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Sent by email:
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Brussels, 13 July 2017

Subject: Accountancy Europe response to the IESBA Exposure Draft *Proposed Application Material Relating to Professional Skepticism – Linkage with the Fundamental Principles and Professional Judgment – Emphasis on Understanding Facts and Circumstances*

Dear Mr Ken Siong,

Accountancy Europe is pleased to provide you with its comments on the IESBA Exposure Draft *Proposed Application Material Relating to Professional Skepticism – Linkage with the Fundamental Principles and Professional Judgment – Emphasis on Understanding Facts and Circumstances*.

While Accountancy Europe welcomes the IESBA endeavour to continue enhancing the quality of its Code, we are not convinced that the amendments with the proposed new application material in Section 120 of the restructured Code is a timely and adequate initiative.

The proposals come at a time when the IESBA has just completed its consultation on the restructuring of the Code and stakeholders are now preparing to implement the restructured Code. A new revision to the Code will not help provide a stable environment for the implementation of this restructured Code. This move could even be perceived by stakeholders as confusing and as such that is setting a precedent.

Content wise, we do not believe that the proposed application material enhances the understandability of the conceptual framework in Section 120 of the proposed restructured Code. It is implicit and evident that the compliance with the fundamental principles is aligned with and would support the exercise of professional skepticism. There might be value in making this alignment more explicit in the Code, but it does not outweigh potential unintended consequences flagged above.

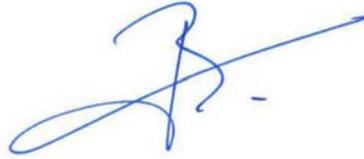
The proposed application material for both professional skepticism and professional judgement is not critical to be added at this particular timing. It appears as a quick fix and is not substantial enough to justify adapting the recently restructured Code with these examples. IESBA could consider issuing a position paper or a staff paper to explain to stakeholders how compliance with the fundamental principles help support the exercise of professional skepticism and professional judgement in different cases and circumstances.

We support IESBA in the ongoing thorough project conducted in collaboration with the other standard-setting boards, IAASB and IAESB. Professional skepticism requires a comprehensive review, especially as issues relating to professional skepticism have been pinpointed by various stakeholders, including regulators.

Sincerely,



Edelfried Schneider
President



Olivier Boutellis-Taft
Chief Executive

ABOUT ACCOUNTANCY EUROPE

Accountancy Europe unites 50 professional organisations from 37 countries that represent close to 1 million professional accountants, auditors, and advisors. They make numbers work for people. Accountancy Europe translates their daily experience to inform the public policy debate in Europe and beyond.

Accountancy Europe is in the EU Transparency Register (No 4713568401-18)

ANNEX: IESBA 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?*

We do not believe that the proposed application material enhances the understandability of the conceptual framework in Section 120 of the proposed restructured Code. It is implicit and evident that the compliance with the fundamental principles is aligned with and would support the exercise of professional skepticism. There might be value in making this alignment more explicit in the Code, but it does not outweigh potential unintended consequences.

Namely, the proposals come at a time when the IESBA has just completed its consultation on the restructuring of the Code and stakeholders are now preparing to implement the restructured Code. A new revision to the Code will not help provide a stable environment for the implementation of this restructured Code. This move could even be perceived by stakeholders as confusing and as such that is setting a precedent.

We support IESBA in the ongoing thorough project conducted in collaboration with the other standard-setting boards, IAASB and IAESB. Professional skepticism requires a comprehensive review, especially as issues relating to professional skepticism have been pinpointed by various stakeholders, including regulators.

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?*

The proposed application material for both professional skepticism and professional judgement is not critical to be added at this particular timing. It appears as a quick fix and is not substantial enough to justify adapting the recently restructured Code with these examples. IESBA could consider issuing a position paper or a staff paper to explain to stakeholders how compliance with the fundamental principles help support the exercise of professional skepticism and professional judgement in different cases and circumstances.

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?*

We do not believe that the proposed application material enhances the understandability of the conceptual framework in Section 120 of the proposed restructured Code.

The proposals come at a time when the IESBA has just completed its consultation on the restructuring of the Code and stakeholders are now preparing to implement the restructured Code. A new revision to the Code will not help provide a stable environment for the implementation of this restructured Code. This move could even be perceived by stakeholders as confusing and as such that is setting a precedent.

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?*

The proposed application material for both professional skepticism and professional judgement is not critical to be added at this particular timing. It appears as a quick fix and is not substantial enough to justify adapting the recently restructured Code with these examples. IESBA could consider issuing a position paper or a staff paper to explain to stakeholders how compliance with the fundamental principles help support the exercise of professional skepticism and professional judgement in different cases and circumstances.