

25 July 2017

International Ethics Standards Board for Accountants (IESBA)

Email: kensiong@ethicsboard.org

Dear Sir

SAICA SUBMISSION ON THE IESBA'S EXPOSURE DRAFT, PROPOSED APPLICATION MATERIAL RELATING TO PROFESSIONAL SKEPTICISM AND PROFESSIONAL JUDGMENT

In response to your request for comments on the *IESBA's Exposure Draft, Proposed application material relating to Professional Skepticism and professional judgment*, attached is the comment letter prepared by The South African Institute of Chartered Accountants (SAICA).

We thank you for the opportunity to provide comments on this document.

Please do not hesitate to contact us should you wish to discuss any of our comments.

Yours sincerely,

Juanita Steenekamp (CA (SA))
Project Director – Governance and Non-IFRS Reporting

RESPONSE TO 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?

Response:

SAICA believes that it provides more explicit wording for a newly qualified or untrained reader by fleshing out some examples of how the framework is used in the function of exercising professional skepticism. Professional accountants and students tend to struggle with the concept and will be able to understand it more clearly.

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?

Response:

SAICA agrees that there is a clear link between these fundamental principles and professional scepticism.

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?

Response:

SAICA agrees that the proposed application provides good examples to make the understanding of professional judgement. It also notes the importance of the PA obtaining sufficient understanding of the facts when exercising professional judgement.

The word 'might' appears to be too weak in these circumstances. How can professional scepticism be exercised when these matters stated in the 5 following bullet points are only potentially considered? In our opinion 'might' should be replaced with 'should'. The text also states that these bullet points can be considered 'amongst others'. That option remains for the accountant, but to claim to have exercised professional scepticism the accountant should be compelled to at least consider the five bullet points.

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?

Response:

SAICA agrees that the considerations provide explanations and an understanding of the facts. However examples of when the reasonable informed third party test could be applied should also be included.

General comments

a) Small and Medium Practices (SMPs) – The IESBA invites comments regarding any aspect of the proposals from SMPs

Response:

SAICA's view is that since the Exposure Draft discusses individual PA attributes when carrying out their duties it is not relevant to differentiate between small and other firms

b) Regulators and Audit Oversight Bodies – The IESBA invites comments on the proposals from an enforcement perspective from members of the regulatory and audit oversight communities.

Response:

No comments.

c) Developing Nations – Recognizing that many developing nations have adopted or are in the process of adopting the Code, the IESBA invites respondents from these nations to comment on the proposals, and in particular on any foreseeable difficulties in applying them in their environment.

Response:

SAICA's view is that since the Exposure Draft discusses individual PA attributes when carrying out their duties it is not relevant to differentiate between Developed and developing nations.

d) Translations – Recognizing that many respondents may intend to translate the final changes for adoption in their own environments, the IESBA welcomes comment on potential translation issues respondents may note in reviewing the proposals.

Response:

No comments.