

August 03, 2017

Ref.: SEC/089/2017 - DN

International Ethics Standards Board for Accountants (IESBA)
545 Fifth Avenue, 14th Floor
New York, NY 10017
USA

Dear Sirs,

We, the Ibracon – Instituto dos Auditores Independentes do Brasil (Institute of Independent Auditors of Brazil), appreciate the opportunity to comment on the Exposure Draft (ED) Proposed Application Material Related to: (a) Professional Skepticism – Linkage with the Fundamental Principles; and (b) Professional Judgement – Emphasis on Understanding Facts and Circumstances.

We believe that issue an ED related to this topic is in line with some Brazilian Stakeholder's expectations which include the fact that the concept of professional judgement, professional skepticism and due care should be exercised by all accountants not only who perform audit and/or assurance services.

Also, including requirements for professional accountants apply critical mindset, emphasizing the need to understand the facts and circumstances and its implications, can help the audit work and consequently can contribute to improve the audit quality.

Following your guidance and document with respect to the matter, we separated our comments in the following topics:

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?

Yes. The paragraph 120.12. A1 of the IESBA Code which disclose about independence mentioning that independence is linked to objectivity and integrity that are fundamental principles and the proposed application material included in section 120.13 A 1 illustrative example as to how to exercise integrity, objectivity and due care in order to improve the professional skepticism.

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?

Professional Skepticisms is driven mainly by a questioning mind, being alert to conditions of misstatements or fraud and critical assessment of evidence. The examples in the Section 120 13 A1 include circumstances that lead the accountant to reflect about the drivers of the professional skepticism, e.g.: act diligently, seek for further evidence, take care about previous and continuous involvement with a client, challenging of information received, etc.

We believe that the proposed application materially describe how to comply with the fundamental principles, however it would be helpful if more examples or details could be included.

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?

The section 120.5 mentions that when applying the conceptual framework the professional accountant shall exercise professional judgment. The proposed application material in Section 120.5 A1 provides more details about the professional judgment definition and also included examples of how to exercise professional judgment which helps to understand the conceptual framework.

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?

Yes, as in some circumstances professional accountants may receive information to be processed without thoroughly searching all the facts, the nature of the operation, the impact of the transaction in the financial information as a whole. We believe that the proposed material will positively contribute for a more ethical business environment.

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President

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