

RSM International Limited

50 Cannon St
London
EC4N 6JJ
UK

T +44 (0)207 6011080

www.rsm.global

Mr Ken Siong
IESBA Technical Director
International Ethics Standards Board for Accountants
529 Fifth Avenue
New York, NY 10017

15 August 2018

Professional Skepticism – Meeting Public Expectations

Dear Mr Siong,

On behalf of RSM International Limited, a global network of independent accounting and consulting firms, we are pleased to respond to your Consultation Paper – Professional Skepticism – Meeting Public Expectations.

We are grateful for the opportunity to participate in the roundtable in Paris in June and we respond to the request for written comments to the questions posed as follows:

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?

Yes, we agree with this premise.

However, the profession needs to do more to educate the public to understand the limitations of the work of professional accountants. There is a tendency for the public to believe that all information with which a professional accountant is associated is presented to the same standard as financial statements which have been audited in accordance with International Standards on Auditing. This is not the case for many reports by professional accountants such as limited assurance or agreed upon procedures engagements. In addition, more emphasis should be given to the role and responsibility of management in preparing information with which the professional accountant is then associated.

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?

Yes, we agree that the behaviours set out in paragraph 10 should be expected of professional accountants. There are no aspects that we would add or exclude.

Question 3

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?

Yes, we agree. In particular, we welcome the acknowledgement that scalability could be introduced. When considering professional skepticism it is important to remember that an individual's ability to apply the mindsets in these two paragraphs develops over time as their roles and responsibilities change.

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 skepticism”?

We believe that the fundamental principles in the Code are sufficient to enable professional accountants to exercise professional skepticism. However, as set out in our response to Question 1 above, we recognise that more guidance may be required to educate the public about the responsibilities of preparers and reviewers.

Question 5

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

No, we do not believe that it is the appropriate term (or definition) to use. Professional skepticism, as defined in International Standards on Auditing, is a well understood concept and we would not favour the option set out in paragraph 18. The disadvantages set out in paragraph 18 are so significant that, in our view, applying the same terminology to other engagements with which professional accountants in practice and in business are associated, risks the confusion discussed in paragraph 19, both for professional accountants and the public.

Question 6

Paragraph 19 –

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

Consistent with our response to Question 5, we do not support the use of the term “professional skepticism” in the Code as proposed. Using the same term but defining it differently depending on the context in which it is applied runs the risk of causing substantial and unwarranted confusion for both practitioners and the public.

Question 7

Paragraph 20 –

- (a) Would you support an alternative term to “professional scepticism”, such as “critical thinking” or “diligent mindset”?*
- (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?*

Yes, we would support an alternative term. One option might be a combination of the two suggestions into “critical and diligent mindset”. This would capture the need for the professional accountant, both in business and in practice, to assess information with a questioning mind and to take due care.

Whichever term is used, we believe that it is necessary to highlight which matters are not covered by it. For example, that the accountant is not under a duty to hunt for tax evasion, unless it is within the scope of the engagement. Otherwise there is a risk that an expectation gap may develop similar to the one that already exists for audit.

Question 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 behaviour characteristics and professional skills.

Consistent with our reply to Question 7, we would not support this fourth option alone. However, if a new term and definition were included, application material would be required to set out the underlying characteristics relating to that definition. This could include examples of situations in which professional accountants might find themselves involved with information, either in business or professional practice, and guidance on factors to consider in those contexts.

Question 9

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

As set out in our responses above, the biggest risk to the IAASB's International Standards relates to confusion as to the meaning of "professional skepticism" if the term is defined differently by the IESBA. Again, using the same term but defining it differently for different contexts potentially causes significant and unnecessary confusion.

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 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.

Yes, the Code should include such material. We would favour practical examples of bias, pressure and other impediments. There are many professional judgement frameworks that have been developed by academics and others that may serve very well as a source for such application or other material.

We would be pleased to discuss our comments further with members of the IESBA or its staff. If you wish to do so, please contact Robert Dohrer (tel: +44 207 601 1080; email: robert.dohrer@rsm.global).

Yours sincerely

A handwritten signature in black ink, appearing to read 'Robert Dohrer', with a stylized, flowing script.

Robert Dohrer
Global Leader - Quality and Risk
RSM International

END OF DOCUMENT