

COMMENTS FROM CPA AUSTRALIA

PROPOSED REVISIONS TO IESs 2, 3, 4, AND
8 – INFORMATION AND COMMUNICATIONS
TECHNOLOGIES AND PROFESSIONAL
SCEPTICISM

4 March 2019

Please find attached our response to the International Accounting Education Standards Board's (IAESB) exposure draft regarding the proposed revisions to International Education Standards 2, 3, 4, and 8.

General Comments

CPA Australia commends the IAESB on its work with the proposed revisions to IESs 2, 3, 4 and 8 to enhance these standards with greater emphasis on Information and Communications Technologies (ICT) and Professional Scepticism (PS). In respect to ICT, we support, in principle, the proposed revisions to the learning outcomes.

We hold some reservations, however, in respect to the proposed revisions on professional scepticism. PS has, historically, been used primarily in the practice of audit and assurance. To implicitly expand the use of this term beyond audit and assurance may lead to unintended consequences. In daily accounting practice that is non-audit related, it is appropriate that the learning outcomes relate to a questioning mind or a critical mind. Professional scepticism, however, connotes a level of distrust that, while appropriate and required in an audit context, may not be appropriate in a non-audit context. Specifically, accountants who are engaged in non-audit practice are expected to apply the fundamental principle of professional competence and due care, which enables appropriate exercise of professional judgment in all their dealings as a professional accountant and may not be well-positioned to apply the same level of professional scepticism as in an audit or assurance engagement in conducting their daily professional work. Whilst theoretically professional scepticism could be applied to all professional accountants, the level of scepticism that is practical in each role varies considerably and so would render the term unhelpful. We suggest that it is necessary to distinguish the questioning mind required by all professional accountants from the professional scepticism required of an audit or assurance practitioner, and to do so requires different terms. Professional scepticism arguably should also be distinguished from the complete distrust that a forensic accountant needs to apply. We suggest that the term "professional judgment" be used and that there be greater clarity distinguishing the circumstances where professional scepticism is appropriate and desirable

Specific Comments – CPA Australia's suggestions and comments in red:

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Professional judgment 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)). **In relation to audit activities, apply scepticism when evaluating data.**

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(e) Audit and assurance (Intermediate)

- (i) Describe the objectives and stages involved in performing an audit of financial statements.
- (ii) Apply International Standards on Auditing (or relevant auditing standards) and laws and regulations applicable to an audit of financial statements.
- (iii) Assess the risks of material misstatement in the financial statements and consider the impact on the audit strategy.
- (iv) Apply quantitative methods that are used in audit engagements.
- (v) Explain the key elements of assurance engagements and applicable standards that are relevant to such engagements.
- (vi) **Apply scepticism when assessing audit evidence** for appropriateness and sufficiency.

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- (h) Information and communications technologies (Intermediate)
- (i) Analyze the adequacy of processes and controls.
 - (ii) Recommend improvements to processes and controls.
 - (iii) Apply ICT to increase the efficiency and effectiveness of processes.
 - (iv) Explain how ICT supports data analysis and decision making.
 - (v) Use ICT to analyze data and information.
 - (vi) Use ICT to communicate with impact and influence others.
 - (vii) **Use current IT technologies when analysing data.**

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A5. A competence area is a category for which a set of related learning outcomes can be specified. Competence areas within technical competence include **auditing, information technology**, financial accounting and reporting, taxation, and economics; competence areas within professional skills include intellectual and organizational; and competence areas within professional values, ethics, and attitudes include ethical principles as well as professional scepticism and professional judgment.

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Intermediate

Typically, learning outcomes in a competence area focus on:

- Independently applying, comparing, and analyzing underlying principles and theories from relevant areas of technical competence to complete work assignments and make decisions;
- Combining technical competence and professional skills to complete work assignments;
- Applying professional values, ethics, and attitudes to work assignments; and
- Presenting information and explaining ideas in a clear manner, using oral and written communications, to accounting and non-accounting stakeholders.

Learning outcomes at the intermediate level relate to work environments that are characterized by moderate levels of ambiguity, complexity, and uncertainty. **A degree of scepticism should apply at this level when dealing with audit issues.**

Advanced

Typically, learning outcomes in a competence area focus on:

- Selecting and integrating principles and theories from different areas of technical competence to manage and lead projects and work assignments, and to make recommendations appropriate to stakeholder needs;
- Integrating technical competence and professional skills to manage and lead projects and work assignments;
- Making judgments on appropriate courses of action drawing on professional values, ethics, and attitudes;
- Assessing, researching, and resolving complex problems with limited supervision;
- Anticipating, consulting appropriately, and developing solutions to complex problems and issues; and
- Consistently presenting and explaining relevant information in a persuasive manner to a wide-range of stakeholders.

Learning outcomes at the advanced level relate to work environments that are characterized by high levels of ambiguity, complexity, and uncertainty. **A degree of scepticism should apply at this level when dealing with audit issues.**

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A3. Professional competence can be described and categorized in many different ways. Within the IESs, 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 **and, in relation to audit issues, a degree of scepticism.**

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A6. A competence area is a category for which a set of related learning outcomes can be specified. Competence areas within professional skills include intellectual and organizational; competence areas within technical competence include financial accounting and reporting, taxation, and economics; and competence areas within professional values, ethics, and attitudes include ethical principles as well as, **in relation to audit issues, professional scepticism and professional judgment.**

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A9. A competence area is a category for which a set of related learning outcomes can be specified. Competence areas within professional values, ethics, and attitudes include ethical principles as well as professional scepticism **in relation to audit issues** and professional judgment; competence areas within technical competence include **audit**, financial accounting and reporting, taxation, and economics; and competence areas within professional skills include intellectual and organizational.

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A17. In the design of professional accounting education programs, the three competence areas listed in Table A may not be identical to the names of prescribed courses or subjects. Also the learning outcomes associated with one competence area (for example, ethical principles) may be achieved across more than one course or subject. The achievement of some learning outcomes (for example, those within professional scepticism and professional judgment) may extend across several different courses or subjects, none of which may be devoted solely to that competence area. **Professional scepticism relates mainly to the area of audit.** In addition, the sequence in which the competence areas are included in a professional accounting education program may differ from the sequence presented in Table A (for example, commitment to the public interest is listed towards the end of the list of competence areas in Table A, but may be covered fairly early in a professional accounting education program).