

**Professional Skepticism – Meeting Public Expectations**  
**Draft Consultation Paper**

(IESBA March 2018 Meeting- Agenda Item 2-A)

Commented [RJHF1]: Amended to reflect the discussion at the Board meeting and the various emailed comments received from Reyaz, Caroline, Robert, Ian, and Brian F.

**I. Introduction**

1. The purpose of this Consultation Paper is to seek input on the IESBA's consideration of the longer-term professional skepticism issues, including those summarized in the August 2017 Joint Professional Skepticism Working Group (PSWG) publication, [Toward Enhanced Professional Skepticism](#).<sup>1</sup> The Consultation Paper is organized into three sections which explore:

- (a) The behavioral characteristics comprised in professional skepticism;
- (b) Whether ~~those behavioral characteristics should be applied by~~ all professional accountants ~~should apply these behavioral characteristics~~; and
- (c) Whether ~~refinements to~~ the Code ~~should be further developed~~, and/or other actions outside of the Code ~~should be undertaken~~, to address ~~behaviors behavioral characteristics~~ associated with the ~~application-exercise~~ of appropriate professional skepticism.

Through this consultation, the IESBA aims to support and reinforce the effective ~~application-exercise~~ of professional skepticism by professional accountants in audit and ~~other~~ assurance engagements, ~~and, in doing so, the IESBA aims to~~ develop an approach that will increase confidence in the financial or other information with which ~~professional accountants they~~ are associated.

**II. Background**

2. Over the past few years, there have been continuing calls for the Standard Setting Boards<sup>2</sup> to enhance the way in which existing material in their standards addresses professional skepticism:
- (a) In response to the IAASB's December 2015 Invitation to Comment (ITC), [Enhancing Audit Quality in the Public Interest: A Focus on Professional Skepticism, Quality Control and Group Audits](#),<sup>3</sup> many commentators called for a more consistent ~~application-exercise~~ of appropriate professional skepticism by professional accountants in the context of audit and ~~other~~ assurance engagements. In addition, a few commentators specifically called for the ~~application-exercise~~ of "professional skepticism" by all professional accountants.<sup>4</sup> Others, recognizing that the concept of professional skepticism applies to all professional accountants in the IAESB's standards (i.e., International Education Standards (IESs) 2, 3 and 4), have suggested the need for the three Standard Setting Boards to coordinate their activities to ~~affect-develop~~ a holistic

<sup>1</sup> This publication was the result of the collaboration and consultation among [the International Auditing and Assurance Standards Board \(IAASB\)](#), IESBA, and [International Accounting Education Standards Board \(IAESB\)](#).

<sup>2</sup> The [International Auditing and Assurance Standards Board \(IAASB\)](#), [International Ethics Standards Board for Accountants \(IESBA\)](#), and [International Accounting Education Standards Board \(IAESB\)](#)

<sup>3</sup> [The ITC \(pages 11-15\) provides further background regarding how the IAASB's standards address professional skepticism, factors influencing professional skepticism \(with reference to relevant concepts in the standards of the IESBA and IAESB\), the roles of individual auditors, firms and others, and related stakeholder calls for action.](#)

<sup>4</sup> CFA Institute, European Banking Authority (EBA)

approach to the topic of professional skepticism across the various standards promulgated by each of the respective boards.<sup>5</sup>

- (b) Separately, in responding to IESBA Exposure Drafts (EDs),<sup>6</sup> ~~some a~~ stakeholders<sup>7</sup> suggested that the IESBA consider how the Code should address professional skepticism beyond audit and other assurance engagements. ~~Those-This~~ stakeholders expressed the view that the concept of “professional skepticism” should be relevant to all professional accountants – not just professional accountants who perform audit and other assurance engagements.
- (c) The view that all professional accountants should ~~apply-exercise~~ “professional skepticism” has also been expressed independently of the most recent IESBA EDs and actively promoted by others - in particular, the International Forum of Independent Audit Regulators (IFIAR) as well as the Public Interest Oversight Board (PIOB), and a number of representatives of the IAASB and IESBA Consultative Advisory Groups (CAGs).<sup>8</sup> Some of these stakeholders are of the view that preparers and others in the financial reporting supply chain should also be required to ~~apply-exercise~~ “professional skepticism” because “auditors cannot be expected to detect and resolve all problems as part of the audit and at the very end of the process.”<sup>9</sup> Appendix 21 sets out the approach to professional skepticism taken by a number of other international and national standard setters ~~and other organizations~~.

- 3. In considering the detailed comments of stakeholders summarized above, ~~it appears to the IESBA that~~ professional skepticism ~~is appears to be~~ a term used to encompass a variety of behavioral characteristics. Additionally, it appears ~~that~~ professional skepticism may mean something different to different people - particularly in relation to how it should apply to professional accountants who practice in different areas (e.g., audits, non-audit services, preparing financial statements, management ~~oversight, and~~ governance). Other than in the audit and assurance context, there is no definition of professional skepticism<sup>10</sup>. It is a difficult concept to define in a way that is easy to understand and generally accepted by both the profession and other stakeholders.
- 4. In the [International Code of Ethics for Professional Accountants \(including International Independence Standards\)](#) (“the restructured Code”), there are limited references to professional skepticism, and they only exist in the context of independence standards applicable to audit and ~~other~~ assurance engagements. There is no ~~reference to, nor general~~ requirement that all professional accountants ~~apply-exercise~~ professional skepticism.

<sup>5</sup> Accountancy Europe (AE), Chartered Accountants Australia and New Zealand (CAANZ), Grant Thornton International, Haut Conseil du Commissariat aux Comptes (H3C), IFAC Professional Accountants in Business (PAIB) Committee, Wirtschaftsprüferkammer (WPK)

<sup>6</sup> IESBA Exposure Drafts: [Proposed Changes to Certain Provisions of the Code Addressing the Long Association of Personnel with an Audit or Assurance Client](#), and [Proposed Changes to Part C of the Code Addressing Presentation of Information and Pressure to Breach the Fundamental Principles](#).

<sup>7</sup> The International Organization of Securities Commissions (IOSCO)

<sup>8</sup> For example, the International Accounting Standards Board, International Corporate Governance Network, and Basel Committee on Banking Supervision. See also, the September 2016 minutes of the joint IAASB and IESBA CAGs relating to the topic of Professional Skepticism, available ~~at~~ on the IESBA's [website](#).

<sup>9</sup> See minutes of [IESBA CAG meeting, March 2017](#).

<sup>10</sup> Whilst the IAESB's standards refer to professional skepticism in a broad context, and not just in relation to audit or assurance, the definition used in the IESs is the same as that used by ~~the~~ IAASB in its standards.

### III. Invitation to Comment

#### The Behavioral Characteristics Comprised in Professional Skepticism

5. Public and private organizations depend on professional accountants to perform a wide range of services, often in connection with information generated by and about the organization. The IESBA believes that, ~~amongst a number of factors~~<sup>44</sup>, the public expects information with which a professional accountant is associated to have been prepared with the benefit of the professional accountant's skills and experience so that that information can be relied upon for its intended use.
6. Additionally, there appear to be public expectations as to the **manner** in which such skills and experience are applied. A concept used by some to describe the expected manner or approach to be applied by professional accountants is "with professional skepticism".
7. To obtain a clearer understanding of expectations expressed by some in relation to the concept of "professional skepticism" in this more general context, a detailed review of the various consultation responses described in paragraph 42 above was carried out by the IESBA's Professional Skepticism Working Group to determine the particular behaviors and actions expected of professional accountants generally. From this detailed review, it appears that these commentators believe that professional accountants should:
  - Obtain and understand information relevant for making reliable judgments based on facts and circumstances known to them.
  - Make informed challenges of views developed by others.
  - Be sensitive to the integrity of information, including the provenance of the information and the appropriateness of its presentation.
  - Withhold judgment pending thoughtful consideration of all known and relevant available information.
  - Be alert to potential bias or other impediments to the proper application-exercise of professional judgment.
  - Have the ability and willingness to stand their ground when facing pressure to do otherwise<sup>12</sup>.
8. Having reflected on the analysis summarized in paragraph 7 above, the IESBA believes that professional skepticism has in many respects become a "catch all" term that is used inconsistently to capture the behaviors and actions that the public expects professional accountants to demonstrate when performing professional activities.
9. Because of the disparate ways in which the term professional skepticism is used, the IESBA has sought to articulate the behavioral expectations by the public of/has-for all professional accountants that has/ve led to the calls for all professional accountants to apply-exercise "professional skepticism." Such expectations s also serve/s as a means to examine more specifically root causes giving rise to the concerns that professional accountants, especially auditors, do not apply-exercise appropriate professional skepticism.

<sup>44</sup> ~~Other factors include integrity, honesty and professional competence.~~

<sup>12</sup> See ICAS, "Moral Courage," Power of One series, for a discussion of the concept of "moral courage."

10. Whether it is appropriate to expect all professional accountants to apply all or any of the characteristics and actions identified in paragraph 7 depends upon the nature and context of the work being undertaken and the nature of the particular role or position of the professional accountant. Against this background, it appears to the IESBA believes that the appropriate articulation of the behavior expected of professional accountants is that they should be expected to:

- (a) Approach professional activities with an impartial and diligent mindset; and
- (b) Apply thatis mindset, together withand relevant professional expertise, to the evaluation of information with which they are associated.

It is appropriate to note that this articulation of the behavior expected of all professional accountants would apply to information of any nature with which the professional accountant is associated. As a result, in addition to promoting integrity throughout the financial reporting supply chain, it will address the responsibility of professional accountants when assembling and reporting on data of a non-financial nature (as is increasingly the case).

11. For the avoidance of doubt, the behavior expected of all professional accountants would be expected to apply to those professional accountants undertaking audit and other assurance engagements. That is because the IESBA believes that such behavior is compatible with and supportive of the exercise of professional skepticism as defined in the IAASB's auditing and assurance standards.

12. Commentators acknowledge, and numerous research papers and topical articles indicate, that an important aspect of applying/exercising appropriate professional skepticism in an audit context is the professional accountant's ability to identify and respond to bias, preconceptions, pressure and other impediments. Such impediments also impact the ability of a professional accountant to adopt and maintain an impartial and diligent mindset in carrying out other types of professional activities.

#### **Should all Professional Accountants Exercise the Behavior Described in Paragraph 10 Apply These Behavioral Characteristics?**

13. The IESBA is of the view that because the public's expectation of the profession rarely takes into account the different roles that an individual professional accountant may be undertaking, the public believes that all professional accountants should have the mindset summarized in paragraph 10 above, and apply that mindset in the course of their professional activities.

14. Whilst the IESBA believes there is an impartial and diligent mindset expectation of the profession at large and all professional accountants that comprise it, it also recognizes that the nature and extent of the actions to be taken by the professional accountant in order to demonstrate behavior appropriate to the particular circumstances will depend upon a range of factors, including:

- The role and experience of the professional accountant. For example, the expectation of a senior financial officer in a corporation will be different to that of a junior member of the accounting function.
- The type of work and the degree of risk involved and, therefore, the level of expertise expected. For example, the assessment of complex accounting issues relating to financial instruments carries with it a higher level of risk compared with that involved inrequires different skills to the monitoring of the value and recoverability of accounts receivabledebtors.
- The potential significance or implications of the decisions to be made on the basis of the work undertaken. For example, judgments that could determine whether financial covenants have

been complied with will generally require the ~~application-exercise~~ of greater professional judgment than the calculation of gains or losses on investments.

- [The competence and/or motivation of the person providing the information being evaluated.](#)

**Should ~~Refinements~~ Changes to the Code and/or Other Actions Outside of the Code be Undertaken to Address Behavioral Characteristics Associated with “Professional Skepticism?”**

14.15. Some commentators have observed that the behavioral characteristics highlighted in ~~this Paper~~ [paragraph 10 above](#) are already implicitly embedded in the Code’s fundamental principles (see Appendix ~~24~~), principally ~~in~~ Integrity, Objectivity and Professional Competence and Due Care (see Table 1 below). They therefore believe there is no need for additional requirements in the Code.

**Table 1**

Expected Behavior identified by Commentators	Behavioral characteristics expected of all Professional Accountants <sup>13</sup>	Related Fundamental Principles
Obtain and understand information relevant for making reliable judgments based on facts and circumstances known to the professional accountant.	Impartial and diligent mindset and professional expertise when undertaking professional activities, including applying this mindset and relevant professional expertise to evaluate information with which they are associated.	Professional Competence and Due Care
Make informed challenges of views developed by others.	Impartial and diligent mindset	Professional Competence and Due Care
Be sensitive to the integrity of information, <a href="#">including the provenance of the information and the appropriateness of its presentation.</a>	Impartial and diligent mindset and professional expertise when undertaking professional activities, including applying this mindset and relevant professional expertise to evaluate information with which they are associated.	Integrity Professional Competence and Due Care

<sup>13</sup> [The other behavior identified by commenters, namely to be alert to potential bias, etc., is usually associated with objectivity as explained in paragraph 12 is intended to be addressed separately.](#)

Expected Behavior identified by Commentators	Behavioral characteristics expected of all Professional Accountants <sup>13</sup>	Related Fundamental Principles
Withhold judgment pending thoughtful consideration of all <a href="#">known and relevant available</a> information.	Impartial and diligent mindset and professional expertise when undertaking professional activities, including applying this mindset and relevant professional expertise to evaluate information with which they are associated.	Professional Competence and Due Care
<del>Be alert to potential bias or other impediments to the proper application of professional judgment.</del>	<del>Applies professional expertise and identifies and effectively responds to bias, preconceptions and pressure.</del>	Objectivity
Ability and willingness to stand their ground when facing pressure to do otherwise.	Impartial and diligent mindset.	Integrity

[As noted in paragraph 7, commentators expect professional accountants to be alert to potential bias and other impediments to the proper exercise of professional judgment. That behavior is a component of an impartial and diligent mindset – and is closely linked to the fundamental principle, Objectivity.](#)

15-16. The IESBA recognizes that these behavioral characteristics may correlate to or be components of one or more of the Code’s existing fundamental principles. Notwithstanding this correlation, there continue to be concerns expressed publicly about the way ~~P~~professional ~~S~~skepticism is [applied exercised](#) in the course of audit and [other](#) assurance engagements. Furthermore, as described in paragraphs 5-11 above, there is a public expectation that information with which a professional accountant is associated can be relied upon for its intended use, as well as the continuing calls for all professional accountants to approach their work “with professional skepticism”. These “expectation gaps” suggest that either:

- (a) The Code does not contain adequate material in support of the fundamental principles or to establish the behavioral characteristics of a professional accountant; or
- (b) Professional accountants do not properly understand and adhere to the Code; or
- (c) Some combination of (a) and (b).

Against this background, the IESBA has been urged to enhance the Code specifically to promote the effective [application exercise](#) of “professional skepticism” by all ~~P~~professional ~~a~~ccountants.

~~16-17.~~ In response, the IESBA has identified a number of different ways in which it might amend or supplement the Code to clarify the behavioral characteristics expected of all ~~P~~professional ~~A~~ccountants summarized in paragraph 10 above and so address stakeholder concerns related to the ~~application-exercise~~ of appropriate “professional skepticism.” These options are not mutually exclusive. Elements of some ~~or all~~ of them in combination might be deemed appropriate to address public expectation gaps.

### Professional Skepticism

~~17-18.~~ One option might be to require all Professional Accountants to ~~apply-exercise~~ ~~P~~professional ~~S~~skepticism” in the manner defined in the International Standards on Auditing, namely:

*“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 the evidence.”*

This approach would have the advantage of using an existing definition and terminology that is well-established.

However, whilst the definition focuses on *“an attitude that includes a questioning mind”*, it does so in an audit and assurance context, emphasizing the assurance concepts of ‘*misstatement*’ and ‘*evidence*’, which are not appropriate for general application by all professional accountants.

Furthermore, some commentators contend that if the same term were to be used in a different context it might dilute or otherwise adversely affect the understanding and application of ~~P~~professional ~~S~~skepticism in the context of audit and other assurance engagements, and therefore be detrimental to the public interest.

Another concern is that the requirement to ~~apply-exercise P~~professional ~~S~~skepticism, as defined, might affect the nature and extent of the work effort involved in the provision of professional services other than assurance services by professional accountants in public practice ~~—for example, the work effort required in financial statement compilation or tax return preparation might increase.~~

### Professional Skepticism Re-defined

~~18-19.~~ A second option might be to require all professional accountants to ~~apply-exercise~~ ~~P~~professional ~~S~~skepticism”, but to develop a different definition that would be appropriate for all types of professional activity.

If this approach were adopted, the definition of “professional skepticism” would encapsulate the behavioral characteristics described in paragraph 10 above, ~~namely such as:~~

*“Approaching professional activities with an impartial and diligent mindset and applying that mindset and relevant professional expertise to the evaluation of information with which they are associated.”*

~~For the reasons discussed in paragraph 14, the related application material would need to address the differential expectations of professional accountants depending upon the roles expected of them, their seniority and their experience (‘scalability’).~~

This approach ~~is, while~~ attractive because it would use the term most generally used to describe behaviors associated with professional skepticism. ~~However, the IESBA is concerned that it could,~~

risks creating confusion through the use of one term to refer to two different types of behaviors and expectations, namely:

- The behavior required of all professional accountants by the Code, and
- In the case of professional accountants involved in audit or other assurance engagements, the behavior required by the IAASB standards.

That confusion could be exacerbated by the need to introduce application material to address the concept of scalability.

#### Developing Another Term and Definition

19.20. If it is not considered appropriate to use the term professional skepticism for all professional accountants, another option might be to develop a different term to use with the definition in paragraph 19.(ii) above.

In search of alternative terms and formulations, the IESBA has considered literature reviews, survey results and other definitions. Appendix 12 sets out Definitions and Explanations identified in the course of that review which have been developed for assurance and other contexts.

Because the mindset or attitude of a professional accountant is a common thread in discussions of the behavior often described as "professional skepticism", examples of a term (other than "professional skepticism") that could be used for a new definition (paragraph 19) based on (ii) above might include 'critical thinking', 'critical analysis' or 'diligent mindset' (or some combination of such terms).<sup>14</sup>

#### Adding Application Material to the Code

20.21. A fourth option might be to conclude that no new requirements or concepts are required in the Code but rather to develop additional application material to expand upon the concepts underlying the existing fundamental principles. In doing so, the Code would express more explicitly (and with examples) the behavior expected of all professional accountants. The behavioral characteristics required include critical thinking, challenging mindset, and moral courage<sup>15</sup>.

The objective would be to address the fact that, although implicitly embedded in the Code, the key behavioral characteristics that underpin "professional skepticism" in the broader context do not currently have sufficient profile, or the focus necessary, to promote the behavior sought.

#### Adding Requirements and/or Application Material to address Bias, Preconception, Pressure and Other Impediments.

~~Bias, preconception, and pressure are dealt with in different parts of the Code but the discussion of these impediments is limited. The IESBA believes that it should consider developing additional material to increase awareness of these and other impediments, and how they should be addressed.~~

<sup>14</sup> Some have suggested that the term 'critical thinking' should be avoided as that concept is an element of the definition of professional skepticism in the International Standards on Auditing. They therefore support the use of the term 'diligent' as it carries with it the concept of thoroughness. Others support the use of the term 'analysis' as it is an easier term to understand and evidence.

<sup>15</sup> See ICAS, "Moral Courage," Power of One series

22. Bias, preconception, and pressure are dealt with in different parts of the Code but the discussion of these impediments is limited. The IESBA believes that it should consider developing additional material to increase awareness of these and other impediments, and how they should be addressed.

This material would be independent of any new definition and/or application material to address the behavior described in paragraph 10.

#### Further Considerations

21-23. Irrespective of how the IESBA might ~~refine-revise~~ the Code or otherwise undertake activities to address the issues discussed in this Consultation Paper, the change in behavior sought by commentators will only be achieved if those initiatives are supported by appropriate education and training developments. The IESBA is committed to coordinating its work with the IAASB and IAESB as it progresses this initiative.

22-24. ~~In this regard, the IESBA is, therefore, discussing with the IAESB the e~~Education and training ~~that may be~~ required to support the behavior that contemplated by this Consultation Paper, including, in particular, to enhance professional skills in such areas as:

- ~~u~~Understanding ~~and being alert to~~ personal traits ~~and, motivations, including and~~ biases, ~~and other impediments to the exercise of professional judgment.~~
- ~~e~~Enhanced business acumen.
- ~~i~~nterviewing/questioning.
- ~~i~~nterrogating data.
- ~~e~~Evaluating the information gained from observation, ~~and~~
- ~~p~~roblem solving.

#### **IV. Responding to this Consultation paper**

23-25. *[Placeholder with information about planned June-July 2018 global roundtables in Europe, North America and Asia.]*

24-26. Respondents will be asked to respond to the following questions:

- Question 1      Paragraph 5, Do you agree with the premise that a key factor affecting public trust in the profession is whether information with which a ~~P~~professional ~~A~~ccountant is associated can be relied upon for its intended use?
- Question 2      Paragraph 10, Do you agree with the summary of behavior~~sal~~ characteristics associated with public expectations of professional accountants? Are there behavioral characteristics that should be included or excluded from the summary?
- Question 3      Paragraphs ~~132~~ and ~~143~~, Do you agree that the mindset and behavior~~sal~~ characteristics described in paragraph 10 should be expected of all professional accountants? If not, why not?

- Question 4 Paragraph 165, Do you believe the fundamental principles included in the existing Code and related application material are sufficient to support the behaviors associated with the application-exercise of appropriate “professional skepticism?”
- Question 5 Paragraph 186 (i), Do you believe professional skepticism, as defined in International Standards on Auditing, would be the appropriate term to use?
- Question 6 (a) Paragraph 196 (ii),  
(a) Do you believe “professional skepticism”, as re-defined in paragraph 196 (ii), would be the appropriate term to use? Do you believe that the Code should retain/use the term “professional skepticism” but develop a new definition?
- (b) If so, do you support a new definition along the lines set out in paragraph 19?
- Question 7 Paragraph 2046 (iii), Would you support an alternative term to ‘professional skepticism’ - such as ‘critical thinking’, ‘critical analysis’ or ‘diligent mindset’? If not, what other term(s), if any, would you suggest which focusses on the mindset to be applied by all Professional Accountants?
- Question 8 Paragraph 2146 (iv), Should the Code include IESBA develop additional material, whether in the Code or otherwise, application or other material to highlight the importance of applying the behavioral characteristics and relevant professional skills as described? If yes, please suggest the type of application material that in your view would be the most meaningful to enhance the understanding of these behavioral characteristics and professional skills.
- Question 9 Paragraph 2246 (v), Should the Code include application or other material to increase awareness of biases, preconceptions, pressure and other impediments to the approaching professional activities with an impartial and diligent mindset and applying-exercising appropriate professional skepticism in the circumstances? If yes, please suggest the type of materials that in your view would be the most meaningful to help professional accountants understand how bias, preconception, and pressure and other impediments might influence their work.

**Definitions and Explanations Drawn from a Review of Definitions and Survey Results**

Organization	Approach to Professional Skepticism
<b>AICPA</b>	Professional skepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. The auditor uses the knowledge, skill, and ability called for the profession of public accounting to diligently perform, in good faith and with integrity, the gathering and objective evaluation of evidence. <a href="#">(AU 230.07)</a>
<a href="#">CPA Canada</a>	<p><a href="#">In CPA Canada's publication "The Chartered Professional Accountant Competency Map," the CPA Enabling Competencies include: 1.2.3 Maintains objectivity, independence in mental attitude, and professional skepticism.</a></p> <p><a href="#">Click here to link to the competency map.</a></p>
<b>IAASB</b>	<p>Given its remit, the IAASB defines the term focusing on those who practice in audit and assurance. For example, the International Standards on Auditing <a href="#">(ISA 200)</a> define professional skepticism as follows:</p> <p><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 evidence.</i></p>
<b>IAESB</b>	<p><a href="#">IES 4</a>, "Initial Professional Development – Professional Values, Ethics, and Attitudes," identifies "professional skepticism and professional judgment" as a competency area at the intermediate level of proficiency. In doing so, it uses the IAASB definition of professional skepticism, acknowledges that the IAASB definition is limited to audit, assurance and related service engagements, and goes on to state that within IES 4, Professional Skepticism (and professional judgment) are to be interpreted as applying to the broader context of a role as a <a href="#">P</a>rofessional <a href="#">A</a>ccountant.</p> <p>IES 4 goes on to acknowledge that achieving learning objectives in Professional Skepticism and PJ may extend across several different courses of subjects, none of which may be devoted solely to that competency area.</p>

Organization	Approach to Professional Skepticism
<a href="#">ICAEW</a>	<p><a href="#">On its website in a section titled "How to Become a Chartered Accountant" the ICAEW describes <i>Ethics and Professional Skepticism</i> as follows: Ethics is integrated throughout the ACA qualification to develop students' capabilities. It's about identifying ethical dilemmas, understanding the implications and behaving appropriately. So as an ICAEW Chartered Accountant, working in a world of scrutiny and accountability, you'll always know how to make the right decisions and justify them.</a></p> <p><a href="#">The webpage goes on to describe professional skepticism as "an attitude that includes a questioning mind and being watchful of conditions that may indicate possible error or fraud."</a></p>
<a href="#">ICAEW</a> <a href="#">ACCA Global</a> <a href="#">OAG-Canada</a> <a href="#">AUASB – Australia</a> <a href="#">CA ANZ</a>	<p>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.</p>
<b>IMA</b>	<p><a href="#">Strategic Finance</a> magazine, June 2, 2017, "<a href="#">Improving Critical Thinking Through Data Analysis</a>"</p> <p>"Critical thinking is a matter of thinking that employs curiosity, creativity, skepticism, analysis, and logic where:</p> <ul style="list-style-type: none"> <li>Curiosity means wanting to learn,</li> <li>Creativity means viewing information from multiple perspectives,</li> <li>Skepticism means maintaining a "trust but verify" mindset,</li> <li>Analysis means systematically examining and evaluating evidence, and</li> <li>Logic means reaching well founded conclusions.</li> </ul>
<b>PCAOB</b>	<p>In its auditing standards (<a href="#">AS 1015</a>), the PCAOB states the following:</p> <p><i>Professional skepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. The auditor uses the knowledge, skill, and ability called for by the profession of public accounting to diligently perform, in good faith and with integrity, the gathering and objective evaluation of evidence.</i></p>

Organization	Approach to Professional Skepticism
<a href="#">SAICA</a>	<p><a href="#">In a competency framework for entry into the profession, SAICA defines Pervasive Qualities and Skills, which describes skills in three categories: ethical behavior and professionalism, personal attributes, and professional skills. While the framework does not use the term “professional skepticism” many of the skills included in the three categories include the skills this paper describes as professional skepticism. Click here for a link to the competency framework.</a></p>
<b>UK FRC</b>	<p>The UK FRC has adopted the IAASB’s definition of Professional Skepticism in its ISAs (UK and Ireland). The UK FRC also published a paper in 2012 on <a href="#">Professional Skepticism and its relation to audit quality</a>. The paper examines the Greek roots of skepticism, discussing doubt and how doubt stimulates challenge and inquiry, and withholds judgment about the truth. It compares “professional skepticism” with scientific skepticism, noting that scientific skepticism is typically not subject to external influences, human error, and fraud – as are audits. The paper concludes by suggesting that an appropriately skeptical auditor:</p> <ol style="list-style-type: none"> <li>1. Applies a critical appraisal of management’s assertions, actively looking for risks of material misstatement.</li> <li>2. Develops a high degree of knowledge of the entity’s business and its environment.</li> <li>3. Makes informed challenge of consensus views and considers the possible incidence of low probability high impact events.</li> <li>4. Considers if there is evidence to contradict management’s assertions.</li> <li>5. Has strong skills in making evidence-based judgments.</li> <li>6. Approaches and documents audit judgments and review processes in a manner that facilitates challenge, and demonstrates the rigor of the challenge.</li> <li>7. Documents not only the auditor’s conclusions, but also the rationale for the conclusions.</li> </ol>

## Appendix 2

### The Fundamental Principles

There are five fundamental principles of ethics for professional accountants:

- (a) Integrity – to be straightforward and honest in all professional and business relationships.
- (b) Objectivity – not to compromise professional or business judgments because of bias, conflict of interest or undue influence of others.
- (c) Professional Competence and Due Care – to:
  - (i) Attain and maintain professional knowledge and skill at the level required to ensure that a client or employing organization receives competent professional service, based on current technical and professional standards and relevant legislation; and
  - (ii) Act diligently and in accordance with applicable technical and professional standards.
- (d) Confidentiality – to respect the confidentiality of information acquired as a result of professional and business relationships.
- (e) Professional Behavior – to comply with relevant laws and regulations and avoid any conduct that the professional accountant knows or should know might discredit the profession.