

Meeting: IESBA

Meeting Location: Livingston, Zambia

Meeting Date: December 4-8, 2017

Agenda Item

4

Professional Skepticism and Professional Judgment

Objectives of Agenda Item

1. To:
 - (a) Consider the final revisions to the proposed application material relating to professional skepticism (PS) (paragraphs 120.13 A1¹ to 120.13 A2) and professional judgment (PJ) (paragraphs 120.5 A1 to 120.4 A3)
 - (b) Approve the final proposed text relating to PS and PJ.

Comments and drafting suggestions are requested in advance of the Board meeting via email, preferably by **Friday November 24, 2017**. Please email your advance comments and drafting suggestions to: dianejules@ethicsboard.org.

Task Force

2. Members:
 - Richard Fleck, Chair and IESBA Deputy Chair
 - Patricia Mulvaney, IESBA Member
 - Tone Maren Sakshaug, IESBA Technical Advisor

Activities since the Last IESBA Discussion

3. The Task Force held one physical meeting and two teleconferences to develop the agenda materials for this meeting.
4. Consistent with the approach used in finalizing the Exposure Draft (ED), [*Proposed Application Material Relating to Professional Skepticism and Professional Judgment*](#), the Task Force shared its revised proposals with the representatives of the tripartite PS Working Group with a request for comments of a “fatal flaw” nature. No comments were received as of the posting date for this meeting.
5. The Task Force notes that International Auditing and Assurance Standards Board (IAASB) representatives of the PSWG will meet via teleconference on November 27, 2017 to consider the Task Force’s proposed revisions in response to respondents’ feedback on the ED. The Task Force expects to receive an update from Staff on the outcome of this teleconference, and will brief the Board as appropriate during its December 2017 meeting.

¹ Proposed restructured Code, Part 1 – Complying with the Code, Fundamental Principles and Conceptual Framework, Section 120, *The Conceptual Framework*

Summary of Revisions to Proposed Text since September 2017 IESBA Meeting

6. At its September 2017 meeting, the IESBA considered significant comments raised by respondents to the ED, and related Task Force responses. The IESBA broadly supported the direction of the Task Force's revisions to the ED. It was agreed that the Task Force would consider further refinements based on IESBA members' editorial suggestions to be provided via email. The Board also asked that the Task Force:
 - Consider whether the description of the term "professional judgment" has been fully aligned with the description in the IAASB's standards.
 - Revise the PS application material to avoid the likelihood that a reader of the proposed text might misread it to be a description of the fundamental principles.

Task Force Response

7. The Task Force's revisions and refinements to the proposed text since the last draft reviewed by the Board are shown in **Agenda Item 2-C**. Specifically, the PJ proposed text is included in paragraphs 120.5 A1 to 120.4 A3 and the PS proposed text in included paragraphs 120.13 A1 to 120.13 A2. The Task Force's revisions and refinements are responsive to the comments received from the Board.
8. In finalizing the revisions and refinements, the Task Force liaised with the Structure of the Code (Structure) and Safeguards Task Forces as appropriate. For example, the Task Force accepted a drafting refinement to paragraph 120.5 A1 which is intended to address a concern that the first sentence was too narrowly focused on professional activities. The revised text in paragraph 120.5 A1 now includes a reference to interests and relationships.

Other Matters

9. The Structure and Safeguards Task Force Chairs will co-present the remaining revisions in **Agenda Item 2-C**.
10. The Structure Task Force Chair will lead the discussion on the effective date of the restructured Code, including the PS and PJ text.

Due Process Matters

Significant Matters Raised by Respondents

11. It is the Task Force's view that all significant matters raised by the respondents in the comment letters have been identified and deliberated by the Task Force. The Task Force's analysis of the significant matters identified and its proposals have also been presented in public agenda papers for the Board's discussions. In the Task Force's view, there are no significant matters raised by the respondents that have not been brought to the Board's attention.

Need for Further Consultation

12. The Task Force believes that all significant matters have been deliberated and resolved by the Board. Matters raised that were considered to be out of scope, for example, matters relating to the longer term will be considered as part of the longer term PS initiative. During its September 2017 meeting, the IESBA Consultative Advisory Group did not raise any concerns about the Task Force's analysis

of the significant matters or its proposals. On this basis, the Task Force does not believe there is a need for further consultation with stakeholders.

Consideration of the Need for Further Re-Exposure

13. The changes to the ED are shown in mark-up in **Agenda Item 4-A**. The Task Force is of the view that the revisions to the ED reflect the comments from respondents and do not fundamentally or substantively change the proposals in the ED. Accordingly, the Task Force believes that re-exposure is not warranted.

Action Requested

14. The Board is asked:
- (a) To consider the Task Force revisions and refinements relating to PS and PJ in paragraphs 120.5 A1 to 120.4 A3; and 120.13 A1 to 120.13 A2 in **Agenda Item 2-C**;
 - (b) Whether there are any matters raised by respondents to the ED, in addition to those summarized by the Task Force, that they consider should be discussed by the Board;²
 - (c) Whether they agree that the revisions to proposed PS and PJ ED do not warrant re-exposure; and
 - (d) To approve the application material relating PS and PJ.

Material Presented

For Discussion

Agenda Item 2-C	Paragraphs 120.5 A1 to 120.4 A3 and 120.13 A1 to 120.13 A2 of the Compilation of all proposed texts (Mark-up)
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For Reference

Agenda Item 4-A	Professional Skepticism and Professional Judgment—Proposed Texts (Mark-up from ED)
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² All comment letters can be accessed on the [IESBA website](#).