

OUTSTANDING TEACHING, LEARNING AND ASSESSMENT TECHNICAL SKILLS NATIONAL PROGRAMME

Professional Scepticism PowerPoint Presentation
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Professional scepticism

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Objective

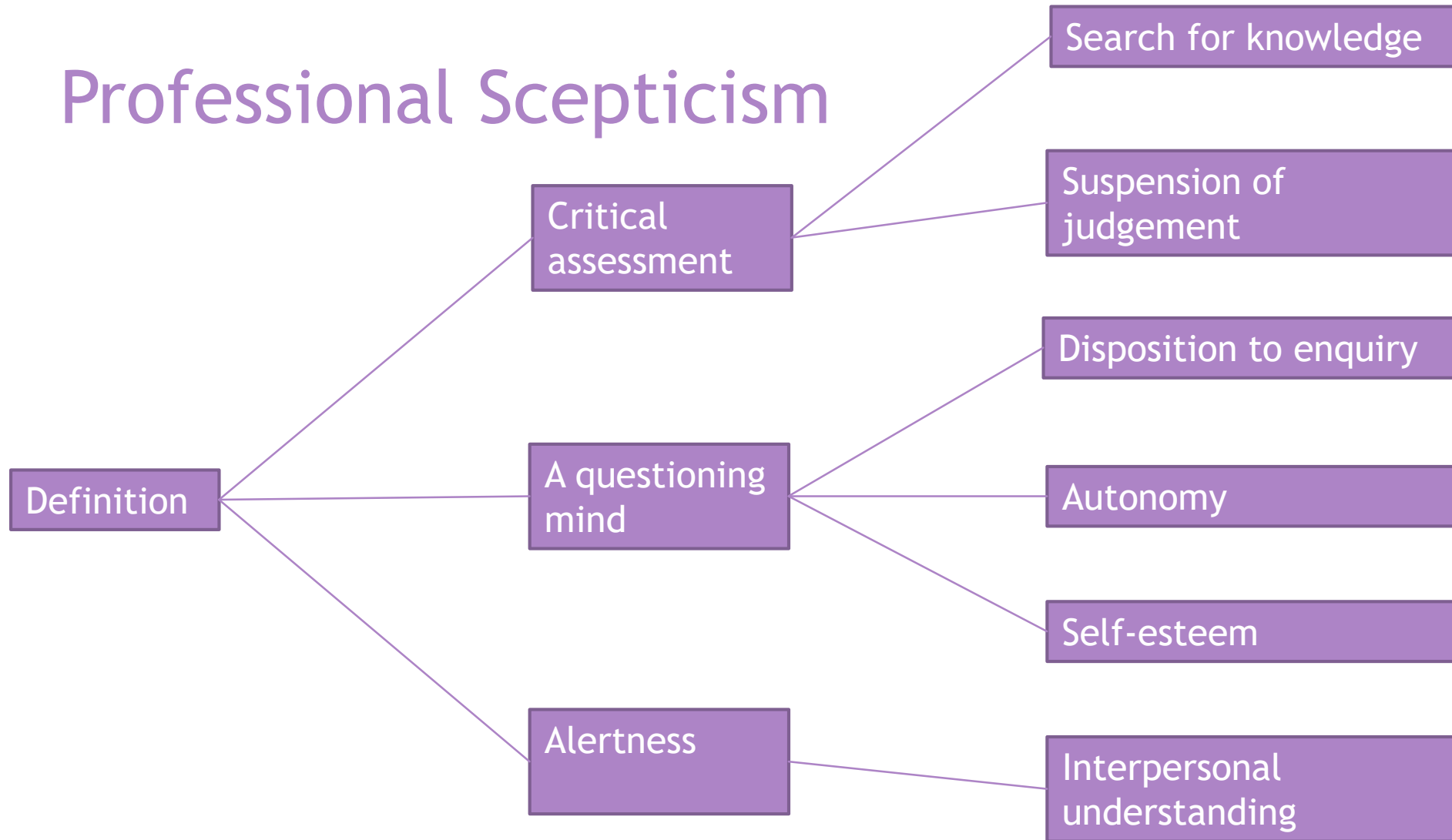
- ▶ Define professional scepticism
- ▶ Identify the key elements of professional scepticism within the accounting sector
- ▶ Apply professional scepticism to given scenarios and reflect on your own practices

What is professional scepticism?

- ▶ Activity
- ▶ Discuss with your neighbour or in small groups
 - ▶ What you believe professional scepticism is
 - ▶ What it means to you / your organisation
- ▶ *Professional scepticism is an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence.*

ICAEW

Professional Scepticism



Your turn

- ▶ You are working as an accounts assistant for an accounting practice. A business you are preparing accounts for would like to revalue their fixed assets
- ▶ How would you demonstrate a 'questioning mind' in relation to the revaluation?

Solution

- ▶ Enquiries
 - ▶ Reasons for the revaluation
 - ▶ Method used for the revaluation
- ▶ Autonomy
 - ▶ Re-perform calculations
 - ▶ Use your own expertise
- ▶ Self-esteem
 - ▶ Challenge assumptions
 - ▶ And reasonableness

Courage

- ▶ Our ability to act from our hearts in the face of fear
- ▶ A skill we can build with practice
- ▶ Occurs in social situations

ENRON

- ▶ Has anything changed?
- ▶ Libor - systemic financial corruption
 - ▶ ‘This goes far beyond any corruption scandal we’ve had.....’
- ▶ Goldman - Cheating their own clients
- ▶ Madoff - 150 years of ponzi scheme
 - ▶ ‘Didn’t want to look like failure’
 - ▶ Victim ‘it feels like a nightmare that we can’t awaken from’
- ▶ Countrywide - Illegal loans and foreclosures
- ▶ Barclays - Manipulated fed rate
 - ▶ ‘everyone else was doing it, our only way to complete’

Why good people do bad things

“Decades of evidence shows us that situations can persuade even the most ethical and compassionate people to betray their own values”

Phil Zimbardo PhD, Stanford Prison Experiment 1971

Situational pressures leads to ethical fading

- ▶ “...unethical conduct happens because people are unconsciously fooling themselves....”
- ▶ “ it’s business”
- ▶ Do you know when to hit the pause button and find the courage to act on our ethical principles?

Your turn

- ▶ You work within the payroll department of an organisation
- ▶ You have been informed that management's bonus are on the achievement of a pre set net profit target
- ▶ In the current year revenue increased more than 10 % and tax decreased by 13% in comparison to prior year
- ▶ The managers are pleased with the organisation's performance as they have satisfied the bonus requirement
- ▶ How will you react to this situation?

Solution

- ▶ Misstatement of profit to meet target
- ▶ Contradiction in movements (revenue and tax)
- ▶ Misleading information to cover up fraud

Reflection

- ▶ What situations might you face that require professional scepticism?
- ▶ Are there situations within your current role where you can practice the skill of professional scepticism?

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