12th Portuguese Congress of Revisores Oficias de Contas
Auditing and Oversight

Professional Judgement

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Content and Subjects for Discussion

1. About FEE
2. Professional judgement in International Standards on Auditing (ISAs)
3. New EU rules on statutory audit - Audit Reform
4. Professional judgement & public oversight
5. Discussion
About FEE

50 institutes

almost 1 million professionals

37 countries

28 EU member states
Professional Judgement in the ISAs

What is Professional Judgement:

- **Definition of Professional Judgment**
  - Professional Judgment is a process – documentation is the output of that process

Why do we use it: Exercise professional judgment to achieve the objective of the ISAs

Where is it:

- **ISA 230** “Audit Documentation” requires documentation of key professional judgements
- **ISA 220** “Quality Control for an Audit of Financial Statements”
Professional Judgement in the ISAs

Reporting ISAs

- *ISA 700 (revised)* “Forming an Opinion and Reporting on Financial Statements” - use of professional judgement to reach the audit opinion

- *ISA 701 (new)* “Communicating Key Audit Matters in the Independent Auditor's Report” - encourages auditor to explain professional judgement in the auditor’s report

*Professional Judgement is the added value provided by the auditor.*
New EU rules on statutory audit - Audit Reform

- Sound professional judgement is key to audit quality.
- Professional judgement is considered in:
  - The engagement quality review
  - The additional report to the audit committee:
    - Going concern
    - Key matters significant to the oversight of the financial reporting process
Professional judgement & public oversight

- Documentation as the output of the professional judgment process
- ISA 230: **Significant** professional judgement
- Quantity vs. quality of documentation
- Assessment of professional judgment:
  - Avoid tick-box / standard approach
  - Consider all facts and circumstances at the time of the judgment
Professional judgement & public oversight

- Significant changes in the EU public oversight institutional framework
- Important role of professional bodies
- Early to have an EU-wide view after the audit reform
- Interaction with the public oversight body: Experience from the Czech Republic
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