

Mr Ken Siong

Senior Technical Director

International Ethics standards Board for Accountants

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Dear Ken Siong

Response on Invitation to Comment – Professional Skepticism-Meeting public Expectations.

The Accounting and Auditing Board of Ethiopia welcomes the opportunity to comment on this consultation paper on Professional Skepticism. We believe that the coordination of those three standard setting boards (IESBA, IAASB, I IAESB ) help to develop a better understanding of the behavioral competence/characteristics that professional accountants need and how they can acquire and maintain that competence . IESBA have the potential to significantly enhance the behavioral characteristics of professional accountants both in public practice and in business. We have provided a summary of our comments below and explain some comments in more detail on our response to the specific questions by the IESBA's Professional skepticism consultation paper. Moreover we will continue our participation after making comprehensive and thoughtful discussion with our stakeholders on the coming professional skepticism's exposure draft.

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 professional accountant is associated can be relied upon for its intended use?

Answer 1. Yes .Basically the objective of the financial statement is to provide useful information for primary users to let them make good decision. Thus delivering rigorous and high quality information on the financial report supply chain will build strong public trust.

Question 2. Paragraph 10

Do you agree with the behavior associated with public expectations of professional accountants? Are there aspects that should be included or excluded from the summary?

Answer 2. Yes the behaviors expressed in paragraph 10 help to incorporate the professionals who perform outside of the assurance engagement. We believe the word “a questioning mind” is a best ingredient to define skepticism. Thus we recommend this word to include in the new definition. On the other side the new definition is compact and it might face the same challenge that the former definition had. The words are vague and open for multiple interpretations.

Question 3. Paragraph 13 and 14

Do you agree that the mindset and behavior described in paragraph 10 should be expected of all Professional accountants? If not, why not?

Answer 3. Yes .That kind of mind set is required to enhance the credibility of the financial statements for users which can develop users’ confidence and trust.

Question 4 Paragraph 16

Do you believe that fundamental principles in the code and related application material are sufficient to support the behavior associated with the exercise of appropriate Professional skepticism?

Answer 4. No. we believe the significant inconsistency in applying professional skepticism by professionals is as a result of insufficiently explaining and not having sufficient guidance on it.

Question 5. Paragraph 18

Do you believe Professional skepticism as defined in ISA, would be the appropriate term to use?

Answer 5. No. It doesn’t include management and other professionals’ evaluation or assertion of both financial and non-financial information. It focuses on being alert for the potential misstatement not probing and proactive about the potential for misstatement.

Question 6 .Paragraph 19

- a) Do you believe that the code should retain/use the term PS but develop a new definition?
- b) If so do you support a new definition along the line set out in paragraph 19

- c) If you do not support a definition along the lines described, could you please provide an alternative definition

Answer 6. a. Yes

- b. Yes with comment provided for question 2.
- c. NA

Question 7.Paragraph 20

- a) Would you support an alternative term to PS such as “critical thinking” “critical analysis” or “diligent mindset”?
- b) If not what other terms if any would you suggest which focuses on the mindset and behaviors to be exercised by all professional accountants?

Answer 7. a. No. We believe professional skepticism is beyond those words. Even their combination can't clearly define and replace skepticism. Thus we recommend those words to be some ingredients for explaining and preparing guidance for skepticism rather than replacing the professional skepticism.

- b. We suggest maintaining the word professional skepticism by itself.

Question 8.Paragraph 21

Should the IESBA develop additional material, whether in the code or otherwise, to highlight the importance of exercising the behavior and relevant professional skill as described? If yes please suggest the type of application material than in your view would be the most meaningful to enhance the understanding of these behavioral characteristics and professional skills.

Answer 8. Yes

We recommend the code to include application materials that may include hypothetical examples which illustrate how cases can be handled, practical guidance to support the application. Furthermore with the collaboration of the other boards, to develop further guidance and articles which helps the professionals to practice skepticisms? The scalability of application have got proper consideration.

Question 9.What implications do you see on IAASB's International standards as a result of the options in paragraphs 18 to 21

Answer 9.

- Deferent terms
- Deferent definition
- Due emphasis for professional skepticism
- Multiple level of professional skepticism application in accounting value chain

Question 10.Paragraph 22

Should the code include application or other material to increase awareness of biases, pressure and impediments to approaching professional activities with an impartial and diligent mindset and excusing appropriate PS in circumstances? If yes please suggest the type of material that in your view would be the most meaningful to help professional accountants understand how bias, pressure and other impediments might influence their work

Answer 10. Yes

This include

- Examples that illustrate facts and circumstance under which professional skepticism should be given due emphasis.
- The examples are better to indicate by considering the scalability of the application, at each level what kind of skepticism is required.