

IAESB<sup>TM</sup>

**Professional Skepticism  
Literature Review (PSLR)  
Taskforce**

April 2019 meeting  
Bali, Indonesia

## PSLR Taskforce

Item 1 – Overall PS issues identified in the comment letters received

# Item 1 – Overall PS issues identified in the comment letters received

7 respondents did not support the changes to the IES for PS

- 3 respondents indicated they do not reflect the latest work done by the IAASB and IESBA
  - IAASB currently is discussing fundamental issues with the term professional skepticism being used outside of the audit context
  - IESBA is currently discussing referring to only the role and mindset of professional accountants rather than using the term professional skepticism
- 4 respondents indicated that they do not believe the term professional skepticism should be used at all in IES 3 and 4.
  - They indicated that unless used in an audit or assurance context, the term professional skepticism should no longer be used to describe the role and mindset of professional accountants.

# Item 1 – Overall PS issues identified in the comment letters received

- Taskforce conclusion is that at this point in time the IAESB should continue to advance the proposed changes.
  - Projects are currently in progress with the IAASB and the IESBA and no decisions have been made on the way forward by either the IAASB or the IESBA
    - D. Simko to contact PS counterparts on the IAASB and IESBA prior to June meetings to obtain updates
  - Taskforce to revisit its use of the term professional skepticism in the IESs to avoid potential contradictions with standards issued by the IAASB and IESBA.

# Item 1 – Overall PS issues identified in the comment letters received

## CAG input

- Supportive of moving forward with proposed IESs
- Don't get hung up on the term professional skepticism, focus on skills and behaviors to apply PS

# Item 1 – Overall PS issues identified in the comment letters received

## Input Requested:

- In light of the ongoing projects by the IAASB and the IESBA, does the CAG/Board agree that the IAESB should continue to advance the proposed changes to the IESs for PS? If not, why?
- Based on the current activities of the IAASB and IESBA, should we limit our reference to PS in the IESs to audits and assurance services?

## **PSLR Taskforce**

**Item 2 – Feedback on respondents suggested changes to the IAESB Glossary of Terms**

## Item 2 – Feedback on respondents suggested changes to the IAESB Glossary of Terms

Proposed exposure definition - Intellectual agility: The ability of a professional accountant to: consider new, or reconsider existing, data and information; re-evaluate conclusions in response to new or existing facts; identify new or alternative ways of working; and, adapt quickly to changing circumstances.



# Item 2 – Feedback on respondents suggested changes to the IAESB Glossary of Terms

## Intellectual agility comments:

- Definition won't translate.
- Should be linked to the risk-taking capacity of the professional.
- The definition is quite general and abstract.
- Generally support the definition, with the exception of the inclusion of the phrase '...re-evaluate conclusions in response to ...
- The addition of intellectual agility is not specific to ICT or skepticism. Should consider using the term innovation, adaptability and open-mindedness.
- Expressed concerns over "in response to new or existing facts". The reason is that professionals not only must respond to facts, but non-factual information, speculation, etc. in today's complex world. Consider replacing reference to "facts" with information.
- The ability of a professional accountant to: consider new, or reconsider existing, data and information; re-evaluate conclusions in response to new or existing information; identify new or alternative ways of working; and adapt quickly to changing circumstances.
- The name "Intellectual Agility" is not considered adequate.
- Some individuals proposed changes to the definition because intellectual agility is not the preserve of professional accountants and they want to be able to communicate the higher levels of cognitive skills required

## Item 2 – Feedback on respondents suggested changes to the IAESB Glossary of Terms

Taskforce response:

Propose revisions to the definition

Intellectual agility - The ability of a professional accountant to embrace and apply new learning; consider new or reconsider existing data and information; ~~re-evaluate~~ reflect on conclusions in response to new or existing information, additional circumstances or insights ~~facts~~; identify new or alternative ways of working; and adapt quickly to changing circumstances.

## Item 2 – Feedback on respondents suggested changes to the IAESB Glossary of Terms

Proposed definition - Professional judgement: Professional judgment involves the application of relevant training, professional knowledge, skill and experience commensurate with the facts and circumstances, including the nature and scope of the particular professional activities, and the interests and relationships involved (IESBA International Code of Ethics for Professional Accountants (2018)).

# Item 2 – Feedback on respondents suggested changes to the IAESB Glossary of Terms

## Professional judgement comments:

- Recommend that the definition of professional judgment include the “gut feeling”, call it instinct, call it intuition, that is difficult to define or measure, but permeates every decision made by an accountant.
- Recommendation that the Board revisits whether simply reusing the new Code of Ethics definition is the right approach for the IESBs.
- The definition of professional judgement should indicate what an aspiring or professional accountant would do with the judgement skills.
- IAESB should work with other standard setting boards for alignment of definition. ISAs should not have a different definition.
- The definition of professional judgment is not in line with that of the IAASB and IESBA and needs to be changed. Both the IAASB and the IESBA definitions link the need to exercise professional judgment to making informed decisions about courses of action. (x 4 comment letters)
- An audit context needs to be added to the definition.

## Item 2 – Feedback on respondents suggested changes to the IAESB Glossary of Terms

Taskforce response:

Taskforce believes that it is still appropriate to continue to use the IESBA International Code of Ethics for Professional Accountants (2018) definition because this definition applies to all professional accountants, similar to the IESs.

## Item 2 – Feedback on respondents suggested changes to the IAESB Glossary of Terms

Request for additional terms to be defined:

- Collaboration skills
- Contrary audit evidence
- Critical thinking
- Questioning mindset
- Curiosity
- Ethical principles and techniques.

Taskforce Response:

Believes these terms are self-explanatory and do not require addition to the IAESB Glossary of Terms.

## Item 2 – Feedback on respondents suggested changes to the IAESB Glossary of Terms

### CAG Feedback

- Intellectual Agility:
  - Likes intellectual agility as a concept and does not think we should change term
  - Hard to measure intellectual agility, but believes term is still necessary
  - Consider translation
- Agrees with Taskforce on professional judgement
- Agrees with Taskforce that other terms should not be defined

## Item 2 – Feedback on respondents suggested changes to the IAESB Glossary of Terms

### Input Requested:

- Does the CAG/Board agree with the proposed changes to the intellectual agility definition? If not, why?
- Does the CAG/Board agree that the definition for professional judgment from the IESBA International Code of Ethics for professional accountants (2018) continues to be appropriate in the IESs? If not, why?
- Does the CAG/Board believe that any of the above additional terms identified by respondents should be defined in the IAESB Glossary of Terms? If so, which ones and why?



## **PSLR Taskforce**

**Item 3 – Feedback on respondents  
suggested revisions to learning  
outcomes**

## Item 3 – Feedback on respondents suggested revisions to learning outcomes

Feedback received on learning outcomes was put into the following buckets:

- Item 3a – Revisions to proposed learning outcomes
- Item 3b – Potential duplicate learning outcomes
- Item 3c – Potential new learning outcomes
- Item 3d – Extant learning outcomes that should not change
- Item 3e – Learning outcomes that should be removed
- Item 3f – Learning outcomes that should be combined

## Item 3 – Feedback on respondents suggested revisions to learning outcomes

### Item 3a – Revisions to proposed learning outcomes

- See CAG/Board Paper for specifics and Taskforce responses

## Item 3 – Feedback on respondents suggested revisions to learning outcomes

### **CAG feedback - Item 3a – Revisions to proposed learning outcomes**

- IES 3 (a)/(v), IES (b)/(ii) - Taskforce to revisit learning outcomes to make sure learning outcomes have a business context

## Item 3 – Feedback on respondents suggested revisions to learning outcomes

### Input Requested - Item 3a – Revisions to proposed learning outcomes

- Does the CAG/Board agree with the Taskforces recommendations to the learning outcomes above? If not, why?
- Does the CAG/Board have any additional thoughts on comments received from respondents in Agenda item 3-2?

# Item 3 – Feedback on respondents suggested revisions to learning outcomes

## Item 3b – Potential duplicate learning outcomes

- Learning outcome in IES 4 Table A (a) (iv), Apply critical thinking when identifying and evaluating alternatives to determine an appropriate course of action is similar to IES 3 (a) (ii), Apply critical thinking skills to solve problems

## Taskforce Response

- Agrees they are duplicative

## Item 3 – Feedback on respondents suggested revisions to learning outcomes

### **CAG feedback - Item 3b – Potential duplicate learning outcomes**

- Disagree with Taskforce - these learning outcomes are not duplicative and should remain separate
  - IES 3 is general around critical thinking
  - IES 4 is putting critical thinking in the context of ethics

## Item 3 – Feedback on respondents suggested revisions to learning outcomes

### Input requested - Item 3b – Potential duplicate learning outcomes

- Does the CAG/Board believe these learning outcomes are similar? If so, which learning outcome should prevail and which standard should it reside in?



## Item 3 – Feedback on respondents suggested revisions to learning outcomes

### Item 3c – Potential new learning outcomes

- See CAG/Board Paper for specifics and Taskforce responses

## Item 3 – Feedback on respondents suggested revisions to learning outcomes

### **CAG Feedback - Item 3c – Potential new learning outcomes**

- Comfortable with new learning outcomes
- Believes new learning outcomes provide clarity and don't see them as extending the scope of the proposed revisions to the IESs.

## Item 3 – Feedback on respondents suggested revisions to learning outcomes

### Input Requested - Item 3c – Potential new learning outcomes

- Does the CAG/Board agree with the Taskforces recommendations to the learning outcomes above? If not, why?

## Item 3 – Feedback on respondents suggested revisions to learning outcomes

### Item 3d – Extant learning outcomes that should not change

- See CAG/Board Paper for specifics and Taskforce responses

## Item 3 – Feedback on respondents suggested revisions to learning outcomes

### **CAG Feedback - Item 3d – Extant learning outcomes that should not change**

- IES 3 (a) – consider adding back end of extant learning outcome (including identification and evaluation of alternatives to reach well-reasoned conclusions based on all relevant facts and circumstances)
- IES 4 (c) – importance vs role
  - Role is narrower, don't think role is right word but importance not the right word either
  - Role goes with person, better to use importance

## Item 3 – Feedback on respondents suggested revisions to learning outcomes

### Input Requested – Item 3d – Extant learning outcomes that should not change

- Does the CAG/Board believe these learning outcomes from the extant IESs should remain unchanged? If so, why?

## Item 3 – Feedback on respondents suggested revisions to learning outcomes

### Item 3e – Learning outcomes that should be removed

- See CAG/Board Paper for specifics and Taskforce responses

### CAG Feedback

- Agreed with Taskforce recommendations

### Input Requested

- Does the CAG/Board agree with the Taskforces recommendations to the learning outcomes above? If not, why?

## Item 3 – Feedback on respondents suggested revisions to learning outcomes

### Item 3f – Learning outcomes that should be combined

- See CAG/Board Paper for specifics and Taskforce responses



## Item 3 – Feedback on respondents suggested revisions to learning outcomes

### **CAG Feedback - Item 3f – Learning outcomes that should be combined**

- IES 3 (c) (vii) should NOT be combined with IES 3 (c) (ii)- The ‘improve future actions’ is really important and need to consider both CPD and IPD aspects

## Item 3 – Feedback on respondents suggested revisions to learning outcomes

### Input Requested - Item 3f – Learning outcomes that should be combined

- Does the CAG/Board agree with the Taskforces recommendations to the learning outcomes above? If not, why?

# PSLR Taskforce

**Item 4 – Revision of proficiency levels**

## Item 4 – Revision of proficiency levels

The Proficiency level for IES 3 (a) Intellectual is intermediate. However, it was questioned whether this level should be revised because five outcomes under Intellectual contain the verbs “evaluate” and “recommend” (2 at Advanced level), “demonstrate” and “apply” (2 at Intermediate) and one “identify” (at Foundation).

### **Taskforce Response**

The Taskforce agrees with this comment and believes the proficiency level for IES 3 (a) Intellectual should be reviewed once all changes to the learning outcomes are made.

## Item 4 – Revision of proficiency levels

### CAG Feedback

- Need to consider process a professional accountant goes through
- Expectation is probably should be advanced
- Board previously discussed that there wasn't sufficient time to go back to the levels of proficiency and perhaps this is something that the Panel should consider since its judgmental and situational

### Input Requested

- Does the CAG/Board believe the proficiency level for IES 3 (a) intellectual should be revised? If not, why?

## PSLR Taskforce

Item 5 – Placement of learning  
outcomes in IESs

## Item 5 – Placement of learning outcomes in IESs

Consider whether two learning outcomes from IES 3 would be better placed in IES 4 (alongside other professional scepticism/professional judgment learning outcomes). These learning outcomes are as follows:

- IES 3 (c) (vi) Demonstrate an awareness of personal and organizational bias
- IES 3 (c) (vii) Reflect on experiences to improve future actions

### **Taskforce Response**

Taskforce Believes they should remain in IES 3 as they are in the Personal competency areas which relates to the personal attitudes and behaviors of a professional accountant.

### **CAG Feedback**

- CAG agrees with Taskforce and believes learning outcomes should remain in IES 3

# Item 5 – Placement of learning outcomes in IESs

## Input Requested

- Does the CAG/Board believe these learning outcomes should be moved from IES 3 to IES 4? If so, why?