

Some Initial Reactions on Agenda Item 7-A, Draft Staff Q&A – Professional Skepticism in an Audit of Financial Statements

- A very good draft that adequately summarizes how the ISAs deal with the topic of professional skepticism.
- Consider “beefing up” the document by adding more questions, making them more “provocative” and interesting, shortening sentences, adding color, dialogue boxes such as those in **Agenda Item 10**, and more examples.
- Reconsider (i.e., remove) the reference to the term “presumptive doubt.”
- Add a statement that the activities of regulators and audit committees make auditors more skeptical (make reference, where applicable, to ISA 260¹ and ISA 265² FRC and PCAOB publications).
- Shorten answer to question 2 of Q&A and give more prominence to ISA 540. Additionally, consider referencing or drawing from material presented on professional skepticism at IAPN 1000.³
- Make a stronger link between professional skepticism and knowledge, both past experience and particular knowledge about the entity and the industry in which it operates (as described in ISA 315⁴).
- Reconsider the statement in paragraph 13 that reads, “Skepticism is embedded throughout the ISAs.” It conveys the meaning that following the auditing standards results in sufficiently skeptical behavior, which is not necessarily the case.
- Emphasize further the concepts in ISA 230⁵, paragraph 10.

¹ ISA 260, *Communication with Those Charged with Governance*

² ISA 265, *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*

³ IAPN 1000, *Special Considerations in Auditing Financial Instruments*

⁴ ISA 315, *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment*

⁵ ISA 230, *Audit Documentation*