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New York, NY 10017  
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Our ref SS/288

25 July 2017

Dear Mr Siong

**Exposure Draft: Proposed Application Material Relating to Professional Skepticism and Professional Judgment**

We appreciate the opportunity to comment on the above Exposure Draft issued by the International Ethics Standards Board for Accountants. We have consulted with, and this letter represents the views of, the KPMG network.

We note that the objective of issuing the ED is to provide clarification about how compliance with the fundamental principles supports the exercise of professional skepticism in the audit and assurance context, and to enhance the profession's understanding of professional judgment by making expectations of a professional accountant that are implicit in the application of the conceptual framework explicit.

We are supportive of any effort to enhance an auditor's understanding of what it means to act with appropriate professional skepticism. The Exposure Draft attempts to increase this understanding through examples of how compliance with the fundamental principles of the Code supports the exercise of professional skepticism. While we are generally supportive of this approach, we suggest the following changes to the application material relating to integrity to more closely align it to the principle in 110.1 of the Code and to the auditors' responsibilities in the International Standards on Auditing (ISAs):

*Integrity* requires the professional accountant to be straightforward and honest in all professional and business relationships. Therefore, integrity supports the exercise of professional skepticism when the accountant is aware of or suspects that a position advanced by a client is false or misleading that could result in financial statements and/or other information that includes the financial statements being materially misstated ~~false~~ or misleading. Being straightforward when raising concerns, pursuing inquiries or seeking further evidence before reaching a conclusion about a matter of concern is consistent with a questioning



mind and the critical assessment of audit evidence involved in exercising professional skepticism.

Please contact Sylvia Smith +44 (0)20 7694 8871 if you wish to discuss any of the issues raised in this letter.

Yours sincerely

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