs
- Providing on the job training to staff
- Delivered through annual training program
- The first step is to increase the analytical skills which is basically done as part of on the job training
- Detailed technical training program to train our auditors on possible mistakes they might find
- Business review and analysis of data review
- internal training provided by the network
- Teaching the staff how important the skeptical attitude to each client is and how important it is for an employee to reconsider what can go wrong
- IFRS Going concern, Local law and regulations, Auditing Accounting Estimates and Related Disclosures
- Application of professional skepticism is stressed in core training for all staff and re-emphasised for senior staff and partners through periodic training

## PS Literature Review Task Force Survey Results

Question: Do you believe the concept of professional skepticism is relevant to preparers of financial information? If so, indicate why.

Do you believe the concept of professional skepticism is relevant to preparers of financial information? If so, indicate why.

- YES
  - Preparers of financial information are the first line of defense for the public and are a critical element of providing assurance to investors and stakeholders
  - PAIB are more than preparers of financial information (need to consider entire realm of PAIB responsibilities)
  - Judgement required
  - Preparers of financial information need to challenge information provided from other sources within the organization

## PS Literature Review Task Force Survey Results

Question: How important do you believe other behaviors (e.g., courage) are in the application of professional skepticism by preparers of financial information? Please explain.

How important do you believe other behaviors (e.g., courage) are in the application of professional skepticism by preparers of financial information? Please explain.

- Putting the public first takes courage
- Courage is critical for a professional to stand and speak up on issues they are questionable
- Professional attitude is more important than courage
- Professional skepticism is multi-faceted and requires a range of behavioral competences, not just courage



## PS Literature Review Task Force Survey Results

Question: How important do you believe other behaviors (e.g., courage) are in the application of professional skepticism by professional accountants?

## How important do you believe other behaviors (e.g., courage) are in the application of professional skepticism by professional accountants?

- No evidence that other behaviors have a major influence on the application of professional skepticism by professional accountants
- The use of the term "courage" in connection with professional skepticism is misplaced
- Strong
- Self-confident
- Rational and logical
- Resilient
- Empathetic
- Courageous
- Prioritize public interest is important
- Knowledge of mechanism about how the judgment fails (e.g., judgment bias, relationship with time and human resources, etc.)

## PS Literature Review Task Force Survey Results

Question: Indicate what steps has your organization has taken or intends to take to improve the application of professional skepticism in professional accountants.

## GAA

Indicate what steps has your organization has taken or intends to take to improve the application of professional skepticism in professional accountants.

- Key strategic objective to enhance the appreciation and practice of ethical principles
- Nothing specific done, under continuous review
- Published a practical guide providing guidance on the exercise of professional skepticism at different stages of an audit.
- Published a series of videos on fraud where members share their insights on fraud
- Professional ethics courses
- Publishes books of audit case studies where actual fraud case studies and audit failure are discussed
- The AICPA Examination Team has recently convened a small working group of practitioners and academics to provide expectations around how a newly licensed CPA would demonstrate professional skepticism

## PS Literature Review Task Force Survey Results

Question: What steps has your organization (include initiatives undertaken at the member firm and global network firm levels) taken to improve the application of professional skepticism in staff and partners?

## What steps has your organization (include initiatives undertaken at the member firm and global network firm levels) taken to improve the application of professional skepticism in staff and partners?

- Discussion sessions and training
- Through continuous training
- We have not already defined clearly the steps we need to take to improve the application of professional skepticism. We are thinking...
- Placing emphasis on this topic - training staff based on cases
- We have case studies, webinars and skepticism is one of the important parts of our training agenda
- On the job training
- Discussing case studies
- Organize annual training on professional skepticism for all levels
- International file reviews - learning by example
- Training procedures and a specific focus on this topic over the engagements
- Special focus on professional skepticism during the training session, with key message : Applying professional skepticism throughout the audit enables to perform a good risk approach

## What steps has your organization (include initiatives undertaken at the member firm and global network firm levels) taken to improve the application of professional skepticism in staff and partners?

- Presenting case studies from practice with emphasis how professional skepticism is important
- Internal trainings, general awareness, on-job handholding
- Training on professional skepticism in general for all auditors from juniors to partners Training on ISAs Communication on quality Enhanced supervision
- Training Tone at the top Being a good example
- Set up standards and reviewing the correct usage of the standards
- Reinforcing the application of professional skepticism through our audit methodology guidance, professional framework, performance appraisal system and training and development

## PS Literature Review Task Force Survey Results

Question: When recruiting staff and partners do you consider their ability to apply professional skepticism prior to hiring? If yes, please indicate how this is evaluated.



## When recruiting staff and partners do you consider their ability to apply professional skepticism prior to hiring? If yes, please indicate how this is evaluated.

- No or not specifically (6 respondents)
- Through a discussion about the background of Fraud questionnaire and the reaction in case of conflict of audit evidence
- Developed a written test and candidate professional skepticism are tested in different scenarios
- Questions relate to the professional skepticism
- Apply several test on technical knowledge and English speaking capabilities. Coming from an educational system that is teaching students by copying, not much professional skepticism is to be expected once hired. We will need to train that on the job.
- Practical case study
- Ask certain questions
- Use case studies to identify staff abilities

## When recruiting staff and partners do you consider their ability to apply professional skepticism prior to hiring? If yes, please indicate how this is evaluated.

- In recruiting process we evaluate good technical accounting skills by performing tests.
  - Only persons which pass the test are selected for interviews
  - In interviews we evaluate sincerity in responding to the questions and logic of answering the questions
- We check the approach to the audit work during our interview
- Recruitment considers whether a candidate demonstrates behaviors consistent with our professional framework