

anan



Founded in 1979 and chartered by Act No. 76 of 1993

248/250, Herbert Macaulay Street,
P.M.B. 1011,
Yaba, Lagos,
Nigeria.
Tel: 01-7642100, 7900926, 07038147508
Web Address: www.anan.org.ng
E-mail: info@anan.org.ng

Our Ref:

Your Ref:

June, 2017

Dear Sir,

**RESPONSE TO THE EXPOSURE DRAFT ON PROPOSED APPLICATION MATERIAL RELATING TO:
(A) PROFESSIONAL SKEPTICISM - LINKAGE WITH THE PRINCIPLES;
AND (B) PROFESSIONAL JUDGMENT - EMPHASIS ON
UNDERSTANDING FACTS AND CIRCUMSTANCES.**

Association of National Accountants of Nigeria is very pleased to comment on Exposure Draft on Proposed Application Material Relating to: (a) Professional Skepticism - Linkage with the Fundamental Principles; and (b) Professional Judgment - Emphasis on Understanding Facts and Circumstances.

Our responses to Specific questions (1-4) are set out below:

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

Question 1:

The Association of National Accountants of Nigeria (ANAN) believes that taking as a whole, the Proposed Application Material, specifically paragraph 120.13A1 significantly enhances the understandability of the conceptual framework in section 120 of the proposed restructured code. This is because the extant provisions in section 120 already indicate clearly the need for professional accountant to remain at alert for new information and to changes in facts and circumstances and use the reasonable and informed third party test. The proposed paragraph 120.13A1 clarifies the requirements of the conceptual framework generally and the provisions of sections 120.5A & B, 120.9 and 120.12 of the proposed restructured code in particular which we believe would guide professional accountants when they get to the field of operation and thus open their mind to probing tendencies.

Question 2:

It is the considered opinion of ANAN that the examples proposed in the Application Material are quite appropriate and sufficient enough to demonstrate how compliance with

the fundamental principles of integrity, objectivity and professional competence and due care can support the exercise of professional skepticism particularly in the audit of financial statements.

However, the Association believes that an explanation on the link between honesty and professional skepticism as an integral component of integrity is also appropriate and thus proposed the addition below:

"Furthermore, honesty is a quality of the mind or attitude that relates to truthfulness, thus desirable to a questioning mind and for critical assessment of audit evidence in order to clear the doubts associated with a particular matter of concern."

In relation to objectivity, the Association believes that the word "self-awareness" as used in paragraph 120.13A1 of the Proposed Application Material might be more appropriately replaced with the word "self-consciousness". This is because although, the two words are synonymous, "consciousness" is more closely related to mental alertness than "awareness".

In relation to professional competence and due care, the Association strongly believes that it would be appropriate to insert the phrase "put accountant at alert" in line 4 of 3rd bullet point after "These attributes....." so that the sentence reads as follows:- These attributes put accountant at alert and enable the professional accountant to clarify.....

It is equally the Association's belief that the issue of professional competence and due care in relation to principle of skepticism is also in tandem with the requirement of Know your client (KYC) that enables professional accountants to dig deep into the activities of their clients.

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

Question 3:

The Association agrees with the IESBA's position that the proposed application material enhances the intelligibility of the conceptual framework. This is because the proposed paragraph 120.5A1 appropriately addresses the concern over the adequacy/sufficiency of rigor to be applied in assessing the information that may undermine professional judgment. The new paragraph also provides a suitable and appropriate link with the subsequent paragraph i.e. proposed paragraph 120.5A2.

Question 4:

ANAN agrees that the proposed Application Material adequately emphasizes the importance of professional accountants obtaining a sufficient understanding of the fact and

circumstances known to them when exercising professional judgment in applying the conceptual framework. This is because the five (5) considerations discussed in paragraph 120.5A1 of the proposed application material clearly deal with bridging the accountant's knowledge expectation gap, basis of conclusion, consideration of alternatives, self treat, and sufficiency of the accountant's expertise and experience in using professional judgment. These considerations appropriately emphasized the need for professional accountant to obtain sufficient understanding of facts and circumstances available to him when exercising professional judgment.

General Comments

Question 23:

23. (a) Although SMPs in developing nations like Nigeria differ significantly in size and operations from SMPs in the developed nations, the Association believes that the application material relating to professional skepticism and professional judgment can be applied without serious difficulties. This is because members of the Association in practice fall into the category of SMPs and the complexity of the economic environment of most developing nations where certain operations are personalized rather than institutionalized is a potential treat to effective application of the proposed code.

(b) ANAN being an oversight body is capable of enforcing compliance with the proposed code on its members. This is because the Association has a unit designated as Technical Department with experienced and well trained Quality Assurance Inspectors whose functions among others include monitoring and reviewing practitioners' activities and engagements and responding to IFAC Exposure Drafts and implementation of IFAC standards and other pronouncements.

ABOUT ANAN

Association of National Accountants of Nigeria (ANAN) is a statutorily recognized Professional Accountancy body in Nigeria. The body is charged among others, with the responsibility of advancing the science of accountancy.

The Association was formed on 1st January, 1979 and operates under the ANAN Act 76 of 1993(Cap A26 LFN 2004), working in the public interest. The Association regulates its practising and non-practising members, and is overseen by the Financial Reporting Council of Nigeria.

Active ANAN members are 20,049, who are either FCNA or CNA and are found in Business, Practice, Academic and Public Sector in all the States of Nigeria and Overseas. The members provide professional services to various users of accountancy services.

ANAN is a member of the International Federation of Accountants (IFAC), International Association for Accounting Education & Research (IAAER), The Pan African Federation of Accountants (PAFA), and Associate of Accountancy Bodies in West Africa (ABWA).

Yours faithfully,

ASSOCIATION OF NATIONAL ACCOUNTANTS OF NIGERIA

A handwritten signature in blue ink, appearing to read 'S. Ekune', with a large, sweeping flourish extending to the right.

DR. SUNDAY A. EKUNE, FCNA

Registrar/Chief Executive