

August 8, 2018

Mr. Ken Siong
Senior Technical Director
International Ethics Standards Board for Accountants
529 Fifth Avenue, 6th Floor
New York, NY 10017

Submitted via: [Submit a Comment](#) link at IFAC.org

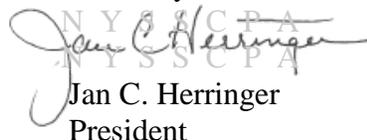
Re: IESBA Consultation Paper, *Professional Skepticism – Meeting Public Expectations*

Dear Mr. Siong:

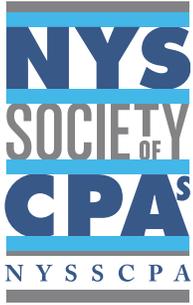
The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 26,000 CPAs in public practice, industry, government and education, welcomes the opportunity to comment on the above-captioned consultation paper.

The NYSSCPA's Professional Ethics Committee deliberated the consultation paper and prepared the attached comments. If you would like additional discussion with us, please contact Elliot L. Hendler, Chair of the Professional Ethics Committee, at (212) 719-8300, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,


Jan C. Herringer
President

Attachment



**NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS**

COMMENTS ON

**IESBA CONSULTATION PAPER, *PROFESSIONAL SKEPTICISM – MEETING
PUBLIC EXPECTATIONS***

August 8, 2018

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New York State Society of Certified Public Accountants

Comments on

IESBA Consultation Paper, *Professional Skepticism – Meeting Public Expectations*

The New York State Society of Certified Public Accountants (NYSSCPA) appreciates the opportunity to provide comments on the International Ethics Standards Board for Accountants' (IESBA) Consultation Paper, *Professional Skepticism – Meeting Public Expectations* (Consultation Paper).

General Comments

In general, we do not believe that additional guidance in the form of revised definitions or interpretations of existing rules in the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the Code) is the appropriate means of dealing with issues surrounding the understanding of and application of professional skepticism. Rather, we believe that additional application material (whitepapers, educational courses, etc.) both within and around the Code, that provides both specific and generally applicable guidance regarding some of the pressures and other impediments to the exercise of professional skepticism and how the professional accountant can overcome those pressures and impediments, would be more appropriate.

In addition, we recognize that professional skepticism is one of the most difficult concepts in professional accounting to define and fully comprehend. Recent research studies seem to indicate that professional skepticism may not be just a standard behavioral response to a particular set of circumstances. Rather, skepticism appears to be a personality trait such that those with innately high levels of personal skepticism respond to the same set of circumstances differently than those with a lower natural level of skepticism. If this proves to be true, through additional studies, then we do not believe that any simple definition of professional skepticism will suffice because an individual with a lower innate level of skepticism will not likely interpret the definition the same as one with a high innate level of skepticism.

Everything in the professional accounting literature presupposes that professional skepticism is a behavioral response. Therefore, we submit that the IESBA consider how an accountant with an innately skeptical personality as opposed to someone with less innate skepticism affects the discussion in the consultation paper. Our responses to the specific questions in the Consultation Paper are framed within the confines of professional skepticism being a purely behavioral response.

Specific Comments

We have the following responses to the questions presented in the Consultation Paper.

Question 1: 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.

Response: We agree with the premise that one of the key factors affecting public trust in the profession is whether the public can rely upon information with which the professional accountant is associated. However, we believe that the “public” should be made aware and the accountant should make clear that there are engagements and circumstances where the accountant’s responsibility with respect to that information is limited, to varying degrees.

For example, in an agreed-upon procedures engagement, the professional accountant’s responsibility is limited to the observations made while performing the procedures agreed to by the specified parties. There is no additional responsibility to provide any “color commentary” regarding those observations beyond the observation itself. Accordingly, the reports of such engagements come with a disclaimer that, had other procedures been performed, including an audit or an examination of the subject matter, additional matters might have come to the attention of the accountant that would have been reported. Therefore, it is important for the public to understand the nature of the service(s) being rendered by the professional accountant before one can state categorically that the information can be relied upon by the public. A failure in understanding on the part of the public would diminish, rather than enhance, that information’s reliability.

Question 2: 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?

Response: We agree with the IESBA’s position that the public expects the professional accountant to approach professional activity with an impartial and diligent mindset, applied together with relevant professional expertise – experience and training – in evaluating information.

Question 3: 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.

Response: The impartial and diligent mindset described in paragraph 10 should be applied to all professional accountants and not just to those in public practice or in the provision of attest services. This mindset is with professionals all the time; from pre-engagement activities through the release of the report and throughout all non-attest services as well.

Question 4: 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?”

Response: The fundamental principles in the Code and related application material provide useful guidance on what is contemplated by professional skepticism and associated behavior.

Question 5: Paragraph 18 – Do you believe professional skepticism, as defined in the International Standards on Auditing, would be the appropriate term to use?

Response: The definition of professional skepticism in the International Standards on Auditing is focused within the auditing context. We believe the example in paragraph 19, “Approaching professional activities with an impartial and diligent mindset and applying this mindset and relevant professional expertise to the evaluation of information with which they are associated,” is more appropriate, but should be accompanied by additional guidance presented in application material and elsewhere.

Question 6: 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?**

Response: We believe that the Code should retain the present term and definition of professional skepticism. However, we think that additional application material both within the Code and in for the form of additional educational material, whitepapers, etc. should be developed. The topic of professional skepticism is so vast and difficult, that the definition in the Code is insufficient to adequately discuss all aspects of the topic.

Question 7: 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?**

Response: We do not support the use of an alternative term in lieu of professional skepticism. “Professional skepticism” is a familiar term that has been in use for a number of years, and whose meaning is generally understood, notwithstanding this current project.

Question 8: 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.

Response: Additional material developed by the IESBA to provide guidance to professional accountants in applying professional skepticism is always desirable. The material, of course, needs to be unambiguous, practical and readily implementable.

Illustrations of how to exercise and exhibit professional skepticism, and what actions would not be consistent with the application of professional skepticism should be included in such additional material.

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

Response: The International Audit and Assurance Standards Board may require application material focusing specifically on professional skepticism in the audit and attest environment.

Question 10: 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.

Response: The Code should include application and other materials discussing possible biases, pressure and other impediments that could have a bearing on the professional accountant's judgment. The IESBA should develop materials – whitepapers, training, etc. – available through the IESBA website to discuss in greater depth matters of possible biases, pressure and other impediments to professional services.