

CONSULTATION PAPER

PROFESSIONAL SKEPTICISM MEETING

PUBLIC EXPECTATIONS

9 August 2018

The Technical Director
IAASB Technical Director

Dear Sir/Madam

**Chartered Accountants Academy(CAA) and Training and Advisory Services (TAS) Submission
– Consultation Paper “Professional Skepticism – Meeting Public Expectations.”**

In response to your request for comments **on Consultation Paper “Professional Skepticism – Meeting Public Expectations”**, attached is the comment letter prepared by Chartered Accountants Academy and Training & Advisory Services. The comment letter is a result of deliberations of members of CAA and TAS which comprises chartered accountants who have experience in auditing, IFRS specialists and academics.

We are grateful for the opportunity to provide our comments on this project.

Please do not hesitate to contact us should you wish to discuss any of our comments.

Yours faithfully,

Elliot T Wonyenika (CAA)
Project Director CAA

Cleopatra Munjoma (TAS)
Project Director (TAS)

Project team: Davidzo Paradzai, Mutsawashe Mubaiwa, Leonard Mapenda, Innocent Sithole

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?

We agree with the premise that the key factor affecting public trust in the profession is whether information with which a professional accountant is associated with can be relied upon for its intended use. Accountancy is arguably the most complex and most diverse of the professions with professional accountants being gatekeepers for legitimate financial systems and business processes. Overtime the public may not trust information associated with professional accountants due to corporate scandals that often arise and more often than note the court of public opinion always query the role of the professional accountant in these scandals, as the expected gatekeeper.

Question 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?

We agree with the behaviour associated with public expectations of professional accountants, appointed as stewards' professional accountants must be transparent and trustworthy since they have a key role to play not only in upholding but in encouraging and influencing ethical behaviour and decision making within their organizations. However practically professional accountants may face dilemmas in exercising an impartial mindset, where their decision making maybe affected by the financial gain to be made. The question would therefore be what mechanisms should be put in place to balance the need for the professional accountant to do what is good for themselves but maybe contrary to public interest.

Question 3: Paragraph 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?

The mindset and behaviour should be expected of all professional accountants so that there is uniform behaviour and professional accountants maintain a good reputation and earn public trust. The public may not understand the distinction between preparers of annual financial statements and auditors and expect the same behaviour. Currently most of the blame for corporate scandals is being placed on auditors for failing to detect the early warning signs but little is expected from professional accountants employed by these corporates. This entails that having all professional accountants apply the same behaviour in their activities ensures a more holistic effort in protecting public interest.

Question 4: 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".

The existence of expectation gaps promotes the need to enhance the Code specifically to promote the effective exercise of appropriate "professional scepticism." Since we are already having this conversation it probably means that not enough attention/prominence has been given in the Code to emphasise the importance of Professional scepticism as evidence by the questions that are being raised. Given the expectation by users of professional services

offered by professional accountants the Code may also need specifically raise the prominence of professional scepticism

Question 5: Paragraph 18: Do you believe professional scepticism, as defined in International Standards on Auditing, would be appropriate term to use?

Professional scepticism as defined in International Standards on Auditing would not be appropriate since it is related to the behaviour of an auditor in gathering audit evidence, in an audit and assurance context. This means that the definition might fail to suffice for professional accountants in business as it does not explicitly address the behaviour expected of them.

Question 6

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

We would suggest the retention of the term professional scepticism as it has been widely used and there is now a generally accepted meaning to the term. Introducing a new term maybe incorrectly construed to mean that a new concept is being introduced which based on this discussion is not the intention.

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

We support the proposed definition. On the concern around confusion due to use of one term, we are of the opinion that would not be the case as it will not be the only case where the meaning of the term would need to be taken in the context of the work being done by a professional accountant and the concern would also be addressed by the inclusion of application material in the code.

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

N/A

Question 7

a) Par 20: Would you support an alternative term to “Professional scepticism” such as ‘critical thinking’, ‘critical analysis’ or ‘diligent mindset’?

We would not support the use of alternative terms as we believe this may create further confusion to the understanding of the intended mindset. We recommend that we rather build on the current understanding of the term professional scepticism by use of a new definition supported by application material.

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?

N/A

Question 8: Par 21: Should the IESBA develop additional material, whether in the Code or otherwise, to highlight the importance of excising the behaviour and relevant professional skills as prescribed? 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.

Yes. Application material should then be developed to support the context in which professional accountants will be expected to apply professional scepticism for e.g. when providing auditing services vs to a professional accountant providing employment services. It means that the principles and definition of the meaning of professional scepticism would be introduced in Part 1 of the code, with Part 2 and Part 3 of the code contain application material within the context in which the professional accountant will be operating. Also, within the independence standards professional scepticism should be included to the extend it may impair a professional accountant's independence when providing assurance services.

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

The options discussed in the paragraph are suggesting either changing the definition of the term professional scepticism or coming with a new term. Whichever option is finally selected we are of the opinion that the IAASB should adopt these changes to ensure consistent understanding of the term. However, the IAASB within its standards can then have application material which further explains how professional scepticism would apply with an auditing context.

Question 10: Paragraph 22: Should the Code include application or other material to increase awareness to biases, pressures 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 and pressure and other impediments might influence their work.

Yes. The Code can take the same route taken for threats to complying with fundamental principles to increase the awareness. For example, in Part 2 of the Code, application material can be included highlighting examples of circumstances and conditions that can impede the professional accountant's ability to exercise professional scepticism.