Background and Introduction

- ISAs define professional skepticism as 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 evidence**
  - Interrelated with fundamental concepts of independence of mind, objectivity and professional judgment, and contributes to audit quality
  - Addressed in IESBA Code and Education standards
- February 2012 Staff Publication addresses how professional skepticism applies to audits of f/s
Why Should the IAASB Consider a Professional Skepticism Project Now?

• Calls for enhanced auditor professional skepticism from many stakeholders, including
  – Regulator and audit oversight authorities
  – Outreach and other national initiatives
  – Academic research
• IAASB already taking steps, but still more to be done
  – Need for a collaborated approach to include other standard setting boards (i.e., IESBA and IAESB)

Working Group (WG) Objective and Activities

• WG comprises of representatives from IAASB, IESBA and IAESB
• Key objective of the WG is to make recommendations to the IAASB about how to effectively respond to issues related to professional skepticism
• Contribute to the development of the IAASB’s Combined Discussion Paper (DP)

Does the IAASB agree with the WG’s objective and planned activities?
Issues Identified to Date

• Concept of professional skepticism is complex and difficult to address because of behavioral and psychological aspects
  – Influenced by personal traits (i.e., attitudes and values), state-specific aspects (i.e., knowledge and experience of individual auditors), as well as culture
  – Solutions beyond standard setting needed
• Professional Skepticism: A “Catch All”?
  – Need for a further understanding of what triggers inspection findings

Panel Discussion

• Provide WG and IAASB an opportunity to further consider underlying issues and brainstorm potential solutions
• Panelists are experts with diverse experiences and perspectives
  – Regulator/audit oversight authority
  – Those Charged with Governance/Auditors
  – Academic
Panelists

- Jeremy Justin, CPAB’s Representative on IFIAR Standards Coordination Working Group
- Helen Munter, Division of Registration and Inspections, US PCAOB
- Cindy Fornelli, US Center for Audit Quality
- Doug Prawitt, Brigham Young University

Next Steps

- Research synthesis aimed at summarizing ongoing and released work on the topic of professional skepticism since 2013
  - Planned completion date of research: September 2015
- Combined DP to be released in December 2015
  - Summary of the June 2015 panel discussion to be included in the DP

What are the IAASB views about the planned next steps described in the Agenda Item 10-A?