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Dear Sir or Madam,

Response to the International Ethics Standards Board for Accountants® (IESBA®) Consultation Paper, [Professional Skepticism – Meeting Public Expectations](#).

The European Federation of Accountants and Auditors for SMEs (“EFAA”) represents accountants and auditors providing professional services primarily to small and medium-sized entities (“SMEs”) both within the European Union and Europe as a whole. Constituents are mainly small practitioners (“SMPs”), including a significant number of sole practitioners. EFAA’s members, therefore, are SMEs themselves, and provide a range of professional services (e.g. audit, accounting, bookkeeping, tax and business advice) to SMEs. EFAA represents 16 national accounting, auditing and tax advisor organisations with more than 370,000 individual members.

EFAA is pleased to provide its comments to the IESBA® consultation paper, [Professional Skepticism – Meeting Public Expectations](#), which have been prepared with input from our Assurance Expert Group chaired by our Director [Paul Thompson](#). We also wish to thank the IESBA for the opportunity to participate in the roundtable held in Paris on 15 June at which the paper formed the basis for discussion. Below you will find ‘General Observations’ and our responses to the specific questions posed in the Consultation Paper (CP).

General Observations

We commend IESBA on addressing longer term issues of professional skepticism. Professional skepticism is a vital concept for professional accountants, a concept important for all those entering the profession and remaining important throughout the life of all professional accountants. Indeed, we believe the key to ensuring professional accountants are sufficiently skeptical is to attract to the profession those that are naturally so inclined as well as to ensure sufficient emphasis is afforded it during education and training.

Professional skepticism is also an attribute whose importance varies according to the role of the professional accountant and to the circumstances. For example, it is especially important that auditors of public interest entities (PIE) exhibit the attribute and choose appropriate actions as a consequence. While important it must not be over-emphasized to the exclusion of other important traits expected of professional accountants such as their ability to consult, demonstrate leadership, and produce high quality work. Many professional accountants working in business, academia or the public sector will be in a variety of positions, often unconnected with accounting and the financial reporting supply chain. While professional skepticism will likely prove advantageous to them, their employer and their

co-workers it is perhaps less essential and other attributes arguably more relevant in their working environment.

While we 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 support enhancing the Code with further guidance in the application material on how to specifically exercise professional skepticism by all professional accountants.

We fully concur with IESBA’s belief, in Paragraph 14, that the nature and extent of the actions to be taken by the professional accountant in order to demonstrate behavior appropriate to the particular circumstances will depend upon a range of factors. This seems to suggest the need to address the different expectations of professional accountants depending upon the roles expected of them, their seniority and their experience. The concept of professional skepticism rightly applied to all accountants becomes even more complex through the use of one term referring to different expected behaviours, the consultation paper speaks in Paragraph 19 of potential confusion.

We believe that the Code should state that professional accountants will be expected to apply their professional judgement in determining the appropriate nature and extent of the actions to be taken in the circumstances and provide a list of the factors to help them do so. But we would suggest the IESBA to consider that scalability would lie in this determination of the appropriate actions in the circumstances as a consequence of professional skepticism rather than in the degree of professional skepticism applied. This would allow for one term applied to all accountants but with varying consequences in the different circumstances.

Finally, we believe that being skeptical in mind is one thing, having the courage to act on it, including standing up to difficult challenges with others, can be quite another. This courage needs to be trained and supported by adequate guidance and the leadership in each organisation.

Specific Questions

Q1. 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?

We strongly agree with the premise.

Q2. 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?

We broadly agree with the behavior associated with public expectations of professional accountants.

Please see our general observations above.

Q3. 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?

We agree that the mindset and behaviour described should be expected of all professional accountants.

As we state under our ‘General Observations’ above we welcome the IESBA’s recognition, in Paragraph 14, that the nature and extent of the actions to be taken by the professional accountant in order to

demonstrate behavior appropriate to the particular circumstances will depend upon a range of factors. This may suggest the need to introduce scalability when considering the actions resulting from professional skepticism.

Q4. 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 believe the fundamental principles are sufficient.

However, enhancing the Code with further guidance in the application material on how to specifically exercise professional skepticism by all professional accountants is welcome. As we state under the ‘General Observations’ above we concur with IESBA’s belief, in Paragraph 14, that the nature and extent of the actions to be taken by the professional accountant in order to demonstrate behavior appropriate to the particular circumstances will depend upon a range of factors and that this suggests the need to introduce scalability when considering the actions resulting from professional skepticism. We believe that the Code should state that professional accountants are expected to apply their professional judgement in determining the appropriate nature and extent of the actions to be taken in the circumstances and provide a list of the factors to be able to do so.

Q5. Paragraph 18 – Do you believe professional skepticism, as defined in International Standards on Auditing, would be the appropriate term to use?

We do believe professional skepticism, as defined in the ISAs, is the appropriate term to use.

As professional skepticism is already well-established and widely understood in the context of the audit we believe it is perhaps best to continue to use this term. A new term risks creating confusion.

Q6. Paragraph 19 –

(a) Do you believe that the Code should retain/use the term “professional skepticism” 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.

We do support redefining professional skepticism.

However, we do believe that the Code should provide additional guidance as to what professional skepticism looks like for professional accountants in general along the lines described in Paragraph 19.

Q7. Paragraph 20 –

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

(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?

Please see our response above to Q5 and Q6.

Q8. 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.

We encourage the IESBA to consider collaborating with the IAESB in the development of short promotional materials, perhaps along the lines of those developed by ICAS, and succinct guidance materials useful for education and training guidance. These could take the form of staff publications.

Q9. What implications do you see on IAASB's International Standards as a result of the options in paragraphs 18 to 21?

We are unable to judge the likely implications on IAASB's International Standards at this point of discussion.

Q10. 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.

EFAA [research](#) has revealed that professional accountants can be under immense pressure. Professional accountants value the opportunity to consult. The IESBA might wish to consider brief guidance, perhaps in the form of staff publications, developed in conjunction with the IAESB, including guidance to PAOs and local regulators on how this can be done cost effectively.

I trust that the above is clear. However, should you have any questions, please contact me any time.

Yours faithfully,



Bodo Richardt

President