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2nd August, 2018

The Technical Director
International Ethics Standard Board for Accountants (IESBA)
New York

Dear Sir,

Comments on Consultation Paper, Professional Skepticism-Meeting Public Expectations

We are grateful to the IESBA for the opportunity given us to comment on the Consultation Paper (CP) on Professional skepticism-meeting public expectations.

We welcome the initiative of the IESBA to re-assess the definition and application of professional skepticism, which we recognise as a fundamental tool for accountants that enhance the quality of information provided by professional accountants and improve confidence in the use of information provided by the professional accountant.

Below are our responses to the questions raised in the Consultation Paper

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?**

Comments

We completely agree with this position as financial decisions made in every organization are invariably dependent on the information provided by the professional accountant. This happens because of the assumed skills possessed by the accountants. The role of the professional accountant has long been associated with

the "public interest". Consequently, it makes sense for such value to be placed on the information professional accountants are associated with. Public trust only exists because they believe they can rely on information associated with professional accountants. If the public could not rely on the information, they would not have trust in professional accountants.

Additionally, our professional ethical codes require of us as accountants to ensure we exhibit the fundamental principles of integrity, objectivity, professional competence and due care, professional behaviour and confidentiality. Every information the professional accountant has been associated is expected to be prepared and reviewed under the strict and effective application of these fundamental principles. It is therefore logical to expect that the public will place reliance on such information.

2. **Paragraph 10 — Do you agree with the behaviour associated with public expectations of professional accountants? Are there aspects that should be included or excluded from the summary?**

Comments

We generally agree with the summary behaviour defined in paragraph 7. However we suggest the addition of "ability and willingness to stand their ground when facing pressure to do otherwise". We also agree with the inclusion of all these behaviours as representing professional skepticism with special emphasis on "withholding judgment pending thoughtful consideration of all known and relevant available information, and having the ability and willingness to stand their ground when facing pressure to do otherwise".

Although it could be argued that the two points under paragraph 10 capture this impliedly, the nature of confidence the public repose in information the professional accountant is associated with makes it imperative that some of the requirements are made more explicit.

3. **Paragraphs 13 and 14 — Do you agree that the mind-set and behaviour described in paragraph 10 should be expected of all professional accountants? If not. Why not?**

Comments

We do agree with the fact that the mind-set in paragraph 10 should be applicable to all professionals, except that, we suggest the 'lower level' professional accountants should be guided in the use of such mind-sets. This mind-set completely aligns with the fundamental principles that all professional accountants are already expected to comply with. The public expects professional accountants to approach their activities with an impartial and diligent mind-set as well as apply this mind-set with relevant professional experience to evaluate information that they are associated with.

It is a very important observation to consider scalability in the exercise of professional skepticism. We agree with the reasoning of the Board that a number of factors will affect the level of expectations of a particular accountant. Factors such as professional expertise are a function of the accountant in question's exposure, work experience, hierarchy in the organisation among other things.

4. **Paragraph 16 — Do you believe the fundamental principles in the Code and related application material is sufficient to support the behaviours associated with the exercise of appropriate "professional skepticism?"**

   Comments

Whilst the fundamental principles in the code and related application materials appear to reasonably define the principles and expected behaviour of professional accountants, we think its relationship to the exercise of professional skepticism is rather unclear. We believe that changes to the code as well as other measures are necessary to highlight the mind-set that has been discussed above as necessary for professional accountants performing audits as well as those not performing audits. We note that the application of the principles of the code has been very subjective. This is because the final recourse of the code is the judgement and final decision made by the individual professional accountant who might have had his views about making a particular decision.

Professional skepticism as it currently stands defined in the ISAs and other definitions appear more skewed to accountants in practice and therefore makes its relationship to the fundamental principles applying to all professionals a bit generic. It does appear to us that the core features of professional skepticism among fellow professionals seem to be adopted by only external auditors, whiles professional accountants not in the audit field do not fully feel the necessity of this requirement. As this concept is at the centre of quality of service offered by professional accountants, there is a very pressing need to rectify this.

It is our view that the above issue is the main cause of the current expectations gap. We think that there should be additional guidance in the code meant to bridge the gap between the behaviours expected from compliance with the fundamental principles and professional skepticism. As to whether such guidance should still be captioned under professional skepticism, we discuss our views on that in question 5 below.

5. **Paragraph 18 — Do you believe professional skepticism, as defined in International Standards on Auditing would be the appropriate term to use?**

   Comments

No, professional skepticism as defined in the ISAs are really skewed towards audit and may therefore not be an appropriate terminology for the kind of professional skepticism required of all professional accountants. We believe this definition needs to be enhanced. It appears that this definition is seen in relation to the provision of audit services. "Possible misstatement due to error or fraud" seemingly points to an audit engagement and the misstatement of financial statements or other product provided as a result of an audit engagement.

The ISA definition states professional skepticism to be an attitude that includes questioning or enquiring mind, alert to condition that may indicate possible misstatement due to error or fraud, and a critical assessment of evidence. Though it can be broadly argued that this definition can be applied to all professional accountants, we believe it is more skewed towards financial statements audits with emphasis on being alert for conditions indicative of possible misstatements due to fraud or error. A more specific definition to suit the generally broad concept of professional skepticism that can be applied to the general accounting profession will be more appropriate.

6. **Paragraph 19 -**

   (a) 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?

   (c) If you do not support a definition along the lines described. Could you please provide an alternative definition?

   (a) Yes, the code should maintain the use of the term "professional skepticism" given how grounded and integrated it is to current professional accounting practice. The definition should be enhanced, and should be highlighted more prominently in the code to reflect the more universal applicability of this concept to all professional accountants. Most regulatory regimes and standards have applied the existing definition in that skewed context of accountants in public practice.

   (b) Yes we do support a new definition along the lines set out in paragraph 19 of the code.

   (c) In our view, the introduction of a new terminology is more appropriate.

7. **Paragraph 20 -**

   a. Would you support an alternative term to "professional skepticism", such as 'critical thinking', 'critical analysis' or 'diligent mind set'?

(b) If not, what other term(s) if any, would you suggest which focusses on the mind set and behaviours to be exercised by all professional accountants?

No, we would not ascribe to an alternative term to professional scepticism. We believe professional skepticism is the only word that conveys the depth of professional burden that is required. The other terms are technical in nature but do not convey the weight of responsibility as the original term does. In our view, the generic emphasis of professional skepticism for the professional accountant can be introduced in the code by expansion of current responsibilities under the "professional competency and due care" section of the current fundamental principles.

The current definition of professional competency and due care requires professional accountant to "maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional services based on current developments in practice, legislation and techniques and act diligently and in accordance with applicable technical and professional standards". This definition can be expanded to address all the specific behavioural expectations of professional accountants in respect of maintaining professional scepticism. For instance, including the proposed new definition of skepticsm in paragraph 19 which reads "approaching professional activities with an impartial and diligent mind set and applying this mind set and relevant professional expertise to the evaluation of information which they are associated with" will be a perfect fit in that section.

8. **Paragraph 21 — should the IESBA develop additional material, whether in the Code or otherwise, to highlight the importance of exercising the behaviour 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 behavioural characteristics and professional skills.**

Comment

We agree that additional materials need to be developed to highlight the importance of exercising the behaviour and relevant professional skills described. However, we also believe that the core concept behind professional skepticism needs to be expanded to accommodate the expanded applicability of professional skepticism.

The proposed approach in paragraph 21 aligns with our proposal in answer 7 where the additional explanations/definition of professional skepticism is included in the definitions under professional competency and due care in the code. Then additional materials can be developed outside the main contents of the code to

further illustrate more specific details of behaviours expected of accountants in their demonstration of professional skepticism. The IESBA can also issue an application guide to the code. The application guide can be named, **"Behavioral Outputs of Professional Skepticism".** The guide must include many illustrations to guide the thinking patterns of professional accountants in the application of professional skepticism.

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

Comment

This will actually depend on the options chosen. If the term professional skepticism is maintained, then there will be a need for existing international standards that have applied the term in the context of audits and other assurance engagements to be modified. From paragraphs 18 to 21, it obviously seems that the current definitions and scope of "professional skepticism" in the standards has fallen short and does not take into account the requirement to highlight the non-auditor portion of these definition. We expect an expansion in the definition as well as other aids to demonstrate this concept and practical uses of this concept in the standards. The options in the said paragraph seem to provide additional efforts to guide the actions of professional accountants. It will help the professional accountant in exercising professional skepticism.

Where the proposed approach we have made in answer 7 and 8 above is applied, then existing IAASB's international standards will not be affected. Our view is to have the new definition in paragraph 19 which reads *"approaching professional activities with an impartial and diligent mind set and applying this mind set and relevant professional expertise to the evaluation of information which they are associated with"* integrated into the fundamental principle of professional competence and due care which is applicable to all professional accountants. On that premise, the accountants in practice can still have the professional skepticism definitions in the ISAs and other literature still relevant and applicable in the manner they have been and not be in conflict with the new explicit requirements of the code.

10. Paragraph 22 — Should the Code include application or other material to increase awareness of biases, pressure, and other impediments to approaching professional activities with an impartial and diligent mind set and 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, pressure, and other impediments might influence their work.

Comment

The introduction of additional materials to increase awareness of biases and pressures that professional accountants may come across seem to make a lot of sense. The materials could be developed in a manner similar to the existing threats and safeguards regime in the code regarding the independence of professional accountants in practice. A similar material could be developed to cater for the kinds of pressures, biases and impediments professional accountants in general face as well as propose safeguards to address these biases. We are of the view that including the application as a sub-section in the code of professional skepticism would be more appropriate. We deem this appropriate because the accountant would not need to refer to other documents to understand the presence of biases, pressure and other impediments to approaching professional activities with an impartial and diligent mind-set in exercising professional skepticism.

We are however not entirely convinced that this is the right approach as we cannot predict every situation that exists in terms of biases, pressure and other impediments. Our fear is that once a particular situation or similar to that situation is not listed, the tendency to believe that a particular situation does not fall into that category will persist. However a principles-based approach which will focus on how the professional accountant feels in coming to a decision would be more appropriate.

We hope the IESBA finds these comments helpful in further developing its consultations on Professional Skepticism – Meeting Public Expectations. In turn, we are committed to helping the IESBA in whatever way possible to build upon the results of this Consultation Paper. We look forward to strengthening the dialogue between us. Please do not hesitate to contact us should you wish to discuss any matters raised in this submission.

Yours Sincerely,

Paul Kwasi Agyemang
(Chief Executive Officer)