

15 August 2018

Ken Siong
IESBS Senior Technical Director over consultation paper *Professional Skepticism — Meeting Public Expectations*

Dear Ken,

The Institute of Internal Auditors (IIA) is pleased to share feedback on the International Ethics Standards Board for Accountants' (IESBA) consultation paper, *Professional Skepticism — Meeting Public Expectation*. Professional skepticism is of great significance for both professional accountants in business as well as internal audit practitioners, and The IIA appreciates the opportunity to provide its perspective on this vital issue.

The IIA has aided sound governance and risk management efforts in public- and private-sector organizations for more than 75 years. Our more than 190,000 members are part of a global voice that encourages strong internal controls and an enterprise-wide approach to risk management.

Professional skepticism has been a topic of noteworthy examination by all three boards that oversee the accounting profession — the International Ethics Standards Board for Accountants, the International Auditing and Assurance Standards Board, and the International Accounting Education Standards Board. As outlined in the consultation paper's introduction, these ongoing examinations have generated calls for a holistic approach to professional skepticism across the various standards developed by each board.

The IIA agrees with the suggestion from IOSCO (footnote 8) that professional skepticism should be relevant to all accountants, not just those who perform audit and other assurance engagement. This concept goes to the heart of The IIA's approach to professional skepticism and other characteristics that are embodied in The IIA's *International*

Standards for the Professional Practice of Internal Audit (Standards). The IIA standard on Due Professional Care (1220) states:

Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.

In addition, The IIA’s [Global Internal Audit Competency Framework](#), includes critical thinking as one of 10 core competencies needed to meet the requirements of The IIA’s International Professional Practices Framework (IPPF)® for the success of the internal audit profession. The Framework defines competency as the ability of an individual to perform a job or task properly, being a set of defined knowledge, skills and behavior. The Framework provides a structured guide, enabling the identification, evaluation and development of those competencies in individual internal auditors.



Global Internal Audit Competency Framework

The first of 11 characteristics of the critical thinking competency is that an internal auditor, “Maintains curiosity and exercises professional skepticism.”

The discussion in paragraphs 10-12 in the consultation paper address the benefits of briefly articulating the expected behavior on professional skepticism, not unlike The IIA standard’s admonition on Due Professional Care. Paragraph 15 further strengthens this by citing the existing reference to Professional Competence and Due Care in the Code’s Fundamental Principles 110.1 A1 (a) through (e).


The IIA supports the IESBA’s laudable efforts to clarify the concept of professional skepticism, but it has concerns that redefining the term, developing a new label for the concept, or otherwise seeking alternative terms or formulations could create further confusion. Of greatest concern is that such efforts create a conflict with The IIA’s standard on Due Professional Care. It is well established that a great many accountants work as internal auditors, both as members of organizations or as outsourced service providers. Any conflict on professional skepticism would

put those internal auditors/accountants in the impossible position of serving two professional codes with conflicting or incongruous definitions.

The IIA encourages IESBA to:

- Add the IIA's Standard on Due Professional Care (1220) and Global Internal Audit Competency Framework to Appendix 1: *Definitions and Explanations from Other Standard Setters and Organizations*.
- Rely on the principles-based approach to Professional Competence and Due Care from the Code cited in Appendix 2.
- Avoid promulgation of new definitions for professional skepticism that would create conflicts with The IIA's existing Due Professional Care standard (1220).

Sincerely,

A handwritten signature in black ink that reads "Richard F. Chambers". The signature is written in a cursive, flowing style.

Richard F. Chambers, CIA, QIAL, CGAP, CCSA, CRMA
President and CEO
The Institute of Internal Auditors