

# Association of Accounting Technicians response to the IESBA Consultation paper on Professional Scepticism – Meeting Public Expectations

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## 1. Introduction

- 1.1. The Association of Accounting Technicians (AAT) is pleased to have the opportunity to respond to the IESBA Consultation paper on Professional Scepticism – Meeting Public Expectations, published May 2018.
- 1.2. AAT has added comment to add value or highlight aspects that need to be considered further.
- 1.3. AAT has focussed on the practical implementation of the proposals and on the potential impact on public opinion.

## 2. Executive summary

- 2.1. **The public has a right to expect all professional accountants to take the same approach to undertaking their work (regardless of its nature).** This is the case even if there may be differences in knowledge and experience when doing so.
- 2.2. **IESBA should develop additional material to highlight the importance of exercising the behaviour and relevant professional skills as described.** This may take the form of case studies, articles and engagement with professional bodies to remind and encourage professionals of the need to behave appropriately at all times.
- 2.3. **AAT believes that the term “professional scepticism” should be retained.** The term has a strong degree of historical usage and familiarity and should not be changed given there is no evidence that doing so will lead to any form of improvement.

## 3. AAT response to the questions outlined in the proposal document

**Q1: 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?**

- 3.1. AAT fully agrees with this premise. It is a fundamental basic expectation for any professional that their work is undertaken with care and can be fully relied upon for its intended use.

**Q2: 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?**

- 3.2. It should be beyond question that there should be a basic expectation on all professional accountants (not just auditors) to behave in the ways described. The summary in paragraph 10 provides a reasonable ‘high-level’ description of the behaviours.

**Q3: Paragraphs 13 and 14 – Do you agree that the mindset and behaviour described in paragraph 10 should be expected of all professional accountants? If not, why not?**

- 3.3. AAT agrees that public expectations do not take into account different roles within the profession, and nor should they be expected to. The public has a right to expect all professional accountants to take the same approach to undertaking their work (regardless of its nature) even if there may be differences in knowledge and experience when doing so.

**Q4: Paragraph 16 – Do you believe the fundamental principles in the Code and related application material are sufficient to support the behaviours associated with the exercise of appropriate “professional scepticism”?**

- 3.4. While it is always sensible to revisit and review the principles of the Code, and to update application material, the principles remain sound. The main issue in terms of public trust, as seen in the UK recently in cases such as the accounting issues at both Tesco and BHS, is a failure by individual auditors to adhere to those principles.

**Q5: Paragraph 18 – Do you believe professional scepticism, as defined in International Standards on Auditing, would be the appropriate term to use?**

- 3.5. As ‘professional scepticism’ has a strong degree of historical usage and familiarity it might not be wise to remove it from the context it is currently used in, and to retain for audit and assurance purposes. However, reinforcing the more general behaviours that fall within that term, and that apply more widely across the sector, is key.

**Q6: Paragraph 19 –**

**(a) Do you believe that the Code should retain/use the term “professional scepticism” but develop a new definition?**

- 3.6. See above response to Q5.

**(b) If so, do you support a new definition along the lines set out in paragraph 19?**

- 3.7. N/A.

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

- 3.8. N/A

**Q7: Paragraph 20 –**

**(a) Would you support an alternative term to ‘professional scepticism’, such as ‘critical thinking’, ‘critical analysis’ or ‘diligent mindset’?**

- 3.9. This need not be an alternative to ‘professional scepticism’ as currently used and described, but ‘critical analysis’ might be a useful term to describe the behaviours expected across the whole of the profession.

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

- 3.10. N/A

**Q8: 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.**

- 3.11. Additional material in the form of guidance is always helpful when making changes. In this case, the behaviours being discussed should be well known to all professional accountants and the purpose of any additional material ought therefore be to remind them that these behaviours apply to all professional accountants when undertaking any professional activities, and not just audit and assurance work. Examples and case studies might prove useful, particularly to show how

this applies to the 'lower' end of the scale e.g. sole traders working with small companies or individuals.

3.12. **Q9: What implications do you see on IAASB's International Standards as a result of the options in paragraphs 18 to 21?**

3.13. If 'professional scepticism' as a term is retained as is, then this should have no impact on the International Standards.

**Q10: 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 mindset and exercising appropriate professional scepticism 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.**

3.14. There has been a great deal of growth in the understanding of biases (both conscious and unconscious) in the workplace and so there are plenty of resources which could assist in this area. As in Q8, examples and case studies on how biases, long standing relationships, income pressures etc. influence professional accountants are always extremely useful ways of explaining these concepts.

#### 4. **About AAT**

4.1. AAT is a professional accountancy body with approximately 50,000 full and fellow members and over 90,000 student and affiliate members worldwide. Of the full and fellow members, there are more than 4,250 licensed accountants who provide accountancy and taxation services to over 400,000 British businesses.

4.2. AAT is a registered charity whose objectives are to advance public education and promote the study of the practice, theory and techniques of accountancy and the prevention of crime and promotion of the sound administration of the law.

#### 5. **Further information**

If you have any queries, require any further information or would like to discuss any of the above points in more detail, please contact Aleem Islan, AAT Technical Consultation Manager, at:

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