

**Meeting:** IESBA  
**Meeting Location:** New York, USA  
**Meeting Date:** March 13–15, 2017

## Agenda Item

# 2

### Professional Skepticism

#### Objectives of Agenda Item

1. To consider and approve a project proposal to develop application material to explain the linkage between the fundamental principles in the proposed restructured Code and professional skepticism (PS) as defined in the International Standards promulgated by the International Auditing and Assurance Standards Board (IAASB).
2. To consider, with a view to approving for exposure, proposed text, revised from that presented for consideration at the December 2016 IESBA meeting, to describe the linkage between the fundamental principles and PS.
3. To consider, with a view to approving for exposure, proposed text, revised from that presented for consideration at the December 2016 IESBA meeting, to clarify the requirement for a professional accountant (PA) to exercise professional judgment when applying the conceptual framework.

#### Working Group Members

4. The IESBA PS Working Group (WG) comprises:
  - Richard Fleck, Chair and IESBA Deputy Chair
  - Patricia Mulvaney, IESBA Member
  - Tone Maren Sakshaug, IESBA Technical Advisor

#### Activities since the Last IESBA Discussion

5. Subsequent to the December 2016 IESBA meeting, the WG held one telephone call and one physical meeting to (a) discuss feedback from the December 2016 IESBA and IAASB meetings, and the December 2016 IESBA Consultative Advisory Group (CAG) teleconference; (b) review the status of the efforts of the tripartite PS Working Group (PSWG) comprising members of the IESBA, IAASB and International Accounting Education Standards Board (IAESB); and (c) develop the agenda materials for this meeting.
6. The IESBA CAG will consider and provide input on the project proposal set out in **Agenda Item 2-B** and the proposed texts in **Agenda Item 2-C**, and **2-D**. IAASB CAG Representatives have been invited to observe the session.
7. The Chair of the WG will brief the IESBA on the key outcomes of the CAG discussion during the March 2017 IESBA meeting.

*Interaction with PSWG and Others*

8. The PSWG continues to have a role in coordinating the efforts of the three standard-setting Boards (SSBs), including considering the potential implications of each SSB's stand-alone activities for the other SSBs as they develop their thinking on the issues from the perspective of their individual remits. Accordingly, the PSWG (as well as the Staff of IAASB and IAESB) are being provided with an opportunity to comment on the agenda materials in advance of the March 2017 IESBA meeting.
9. Subject to the IESBA's approval of the WG's proposals, **Agenda Item 2-A** includes a discussion of planned consultations with others and next steps.

**Actions Requested**

10. Taking into account the various views and considerations described in Agenda Item 2-A, the IESBA is asked to:
  - (a) Approve the project proposal in **Agenda Item 2-B**.
  - (b) Approve for exposure the proposed application material to explain the linkage between the fundamental principles and PS in **Agenda Item 2-C**.
  - (c) Approve for exposure the proposed text to clarify the requirement for PAs to exercise professional judgment when applying the conceptual framework and related application material in **Agenda Item 2-D**.

**Material Presented**

Agenda Item 2-A	Professional Skepticism—Issues and IESBA Working Group Proposals
Agenda Item 2-B	Professional Skepticism—IESBA Project Proposal
Agenda Item 2-C	Professional Skepticism—Proposed Text (Linkage)
Agenda Item 2-D	Proposed Clarification to the Enhanced Conceptual Framework

**Material for Reference Only**

Agenda Item 2-E	Professional Skepticism—Proposed Text (Linkage) Mark-up From December 2016 Draft
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