



Technical Director  
International Ethics Standards Board for Accountants  
International Federation of Accountants  
545 Fifth Avenue, 14<sup>th</sup> Floor  
New York 10017

August 14th, 2018

**Re: IESBA Consultation Paper on Professional Skepticism – Meeting Public Expectations**

Dear Mr Siong

**Introduction**

We<sup>1</sup> appreciate and thank you for the opportunity to comment on the IESBA's consultation paper (the "CP") regarding Professional Skepticism. We believe this is an important topic worthy of debate and further consideration by the Board.

**Overall Comment**

The Board has developed an interesting analysis of the issues related to "professional skepticism" and has explored a range of options to enhance the Code of Ethics in this area. Since this is very much a behavioural driven area, we do not believe that additional requirements are appropriate. However, we do support the development of application material that would further highlight the need to apply appropriate professional behaviours, such as a questioning mind, when a professional accountant is undertaking a professional activity. Given the differing nature and context of their

---

<sup>1</sup> This response is being filed on behalf of PricewaterhouseCoopers International Limited (PwCIL). References to "PwC", "we" and "our" refer to PwCIL and its global network of member firms, each of which is a separate and independent legal entity.

---

*PricewaterhouseCoopers International Limited*  
1 Embankment Place  
London WC2N 6RH  
T: +44 (0)20 7583 5000 / F: +44 (0)20 7822 4652



work that material needs to address the topic from the perspective of both a Professional Accountant in Business (PAIB) and a Professional Accountant in Public Practice (PAPP).

### **Requests for specific comment**

**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?*

It is fair to say that intended users expect to rely on information with which a PA is associated.

It should be clear that a professional accountant (“PA”) may be associated with information as preparer or in another capacity, such as an assurance provider. Paragraph 5 speaks more to the preparation of information. When a PA acts as an assurance provider, for example, the preparer of the information may not have been a professional accountant. It is important to address the issues from all types of associations.

**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?*

The behaviours and expectations of a PA set out in paragraph 7 seem broadly appropriate, although their relevance will depend on the nature of the activity that the PA is involved in (as indeed noted in paragraph 10).

In broad terms, we agree with the articulation of the expected behaviour, as set out in paragraph 10, whether as a PAIB or a PAPP.

We concur that a PA, whether as a PAIB or a PAPP, should not blindly rely on facts, assumptions or representations that do not make sense in the circumstances.

However, outside of the Auditing and Independence Standards, in relation to certain non-assurance services provided by a PAPP (such as litigation support), we do not regard “impartiality” as a necessary or expected behaviour. The guidance needs to be consistent with the PAPP’s ability to advocate for their client when needed and appropriate, and that any requirements are not defined in a way that prohibits the ability to comply with the agreed terms of engagement, while giving advice that is professional, objective, honest and balanced.

Similarly, we would not regard impartiality to always be required by a PAIB acting in their role as an employee. For example, Section 220 of the restructured Code sets out a number of requirements for PAIBs in relation to the preparation of financial information but impartiality is not one of the requirements.

**Question 3** *Paragraphs 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?*



Yes, subject to our comments in response to Question 2.

We believe that the Board should guard against confusing the issues of “professional judgement” with the mindset/behaviour expected (as seems to be the case in the fourth and fifth bullets in paragraph 7). That said, when reading the application material in the Code on professional judgement (120.5 A3), there does seem to be a significant overlap with the behaviours explored in the consultation paper. The interaction of these expected behaviours will need to be clear to avoid confusion.

**Question 4 Paragraph 16 – Do you believe the fundamental principles in the Code and related application material are sufficient to support the behaviors associated with the exercise of appropriate “professional skepticism?”**

We agree the Code addresses in sufficient detail the fundamental principles with which all professional accountants should comply (also having regard to the new material on professional judgement) such that no additional requirements related to “professional skepticism” are warranted.

However, as noted in our responses below, we agree that there is scope in the Code for additional application material in the context of other professional activities undertaken by PAs, including non-assurance services provided by PAPPs.

In addition, we believe that there is scope to address behavioural elements through the education standards (e.g., revising IES 4 to make it an expectation that there will be some training devoted solely to professional skepticism or equivalent). We encourage the Board to work closely with the IAESB as it moves forward with its proposals.

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

No. We do not support option 1.

The definition used in the Auditing Standards is clearly designed, and relevant to, those performing audit and other assurance engagements.

We strongly believe that the definition of professional skepticism as used in the Auditing Standards should remain in place and continue to be applicable in the audit or other assurance context only.

**Question 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.*



We do not support the development of a new definition to be used in the broader context (option 2).

Instead, we would support the development of application material in the Code to describe how existing fundamental principles and related concepts are the basis for the expectation that all professional accountants will apply appropriate behaviours including critical thinking, judgment and a questioning mind as explored in paragraph 7 of the CP.

**Question 7 Paragraph 20 –**

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

As noted above, we do not support the development of a new term (option 3), but we agree that the behaviours explored in the CP could usefully form part of the additional application material in the Code.

**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 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 behavioral characteristics and professional skills.*

We support option 4, that is, the development of application material to highlight the importance of exercising the behaviour and relevant professional skill expected of a professional accountant.

This guidance could use some of the good thinking already done by the working group, as summarised in paragraphs 7 and 14.

This could include guidance to the effect that a PA should “approach professional activities with an objective and diligent mindset and apply this mindset and relevant professional expertise to the evaluation, or preparation, of information with which they are associated.”

This application material would need developing from the perspectives of both PAIB and PAPP given their different roles and professional activities.

We believe the other options would risk confusion or dilution of the concept as applied today in the IAASB’s audit and assurance standards

We note that an idea that came out of the earlier round-table discussions was to include some material at the front of the Code that focused on the “professionalism” expected of PAs such that it would lay the foundation for the overarching expectations that the public has of the profession at large. We believe that this is worthy of further consideration by the Board.

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



We do not believe that adding application material related to the fundamental principles in the Code, along the lines above, should have any significant implications for the application of the IAASB's International Standards.

**Question 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 mindset 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.*

Yes the application material could also encompass the thinking in paragraph 22 regarding bias, pressure and other impediments, bearing in mind the existing new material in section 270 (PAIBs) on pressure to breach the fundamental principles.

#### **Contact**

We would be happy to discuss our views with you. If you have any questions regarding this letter, please contact me, at [jan.e.mccahey@pwc.com](mailto:jan.e.mccahey@pwc.com).

Yours sincerely

A handwritten signature in black ink that reads "Jan McCahey". The signature is written in a cursive, flowing style.

Jan McCahey  
Global Public Policy Leader