



**The Institute of
Chartered Accountants
of Pakistan**

**CA
PAKISTAN**

HEAD OFFICE

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(Submitted electronically)

Technical Director
International Ethics Standards Board for Accountants
529, Fifth Avenue, 6th Floor
New York, USA

Comments on Exposure Draft, Proposed Application Material Relating to Professional Skepticism & Professional Judgement

The Institute of Chartered Accountants of Pakistan (ICAP) is pleased to comment on the Exposure Draft, Proposed Application Material Relating to Professional Skepticism & Professional Judgement (the ED) published by International Ethics Standards Board for Accountants (the IESBA) in May 2017.

Our responses detailed by the questions contained in the ED, are presented in the 'Appendix' to this letter.

We hope our comments are helpful to the IESBA's deliberation on the ED.

Should you require further clarification on our comments, please contact the undersigned at sohail.malik@icap.org.pk

Yours truly

Sohail Malik
Director Technical Services



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'Appendix'

ICAP COMMENTS ON IESBA EXPOSURE DRAFT 'PROPOSED APPLICATION MATERIAL RELATING TO PROFESSIONAL SKEPTICISM & PROFESSIONAL JUDGEMENT'

REQUEST FOR SPECIFIC COMMENTS

Proposed Application Material Relating to Professional Skepticism (paragraph 120.13 A1)

1. Do respondents agree that the proposed application material enhances the understandability of the conceptual framework in Section 120 of the proposed restructured Code?

ICAP Comments

We support IESBA efforts and believe that the proposed application material will facilitate in elevating the understanding of conceptual framework and compliance with the fundamental principles and independence requirements of the proposed restructured Code.

2. Do the examples in the proposed application material clearly describe how compliance with the fundamental principles of integrity, objectivity, and professional competence and due care support the exercise of professional skepticism in the context of an audit of financial statements? If not, why not?

ICAP Comments

We believe that the examples in proposed application material describe the link between exercise of professional skepticism and compliance of fundamental ethical principles of integrity, objectivity, and professional competence and due care support in the audit of financial statements.

Proposed Application Material Relating to Professional Judgment (paragraph 120.5 A1)

3. Do respondents agree that the proposed application material enhances the understandability of the conceptual framework in Section 120 of the proposed restructured Code?

ICAP Comments

We agree with IESBA approach and understand that the proposed application material emphasizes the importance of not simply accepting information at face value when exercising professional judgment. We believe that by obtaining understanding of facts and circumstances, professional accountant's understandability of conceptual framework of the restructured Code will enhance.

4. Do respondents agree that the proposed application material appropriately emphasizes the importance of professional accountants obtaining a sufficient understanding of the facts and circumstances known to them when exercising professional judgment in applying the conceptual framework? If not, why not?



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ICAP Comments

We believe that the proposed application material underlines the importance of professional accountants obtaining a sufficient understanding of the facts and circumstances known to them when exercising professional judgment in applying the conceptual framework.

However, to provide further clarification to the professional accountants regarding importance of obtaining understanding of facts and circumstances while making professional judgment, few examples may be included, similar to examples given in paragraph 120.13A1 for the professional skepticism.



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REQUEST FOR GENERAL COMMENTS

1. **Small and Medium Practices (SMPs)** - The IESBA invites comments regarding any aspect of the proposals from SMPs.

Not applicable as comments are solicited from SMPs.

2. **Regulators and Audit Oversight Bodies** - The IESBA invites comments on the proposals from an enforcement perspective from members of the regulatory and audit oversight communities.

ICAP Comments

Considering the increased complexity of the businesses and the evolving auditing practices, the exercise of professional skepticism and sound and consistent professional judgment are significant contributor in ensuring audit quality. We believe that the application material will be beneficial in enhancing the understanding of the conceptual framework and will contribute positively in improving the quality of audit.

3. **Developing Nations** - Recognizing that many developing nations have adopted or are in the process of adopting the Code, the IESBA invites respondents from these nations to comment on the proposals, and in particular on any foreseeable difficulties in applying them in their environment.

ICAP Comments

ICAP is a member body of the International Federation of Accountants (IFAC), responsible for establishing and enforcing ethical requirements for its members and supports the work of IESBA by:

- (a) Informing its members of every pronouncement published by IESBA; and
- (b) Implementing the IESBA published requirements to the extent possible under local circumstances.

We do not foresee any significant difficulties in applying the proposed changes in our environment.

4. **Translations** - Recognizing that many respondents may intend to translate the final changes for adoption in their own environments, the IESBA welcomes comment on potential translation issues respondents may note in reviewing the proposals.

ICAP Comments

Not applicable, as Code of Ethics is published in English.