



National Association of State Boards of Accountancy

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August 10, 2018

International Ethics Standards Board  
for Accountants  
International Federation of Accountants  
529 Fifth Avenue, 6<sup>th</sup> Floor  
New York, New York 10017

Via email: [KenSiong@ethicsboard.org](mailto:KenSiong@ethicsboard.org)

Attention: Ken Siong, IESBA Senior Technical Director

Re: IESBA Consultation Paper on Professional Skepticism – Meeting Public Expectations

Dear Members and Staff of the International Ethics Standards Board for Accountants (IESBA):

The National Association of State Boards of Accountancy (NASBA) appreciates the opportunity to comment on the above-referenced Consultation Paper. NASBA's mission is to enhance the effectiveness and advance the common interests of State Boards of Accountancy (State Boards) that regulate all Certified Public Accountants (CPAs) and their firms in the United States and its territories, which includes all services provided by CPAs. State Boards are charged by law with protecting the public.

In furtherance of that objective, we offer the following comments on the Consultation Paper. We have keyed our responses to the questions as presented on pages 11 and 12 of the Consultation Paper.

### **Responses to Specific Questions**

*Question 1: 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? (Ref. – par. 5)*

NASBA agrees with the premise that the public relies on the work of professional accountants. This is at the core of what the public expects, and why employers and clients seek out credentialed, professional accountants. Thus, a lack of thoroughness in the accountant's work negatively impacts public trust in the profession.

*Question 2: 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? (Ref. – par 10)*

NASBA agrees with the summary in paragraph 10, which is driven by the elements described in paragraph 7. We suggest the IESBA incorporate the element of public interest, that is, the professional accountant should approach his or her work being mindful of the public interest.

*Question 3: Do you agree that the mindset and behavior described in paragraph 10 should be expected of all professional accountants? If not, why not? (Ref. – par. 13 – 14)*

NASBA agrees that the mindset and behavior described in paragraph 10 should be expected of all professional accountants. The Certified Public Accountant (CPA) credential requires all licensees, whether or not in public practice, to comply with ethical requirements, including integrity and objectivity. Thus, requiring all professional accountants to exercise the mindset described in paragraph 10, a key driver of sound, professional judgement, is entirely appropriate and in the public interest.

*Question 4: 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”? (Ref. – par. 16)*

NASBA does not believe the current Code states clearly enough that all professional accountants should exercise “professional skepticism” in performing professional activities.

*Question 5: Do you believe professional skepticism, as defined in International Standards on Auditing, would be the appropriate term to use? (Ref. – par. 18)*

Since “professional skepticism” is a term of art with a long history in the audit literature, we believe the use of the term outside of the audit literature would cause confusion.

NASBA agrees that professional accountants should ask the right questions and appropriately apply the information received to their work. We believe IESBA should incorporate the concept into the Code but are concerned that using the term “professional skepticism” in a broader context may cause confusion. Due to the term’s longstanding association with auditing and other assurance services, it may also increase accountants’ legal liability when they perform non-attest services.

*Question 6: 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. (Ref. – par. 19)*

- a) NASBA recommends the IESBA consider other terms that may be used in place of “professional skepticism” for the reasons noted above. We suggest that IESBA consider terms, such as critical analysis, diligent mindset and others, in crafting the alternative definition.
- b) NASBA does not support creating a new definition of “professional skepticism.” In addition to the reasons already stated, we are concerned that using the term “professional skepticism” more broadly may diminish its meaning in the audit context, where it is critically important.
- c) NASBA does not support an alternative definition for “professional skepticism.”

*Question 7: 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 focuses on the mindset and behaviors to be exercised by all professional accountants? (Ref. – par. 20)*

- a) NASBA supports development of an alternative term that would connote the mindset, behaviors and characteristics described in the paper. However, we do not believe that generic terms such as “critical thinking”, alone, would be effective in driving the desired behavior. As noted before, “professional skepticism” is a long-lived “term of art” in the profession. We recognize the challenge in creating another term that drives the desired behavior in a way that is easily understandable. However, we believe that selecting an alternative term applicable to all professional accountants performing work under the Code would be the best approach for these reasons: first, the term would be distinguishable from and preserve “professional skepticism” so that it is used only in the context of assurance services. Second, the creation of an alternative term would help to raise awareness about the need to adopt a mindset and behaviors that enhance skepticism in the performance of all professional activities apart from the assurance function.
- b) NASBA does not have a suggestion for a specific alternative term at this time, but does believe that IESBA should consider the following attributes as part of an alternative term used in this context:
  - *Questioning mindset with informed awareness of possibilities*
  - *Impartial mindset with a disposition to question*
  - *Critical perception*
  - *Professional integrity*, which could be ability to apply a diligent impartial mindset, together with professional competence, to the evaluation of information with which the professional accountant is associated.

*Question 8: 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. (Ref. – par. 21)*

NASBA supports development of additional application and other material in the Code to support this concept and suggests the IESBA consider the approach used in developing application material to enhance the guidance for professional accountants performing assurance services. The IESBA should develop application material that explains the behavior, mindset and professional skills expected of all professional accountants and provide links to the Code's fundamental principles.

*Question 9: What implications do you see on IAASB's international standards as a result of the options in paragraphs 18 to 21?*


If application material is created as suggested in our response to Question 8, NASBA does not expect the IAASB standards would be impacted as a result of the IESBA's actions. Should the IESBA decide to expand use of the term "professional skepticism," re-defined or not, it might diminish the significance of that term in the auditing and assurance literature.

*Question 10: Should the Code include application material 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. (Ref. – par. 22)*

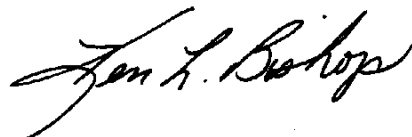
NASBA believes the IESBA should explore providing references to materials outside the Code to educate professional accountants about the biases, pressures and other impediments to exercising appropriate skepticism. Resources like those existing in the auditing context (for example, *Enhancing Auditor Professional Skepticism*, by Professors Steven M. Glover and Douglas Prawitt of Brigham Young University) might be helpful. We suggest the IESBA work with the International Accounting Education Standards Board (IAESB) and its successor entity to identify and develop resources that would apply to all professional accountants.

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Thank you for the opportunity to comment on the Consultation Paper.  
Very truly yours,



Theodore W. Long, Jr., CPA  
NASBA Chair



Ken L. Bishop  
NASBA President and CEO