



Federation of European Accountants

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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

The VOICE of the European profession



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



