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External Reporting Board
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Our ref KPMG submission -
Proposed Application
Material Relating to
Professional
Skepticism.docx

28 June 2017

Dear Sir

Proposed Application Material Relating to:

- (a) Professional Skepticism –Linkage with the Fundamental Principles; and**
- (b) Professional Judgment – Emphasis on Understanding Facts and Circumstances**

KPMG welcomes the opportunity to provide comments on the consultation paper issued in May. We have reviewed that paper, and our comments are set out below.

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?**

We believe it has.

- 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?**

Whilst we believe the examples given are clear and provide some good guidance, we believe guidance which addresses the other engagements (review and assurance) would be more useful. This is because there is already sufficient guidance around the independence risks when performing audits.

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?**

We believe it has.

- 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?**

We believe the application material provides some valuable guidance around when professional judgement should be exercised and some of the risks that need to be considered.

Yours faithfully



Darby A Healey
Partner