

Meeting: IAASB
Meeting Location: New York
Meeting Dates: September 21–25, 2015

Agenda Item 5

Professional Skepticism Working Group

Objectives of Agenda Item

1. The objectives of this agenda item are to inform the IAASB of the Professional Skepticism Working Group's (PSWG) activities; and to discuss conceptual issues related to the topic of professional skepticism.

PSWG

2. The PSWG includes representatives from the IAASB, the International Ethics Standards Board for Accountants (IESBA), and the International Accounting Education Standards Board (IAESB) and is comprised of the following members:
 - Annette Köhler, WG Chair, IAASB Member
 - Susan Jones, IAASB Technical Advisor
 - Richard Fleck, IESBA Member
 - Tone Sakshaug, IESBA Technical Advisor
 - Dave Simko, IAESB Member
 - Laine Katzin, IAESB Member

Activities Since the Last IAASB Discussion

3. Since the June 2015 meeting, the PSWG has held one teleconference and is scheduled to have a physical meeting in advance of the IAASB September 2015 meeting.

Background and Introduction

4. The establishment of this PSWG is the first time that the three independent standard setting Public Interest Activity Committees or standard setting boards (PIACs or SSBs) have committed to jointly consider a topic.¹ The 'vision' behind the establishment of this PSWG is to determine the potential relevance of the standards of each of the SSBs to possibly addressing the concerns that have been raised with respect to professional skepticism.

¹ There has been coordination in concurrent projects like ISA 610 (Revised), *Using the Work of Internal Auditors* and Non-Compliance with Law and Regulation (NOCLAR). The SSBs, in particular, IESBA provided input to the IAASB's development of its *Audit Quality Framework*.

5. The existence of the PSWG provides a mechanism for collectively gathering input and developing insights that are relevant to all three independent SSBs about the potential actions that could be taken to address those concerns.

Professional Skepticism Presentation

6. The PSWG Chair plans to lead a discussion with the IAASB about conceptual issues related to the topic of professional skepticism, including how the IESBA's and IAESB's standards address professional skepticism.

Re-Characterization of the PSWG's Objective and Planned Activities

7. At present, only the IAASB has committed to a project on professional skepticism. This project has some clearly defined deadlines, including the planned Invitation to Comment (ITC) (see **Agenda Item 4**) and an academic synthesis paper by December 2015. There then may be an expectation that the ongoing focus of the WG's would be on progressing the IAASB's work. However, initial feedback from stakeholders, including regulators, audit oversight authorities and academics on the topic, indicate that the IAASB's efforts alone will not address the overarching issues that have been identified with respect to professional skepticism. For example, the IAASB acknowledged at its June 2015 meeting that the issues relating to auditor competence and skill level are not dealt with in the ISAs, but rather in IAESB's education standards.
8. Accordingly, members of the PSWG are exploring how to re-characterize the PSWG's remit and the parameters of its activities, recognizing that there are merits to leveraging the IAASB's already planned activities. The PSWG Chair will provide an oral update on the PSWG's discussions to the IAASB at its September 2015 meeting.

Material Presented

Agenda Item 5-A Presentation – *Professional Skepticism*

Matters for IAASB Consideration

1. The IAASB is asked to consider and provide their reactions to the issues raised during the presentation (**Agenda Item 5-A**) and related discussions that follow during the meeting.
2. The IAASB is asked to provide its views on the PSWG's work to-date, including its objective, planned activities and deliverables.