

IESBA Technical Director
Mr. Ken Siong

By e-mail: kensiong@ethicsboard.org

26. July 2018

**Re: FSR – danske revisorer comments to the IESBA Consultation Paper
*Professional Scepticism – Meeting Public Expectations***

Dear Mr. Siong

The Ethics Committee of FSR - danske revisorer is pleased to comment on IESBA Consultation Paper *Professional Scepticism – Meeting Public Expectations*.

We agree that professional scepticism is of great importance if reasonable public expectations are to be met.

This is already obvious in the existing regulation. Therefore, information and relevant application material seem more important than new definitions and, even worse, introducing competing definitions in the Code compared to specific standards.

The principle should be generic for professional accountants in and outside of practice. The deduction of application material, though, should be in standards, e.g. ISA, ISRE, ISAE, ISRS and corporate governance frameworks.

For further elaboration, cf. the specific answers on the following pages.

Kind regards
Lars Kiertzner
Chief Consultant, State Authorized Public Accountant
FSR – danske revisorer

FSR – danske revisorer
Kronprinsessegade 8
DK - 1306 København K

Telefon +45 3393 9191
fsr@fsr.dk
www.fsr.dk

CVR. 55 09 72 16
Danske Bank
Reg. 4183
Konto nr. 2500102295

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?

Side 2

This question seems almost trivial.

The obvious answer is “yes”.

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?

(Approach professional activities with an impartial and diligent mindset; and Apply that mindset, together with relevant professional expertise, to the evaluation of information with which they are associated).

This question seems almost trivial.

The obvious answer is “yes”.

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. The profession should have no interest in members in business or education who cannot or will not adhere to professional skepticism in their line of work.

Furthermore it should be stated more clearly that the principles apply to all professional staff in accounting firms also.

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 consider that professional skepticism is a prerequisite to live up to the five fundamental principles that already are fundamental to the behavior of all professional accountants. Especially it is impossible to act with integrity and professional competence without being skeptical.

It would be harmless and with no real effect if professional skepticism was “promoted” to be the sixth fundamental principle, so we would not object strongly if this is preferred. If so, the definition in ISA is preferred: “An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of the evidence”.

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

We consider it important that professional skepticism is overarching all professional activities both for professional accountants in practice and their staff, and professional accountants in business. The same definition should be used – introducing competing definitions can only contribute to confusion.

The practical deductions by applying the principle in specific circumstances is a matter for standard-setting in ISA, ISRE, ISAE and ISRS. And is a corporate governance issue in business.

I would be blurring the subject if IESBA would introduce competing definitions and deductions

Question 6 Paragraph 19 –

(a) Do you believe that the Code should retain/use the term “professional skepticism” but develop a new definition? (“Approaching professional activities with an impartial and diligent mindset and applying this mindset and relevant professional expertise to the evaluation of information with which they are associated.”)

No – this proposed definition is just another way to phrase the same principle as in ISA (“An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of the evidence.”).

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

NA

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

We are not sure that there is a really need to come up with a new definition.

Question 7 Paragraph 20 –

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

We consider those suggestions as equivalent or explanatory signifiers. This fact might be established if professional skepticism is considered a sixth fundamental principle. The suggested alternatives might be used to explain the content of professional skepticism.

Side 4

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

We consider the wordings as equivalent.

Further, as our comments to Question 5 suggests, the specific deductions from the overarching principle that could be expressed in different equivalent wordings should be addressed in the standard-setting for specific engagements and not 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.

As our comments to Question 5 the specific deductions from the overarching principle should be addressed in the standard-setting for specific engagements and not in the Code. The Code should not compete with specific standard-setting.

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

In our opinion it is of paramount importance that there are no competing definitions of professional skepticism on principle. Therefore, a common pervasive definition should be agreed upon. For the time being the IAASB definition is preferable, also because it is already established and well known and because nothing is gained by considering different equivalent wordings.

It is not our area of competence. It seems to us, that the IAASB might consider developing further application material especially in ISRS where the implications of the principle seem unclear.

Further IAASB might considered whether material on application of professional skepticism when evaluating digital evidence is warranted.

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.

Side 5

As our comments to Question 5 suggests the specific deductions from the overarching principle should be addressed in the standard-setting and not in the Code.