IAESB

International Accounting
Education
Standards Board

529 Fifth Avenue, 6th Floor, New York, NY 10017
T + 1 (212) 286-9344 F +1 (212) 286-9570
www.iaesb.org

Committee: International Accounting Education Standards Board

Meeting Location: Radisson Blu, Nairobi, Kenya

Meeting Date: April 18-20, 2018

**SUBJECT: Professional Skepticism Task Force – Update Paper on Behavioral
                    Competence (4/18)**

INTRODUCTION

1. The objective of this paper is to provide an update to the IAESB ("the Board") on the work undertaken by the Professional Skepticism Task Force - Behavioral Competence ("The Task Force").

2. The Board at its meeting in November 2017 in Mexico City, Mexico advised the Task Force to do more exploratory work on behavioral competencies and to report back to the Board at their April 2018 meeting. For this reason, the paper takes a look at the areas of behavioral competence with a view to better understand what behavioral competence encompasses. At this point in time, the Task Force is still in the exploratory phase.

BACKGROUND

3. The Professional Skepticism Working Group (PSWG), a cross-representational working group consisting of members from the IAESB, the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA) was established to formulate views on whether and how each of the three boards' sets of international standards could further contribute to strengthening the understanding and application of the concept of professional skepticism as it applies to an audit. As a result, the IAESB further established three Professional Skepticism Task Forces (PSTF); the PSTF - Literature Review, the PSTF - Stakeholder Engagement and the PSTF – Behavioral Competence. These task forces were formed to specifically consider the concept of professional skepticism from an education perspective.

4. The findings from the three IAESB PSTF will inform the Board's determination of the standards development activities that are needed to support the development or enhancement of professional accountants' ability to apply professional skepticism. This may include:
    a. Amendments to the International Education Standards ("IESs") competence areas or learning outcomes
    b. Considering additional explanatory material within IESs

Prepared by the members of the Professional Skepticism Task Force - Behavioral Competence

    c. Developing new IESs

    d. Providing further guidance on areas which are included in the IES but require additional application material.

5. The Task Force members are Bernard Agulhas (Chair), Robert Zwane (Secretary), David McPeak (IFAC Staff), Sue Flis, Manil Jayesinghe, Mienkie Etcheverrigaray, Elizabeth Gammie, Yoshinori Kawamura, and Edwin Makori.

6. The Task Force had three teleconferences in 2018. During these teleconferences the Task Force focused on obtaining an understanding of the concept of behavioral competence, and whether this was sufficiently dealt with by the International Educations Standards (IESs). The Task Force's activities to date included the following:

    a. Developing a proposed definition of behavioral competence.

    b. A review of other organizations' competency frameworks.

    c. Targeted outreach with a limited number of Regulators.

7. Based on the above activities, the Task Force has deliberated on whether the current IESs deal sufficiently with the concept of behavioral competence. The Task Force has also discussed how behavioral competence could be defined by the Board. The Task Force's initial definition will be discussed in this paper.

8. The Task Force considered the literature review and the survey performed by the PSTF – Literature Review. However, the work of the PSTF – Literature Review was limited to professional skepticism and did not cover the wider concept of behavioral competence.

9. This paper will address the following:

    a. The Behavioral Competence problem statement and objectives to be achieved.

    b. A proposed definition of Behavioral Competence.

    c. How Behavioral Competence is defined by other organisations.

    d. The Skills buckets.

    e. A proposed way forward.

DISCUSSION

The problem statement and objectives to be achieved

10. As a result of the dynamic environment and the increasing pace of change in the business arena, professional accountants and auditors must ensure that they continue to be equipped with the appropriate skills and competences to be able to respond to demands and expectations from those who rely on their services.

11. The fast pace of change also means that the competencies and learning outcomes in the extant standards might become outdated or might require to be supplemented if

professional accountants and auditors are to continue to instil the necessary confidence in their work.

12. The IAESB must respond to the needs and expectations from those who use and rely on the services of aspiring professional accountants and professional accountants, if it is to remain relevant and useful to the users of its standards. It is, in any event, essential that standard-setting bodies continuously monitor changes in the environment and whether the standards are still applicable to those changes, and sufficiently responsive to any new demands or expectations.

13. Although the initial mandate of the Task Force was only to address perceived gaps in behaviors in the standards as it related to the application of professional skepticism, it has become clear that aspiring professional accountants and accountants no longer only require technical skills to deliver on their responsibilities, but that their behavior is equally important. For example, a professional accountant can comply with all the auditing and ethics standards, but if they do not have an inquiring mind, or are not independent, then the quality of their work remains questionable.

14. As mentioned, the Task Force was initially established with a focus on Behavioral Competence as it relates to the application of professional skepticism. However, behavioral competence seems to be wider than professional skepticism. Further supporting the need for a broader focus on behavioral competence, is the work done by the ICT Task Force. The ICT Task Force has identified behavioural competence as one of their focus areas, as it relates to ICT.

15. During the November 2017 Board meeting, some members of the Board seemed to support a broader focus on behavioral competence while other members indicated that this concept was sufficiently addressed by the current standards. Members of the Board also indicated that the issues of behavioral competence might simply be a repackaging issue as the concept might already exist, but might not be labelled as behavioral competence.

16. As a conclusion, the Board recommended that the Task Force do more exploratory work and present an issues paper at the April 2018 meeting. The work of the Task Force would then look into the broader concepts and come up with evidence in support of a project on behavioral competence.

17. The objective of the Task Force is therefore to define the concept of behavioural competence and to evaluate whether the concept is sufficiently addressed in the IESs, the Framework and any other material issued by the IAESB, or whether the current competencies and learning outcomes in the IESs need to be refreshed or revised.

18. The work of the Task Force needs to be closely aligned to the work of other task forces, as the ICT task force has already identified additional behavioral competencies which should complement ICT skills.

Defining Behavioral Competence

19. As part of its current activities, the Task Force identified the need to define behavioral competence. The definition that the Task Force has come up with is still in a 'draft' stage. The Task Force attempted to come up with a definition that would be applicable to both aspiring professional accountants and professional accountants.

20. The Task Force defined Behavioral Competences as follows:

    Behavioral Competences comprise any behaviors, attributes and qualities that an individual is expected to demonstrate in fulfilling their role as a professional accountant. Behavioral competences encompass knowledge, skills, values, attitudes, and actions that contribute to the development and maintenance of professional competence to enable professional accountants to continue to perform their roles competently.

21. However, the Taskforce needs to determine if the development of a definition for behavioural competence will promote the concept of behavioural competence within the IESs.

Action Requested:

A. Does the Board support the development of a definition of behavioral Competence? If not, why?

B. Does the Board have any further suggestions on the 'initial' definition of behavioral competence?

C. If the Board supports the development of a definition for behavioral competence, what other actions should the Taskforce take to further develop this definition?

D. If the Board supports the development of a definition for behavioral competence, how should this definition be incorporated into the IESs?

How is Behavioral Competence defined by other organisations?

22. In the last few years there has been calls to look into the behaviors of professional accountants. This is evident in the feedback provided by Regulators. Such behaviors may enhance or impede on the professional accountant's performance and may have an impact on whether others may rely on the work performed by the professional accountant. Behavioral competence is a concept that covers a wide range of

Prepared by the members of the Professional Skepticism Task Force - Behavioral Competence

competencies or skills. However, the challenge is how to define behavioral competences.

23. Behavioral Competence seems to be a concept that is defined by an organisation when looking at its employee positions. Organizations use this concept to indicate the requirements at each job level within an organization. This concept is widely used to indicate the developmental requirements from one position to another. It is important to note that many organisations use different terminology, such as pervasive skills or non-technical competencies, while referring to the same concept.

24. One definition that seems to broadly refer to Behavioral Competence is the following:

> *Any behavioral attribute such as knowledge, skill set, teamwork, leadership skills, technical know-how, etc. which contributes to the development of an individual in the organisation to take up bigger roles is known as behavioral competency. It can be applied to individuals at all levels, which simply means that it is not restricted to just top, middle, or lower levels. Behavioral competency is used to enhance the competency of employees at all the positions in the organisation for smoother transition of workflow. It is not just limited to career, but personal life as well. It involves traits which an individual has or should have to be successful.*
> (http://economictimes.indiatimes.com/definition/behavioural-competency)

25. This definition seems to have a link to professional skills in IES 3 and professional values, ethics and attitudes in IES 4. This is supported by the reference in the above definition to knowledge, teamwork, and leadership skills. The concept of leadership is dealt with more directly in IES 8. Even though the concepts addressed in this definition seem to have been addressed in IESs, the question remains: are there behaviors that are required of aspiring professional accountants and professional accountants that have not been sufficiently addressed by the IESs? The Task Force will consider whether these behaviors have been addressed in the IESs through the gap analysis (refer to the section dealing with the way forward).

A review of other organizations' competency frameworks

26. To obtain a deeper understanding of behavioral competence, the Task Force reviewed a few organizations' competency frameworks. This review provides some indication as to what organisations considers to be behavioral competence. The following organisations' competency frameworks are briefly outlined below:
   a. National Research Council of Canada
   b. Canada Mortgage and Housing Corporation
   c. The South African Institute of Chartered Accountants
   d. The Association of Chartered Certified Accountants
   e. The Independent Regulatory Board for Auditors
   f. The Institute of Chartered Accountants in England and Wales

27. While reviewing the competency frameworks the Task Force traced the learning outcomes in these competency frameworks to the IESs. Those learning outcomes that are directly addressed in the IESs have been marked in green (written in italics), while those that may not be directly addressed by the standards have been marked in red (underlined). Note that a further analysis of these is yet to be done by the Task Force. In other words, the Task Force still needs to analyse whether a change to the IESs should be proposed for the items marked in red.

National Research Council of Canada

28. The National Research Council of Canada (NRCC) uses the term Behavioral Competences to refer to all the non-technical competences. They have split their Management Competencies between Behavioral and Technical.

29. The table below gives an overview of the NRCC's competency framework.

Behavioral Competence				Technical Competence
Lead, Motivate & Engage		Plan & Execute		Financial Management
Inspirational Leadership	Strategic Outlook & Alignment	Drive for Results & Efficiency	Leverage Collaborative Relationships	Client relationships
Personal Agility	*Innovativeness*	*Decisiveness*	*Service Orientation*	**Industry Sector Knowledge**
Self-awareness	*Organizational understanding*	*People Management*		HR Management
	Conceptual Thinking	*Action Management*		Business Development
	Business Acumen	*Analytical Thinking*		Facility / Asset management

Canada Mortgage and Housing Corporation

30. The Canadian Mortgage and Housing Corporation (CMHC) seems to have grouped all non-technical competences and called them Behavioral Competencies. Their core corporate behaviors are as follows:
    a. Client Focus
    b. Entrepreneurial / *Innovation*
    c. *Valuing and Respecting Individuals*

31. The CMHC lists the following learning outcomes as additional corporate behaviors:

• *Analytical Thinking*	• *Focus on Results*
• *Coaching and Feedback*	• *Forward / Strategic Thinking*

Prepared by the members of the Professional Skepticism Task Force - Behavioral Competence

• *Commitment to Official Languages* • *Communication (Presenting and Influencing)* • *Consensus Building* • *Decisiveness* • *Developing Others* • *Effective Leadership* • *Efficiency* • *Flexibility*	• *Learning and Growth* • *Managing Change and Transition* • *Maximizing Quality* • *Open-mindedness / Listening* • *Organizational Know-how and Awareness* • <u>Political</u> *and Cultural Sensitivity* • *Project Management* • *Relationship Building* • *Teamwork*

The South African Institute of Chartered Accountants

32. The South African Institute of Chartered Accountants (SAICA) uses the term 'Pervasive Qualities and Skills'. A review of these qualities and skills indicates that SAICA is dealing with all the non-technical competences under pervasive qualities and skills. This also includes behavioral aspects. SAICA defines Pervasive Qualities and Skills as follows:

> *Pervasive Qualities and Skills: The professional qualities and skills that all CAs (SA) are expected to bring to all tasks — the 'how' of a CA's work. The competency framework identifies pervasive qualities in three categories: Ethical behaviour and professionalism, Personal attributes and Professional skills.*

33. It appears that SAICA's pervasive qualities and skills have been clearly drafted bearing IES 3 and 4 in mind. The link to the two standards is evidenced by SAICA's grouping of the competencies. Their pervasive qualities and skills are as follows:

Ethical Behaviour and Professionalism	Personal Attributes	Professional Skills
• *Uses an ethical reasoning process* • *Protects the public interest* • *Acts competently with honesty and integrity* • *Performs work competently and with due care* • *Maintains objectivity and independence* • *Avoids conflict of interest* • *Protects the confidentiality of information*	• *Self-manages* • *Demonstrates responsible leadership* • *Maintains and demonstrates competence and recognises limits* • <u>Strives to add value</u> *in an innovative manner* • *Manages change* • *Treats others in a professional manner*	• *Obtains information* • *Examines and interprets information and ideas critically (critical thinking)* • *Solves problems and makes decisions* • *Communicates effectively and efficiently* • *Manages and supervises*

Prepared by the members of the Professional Skepticism Task Force - Behavioral Competence

• *Maintains and enhances the profession's reputation* • *Adheres to laws, professional standards and policies and the rules of professional conduct when exercising professional judgement*	• *Is a life-long learner* • *Plans and effectively manages teams and projects* • *Works effectively as a team member* • *Manages time effectively* • Demonstrates good corporate citizenship attributes	• *Understands and uses appropriate IT systems and tools* • *Considers and applies legal concepts* • Understands how the national and international environment impacts a CA's role

The Association of Chartered Certified Accountants

34. The Association of Chartered Certified Accountants (ACCA) defines their Behavioral Competences as follows:

> These are behavioural attributes expected of the Complete Finance *Professional which support the broad competency areas demonstrated in the exams, the ethics components and in the practical experience requirement. These behaviours are transferable and may apply to more than one competency area and to several components of the qualification, in different contexts.*

35. The ACCA's list of Behavioral Competencies is as follows:

• *Acting ethically and legally* • *Communication* • *Credible* • *Influence / Challenge* • *Proactive* • *Skeptical*	• *Commercially aware* • *Continuous improver* • *Exercising professional judgement* • *Organised / Aware* • *Problem Solver* • *Supporting others*

The Independent Regulatory Board for Auditors

36. The Independent Regulatory Board for Auditors (IRBA) drafted their behavioral competence to be role specific. This means that certain behaviors are made important for specific employee levels within the IRBA. Overall, their competencies are as follows:

Managing Self	Organisational Commitment	Managing Others

Prepared by the members of the Professional Skepticism Task Force - Behavioral Competence

• *Initiative* • *Achievement orientation* • *Strategic thinking* • *Conceptual thinking* • *Analytical thinking* • *Interpersonal understanding* • *Concern for quality and order* • *Information seeking* • <u>Self-control</u>	• *Impact and Influence* • *Championing IRBA mission* • *Team work & Cooperation* • *Stakeholder relationships*	• *Team leadership* • *Empowerment*

The Institute of Chartered Accountants in England and Wales

37. The Institute of Chartered Accountants in England and Wales (ICAEW) also grouped all their non-technical competencies under the term 'Professional development skills'. Their website states the following in this regard:

> *Your students are required to demonstrate competence across seven professional skills areas (also known as ladders) during their ACA training. Each area or ladder contains six to eight steps, each representing a skill. They will develop these skills within the exams and the workplace and will need to record their progress with each skill within their online training file. They will also need to discuss this with their employer or principal at each six-monthly review.*

38. The professional development skills are then categorised under the following:

Adding value	• *lead by example* • *anticipate and see opportunity in change* • *improve financial performance* • *deliver excellent customer service* • *continue learning* • <u>*exceed expectations*</u> • <u>*show resilience*</u> • *work flexibly*
Communication	• *negotiate* • <u>*challenge upwards*</u> • *present to a group* • *manage conflict* • *influence* • *communicate in writing* • *listen effectively*
Decision making	• *decide between competing outcomes* • *apply professional scepticism* • *evaluate risk* • *justify conclusions*

	• *draw conclusions* • *organise data* • *gather relevant data*
Ethics and Professionalism	• *demonstrate professional behaviour* • *show objectivity* • *show self-awareness* • *demonstrate professional competence and due care* • *value diversity* • demonstrate sustainability • *observe confidentiality* • *demonstrate integrity*
Problem solving	• *implement a solution* • *make useful recommendations* • *consider different perspectives* • *think creatively* • prioritise • *evaluate different options* • *identify a problem* • *support others to solve problems*
Teamwork	• *manage a team* • *allocate tasks and resources* • *develop others* • show empathy • deliver tasks under pressure • *value diverse perspectives* • *collaborate with others* • *ask for help*
Technical competence	• *support technological change* • *treat a complex technical issue correctly* • *use technology to improve your effectiveness* • *identify a technical issue* • *use technology appropriately* • *relate study to works*

39. As can be seen from the above competency frameworks, the term 'behavioral competence' is used by many organisations to simply refer to a grouping of all non-technical competences. The groupings in the competency frameworks reviewed include aspects of IES 3 and 4.

40. However, the Task Force believes that they need to determine if there is a need to for the concept of behavioral competence to be made visible in the IES. If so, the Taskforce needs to determine if the learning outcomes need to be reviewed to determine if there are any deficiencies in behaviors required of aspiring professional accountants and professional accountants.

Action Requested:

Prepared by the members of the Professional Skepticism Task Force - Behavioral Competence

> **E. Does the Board believe the concept of behavioural competency needs to be more visible in the IESs?**
>
> **F. Does the Board believe the review of the competency frameworks of other organizations is a useful approach in identifying potential shortcomings in the IES? If not, what other approach would the Board suggest to identify shortcomings in the IESs?**
>
> **G. If the Board believes that reviewing the competency framework of other organizations is a useful approach, does the Board know of any additional competency frameworks to be considered by the Task Force?**

Feedback from outreach with Regulators

41. In the past few years Regulators have been vocal about their concerns regarding behavioral aspects of auditors, including the lack of professional skepticism. Their inspections reports seem to indicate that there could be inspections findings that may be rooted in aspects of behaviors. With this background in mind, the Task Force initially engaged with a few Regulators and asked them the following questions:
    a. What is your understanding of the concept of Behavioral Competence?
    b. Do you have evidence of inspection failures linked to issues of behavioral competence?
    c. Do you believe that the IESs sufficiently address the concept of behavioral competences? Please elaborate.
    d. Do you have views on how the Task Force can deal with the issue of Behavioural Competence in the education standards?

42. The Task Force received five responses from the six regulators that were contacted.

43. On the question of their understanding of behavioral competence, the regulators stated, amongst others, the following:
    a. "These are the required attributes and qualities of a professional individual performing or looking to perform audits in the public interest."
    b. "My understanding of behavioral competence within the RA environment: To act in a manner that is aligned to the requirements of the Act, Codes and Standards applicable to the individual, and being able to evidence such acts at all times. The individual should be able to demonstrate that he/she has the appropriate knowledge and skill sets to apply the appropriate behavior. Behavioral Competence is to appropriately apply the competence areas to achieve the most correct outcome in every situation."

44. On the question of whether they have evidence of inspections failures that could be linked to issues of behavioral competence, the regulators stated the following:
    a. CPD requirements not complied with.
    b. Professional accountants and auditors not understanding the requirements of the IESs.

c. Lack of professional skepticism/inquisitive mindset/interrogation.

d. Lack of effective leadership/Leadership far removed from what is happening on the ground.

e. Focus on the business at the expense of their duties as auditors.

f. People respond to incentives.

g. Independence issues.

h. Audit fee pressures.

i. Acceptance of clients where auditors might not have the necessary competence.

j. Auditor and professional accountant bias (anchoring / confirmation / familiarity).

45. On the question of whether the IESs sufficiently deal with the concept of behavioral competences, the regulators stated the following:

a. The standards contain the right behavioural areas. But this is just on paper and not embedded into the DNA of the people that should live by them. You might even get auditors that read the standards and can recite it, but it still is not embedded into their behaviour ("Following the letter of the written word but not the spirit").

b. Most auditors do not know what IES 8 is. Much more awareness is required.

c. The current standards are relatively short and high level. We also believe it is difficult to set out behavioural competence as this is impacted by a large number of factors including culture and other market environmental aspects that cannot be addressed in a written standard.

d. We believe that market circumstances and sufficient training by qualified people when auditors are performing their job is key to achieving the behavioural competences.

46. On the question of how the Task Force can deal with the issue of Behavioural Competence in the education standards, the regulators responded as follows:

a. Involve behavioural experts in the education standards setting process.

b. More focus on CPD.

c. The task force should identify the root-cause why good auditors do bad audits. These root causes should be linked to the areas of the standards and why certain auditors have behaved in the way they did. This may not necessarily be a result of a bad standard, but other behaviours that should be addressed by others.

47. The initial feedback from the regulators seems to indicate that there is a need for the IAESB to focus on behavioral competence. However, the Task Force needs to determine how to deal with this (e.g., implementation guidance, revisions to IESs, etc.)

Action Requested:

H. Based on the initial outreach with regulators, does the Board agree with the Taskforce that there is a need for the IAESB to focus on behavioural competence? If not, why?

Prepared by the members of the Professional Skepticism Task Force - Behavioral Competence

> **I. Does the Board believe that additional regulators should be engaged based on the initial feedback from the few regulators? If so, what additional regulators should be engaged?**
>
> **J. If the Board believes that additional regulators should be engaged, what form should the further inquiry and analysis take (e.g., round tables, engagement with IFIAR, analysis of inspections reports, a consultation paper)?**

Review of the current IESs with respect to behavioral competence

48. The Task Force reviewed the Framework for the education standards, as well as IES 3 and 4.

The Framework

49. Paragraph 18 of the Framework states the following regarding <u>professional competence</u> (*own underlining)*:

> *Professional competence is the ability to perform a role to a defined standard. Professional competence goes beyond knowledge of principles, standards, concepts, facts, and procedures; it is the integration and application of (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes.*

50. Therefore, behavioral competence is not explicitly dealt with in the framework. However, behavioral competences seem to be implied in the definition of professional skills and may be dealt with in the definition of professional values, ethics and attitudes, albeit not directly referred to as behavioural competence.

IES 3 and 4

51. To address the question as to whether IES 3 and 4 deals with behavioral competences, one must understand the concepts addressed in IES 3 and 4.
    a. IES 3 prescribes the learning outcomes for professional skills that aspiring professional accountants are required to achieve by the end of initial professional development (IPD).
    b. IES 4 prescribes the learning outcomes for professional values, ethics and attitudes that aspiring professional accountants are required to achieve by the end of IPD.

52. Professional skills are defined in the IAESB's glossary of terms. The definition is as follows:

> *Professional skills - Intellectual, interpersonal and communication, personal, and organizational skills that a professional accountant integrates with*

technical competence and professional values, ethics, and attitudes to demonstrate professional competence.

53. This definition includes interpersonal and communication and personal skills. These are in the IAESB's glossary of terms as follows:

*Interpersonal and communication skills—Skills relating to the ability of a professional accountant to work and **interact** effectively with others*

*Personal skills—Skills relating to the **personal attitudes** and **behavior** of a professional accountant.*

54. Professional values, ethics and attitudes are also defined in the IAESB's glossary of terms. The definition is as follows:

Professional values, ethics, and attitudes - The **characteristics** that identify professional accountants* as members of a profession. They include the **principles of conduct** (e.g., ethical principles) generally associated with and considered essential in defining the distinctive characteristics of, **professional behavior**.

55. An initial focus on the definitions indicates that the concept of behavior appears to be addressed by the current IES. However, the Task Force believes that further analysis is required between the meaning of **professional competence as used in the IESs and behavioural competence,** as these concepts might not necessarily have the same meaning. The Task Force specifically intends to delve deeper into the meanings of these concepts and, if necessary, reconcile these concepts to arrive at a common understanding.

Action Requested:

K. Does the Board agree that the definitions and concepts need to be further analysed and reconciled to arrive at a common understanding of the different definitions and concepts which appear in the IES? If not, why?

The Skills Buckets

56. As mentioned above, the Task Force was initially established to focus on Behavioral Competence as it relates to professional skepticism. In this regard, the Task Force has already established a list of skills that enhance the application of professional skepticism and environmental factors that may affect the application of professional skepticism. The skills and factors identified by the Task Force are as follows:

Bucket	Skills
Knowledge	- Technical knowledge (accounting and auditing standards)

Prepared by the members of the Professional Skepticism Task Force - Behavioral Competence

	-	Knowledge of the business
	-	Knowledge of industry
Behavioral	-	Challenging / Questioning Mindset
	-	Intellectual curiosity
	-	Critical thinking skills
	-	Moral courage
	-	Decisiveness
	-	Ability to use information to come to a conclusion
	-	Ability to make decisions under pressure
	-	Independent Mindset
	-	A commitment to public interest
	-	Awareness of unconscious bias affecting decision making
Competence	-	Interviewing / Observation / Information gathering skills
	-	Effective project management skills
	-	Time Management Skills
	-	Effective communication skills
	-	Effective use of technology
	-	Problem solving skills
	-	Ability to identify and prioritise complex and risky areas
Environmental	-	Timely supervision and review
	-	Coaching of junior staff members
	-	Culture
	-	Tone at the top / in the middle / Team
	-	A commitment to public interest
	-	Time constraints
	-	Tight financial reporting timeframes
	-	High staff turnover
	-	Responding to an increasingly complex and dynamic environment (no time to build experience)
	-	Payor model
	-	Fees for non-audit services
	-	Fee pressures
	-	Budgets
	-	Resource constraints

57. The Task Force believes that these skills should also be reconciled to what is in the current IESs to determine if there are any deficiencies and to raise awareness of the importance of professional skepticism in the IESs.

58. Since the PSTF – Literature Review will be doing this reconciliation as part of their task force activities, the Task Force recommends that this skills buckets be communicated to the PSTF – Literature Review as part of our contribution to their work.

Action Requested:

L. Does the Board support the Task Force recommendation to submit the skills buckets to the PSTF – Literature Review?

Prepared by the members of the Professional Skepticism Task Force - Behavioral Competence

> **M. If not, does the Board have any recommendations on how the PSTF – Behavioral Competence should use the skills buckets to contribute to its objective of identifying shortcomings, and promoting behavioural competence in the IESs?**

WAY FORWARD

59. The Task Force will consider the IAESB CAG and Board's responses to the guidance requested, as well as their advice and suggestions, and present a timeline for completion of the agreed upon action items at the next Board meeting.

60. The Task Force will continue to engage with the ICT Task Force Chair and the Professional Skepticism Task Force Chair for inputs on this project. This will include considering the gap analysis performed by the ICT task force and the PCTF - Literature Review. The Task Force will also engage with the Steering Committee.