Supplement A to Agenda Item 7

Note: This supplement has been prepared for information only. A comprehensive summary of the significant comments received on the July 2015 Exposure Draft (ED), *Responding to Non-Compliance with Laws and Regulations*, and the Task Force's related analysis of significant issues are presented at the March 2016 IAASB meeting. All comment letters on the ED can be accessed here.

Please consider the environment before printing this supplement.

COMMENTS RECEIVED ON IAASB NOCLAR EXPOSURE DRAFT

Compilation of General Comments

#	Source	Comment
1.	AGC	None
2.	ASB	The American Institute of Certified Public Accountants (AICPA) is pleased to respond to the above referenced Exposure Draft regarding the proposed amendments to the International Auditing and Assurance Standards Board's (IAASB) standards related to responding to non-compliance or suspected non-compliance with laws and regulations (NOCLAR). This letter provides the AICPA Auditing Standards Board's (ASB) response to the request for comments within the context of reporting by nonissuers under auditing standards generally accepted in the United States of America. The ASB is the AICPA's senior committee for auditing, attestation, and quality control applicable to the performance and issuance of audit and attestation reports for nonissuers. Its mission is to serve the public interest by developing, updating and communicating comprehensive standards and practice guidance that enable practitioners to provide high-quality, objective audit and attestation services to nonissuers in an effective and efficient manner. We generally agree with the proposals outlined in the explanatory memorandum. However, we offer the following comments for your consideration and included in the responses to the specific request for comments on page 8 of the explanatory memorandum.
3.	ANAN	None
4.	ASSIREVI	Assirevi would like to thank the IAASB for involving it in the subject consultation and is pleased to comment on the proposed amendments to certain International Standards, in particular on the proposed amendments to ISA 250 – Consideration of Laws and Regulations in an Audit of Financial Statements (hereinafter "ED-ISA 250"). Assirevi appreciates that the basic framework of the auditing standard has not been changed in respect of the present version of ISA 250. Specifically, Assirevi believes that the auditor's responsibility as disclosed in paragraph 4 of ED-ISA 250 appropriately addresses the auditor's specific function, which remains focused on enhancing the reliability of financial statements. In this respect, Assirevi considers it appropriate to make reference to its letter to the IESBA, dated 22 September 2015, containing its observations on the proposed changes to the Code of Ethics to address "Responding to Non-Compliance with Laws & Regulations" – May 2015.

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		Assirevi sets out herein its observations on the matters by which IAASB is seeking comments.
5.	AUASB	The Australian Auditing and Assurance Standards Board (AUASB) is pleased to have the opportunity to comment on the IAASB's exposure draft (ED) on *Proposed Amendments to the IAASB's International Standards - Responding to Non-Compliance or Suspected Non-Compliance with Laws and Regulations.* The AUASB is supportive of the IAASB's proposed amendments to the various international standards as listed in the explanatory memorandum in response to the International Ethics Standards Board for Accountants (IESBA's) May 2015 Re-Exposure Draft, *Responding to Non-Compliance with Laws and Regulations* (NOCLAR). The AUASB is supportive, that the effective date of the IAASB's international standards will be aligned with the IESBA NOCLAR standards effective date, which will be determined in due course. The AUASB recommends that, as part of the IAASB's communications on the issuance of the amended standards, the IAASB clarifies that there are no fundamental changes to the auditor's responsibilities in relation to NOCLAR that are imposed by the requirements of the revised ISA 250 *Consideration of Laws and Regulations in an Audit of Financial Statements*.
6.	BDO	BDO International Limited is pleased to have the opportunity to comment on the International Auditing and Assurance Standards Board (IAASB) Exposure Draft (ED) in respect of *Responding to Non-Compliance or Suspected Non-Compliance with Laws and Regulations.* We are supportive of the IAASB's overall approach of proposing amendments of certain International Standards[1] in order to respond to the changes proposed by the International Ethics Standards Board for Accountants (IESBA) Re-Exposure Draft *Responding to Non-Compliance with Laws and Regulations*. In particular we support the approach adopted by the IAASB not to duplicate the detail contained in the IESBA code, but rather to target proposed changes to specific areas of relevance in the body of International Standards. BDO has already provided a separate response to the IESBA Re-Exposure Draft in our letter dated 9 September 2015. This comment letter on the IAASB's ED will focus on the proposed amendments put forward by the IAASB – referring to comments or concerns that we brought to the IESBA's attention only where there is direct overlap. In principle, we support the intention of the IAASB to make conforming amendments to the relevant International Standards in order to address actual or perceived inconsistencies. Indeed, in our comment letter to IESBA, we had identified specific concerns about the lack of clarity that the NOCLAR changes would create, specifically in respect of ISA 250 *Laws and Regulations* (ISA 250). By seeking to focus many of the proposed amendments in this Exposure Draft on ISA 250, the IAASB has adopted a sensible approach to Standards improvement – with the aim of ensuring consistency and clarity among IFAC pronouncements and Standard-Setting Boards. We acknowledge that, in regards to standards-setting, a balance has to be struck between having a package of ISAs and other International Standards that are continuously aligned with other IFAC pronouncements and maintaining the IAASB's due process for identifying and proposing changes to the IAASB International Standards. As a result, we appreciate the efforts of the IAASB and IAESB to attempt as far as possible to schedule amendments to International Standards by coordinating the issuance of exposure drafts. This approach has enabled each Standard-

[1] The IAASB's International Standards applies to the focus of this Exposure Draft and comprise the International Standards on Auditing (ISAs), International Standards on Quality Controls (ISQCs), International Standards on Review Engagements (ISREs) and International Standards on Assurance Engagements (ISAEs).

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		Setting Board to maintain appropriate due process and has also enabled respondents to see the context within which the proposed changes are being made. Notwithstanding our support for this approach, we do however have some concern, that should the IESBA make substantive changes (following its own analysis of responses on exposure), that this may cause the IAASB to have to reconsider the proposed amendments. The details of our suggestions, as well as our views on the other aspects of the ED are provided below in response to the specific questions posed.
7.	CAANZ	Thank you for the opportunity to comment on the exposure draft. We agree that it is in the public interest that the IAASB's international standards and the IESBA's Code of Ethics ("the Code") are able to operate in concert and that IAASB standards do not undermine or fail to draw appropriate attention to, the requirements of the Code. We believe the proposed limited amendments contained in the ED are sufficient to resolve actual or perceived inconsistencies of approach or to clarify and emphasize key aspects of the IESBA's Non Compliance or Suspected Non-Compliance with Laws and Regulations (NOCLAR) proposals in the IAASB's standards, subject to our comment below. We note that in the proposed amendments to ISA 250 Consideration of Laws and Regulations in an Audit of Financial Statements paragraph A12a draws attention to the fact that the auditor may become aware of information about non-compliance with laws or regulations other than as a result of performing the procedures set out in paragraphs 12-16 in the standards. One of the common ways this may occur will be via the auditor being alerted by an officer or employee of the entity or by another professional accountant involved with the entity, i.e. a whistle blower situation (the Code specifically contemplates a professional accountant informing the auditor of the entity in NOCLAR situations as a way they can respond to the situation in some circumstances). While we do not believe that a whistle blower situation should alter the procedures that the auditor is expected to perform in response to becoming aware of the possible non-compliance, many jurisdictions, including ours have specific laws or regulations that impose obligations in whistle blower situations that will also impact the auditor's response. It would be useful for the standard to include guidance which address the fact that the auditor needs to consider the impact of any whistle blower (or equivalent) laws or regulations in dealing with NOCLAR issues.
8.	CAASB	The Canadian Auditing and Assurance Standards Board (AASB) is pleased to provide its comments on the Exposure Draft (ED) – *Responding to Non-Compliance or Suspected Non-Compliance with Laws and Regulations (NOCLAR),* in connection with the International Auditing and Assurance Standards Board's (IAASB's) proposed amendments to certain of its International Standards in response to the International Ethics Standards Board for Accountants' (IESBA's) re-ED, *Responding to NOCLAR*. **Overall Comments** We support the IAASB's efforts to align the International Standards in response to changes in the IESBA Code and agree with the revisions proposed.
9.	CAI	The Audit and Assurance Committee (AAC) of Chartered Accountants Ireland notes the Board's proposals, as contained in the abovementioned exposure draft (ED), with regard to amendments to certain of the International Standards on Auditing, in particular ISA 250 Consideration of Laws and Regulations in an Audit of Financial Statements.

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		AAC notes further that the ED arises as a result of the Board's consideration of the implications of the proposed amendments to the Code of Ethics of the International Ethics Standards Board for Accountants (IESBA), which were issued in May 2015. Support for the proposals in the IESBA's original ED (from August 2012) was very low (at 12% of respondents). AAC, in its September 2015 response on the revised ED, expressed significant continuing reservations on the revised IESBA proposals. A copy of the September 2015 response to IESBA is attached as an appendix to this letter. AAC would therefore not support the Board progressing amendments to the ISAs until such time as the IESBA process has been completed and any amendments to the IESBA Code have been agreed and finalised. Should you wish to discuss our response, or any other aspect of the proposals with us, please feel free to contact me. Mr Ken Siong Technical Director International Ethics Standards Board for Accountants 529 5th Avenue New York 10017 **Email:** KenSiong@ethicsboard.org 02 September 2015 **Exposure Draft: 'Responding to Non-compliance with Laws & Regulations'** Dear Ken The Audit & Assurance Committee ('AAC') of Chartered Accountants Ireland is pleased to respond to the above Exposure Draft. We note that while only 12% of respondents to the previous Exposure Draft has expressed support, the IESBA considers it appropriate to continue to address this important issue in this manner which goes somewhat further than the originally announced intention of IESBA to develop enhancements to the Code to help guide professional accountants who encounter suspected illegal acts. AAC has previously expressed general support for the principle of 'public interest reporting' but on the basis of a framework for such reporting that is common across jurisdictions and can be applied by all professionals, not just professional accountants. The absence of a universally accepted definition and understanding of what is meant by 'public interest' and the many different expectations that exist in this regard adds further complexity to this issue. While we note that IESBA has acknowledged in the Explanatory Memorandum to its revised Exposure Draft the validity of issues that have been raised in our previous response and by others. These include;

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		• the primacy of laws and regulations in individual jurisdictions which establish reporting frameworks and which impose 'local' reporting obligations; and • the absence of a commonly accepted interpretation of the meaning of 'public interest' and the complexities that arise because of this. AAC believes that both issues need to be addressed more specifically within the Code amendments themselves. AAC continues to support the approach to this matter set out in ISA 250. We caution against any departure from an already accepted and understood approach to NOCLAR and any attempt to extend existing requirements without proper consultation and due consideration which may contribute to further uncertainty with regard to reporting obligations for auditors. We continue to believe that it would be more appropriate for IESBA to engage with relevant global regulatory bodies and agencies with a view to exploring how to take forward a principle of reporting in the public interest by relevant professions. In light of the above AAC has decided not to respond to the specific questions in the Exposure Draft.
10.	CBarnard	Thank you for giving us the opportunity to comment on your Proposed Amendments to the IAASB's International Standards: Responding to Non-Compliance or Suspected Non-Compliance with Laws and Regulations. I strongly agree that we should address the inconsistencies in the approach to identifying and dealing with instances of non-compliance with laws and regulations (NOCLAR) or suspected NOCLAR in complying with ISA 250 and other International Standards, including the scope of laws and regulations to be considered, when the IESBA Code also applies if the NOCLAR proposals are finalized as in the Re-Exposure Draft (ED). The IESBA Code applies to all professional accountants, including auditors, and so it is necessary to avoid inconsistencies in approach regarding NOCLAR. Furthermore, the proposed amendment will more clearly articulate the public interest role that auditors fulfil, for example be referring to their additional responsibilities under relevant ethical requirements regarding an entity's non-compliance with laws and regulations.
11.	CIPFA	CIPFA is pleased to present its response to this exposure draft, which has been reviewed by CIPFA's Accounting and Auditing Standards Panel. We note that the proposed amendments reflect proposed changes to the Ethics Code, set out in an IESBA ED to which CIPFA has also responded. The current ED explains that the proposed amendments to IAASB standards encompass: (a) amendments to reflect changes to the auditor's duty of confidentiality, particularly the duty or right to disclose identified or suspected NOCLAR. (b) the implications of the IESBA's NOCLAR proposals on ISA 250, such as the possibility that the auditor may otherwise become aware of matters that the auditor is required to address under relevant ethical requirements. (c) provisions that bring key aspects of the IESBA's NOCLAR proposals to the auditor's attention. (d) a requirement in the IESBA ED that, for audits of financial statements, an incoming auditor shall request the existing accountant / predecessor auditor to provide any information that might, in their opinion, be relevant to acceptance of the engagement

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		(e) guidance to recognize that laws or regulations may prohibit alerting ("tipping off") the entity when, for example, the auditor is required to report a NOCLAR to an appropriate authority pursuant to money laundering legislation. (f) Other changes, such as additional examples or explanatory material. CIPFA supports these amendments.
12.	CNCC	The Compagnie Nationale des Commisssaires aux Comptes (CNCC) and the Conseil Supérieur de l'Ordre des Experts-Comptables (CSOEC) are pleased to provide you with their comments on the IAASB Exposure Draft (ED): "Responding to Non Compliance or Suspected Non Compliance with Laws and Regulations" ("the ED"). The two French Institutes understand the effort incurred to ensure consistency between IAASB's International Standards on Auditing (ISAs) and the IESBA Code of Ethics (the Code), in light of the recent IESBA ED on Responding to Non-Compliance with Laws and Regulations (NOCLAR) issued in May 2015. However, we consider that a cost-benefit analysis should be done before amending the existing ISAs for limited improvements. As a matter of fact, frequent changes to ISAs require work of translation and transposition into national standards and firms' methodologies. This runs completely contrary to the eagerly awaited IASs stable platform. We therefore urge the IAASB to carefully consider whether such limited changes to ISAs merit such an investment. Moreover as the IESBA consultation has not been fully concluded, we have some concern regarding the implicit assumption by the IAASB as to its outcome. The explanatory memorandum does not indicate the extent of the due process in place to ensure a structured and formalized process of communication between the IAASB and IESBA with regards to this ED. We consider that it would be preferable that the IESBA's proposals be fully finalized prior to the IAASB considering the effect on the ISAs.
13.	CPAA	CPA Australia is supportive of maintaining consistency between the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants and the International Auditing and Assurance Standards Board (IAASB) Standards so that confusion and inconsistencies are not created for assurance practitioners when endeavouring to comply with both. However, we consider that this exposure draft is premature in seeking consultation. The proposed non-compliance with laws and regulations (NOCLAR) amendments to various IAASB Standards are a result of, and dependent on, the proposed NOCLAR amendments to the IESBA Code. However, those amendments have not yet been finalised nor have submissions to IESBA's second exposure draft been considered. Consequently, as an overarching comment we consider that amendments to the IESBA Code should first be finalised prior to seeking comments on amendments to the IAASB Standards to conform with them. We would anticipate that some stakeholders will base their comments to this exposure draft on the assumption that the IESBA exposure draft contains the final amendments to the IESBA Code, whilst others will restate comments made through IESBA's exposure process. This may not result in a clear or efficient outcome and may not elicit all relevant comments. We would hope at least that the IAASB will consider the comments received by IESBA in addition to those received through this exposure draft.

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		We welcome the shift away from the imposition of a requirement on the auditor to determine whether a 'responsibility' exists to report identified or suspected NOCLAR to parties outside the entity to determining whether the auditor has a 'legal or ethical duty or right' to report. We consider that the most effective way to deal with NOCLAR by a client, identified or suspected by the auditor or assurance practitioner, is for law makers to compel and enable auditors and assurance practitioners to disclose to a specific authority.
14.	DTT	DTTL recognizes the efforts of the IAASB in releasing the Proposal concurrently with, and in response to, the Re-Exposure Draft of the International Ethics Standards Board for Accountants ("IESBA"), *Responding to Non-Compliance with Laws and Regulations* (the "IESBA Re-ED"). This approach permitted DTTL the opportunity to review both exposure drafts concurrently and thereby address any perceived inconsistencies between them. DTTL concurs with the intent of the Board to conform and align the wording between the Proposal and the IESBA Re-ED, as this approach will provide the auditor with the clarity needed to operationalize the amendments to the ISAs. Further, DTTL agrees that the Proposal should not potentially undermine the efforts of the IESBA. DTTL's recommendations as described below have been formulated with this underlying concept in mind. One overriding observation is that while the IESBA Re-ED specifically references the ISAs, there is not a corresponding direct, and more prominent, cross-reference to the IESBA *Code of Ethics for Professional Accountants* (the "IESBA Code") in ISA 250. While DTTL understands that adopting the IESBA Code is not a requirement, when performing an audit in accordance with the ISAs, the fundamental concepts included in Proposed Section 225 *Responding to Non-Compliance with Laws and Regulations*, of the IESBA Re-ED underpin the requirements of ISA 250, *Consideration of Laws and Regulations in an Audit of Financial Statements* ("ISA 250"). DTTL believes that the Proposal should more strongly draw a connection between the interrelationship of the IESBA Code and ISA 250 by including additional language in a guidance paragraph to ISA 250. This matter is addressed further in Appendix 1, along with DTTL's responses to the questions posed by the IAASB relating specifically to the Proposal, and more broadly to ISA 250. Other recommendations of a more editorial nature are noted in Appendix 2. DTTL's responses to the detailed questions included in the IAASB's EM accompanying the Proposal are set forth in this appendix. These responses provide additional context for DTTL's perspectives contained in the Executive Summary and include more specific and detailed observations related to the various aspects of the IAASB's Proposal.
15.	EYG	Ernst & Young Global Limited, the central coordinating entity of the Ernst & Young organization, welcomes the opportunity to offer its views on the Exposure Draft, *Proposed Amendments to the IAASB's International Standards – Responding to Non-Compliance or Suspected Non-Compliance with Laws and Regulations* (ED), issued by the International Auditing and Assurance Standards Board (IAASB). As a member of the Forum of Firms, we have global policies and methodologies that conform to the International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants (IESBA Code) and the International Standards on Auditing (ISAs). Therefore, it is very important that the two sets of standards can be effectively executed in tandem on our audits. We find it very helpful for the ISAs to highlight where the auditor may have additional ethical responsibilities for circumstances or events that may arise during the audit, including making references to the applicable sections of the IESBA Code, where applicable. In regard to responding to

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		non-compliance or suspected non-compliance with laws and regulations (NOCLAR), this is clearly a topic that has significant cross-over between the IESBA Code and the ISAs, given that both sets of standards have dedicated requirements addressing NOCLAR. We are therefore supportive of the proactive approach the IAASB has taken to analyze the compatibility of its International Standards with, including appropriate linkages to, the proposed revisions to the IESBA Code dealing with responding to NOCLAR. We believe that the proposed limited amendments are appropriate in their nature and extent, and that the IAASB has appropriately considered updates not only to ISA 250, *Consideration of Laws and Regulations in an Audit of Financial Statements,* but across the suite of International Standards, where necessary. Our comments are focused on the clarity and consistency of the limited amendments, including the degree of alignment with the IESBA NOCLAR proposals. We also have identified a few areas of ISA 250 that we believe may benefit from clarifying application material in light of the IESBA NOCLAR proposals. Responses to the specific questions and general matters on which the IAASB is seeking feedback are set out in Sections 1 and 2, respectively. Our letter also includes a number of editorial observations and suggestions, which are set out in Appendices A and B to this letter. ***Relationship of NOCLAR to Key Audit Matters communicated in accordance with ISA 701.*** In light of the IAASB's recent release of ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*, we believe that it would be beneficial for the IAASB to clarify whether the identification of NOCLAR or suspected NOCLAR and the possible resulting actions by the auditor under the IESBA NOCLAR proposals affect the auditor's determination of key audit matters in any manner. We note that ISA 250 has a section with the heading "Reporting Non-Compliance in the Auditor's Report on the Financial Statements", which may be the appropriate place to provide additional guidance. For example, if the auditor is prohibited from alerting ("tipping off") the entity about instances of identified or suspected NOCLAR, then these matters are not included in the population of matters communicated with those charged with governance and therefore could not be determined to be key audit matters. In circumstances in which instances of identified or suspected NOCLAR are discussed with those charged with governance (and the auditor concludes that the matters do not give rise to a modified opinion), the matters discussed are by definition included in the population of matters from which key audit matters are determined in accordance with ISA 701. As with any other matter communicated with those charged with governance, the relative significance of the NOCLAR matter for the current period audit would be considered. Should the auditor determine that a matter related to NOCLAR is a key audit matter, the auditor would communicate that key audit matter in the auditor's report unless the matter meets the criteria for excluding communication in paragraph 14 of ISA 701. ***Other editorial observations and suggestions.*** Please refer to Appendix B to our letter for other editorial observations and suggestions, several of which are related to use of consistent language across the ISAs. We also specifically suggest that the IAASB consider amending the definition of "non-compliance" in ISA 250 to explicitly state that non-compliance includes personal misconduct related to the business activities of the entity by those charged with governance, management or employees of the entity.
16.	FACPCE	None
17.	FEE	FEE (the Federation of European Accountants) is pleased to provide you with its comments on the IAASB Exposure Draft (ED): "Responding to Non Compliance or Suspected Non Compliance with Laws and Regulations" ("the ED" or "ISA 250").

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		FEE has noted this project by the IAASB, and appreciates the effort to ensure consistency between IAASB's International Standards on Auditing (ISAs) and the IESBA Code of Ethics (the Code), in light of the recent IESBA ED on Responding to Non-Compliance with Laws and Regulations (NOCLAR) issued in May 2015. It is important to consider this response in the context of the FEE response to the IESBA ED on NOCLAR, it is therefore attached as an Appendix to this letter. Although there may be technical merit in opening up existing ISAs for incremental improvement, we highlight the importance of a cost-benefit analysis to these decisions. Frequent changes to ISAs, which require retranslation and transposition into local law or local standards, create a significant time commitment and cost burden for many jurisdictions. We request that the IAASB consider whether limited changes to ISAs merit such an investment. FEE has some concern regarding the implicit assumption by the IAASB as to the outcome of the ongoing IESBA consultation. The explanatory memorandum does not indicate the due process in place to ensure a structured communication between the IAASB and IESBA with regard to this ED. Ideally, it would have seemed preferable for the IESBA's proposals to have been fully finalised – following appropriate consultation between the two Boards – prior to the IAASB considering the effect on the ISAs. As noted above, considering them earlier in this process may be perceived as implying full IAASB's support for the IESBA's current proposals. This also results in difficulties for commentators, who still may be considering the merits of the fundamentals of the NOCLAR IESBA's project, rather than purely its application to ISAs. With this in mind, it may be likely that there will be a need for further amendments following the final changes to the IESBA's proposals. FEE is concerned that the need for consistency between the Code and the IAASB standards has not yet received sufficient focus; FEE would urge the two Boards to continue working together in this regard. Additionally, some concepts included in the IESBA's proposals relate to accountants who are not involved in audits or other areas dealt with by the IAASB's standards (it includes for instance professional accountants in business). Therefore a part of the reproduced text may not be appropriate or relevant to auditing standards. For example, including a category for "securities, markets and trading" might create unrealistic expectations of what is anticipated from professional accountants in the course of conducting e.g. an audit, assurance or other related services engagement. If the Code were changed to require instances of NOCLAR that a professional accountant believes may be about to occur , this potentially significantly extends the scope of an audit. FEE is of the view that determining whether to disclose a matter to an appropriate authority, and, as a result, breaching client confidentiality, is a matter for legislation, and not for international standard setters to define. As a general principle, FEE would like the IAASB to avoid repeating the principles of the Code in the ISAs. The Code is designed to be applied in a different way and, while impacting on the ISAs, has a much wider application. Rather, the IAASB should focus on clarifying and providing guidance on the application of the Code, where relevant, to the relevant standards. **Appendix 2: FEE comment letter on the IESBA exposure draft: "Responding to Non-Compliance with Laws and Regulations"** Mr. Ken Siong Technical Director

#	Source	Comment
		International Ethics Standards Board for Accountants (IESBA) Email: kensiong@ethicsboard.org 9 September 2015 Dear Mr. Siong, **Re: FEE comments on the IESBA Exposure Draft: "Responding to Non-Compliance with Laws and Regulations"** FEE (the Federation of European Accountants) is pleased to provide you with its comments on the IESBA Exposure Draft "Responding to Non-Compliance with Laws and Regulations" (NOCLAR) ("the ED") proposing amendments to the IESBA Code of Ethics for Professional Accountants ("the Code"). The ED is a significant improvement from the former ED on Responding to a Suspected Illegal Act. It has gone some way to finding a good balance between responding to stakeholders' expectations and complying with the applicable legal framework. The proposals find a sensible approach about each party's responsibilities and recognise the important differences between the role of auditors and the one of other professional accountants in public practice in relation to issues such as client privilege. FEE agrees with IESBA that the Code is not meant to override national law, and should be applied without prejudice to any applicable legal provisions. FEE welcomes the fact that the Board takes this matter seriously and that a reference to this is now clearly included in the proposed Section 225.27 as "disclosure would be precluded if it would be contrary to law or national regulation". In FEE's view, this is an essential clarification that ought to be more prominent in the finalised Code. FEE has consistently supported the concept of transparency in its public policy work while recognising limits and practical difficulties that could arise when applying this concept. FEE had previously expressed the opinion that IESBA should not seek to require disclosure in the absence of an appropriate legal framework and retains this stance. FEE is therefore pleased that mandatory reporting is no longer being considered, as this would have resulted in unintended and adverse consequences, potentially reducing the ability of PAs to influence potential non-compliance. FEE would also welcome that the Code clarify that disclosure is precluded where there is a conflict with local laws and regulations, an example being tipping-off concerns under anti-money laundering legislation where a discussion with management may not always be lawfully allowed. In addition, it should be noted that, in certain circumstances, the reinforcement of the "third party test" included in Section 225.25 could dictate disclosure as the only course of action and thus could create a conflict with the applicable laws and regulations. FEE retains its previously stated position that national laws and regulations, and not IESBA, should deal with breaking client confidentiality. We would like to draw special attention to those accountants in small and medium practices (SMPs). We appreciate that Section 100.26 of the Code on Communicating with Those Charged with Governance (TCWG) has been adapted for use in a small or medium-sized enterprise (SME). However, on assessing what is reasonable to ask of PAs working in SMPs or SMEs when they come across an act or suspected act of NOCLAR, some requirements and guidance as currently drafted may be seen as complicated to apply in practice in such entities due to a lack of segregation of duties, and the increased potential for management override of controls. Professional judgement would need to be strongly emphasised to those PAs to ensure the application of a proportionate approach.

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		For further information on this FEE letter, please contact Hilde Blomme on +32 2 893 33 77 or via email at hilde.blomme@fee.be or Noémi Robert on +32 2 893 33 80 or via email at noemi.robert@fee.be. Yours sincerely, Petr Kříž President Olivier Boutellis-Taft CEO **Appendix - Request for Specific Comments in the IESBA Exposure Draft: "Responding to Non - Compliance with Laws and Regulations"** **Question 1. Where law or regulation requires the reporting of identified or suspected NOCLAR to an appropriate authority, do respondents believe the guidance in the proposals would support the implementation and application of the legal or regulatory requirement?** Providing guidance to PAs on how they may react in instances of NOCLAR or suspected NOCLAR was the intention of the original project. The IESBA Code is not meant to override national law, and should be applied without prejudice to any applicable legal provisions in any jurisdiction conferring a right to override confidentiality. FEE welcomes the fact that the Board takes this matter seriously and that a reference to this is now clearly included in the ED as "disclosure would be precluded if it would be contrary to law or national regulation". In FEE's view, this is an essential clarification, which ought to be more prominent in the finalised Code. To do so, section 225.12 could be clarified if it started with "Subject to the content of paragraph 225.10, [...]". As emphasised in the covering letter, FEE has consistently supported the concept of transparency in its public policy work while recognising limits and practical difficulties that could arise when applying this concept. FEE had previously expressed the opinion that IESBA should not seek to require disclosure in the absence of an appropriate legal framework and retains this stance. FEE is therefore pleased to note that mandatory reporting is no longer being considered, as this would have resulted in unintended and adverse consequences, potentially reducing the ability of PAs to influence potential non-compliance. FEE would also be pleased if the Code could clarify that disclosure is precluded where there is a conflict with local laws and regulations, an example being tipping-off concerns under anti-money laundering legislation where a discussion with management may not always be lawfully allowed. FEE supports the fact that the proposals require PAs to obtain an understanding of the applicable regulation. This should help lead to consistent application by all PAs in jurisdictions where such disclosure requirements exist. **Question 2. Where there is no legal or regulatory requirement to report identified or suspected NOCLAR to an appropriate authority, do respondents believe the proposals would be helpful in guiding PAs in fulfilling their responsibility to act in the public interest in the circumstances?**

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		FEE fully subscribes to the importance of the public interest for the credibility of the accountancy profession and is supportive of frameworks and initiatives in relation to PA's duty to "act in the public interest". FEE also recognises the efforts made by the Board in addressing public interest issues of subjectivity and differing approaches by introducing the concept of substantial harm to interests of stakeholders or the wider public. Nevertheless, the concept has not been developed sufficiently enough to enable it to address the differing public interest expectations. This concept will not prove workable in practice without detailed criteria as to how it can be assessed. Care should be taken to avoid the phrase being used as a way of extending general law enforcement responsibilities to the profession as a whole. As an example, from paragraph 50 onwards, IESBA rightly acknowledges that "public interest" is "too broad and vague" as a threshold. In Section 225.4, IESBA nonetheless tries to determine what constitutes the public interest, and in Section 225.25 the "third party test", which is already a proxy, refers to the broad and vague concept of public interest as the benchmark for the PA's judgement. Such subjective concepts cannot, in our view, be properly addressed in a Code with an international remit, and any attempt to do so could lead to inconsistent application and prove unworkable. **Question 3. The Board invites comments from preparers (including TCWG), users of financial statements (including regulators and investors) and other respondents on the practical aspects of the proposals, particularly their impact on the relationships between:** **As a respondent from the "other" category, FEE emphasises the impact of the practical aspects of the proposals, particularly on the relationships between:** **a. Auditors and audited entities;** FEE anticipates that the effect on audits carried out under ISAs would be negligible, given the requirements under ISA 250. Nevertheless, FEE is asking IESBA to be mindful not to go beyond the requirements of the ISAs. For transparency of the relationship with the audited entity, the proposals should be clear enough so as not to create uncertainty as to what and when auditors should report externally. **b. Other PAs in public practice and their clients; and** FEE believes that the proposals recognise the important difference between the role of auditors and that of PAs in public practice that provide services other than audits. It also takes into consideration issues such as client privilege. **c. PAIBs and their employing organizations.** The proposals take a reasonable approach to the expectations of PAIBs to report on NOCLAR at their employer. PAIBs may have difficulties in deterring prospective or suspected NOCLAR, in instances where this has not yet occurred. The responsibility of PAIBs should not go beyond explaining the expected breach and its consequences to management or TCWG, including the effective delivery of good advice. **Question 4. Do respondents agree with the proposed objectives for all categories of PAs?** FEE is broadly supportive of the proposed objectives for all categories of PAs as set out in Section 225.3. Whilst we agree in principle with the intention of "(c) To take further action as may be needed in the public interest", we are concerned that this sentence may be too wide and be responded to with divergent interpretations. In this regard, we refer to our general comments in the covering letter. We also refer to our response to Question 6. **Question 5. Do respondents agree with the scope of laws and regulations covered by the proposed Sections 225 and 360?**

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		FEE recognises that ISA 250 has formed the basis for the scope of laws and regulations covered in Sections 225 and 360. FEE is pleased that improvements have been made in comparison to the previous ED in aligning the Code to ISA 250 and is also duly following the project of the IAASB to revise ISA 250. It is instrumental for FEE that the wording of both texts be aligned to avoid any misunderstanding and differences in application. In addition, the Code should reflect the information concerning the inherent limitations recognised in paragraph 5 of ISA 250 in order to inform public expectations about the ability of the auditor to react to NOCLAR. In addition, whereas ISAs take a risk-based approach, this aspect may not be sufficiently clear in the Code. In respect of Section 360, FEE has some reservations as to the ability of PAIBs in this regard. Depending on their background, their training may not equip them to deal with this adequately. For these PAs, any ability to identify NOCLAR is linked to the nature and scope of their individual roles in the organisation, which can be very narrow and limited. This could be made clearer in the proposals. Moreover, in parallel, public expectations will increase, which may therefore not be able to be met in all instances. This could ultimately be detrimental to the profession's reputation. Sections 225.29, 225.45 and 360.28 state that "If the professional accountant determines that disclosure of the matter to an appropriate authority is an appropriate course of action in the circumstances, this will not be considered a breach of the duty of confidentiality under Section 140 of the Code". FEE is concerned that this wording is misleading as, under national law, disclosure could be forbidden. As such, one might not be aware upon reading the Code that disclosure would potentially be a breach of national law. FEE retains its previously stated position that national laws and regulations, and not IESBA, should deal with breaking auditor's client confidentiality. **Question 6. Do respondents agree with the differential approach among the four categories of PAs regarding responding to identified or suspected NOCLAR?** FEE is broadly supportive of the proposed categories of PAs with some reservations as to the work effort foreseen for PAIBs and other PAs who are not auditors. These categories of PAs do not have the same degree of public interest mandate as auditors, and it is therefore unrealistic to expect them to undertake essentially similar procedures in relation to NOCLAR. Regarding PAIBs specifically, their role and the responsibility that comes with it are factors that influence what the public expects them to do. The higher the position in the organisation, the more authority and the more scope one has to escalate a NOCLAR, or suspected NOCLAR. Therefore, it is logical to place higher expectations on senior PAIBs than non-senior PAIBs. However, we can foresee difficulties in distinguishing between these two arbitrary categories. This could potentially lead to regulatory implications in the future. In addition, PAIBs may have difficulties in deterring prospective or suspected NOCLAR, in instances where this has not yet occurred. The responsibility of PAIBs should be limited to explaining the expected breach and its consequences to management or TCWG, including the effective delivery of good advice. **Question 7. With respect to auditors and senior PAIBs:** **a. Do respondents agree with the factors to consider in determining the need for, and the nature and extent of, further action, including the threshold of credible evidence of substantial harm as one of those factors?**

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		FEE deems that the factors to consider could be revised further to avoid too much uncertainty in their interpretation. The interaction between the factors also needs to be considered in order to ensure that the required determination is not disproportionate and unnecessarily complex. For example, "urgency of the matter" is not always clearly discernible, and what would be the degree of urgency that would "cross the threshold"? We suggest that IESBA explicitly makes reference to instances where there is no credible evidence but only a suspicion of NOCLAR, and as such refer to the steps which a PA would be anticipated to follow in assessing the potential consequences (for example reputational damage) of any action taken. In such circumstances, the risk of an incorrect assessment of the situation is more probable and could have severe reputational and potentially financial consequences for the PA. **b. Do respondents agree with the imposition of the third party test relative to the determination of the need for, and nature and extent of, further action?** The imposition of the "third party test" is intended to provide a basis for establishing a framework to ensure the objective and rigorous assessment for determining the need for, and nature and extent of, further action. It should be emphasised though that what is deemed to be a "reasonable and informed third party" is subjective, as is the term "acting in the public interest". Such subjective concepts cannot be properly addressed within a Code with an international remit, and any attempt to do so could lead to inconsistent application and render the provisions in the Code unworkable. FEE is not comfortable with the fact that the "third party test", which is already a proxy, refers to the broad and vague concept of public interest as the benchmark for the PA's judgement. Subjectivity will always remain a factor in this assessment, and interpretation is likely to vary in different jurisdictions. What a reasonable and informed third party expects a PA to do depends on the specific facts and circumstances, and one's role and position at that time. It is not straightforward to apply, especially for PAs in public practice providing services other than audits. **c. Do respondents agree with the examples of possible courses of further action? Are there other possible courses of further action respondents believe should be specified?** The proposals do not provide any flexibility to take into account differing circumstances. For FEE, the reinforcement of the "third party test" dictates disclosure as the course of action and thus, if applicable, this forces the auditor to break client confidentiality. It may lead to a "de-facto" requirement in some severe cases and a large amount of uncertainty in many others, making the proposals potentially detrimental to the entire profession. **d. Do respondents support the list of factors to consider in determining whether to disclose the matter to an appropriate authority?** Providing guidance to PAs on how they may react in instances of NOCLAR or suspected NOCLAR was the intention of the original project. FEE is of the view that breaching client confidentiality is a matter for legislation, and not for an international Ethics Code. FEE agrees that a list of factors may be useful to PAs in deciding whether there is a need to terminate a relationship with a client or an employer. **Question 8. For PAs in public practice providing services other than audits, do respondents agree with the proposed level of obligation with respect to communicating the matter to a network firm where the client is also an audit client of the network firm?**

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		According to the revised proposals, the disclosure of the information to the audit partner is required when a PA in public practice provides services other than audits to an audit client of that same firm. There is no explicit requirement to disclose the information to the auditor of a network firm. This seems to be a proportionate solution to deal with confidentiality and privacy laws. However, the ED does not address how to deal with situations which arise as part of cross-border engagements, including group audit situations. This is particularly problematic in jurisdictions which have laws with extraterritorial outreach. This aspect needs to be looked at further before these proposals are finalised. We wonder whether Section 225.43 is applicable in the case of a group audit in which several different audit organisations (not network firms) are involved. This should be clarified. **Question 9. Do respondents agree with the approach to documentation with respect to the four categories of PAs?** We agree with the proportionate approach taken to documentation, where auditors are required to document and other PAs in public practice, as well as PAIBs are encouraged to do so.
18.	FSR	FSR - danske revisorer welcomes this project to ensure consistency between ISAs and the IESBA's Code. In our view this should not result in significant changes to the ISAs. We have responded to the IESBA ED on NOCLAR, and we attach this response as an Appendix to this letter. In order to contextualise our view on the fundamentals of the NOCLAR proposals, we kindly request that this comment letter is considered in conjunction to the one to the IESBA ED on NOCLAR. Our view is sceptical as to benefits and necessity of the IESBA project, cf. the citation below: "In principle, though, we are of the opinion that the issues in the IESBA ED should be addressed primarily by legislation. Such legislation should be promoted by international institutions like G20, IOSCO and the European Commission besides national authorities in the same way as protective measures against money laundering and financing of terrorism. In contrast to such measures, the Code of Ethics is not a legal instrument. Therefore, the Code of Ethics can not provide protection e.g. against lawsuits from clients, which might be injured by the auditor's reporting of secrecies to the authorities. Such protection should be in place, especially because the reporting is not only dealing with ascertainable facts, but (also) regarding suspicion of illegal acts." We refer to our specific comments under the assumption that the projects are viable. Kind regards **Re: FSR-danske revisorer comments on IESBA Exposure Draft: "Responding to Non-Compliance with Laws and Regulations"** Dear Mr. Siong The Ethics Committee of FSR - danske revisorer is pleased to comment on the IESBA Consultation Paper, Responding to Non-Compliance with Laws and Regulations. The revised ED is a significant improvement of the previous draft. It has gone some way to finding the right balance between responding to stakeholders' expectations and complying with the applicable legal framework.

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		In principle, though, we are of the opinion that the issues in the ED should be addressed primarily by legislation. Such legislation should be promoted by international institutions like G20, IOSCO and the European Commission besides national authorities in the same way as protective measures against money laundering and financing of terrorism. In contrast to such measures, the Code of Ethics is not a legal instrument. Therefore, the Code of Ethics can not provide protection e.g. against lawsuits from clients, which might be injured by the auditor's reporting of secrecies to the authorities. Such protection should be in place, especially because the reporting is not only dealing with ascertainable facts, but (also) regarding suspicion of illegal acts. Besides this general point of view, we have some major concerns in the ED as it is: • We agree with IESBA that the Code cannot override laws and regulations. Section 225 rightly clarifies that disclosure will be precluded if it is contrary with laws and regulations. In this respect however, the ED does not address how to deal with situations with respect to cross-border engagements, including group audit situations. and this aspect need to be looked further into. • We are pleased that mandatory reporting is no longer being considered, as this would have resulted in unintended and adverse consequences, potentially reducing the ability of PAs to influence potential non-compliance. However, we remain concerned, as the proposals could still create a "de facto" requirement in certain extreme circumstances and also introduce uncertainty surrounding the question of when and what PAs might disclose to an external authority. • We fully subscribe to the objectives and requirements already included in the International Standard of Auditing (ISA) 250 on "Consideration of Laws and Regulations in an Audit of Financial Statements" which includes having to respond appropriately to non-compliance or suspected non-compliance with laws and regulations identified during the audit. We are therefore duly following the new project initiated by the IAASB to ensure that the Code and the ISA 250 are fully compatible. Both independent boards should nonetheless be cautious not to go far beyond extant ISA 250. It should be foreseen that auditors break client confidentiality when it is already provided for within the applicable laws and regulations of their jurisdiction – neither the IESBA nor ISA 250 can impose any duty on PAs to go beyond national requirements. In Europe, this means national laws and Article 7 of the new audit regulation governing Public Interest Entity (PIE) audits. In terms of broader considerations, we do support frameworks and initiatives in relation to PAs' duty to "act in the public interest". However, this is a complicated and subjective matter and it does not seem that the intended purpose is achieved. We would like to highlight that there is no clear definition and common understanding of "public interest". Subjective and cultural differences are not dealt with in a Code with an international remit, and an attempt could lead to inconsistent application. We refer to our specific comments. Kind Regards, Lars Kiertzner Chief Consultant, State Authorized Public Accountant Secretary of the Ethics Committee, FSR - danske revisorer

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		Specific comments **General matters** **Question 1. Where law or regulation requires the reporting of identified or suspected NOCLAR to an appropriate authority, do respondents believe the guidance in the proposals would support the implementation and application of the legal or regulatory requirement?** Providing guidance to PAs on how they may react in instances of NOCLAR, or suspected NOCLAR, was the intention of the original project proposal. We support guidance to implement and apply the legal and regulatory requirements – but this is primarily a matter to be dealt with in a given jurisdiction. The ESBA Code should not override national law, and should be applied without prejudice to any applicable legal provisions in any jurisdiction conferring a right to override confidentiality. We are pleased that mandatory reporting is no longer being considered, as this would have resulted in unintended and adverse consequences, potentially reducing the ability of PAs to influence potential non-compliance. We are also pleased that disclosure is precluded where there is a conflict with local laws and regulations, an example being tipping-off concerns under anti-money laundering (AML) legislation where a discussion with management or those charged with governance in a Danish jurisdiction is not lawfully appropriate. **Question 2. Where there is no legal or regulatory requirement to report identified or suspected NOCLAR to an appropriate authority, do respondents believe the proposals would be helpful in guiding PAs in fulfilling their responsibility to act in the public interest in the circumstances?** We recognise the importance of the public interest for the credibility of the accountancy profession. However, IESBA should be aware that there is no clear definition and common understanding of "public interest". Care should be taken to avoid the phrase being used as a way of extending general law enforcement responsibilities to the profession. As an example, in paragraph 50 onwards, IESBA acknowledges that "public interest" is "too broad and vague" as a threshold. In section 225.4, IESBA nonetheless tries to determine what constitutes the public interest, and in 225.25 the "third party test", which is already a proxy, refers to the broad and vague concept of public interest as the benchmark for the PA's judgement. In the absence of robust criteria, we are concerned that requiring the individual professional accountant to determine whether the reporting of a particular individual suspected illegal act is or is not in the public interest will lead to inconsistent application. Subjective and cultural differences can not be properly dealt with in a global Code. An attempt to do so will lead to inconsistent application and prove unworkable. **Question 3. The Board invites comments from preparers (including TCWG), users of financial statements (including regulators and investors) and other respondents on the practical aspects of the proposals, particularly their impact on the relationships between:** **a. Auditors and audited entities;** **b. Other PAs in public practice and their clients; and** **c. PAIBs and their employing organizations.**

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		This question is addressed to specific other stakeholders, and for this reason we give no response. **Specific matters** **Question 4. Do respondents agree with the proposed objectives for all categories of PAs?** We are broadly supportive of the proposed objectives for all categories of PAs as set out in 225.3. Whilst we agree in principle with the intention of "(c) To take further action as may be needed in the public interest", we are concerned that this sentence may be too wide, and be responded to with divergent interpretations, see our comments on question 2. **Question 5. Do respondents agree with the scope of laws and regulations covered by the proposed Sections 225 and 360?** ISA 250 has formed the basis for the scope of laws and regulations covered in Sections 252 and 360. Recognising that there is an expectation for the auditor to be knowledgeable in this respect, through being familiar with the relevant ISAs, makes for a balanced approach, but only to some extent: In particular, the Code should reflect the inherent limitations in ISA 250.05 in order to inform public expectations about the ability of the auditor to react to NOCLAR. In addition, the risk-based approach in ISA may not be sufficiently clear in the Code. Furthermore, we identify the following sentence in the Sections 225.29, 225.45 and 360.28 as dangerous: "If the professional accountant determines that disclosure of the matter to an appropriate authority is an appropriate course of action in the circumstances, this will not be considered a breach of the duty of confidentiality under Section 140 of the Code". This could lead to overlooking that disclosure could be against national law, or precluded under the engagement terms in contractual agreements with clients etc. As such, one might not be aware upon reading the Code that disclosure would potentially be a breach of national law. We retain our previously stated position that national laws and regulations, and not IESBA, should deal with breaking auditor's client confidentiality. **Question 6. Do respondents agree with the differential approach among the four categories of PAs regarding responding to identified or suspected NOCLAR?** We are broadly supportive of the proposed categories of PAs and the guidance provided for each of those categories. In particular, we agree with the proposed scope of NOCLAR for PAs other than auditors. For these PAs, any ability to identify NOCLAR is linked to the nature and scope of their individual roles in the organisation, which can be very narrow and limited. This could be made clearer in the proposal. Regarding PAIBs specifically, their role and the responsibility that comes with it are factors that influence what the public expects them to do. The higher the position in the organisation, the more authority and the more possibilities one has to escalate a NOCLAR, or suspected NOCLAR. Therefore, it is plausible to have higher expectations of the actions of a senior PAIB than a non-senior PAIB. However, we can foresee difficulties in distinguishing "Senior PAIB" (director, officer or senior employee capable of exerting significant influence) from "Other PAIB" which may have regulatory implications in the future. **Question 7. With respect to auditors and senior PAIBs:**

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		(a) Do respondents agree with the factors to consider in determining the need for, and the nature and extent of, further action, including the threshold of credible evidence of substantial harm as one of those factors? We find that the factors need to be revised further to avoid uncertainty in their interpretation. The interaction between the factors also needs to be considered in order to ensure that the required determination is not disproportionate and unnecessarily complex. For example, "urgency of the matter" is not always clearly discernible, and what degree of urgency would be that would "cross the threshold". Some examples of "serious adverse consequences" would be useful, as well as a clarification as to whether a material misstatement would always necessarily have "severe adverse consequences". We suggest that IESBA explicitly makes reference to instances where there is no credible evidence but only a suspicion of NOCLAR, and as such refer to the steps which a PA would be anticipated to follow in assessing the potential consequences (for example reputational damage) of any action taken. In that case, the risk of an incorrect assessment of the situation is more probable and could have severe consequences. **(b) Do respondents agree with the imposition of the third party test relative to the determination of the need for, and nature and extent of, further action?** The interpretation of what is deemed to be a 'reasonable and informed third party' is subjective as is the term "acting in the public interest". Subjective and cultural differences cannot be properly dealt within an international Code, and an attempt to do so will lead to inconsistent application and render the provisions of the Code unworkable. We are not comfortable with the fact that the "third party test", which is already a proxy by itself, refers to the broad and vague concept of public interest as the benchmark for the PA's judgement. Subjectivity will always remain a factor in the assessment, and interpretation will vary in different jurisdictions. What a reasonable and informed third party expects a PA to do, depends on facts and circumstances, culture, the general ethical views at that time, and one's role and position. **(c) Do respondents agree with the examples of possible courses of further action? Are there other possible courses of further action respondents believe should be specified?** We agree that the examples of possible courses of action provide reasonable guidance **(d) Do respondents support the list of factors to consider in determining whether to disclose the matter to an appropriate authority?** Providing guidance to PAs on how they may react in instances of NOCLAR, or suspected NOCLAR, was the intention of the original project proposal. We are of the view that breaching client confidentiality is a matter for legislation, and not for an international Ethics Code. We agree, though, that a list of factors may be useful to PAs in deciding whether there is a need to terminate a relationship with a client or employer.. However, it should be explicitly stated that this list of factors in determining whether to disclose the matter should serve as generic guidance, but should not be treated as an exhaustive list that would replace professional judgement in the context of law and regulation in the specific jurisdiction. **Question 8. For PAs in public practice providing services other than audits, do respondents agree with the proposed level of obligation with respect to communicating the matter to a network firm where the client is also an audit client of the network firm?**

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		Whilst auditors can be seen as being entrusted with a public interest role when performing audits, and it can be argued that PA also have this role when providing non audit services to their audit clients, it is difficult to justify a disclosure requirement in connection with the provision of non-audit services to non-audit clients. The latter is a contractual arrangement for which it would be difficult to argue that the "public interest" consideration would have equal weight to that of an audit engagement. There is no explicit requirement to disclose the information to the auditor of a network firm. This seems to be a proportionate solution to deal with confidentiality and privacy laws. However, the ED does not address how to deal with situations connected to cross-border engagements, including group audits. This is particularly problematic in jurisdictions with laws of extraterritorial outreach (e.g. FCPA, UK Bribery Act, etc.). **Question 9. Do respondents agree with the approach to documentation with respect to the four categories of PAs?** We agree with the proportionate approach taken to documentation, where auditors are required to document and other PAs in public practice, as well as PAIBs are encouraged to do so.
19.	GAO	This letter provides GAO's response to the International Auditing and Assurance Standards Board's (IAASB) exposure draft, Responding to Non-Compliance or Suspected Non-Compliance with Laws and Regulations. GAO promulgates generally accepted government auditing standards (GAGAS) in the United States. GAGAS provide a framework for conducting high-quality audits of government awards with competence, integrity, objectivity, and independence and set ethical requirements for these audits. Auditors of both domestic and international U.S. government awards are required to use GAGAS. Therefore, we anticipate situations where the International Federation of Accountants' member auditors will practice in accordance with GAGAS and the amended International Standards simultaneously. Our comments reflect the importance we place on reinforcing the values promoted in both the International Standards and GAGAS. We support the IAASB's effort to align the International Standards with the International Ethics Standards Board for Accountants' (IESBA) Non-Compliance with Laws and Regulations (NOCLAR) Project. We believe it will help improve consistency in the application of the standards. The IAASB requested responses to the following questions. Our responses and an additional comment on changes the IAASB made in drafting the proposed amendments to the International Standards follow.
20.	HC	The Advanced Auditing class at Hunter College has reviewed the International Standard on Auditing (ISA) 250 (revised), and offers the following comments for consideration by the International Auditing & Assurance Standards Board (IAASB). Our responses are based in part of the request for specific comments from respondents. We have also expressed our general comments within the letter. We begin with our responses to questions asked by the IAASB in its request for specific comments. **General Comment**: On a larger scale, uniformity in ethical standards will not exist among participating jurisdictions and incompatibility with relevant ethical requirements may arise because these jurisdictions will implement ethical requirements based on their respective definition of ethics. Therefore, when the auditor needs to determine whether an ethical duty or right to reported on identified or suspected non-compliance, the perception of ethics and determination on the course of action will be based on auditor's own jurisdiction's ethical requirements. Essentially, we would support an endeavor to implement convergence of ethical standards.

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21.	HKICPA	The Hong Kong Institute of Certified Public Accountants is the only statutory licensing body of accountants in Hong Kong responsible for the professional training, development and regulation of the accountancy profession. The HKICPA sets auditing and assurance standards, ethical standards and financial reporting standards in Hong Kong. We appreciate the efforts of the IAASB in revising the various ISAs to resolve inconsistencies of approach of the NOCLAR proposals and to align the scope.
22.	IBR-IRE	The *Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren* ("IRE-IBR") is pleased to have the opportunity to provide its comments on the Exposure Draft *Responding to Non-Compliance or Suspected Non-Compliance with Laws and Regulations* issued by the International Auditing and Assurance Standards Board (IAASB). IRE-IBR welcomes the initiative of the IAASB to adapt the International Standards on Auditing (ISAs) to ensure consistency between the IESBA Code of Ethics and the ISAs. IRE-IBR has also responded to the IESBA re-exposure draft on NOCLAR. This response is attached to this comment letter as an appendix. We believe that the proposed limited amendments are sufficient to resolve any possible inconsistencies of approach and clarify key aspects of the NOCLAR Proposals in the IAASB's International Standards. In our view, no significant changes are necessary to the ISAs and we support only limited amendments avoiding inconsistencies, without fundamentally amending the standards concerned at this stage. IRE-IBR does not believe IAASB should explore other possible improvements to ISA 250 under a future IAASB Work Plan. Although this could meet the expectations of regulators, increase the work to be done by the auditor with regard to known or suspected NOCLAR as an essential component in obtaining an understanding of the entity and its environment risks to change the objectives and scope of an audit. Finally, we would like to point out that the proposed amendments are founded on the draft of the NOCLAR proposals, which are yet to be fully finalized. Therefore, we have reservations regarding the timing implications of both projects. We believe that it will be likely that the IAASB ED will need to be amended to be consistent with the result of the re-exposure of the IESBA Proposals. IAASB should remain attentive to difficulties for respondents to comment on both projects at the same time and therefore not limit their considerations to the application of the ISAs.
23.	ICAG	We hope the IAASB find this letter helpful in further developing the Exposure draft. We are committed to helping the Board in whatever way we can to build upon the results of this Exposure draft document.
24.	ICAP	The Institute of Chartered Accountants of Pakistan welcomes the opportunity to offer comments on the above Exposure Draft. Please find enclosed the comments of the relevant Committee of the Institute for your perusal.
25.	ICAS	Like certain other bodies, we have reservations regarding the due process that has been followed, and the timing implications of the IAASB's proposed amendments to its standards, in relation to IESBA's efforts to finalise its proposed NOCLAR revisions to its Code of Ethics. We would highlight that whilst we believe progress has been made by IESBA in relation to its NOCLAR proposals, these require considerable more work before finalisation. We believe that it would have been prudent and more efficient for IAASB to wait until IESBA had finalised its proposed

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		revisions to the Code of Ethics before considering the effect of the revisions on the ISAs and other assurance standards. There appears to be a presumption that the revised IESBA proposals will be substantively adopted. One further more general comment, based on feedback received from other EU member states, is to highlight that frequent incremental changes to the ISAs, which require retranslation in some jurisdictions, create a time-consuming and costly administrative burden therefore we would request that a cost benefit approach is adopted to any future limited changes to ISAs. **IAASB Approach** Subject to our overriding comments on the timing, we support: • IAASB's approach i.e. to only undertake a limited review to ISA 250 and do not support a more thorough review of the standard at this time. • IAASB's approach to the revision of the standard to align it with the proposed requirements of the IESBA Code: *"The proposed limited amendments do not explicitly duplicate in detail all the specific requirements in the IESBA Code. This allows for flexibility when ethical codes other than the IESBA Code are applied and to minimize the amount of material that would be incorporated into ISA 250 and other of the IAASB's International Standards".* **Terminology** We question whether replacing the word 'responsibilities' with the term 'legal or ethical duty or right' is appropriate. The absence of a clear definition of a 'legal or ethical duty or right' risks creating some uncertainty or ambiguity in the application of the standard and as such we would prefer to retain the more commonly understood term 'responsibilities'. **Legal Requirements – "Tipping-Off"** We believe that IAASB, as has IESBA, understated the importance of highlighting the need for auditors to be aware of the legal requirements placed on them in relation to the potential offence of "tipping off" in certain jurisdictions. We elaborate on this matter in our detailed responses below.
26.	ICAZ	None
27.	ICPAK	The Institute of Certified Public Accountants of Kenya (ICPAK) welcomes the opportunity to comment on the Exposure Draft ED - Responding to Exposure Draft Responding to Non-Compliance or Suspected Non-Compliance with Laws and Regulations issued by the International Auditing and Assurance Standards Board (IAASB). ICPAK support the Board's initiative for enhanced guidance and the desire to align the requirements between the IAASB's International Standards on Auditing (ISAs) and the IESBA Code of Ethics (the Code) , in light of the recent IESBA ED on Responding to Non-Compliance with Laws and Regulations (NOCLAR) issued in May 2015. However, we reiterate the need for suitable clarity and emphasis on the need for professional accountants to be cognisant of local laws and regulations which would normally take precedence over the Code of Ethics in governing the need for reporting of NOCLAR to the relevant authority.

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		We are also concerned of the potential complexity in professional accountant (PA) making judgements around the need to report a NOCLAR where there is no legal or regulatory requirement to report identified or suspected NOCLAR – it is likely that the PA would not have the necessary extent of information or knowledge/experience to make the required decision on whether the matter at hand needs to be reported. If the Board decide to proceed with the proposals, our comments and detailed responses to the questions for respondents as set out in the consultation paper are detailed hereafter.
28.	IDW	We would like to thank you for the opportunity to provide the International Auditing and Assurance Standards Board (IAASB) with our comments on the Exposure Draft "Responding to Non-Compliance with Suspected Non-Compliance with Laws and Regulations" (hereinafter referred to as "the draft"). From our point of view, it is appropriate that the IAASB deal with the International Ethics Standards Board for Accountants (IESBA) Re-exposure Draft "Responding to Non-Compliance with Laws & Regulations" (IESBA NOCLAR). We also agree that ultimately, IAASB standards need to be aligned with the IESBA Code of Ethics (the Code). However, the fact that this issue needed re-exposure by the IESBA is indicative of how controversial the topic is. The IAASB is conspicuous by its absence in the public debate about non-compliance with laws and regulations (NOCLAR), even though many of the measures proposed in the IESBA NOCLAR will have a major impact on engagements performed in accordance with IAASB engagement standards. We believe that the IAASB ought to have fully explored the merits or otherwise of the proposals as regard the potential impact on audit quality and other matters pertinent to the IAASB before forging ahead on the basis of the IESBA's proposals. This raises the question as to why the draft only deals with consequential amendments arising from NOCLAR, even though the IAASB has a responsibility to ensure that changes to the Code do not undermine its engagement standards. The limitation of the draft to consequential amendments indicates that the IAASB has not engaged with the IESBA to ensure that the proposed changes to the Code are appropriate from an IAASB perspective. **We are therefore very concerned that the IAASB is limiting its treatment of NOCLAR to consequential amendments, rather than publicly engaging in the debate about the appropriateness of the proposed changes from an IAASB perspective. In our view, the IAASB needs to take responsibility for its standards by considering the impact of the IESBA NOCLAR on engagements performed in accordance with those standards and engaging with the IESBA on those matters.** The IDW issued a very critical comment letter to the IESBA dated August 19, 2015 with respect to the re-exposure of NOCLAR. Some of the issues raised relate to matters of debate that are not directly relevant to the IAASB (we note in particular our view that reporting NOCLAR is a national legal matter that should not and cannot be adequately dealt with in international ethical standards): we will not repeat these in this comment letter. However, some matters in that letter are directly relevant to the IAASB, and therefore we will also address them in this letter. In addition, there are a few further matters of relevance to the IAASB that we did not mention in our comment letter to the IESBA that we will include in this letter. In the body of this letter below we have addressed these matters of overarching importance to the IAASB. We have provided our responses to the questions posed in the Explanatory Memorandum in the Appendix to this comment letter. Additional comments by paragraph and additional items that we have identified for IESBA are also included in the Appendix to this comment letter.

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		<u>Overarching issues in the IESBA NOCLAR re-exposure of direct relevance to the IAASB</u> **I. Use of the public interest test** In proposed 225.3 (c), 225.4, 225.17(c), and 225.25 in the IESBA NOCLAR, the IESBA introduces a "public interest test" to determine whether the professional accountant has acted appropriately. ***The introduction of this test turns standards setting for the profession upside down and sets an atrocious standards setting precedent that will have a major impact on standards setting in the IAASB.*** We have absolutely no quarrel with, and in fact support, the principle that the raison d'être of the genesis and continued existence of the accountancy profession is its public interest role: we therefore completely support the central role given the public interest in 100.1 of the Code. However, given the nebulous nature of the concept of "public interest", an individual professional accountant or an accountancy oversight authority is not in a position to determine whether or not a professional accountant has acted in the public interest in a particular instance, which may lead to audit oversight authorities second-guessing auditors as to what is in the public interest without suitable criteria (standards) to do so. In fact, a "public interest test" is likely not enforceable or actionable in most jurisdictions of which we are aware.[2] Standards setters and the profession issue pronouncements precisely because requirements and guidance are needed to help guide professional accountants in their fulfillment of their public interest role. This implies that standards are written with input from a wide range of stakeholders so that professional accountants are able to fulfill the public interest by applying those standards. There is therefore a presumption (which can be rebutted) that the faithful application of the standards by a professional accountant means that the professional accountant has fulfilled the public interest in the circumstances. Any other presumption would undermine the role that standards and other pronouncements play in the activities of the profession. The IAASB's silence on this aspect of the IESBA's proposals appears to imply acceptance of its change in the overall standards setting approach. ***Hence, the IAASB needs to convey to the IESBA that by using the public interest test in such a central way, the IESBA undermines the role of standards in providing requirements and guidance as to how professional accountants should fulfill their public interest role.*** The IAASB did draw on the consideration of whether adverse consequences outweigh public interest benefits when determining whether a matter should be communicated as a key audit matter in ISA 701. However, this test applies only to extremely rare circumstances and is supported by three paragraphs (one of considerable length) of application material to help guide auditors in their determination. This was not an optimal solution, but it helped deal with a serious matter that occurs in extremely rare circumstances. In contrast, in the proposed noted paragraphs, the IESBA is making the public interest test the centerpiece of auditors' (and hence audit oversight authorities') determinations of whether to report to an appropriate authority (i.e., it defines the "threshold"), which is the point of the entire NOCLAR project. For the reasons we note above, we believe that such a standards setting approach is fundamentally misguided. ***We therefore suggest the IAASB recommend to the IESBA that 225.3 (c), 255.4, 225.17 (c) and 225.25 in the IESBA NOCLAR be deleted.*** The other requirements and guidance subsequent to 225.25 are, in large measure, useful and do help auditors determine whether or not to report, if one introduces the right (and de facto obligation) to report (with which we disagreed in our comment letter to the IESBA; see also our critical comments thereto

[2] We also note that in discussions at the latest IAASB CAG meeting, advice received from a representative of the International Bar Association recommended that a requirement for firms to meet the public interest not be included in ISQC 1 because of potential unintended legal consequences. This argument applies equally to requirements in the IESBA Code.

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		below). We note that the requirements in relation to non-audit services do not include such a public interest test without any degradation of the requirements and guidance on the issues that may need to be considered when determining whether to report. **II. Impact on quality of engagements, including audit quality** Client confidentiality has long been a cornerstone of the profession, and it is protected by law in many jurisdictions, including Germany. Legislators have generally introduced client confidentiality for various reasons, one of which is to ensure the professional accountant in public practice is granted access to all information to provide the particular service and to ensure the quality of the service provided, including the quality of audits. This means that legislators have decided that the quality of the service provided is more important to the public interest than the right or duty of the professional accountant in public practice to report to regulators. The EU has now provided an exception to this for the audits of PIEs by including a requirement to report to authorities, but EU legislators have ostensibly decided that this is not the case for other statutory audits. We would like to point out that the IESBA's extension of this to statutory audits other than audits of PIEs is therefore likely to be illegal under EU law. We would also like to point out that in many jurisdictions professional accountants are empowered to provide legal advice (in some jurisdictions this right may be more limited than in others) with concomitant legal privilege of greater or lesser degree. Such legal privilege is designed to enable effective legal counsel, which would be impossible if information were withheld by clients. With respect to assurance engagements and audits, without a belief by clients that auditors will not report information provided to them to third parties, including regulators, audit clients may be reticent about providing information to their auditors about matters with a risk of illegality, which will be detrimental to audit quality. Thus, we believe that the legal advice obtained by the IESBA (see paragraph 60 of the Explanatory Memorandum) holds equally true in relation to the current proposals. ***Overall, we believe that the IAASB has a responsibility to communicate with the IESBA about the potential impact of a right to report on the quality of engagements performed under its engagement standards where no requirement or right to report exists under national law, including on the quality of audits.*** **III. Underlying presumption that all audits are statutory audits or PIE audits** Paragraph 41 of the IESBA NOCLAR Explanatory Memorandum justifies a differential approach between professional accountants performing audits of financial statements (auditors) and other professional accountants by suggesting that auditors should have a greater responsibility to take action to respond to identified or suspected NOCLAR than other professional accountants in public practice. The paragraph then goes on to state that this duly recognizes the particular nature of auditors' remits and the higher public expectations of them. Furthermore, paragraph 73 suggests that professional accountants in public practice generally have "narrower mandates" and a lower level of public reliance on the services they provide. ***We believe it to be important that the IAASB point out that the vast majority of audits of financial statements performed worldwide (and in most countries, even if not all) are in fact not statutory audits – they are solely privately contracted audits without any statutory requirement (i.e., voluntary audits).*** In virtually all voluntary audits, the audited financial statements and the auditor's report thereon are never made public and are not subject to regulation. Distribution and use of the auditor's report is usually limited to certain specified users. This is particularly the case for audits of special purpose financial statements, but this also applies to most audits of general purpose financial statements**.** We note that even PIEs may have voluntary audits of special purpose financial statements (or elements thereof) that are provided to specific

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		non-regulator users and are never made public. ***We believe that the IAASB needs to clarify with the IESBA as to why voluntary audits of financial statements involve any higher responsibilities to act, or higher public expectations, or even greater levels of reliance than, for example, a statutorily required review engagement on financial statements, statutorily required other assurance engagements (such as assurance engagements on compliance) or other statutorily required services, such as some expert opinions.*** Furthermore, paragraph 111 of the IESBA NOCLAR Explanatory Memorandum refers to requirements to report NOCLAR in many jurisdictions based on an Appendix to the January 2015 IESBA Issues Paper. Any reasonable review of that Appendix shows that the legal provisions mentioned are almost always limited to statutory audits of financial statements of PIEs or statutory audits in general; the reference to the FATF refers solely to money-laundering and not to other cases of NOCLAR**. *It is therefore important for the IAASB to point out that the IESBA is therefore overstating the cases in which law and regulation require reporting with respect to NOCLAR beyond money laundering and audit of financial statements of PIEs – and is completely overstating the case for voluntary audits.*** Regulators and other users have a particular interest in certain kinds of statutory audits and, in particular, audits of general purpose financial statements of PIEs**. *It seems to us that the IAASB might need to explain to the IESBA that it appears that the IESBA is projecting these desires of regulators and other users with respect to statutory audits of complete sets of general purpose financial statements and, in particular, audits of such financial statements of public interest entities (PIEs) to audits of financial statements in general, without reasonable justification for doing so.*** When the IAASB was working on the Clarity Project, regulators engendered a discussion as to whether the IAASB ought to distinguish between statutory and voluntary audits. After investigating the issue, the IAASB concluded that it is difficult to determine how statutory audits are defined from one jurisdiction to another, and also concluded that because the level of assurance obtained does not vary between statutory and voluntary audits, there was no need to make a distinction. For the same reason, no distinction was made between audits of financial statements of PIEs, including listed entities, and other audits. However, the IAASB did distinguish communications between those charged with governance and auditors for audits of financial statements of listed entities from other such communication in other audits. Recently, the IAASB has also limited the required communication of key audit matters to audits of financial statements of listed entities. However, in both cases no distinction was drawn in other than communication or reporting by the auditor to those charged with governance or users. We therefore do not recommend that the IESBA distinguish between statutory audits and voluntary audits, or between audits of financial statements of listed and non-listed entities. However, we note that the IESBA generally distinguishes between audits of financial statements of PIEs and non-PIEs for independence purposes. In our comment letter to the IESBA, we take the view that reporting to third parties, including regulators, is not an ethical issue, but a legal one and that therefore the IESBA should not be issuing requirements and guidance in this area. However, if despite our arguments in his respect, the IESBA chooses to issue requirements and guidance in this matter, then, based on our arguments above, ***rather than distinguishing between audits and other services, we believe that the IAASB ought to consider conveying to the IESBA that it consider whether there needs to be a distinction between audits of complete sets of general purpose financial statements of PIEs, on the one hand, and other services provided by professional accountants in public practice, including other audits, on the other hand.*** Such an approach would align the

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		responsibility to take action with the nature of auditors' remits and the higher public expectation of them in relation to PIEs. This would also align the treatment of reporting in audits to third parties with that in the EU and other major jurisdictions. **IV. Work effort on NOCLAR and lack of distinction in work effort by level of assurance** We believe it is imperative that the IAASB and IESBA ensure an appropriate alignment of the work efforts required by the Code and the ISAs and other IAASB engagement standards. In fact, the question arises why IESBA should be engaging in standards setting that increases practitioner work effort in engagements performed under IAASB engagement standards at all. ***We believe the IAASB needs to convey to the IESBA, that the IESBA has crossed the line from setting standards for ethical requirements to the IAASB's remit for setting standards for "investigative" engagements that involve additional work effort, such as assurance engagements and other related services, and is expanding the scope of such engagements "through the back door" by introducing a kind of "investigation" of NOCLAR. In doing so, reporting in relation to NOCLAR (whether to management, those charged with governance, or third parties, such as authorities), ceases to be derivative reporting (that is, reporting on matters not related to the engagement that have been identified during that engagement without any further investigation), but becomes reporting on the basis of some kind of investigation like an assurance engagement.*** We will address the issues we have identified below for three kinds of engagements: audits, other assurance engagements, and non-assurance engagements. We note that in this case there might need to be a distinction between professional accountants in public practice and those in business (particularly those in management positions), the latter for which further investigation is actually part of their management or senior employee responsibilities. *a) <u>Work effort on NOCLAR in relation to audits</u>* Under ISA 250, the auditor's understanding of the laws and regulations is limited to ISA 250.12 (a general understanding of the legal and regulatory framework applicable to the entity) and ISA 250.13 (a greater understanding of those laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements needed to obtain sufficient appropriate audit evidence regarding compliance therewith). Related application guidance in ISA 250.A13 provides examples of the types of information that may be relevant in this context, indicating that the auditor's understanding would be expected to be of a relatively general nature at this initial stage. Hence the auditor's initial understanding of laws and regulations without a direct effect is limited to ISA 250.12, rather than the in-depth understanding required by ISA 250.13. The procedures an auditor is required to perform beyond obtaining a written representation from management are limited in ISA 250.14 to laws and regulations that have a direct effect on the financial statements: the auditor need only remain alert for other instances of non-compliance with laws and regulations. Only when the auditor becomes aware of non-compliance or suspected non-compliance does the auditor have a responsibility under ISA 250.18 to obtain an understanding of the nature of the act and the circumstances in which it has occurred. The auditor also has the responsibility to obtain further information to evaluate the possible effect on the financial statements – but only insofar as there is a possible effect on the financial statements. ISA 250.19 then requires the auditor to discuss the matter with management; only if the information provided by management is insufficient and the effect may be material to the financial statements does the auditor need to engage in further action (obtain legal advice, evaluation of impact on rest of audit, etc.). Following on from this, ISA 250.19 puts the onus firmly on the entity's

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		management and where appropriate those charged with governance to investigate suspected instances of non-compliance and provide to the auditor sufficient information thereon to determine whether to engage in further action. In contrast, paragraph 225.11 of the ED IESBA Code proposes the auditor be required to obtain a more comprehensive understanding of the matter by extending the term "matter" to include both acts that have occurred as well as those that may yet occur, and extending the understanding to specifically include the application of the relevant laws and regulations to the circumstances, even if such laws have no material impact on the financial statements. The understanding of the nature of the act and the circumstances in which it has occurred under ISA 250.18 (c) is driven by the auditor's concern that noncompliance with laws or regulations without a direct effect may have a material effect on the financial statements, and only for these does the auditor obtain further information. IESBA NOCLAR 225.11, on the other hand, is driven solely by the potential for "further action", particularly the "right to report". If some of these further actions beyond those contemplated by ISA 250 are not relevant, and this right does not exist (as in some jurisdictions), what does that imply for the nature and extent of understanding required when noncompliance with certain laws or regulations will not have a material impact on the financial statements under audit? What is the purpose of the understanding in these cases? The deeper understanding required by IESBA NOCLAR covers not only laws and regulations that have a direct impact on the financial statements, or noncompliance with laws and regulations that may materially affect the financial statements, but also non-compliance with laws and regulation that would not have a material impact on the financial statements. By increasing the depth of understanding of these laws and regulations, the IESBA NOCLAR drives the auditor towards performing assurance-type procedures to obtain that understanding, even though such cases of noncompliance may not have any material impact on the financial statements. Hence, IESBA NOCLAR expands the scope of the audit beyond the risk-based approach of ISA 250 (that is, directed towards the risk of material misstatement in the financial statements) by having auditors obtain an understanding beyond any relationship to risk – the question arises – risk of what? This implies that any reporting (whether to management, those charged with governance, or third parties) in relation to noncompliance with laws and regulations that have no material impact on the financial statements would no longer be derivative reporting, but reporting based upon some form of investigation through the performance of further procedures. Hence, the IESBA NOCLAR is requiring auditors to undertake investigations of noncompliance with laws or regulations even when the resulting understanding is irrelevant to the audit in question. ***This implies that the IESBA is changing the scope of an audit for non-compliance with laws and regulations without any material impact on the financial statements (i.e. matters irrelevant to the audit) to beyond derivative reporting (i.e., the IESBA is seeking some kind of comfort or assurance on NOCLAR)***. That the IAASB recognizes this is demonstrated by the content of proposed ISA 250.8a, .A12a, and .A17, as well as ISA 250.8a, which suggest that compliance with the Code will cause the auditor to have more information about noncompliance than would have been obtained through the audit alone. ***We believe that the IAASB needs to convey to the IESBA that the nature and extent of understanding for an audit needs to be driven by the needs of the audit – not by a potential need for further action by the Code, including reporting to third parties, but that the understanding required by the audit would form the basis for any further action, including reporting, required by the Code.*** *b)* *Work effort on NOCLAR in relation to non-audit assurance engagements*

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		The responsibility to act needs to depend in part on the nature of the engagement. However, in this case what matters is not the audit vs. non-audit distinction, but the nature and extent of information or evidence that the engagement requires to enable the professional accountant in public practice to draw a conclusion, if any, or form an opinion. In this context, **w*e believe that the IESBA has simply adopted aspects of the ISA 250 model (in particular aspects of ISA 250.18) to non-audit engagements – and in particular limited assurance engagements – without considering whether they are appropriate in those circumstances, and thereby has extended the scope of those engagements.***
		This is exemplified through the requirement in IESBA NOCLAR 225.34 to obtain an understanding of a matter (the nature of the matter and the circumstances in which it has occurred or may occur, and the application of the relevant laws and regulations to the circumstances) when actual or suspected NOCLAR is identified. To use reviews of financial statements as an example for limited assurance engagements, ISRE 2400.A78 only recognizes the responsibility of the practitioner to obtain an understanding of laws and regulations that have a direct effect on the financial statements. Only if the practitioner becomes aware that non-compliance with other laws and regulations is likely to lead to a material misstatement is the practitioner required to obtain an understanding of other laws and regulations and the nature of the matter and the circumstances in which it has occurred or may occur. If the practitioner becomes aware of actual or suspected non-compliance with laws or regulations that are not likely to have a material effect on the financial statements, at most the practitioner will report these to management (or, if appropriate, those charged with governance) in a derivative fashion without any further investigation. The IESBA NOCLAR extends this responsibility by requiring the practitioner to obtain an understanding, when actual or suspected NOCLAR is identified, to other laws and regulations and the nature of the matter and the circumstances in which it has occurred or may occur, that have no material impact on the financial statements, **which means that IESBA NOCLAR requires a work effort beyond that which would be required for derivative report and thereby expands the scope of a review engagement.**
		In addition, as noted, when actual or suspected NOCLAR is identified, the IESBA NOCLAR 225.34 requires the practitioner to obtain an understanding of the nature of the matter and the circumstances in which it has occurred or may occur. We would like to point out that a review engagement is based primarily on inquiry and analysis. Hence prior to undertaking his or her own investigation to obtain this understanding, in a review engagement the practitioner makes inquiries of management and where appropriate, those charged with governance prior to needing to perform further procedures. Furthermore, in a review engagement, in these cases a practitioner is required to perform procedures beyond inquiry only if the practitioner becomes aware of matter(s) that causes the practitioner to believe that the financial statements may be materially misstated, and then can be satisfied with the resulting evidence if he or she is able to conclude that the matter(s) is not likely to cause the financial statements to be materially misstated. In contrast, the IESBA NOCLAR 225.35 addresses a discussion with management *after* the practitioner investigates to obtain his or her own understanding. In addition, IESBA NOCLAR does not specify what the threshold is for further investigation or action once having discussed the matter with management or those charged with governance. These differences to ISRE 2400 also suggest that IESBA NOCLAR **requires a work effort beyond that which would be required for derivative report and thereby expands the scope of a review engagement.**
		For these reasons, we believe that IESBA NOCLAR needs to clarify that once having made inquiries of management after having become aware of NOCLAR or suspected NOCLAR, when the results of those inquiries indicate that NOCLAR may cause the financial statements to be material misstated, the practitioner is required to perform additional procedures. When the practitioner concludes from the results of the

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		inquiry that NOCLAR will not cause the financial statements to be materially misstated, then the auditor is not required to perform further procedures. If, however, the practitioner is not satisfied with the response in relation to NOCLAR even though NOCLAR will have no material effect on the financial statements, then the practitioner needs to determine whether or not further action is necessary. ***Based on this analysis, IESBA is changing the scope of a review to include noncompliance not relevant to the review (i.e., the IESBA is requiring some kind of comfort, assurance or investigation on NOCLAR)***. **The same applies to other reasonable (other than audits) and limited assurance engagements under IAASB engagement standards. The IAASB should convey this to the IESBA and seek to have IESBA limit any reporting to derivative reporting (if reporting is retained as an option), rather than requiring further investigation through the practitioner obtaining an understanding.** *c)* *Work effort on NOCLAR in relation to non-assurance engagements* In addition, we note that in a non-assurance engagement, a practitioner has no responsibility to gather evidence to support an opinion or conclusion. To use ISRS 4410 on compilation engagements as an example, the practitioner is required to gather only the information needed to draw up the financial statements and to request more information only if the information provided by management is incomplete, inaccurate, or otherwise unsatisfactory for the purposes of drawing up the financial statements**. *We believe it to be important that the IAASB point out that by requiring practitioners not performing assurance engagements under proposed 225.34 in the IESBA NOCLAR to obtain an understanding of the nature of the act and circumstances leading to (suspected) non-compliance and of the application of relevant laws and regulations, the IESBA is in fact requiring an investigation beyond simply requesting more information from management to resolve the matter based on the auditor's extant expertise and knowledge of the circumstances: "obtaining an understanding" of more than just the entity and its environment and of the applicable financial reporting framework to enable the professional accountant to compile the financial statements is in effect an assurance procedure for the purpose of gathering evidence about the (suspected) non-compliance.* **In a non-assurance engagement, a professional accountant is entitled to accept information provided by management without further investigation unless, based on the professional accountant's *extant knowledge of the circumstances (including any applicable laws and regulations)*, such information appears incomplete, inaccurate or is otherwise unsatisfactory.** ***For these reasons, we believe that the IAASB ought to convey to the IESBA that proposed 225.34 in the IESBA NOCLAR needs to be revised as follows for non-assurance engagements:*** *"If in the course of providing a non-assurance service to a client, the professional accountant becomes aware of information concerning an instance of non-compliance or suspected non-compliance with laws and regulations, the professional accountant shall seek additional information from management so as to enable the professional accountant to consider whether further action is needed. The professional accountant is entitled to accept information provided by management without further investigation unless, based on the professional accountant's extant knowledge of the circumstances (including of any applicable laws and regulations), such information is incomplete, inaccurate or is otherwise unsatisfactory."* ***The IAASB would then need to convey to the IESBA that the inclusion of this paragraph in 225.34 of the IESBA NOCLAR would obviate the need for 225.35 and 225.36.***

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		V. Compatibility with requirements in IAASB Standards to comply with relevant ethical requirements The proposals in the IESBA NOCLAR, if adopted, would increase the stringency of the extant Code in regard to instances of NOCLAR of which a PA may become aware. We note that the IESBA has not (yet) chosen to discuss the general issue of how national ethical regimes might be measured against the IESBA Code in terms of their respective restrictiveness going forward, but believe that this is an issue that will need to be considered in conjunction with the IAASB, since IAASB Standards require compliance with relevant ethical requirements, which in turn is defined in relation to the IESBA Code. For example, an auditor is required by ISA 200.14 to: "comply with the relevant ethical requirements…". ISA 200.A14 explains: "relevant ethical requirements ordinarily comprise Parts A and B of the IESBA Code of Ethics for Professional Accountants…, together with national requirements that are more restrictive". Similar requirements and guidance exist in other IAASB engagement standards. As the Code becomes increasingly stringent – and thus will sometimes exceed national law with respect to the IESBA NOCLAR proposals, this issue will need to be addressed. Simply stating that the Code does not override local law or regulation does not resolve this issue, since local law or regulation may simply prohibit a professional accountant from fulfilling the Code and therefore would be less restrictive than the Code. Furthermore, sometimes such restrictions result from court decisions, rather than being directly enshrined in legislative statutes or in regulation. As the IESBA NOCLAR potentially extends the scope to certain instances of NOCLAR including and beyond these issues, we suggest there is a need for the IESBA and the IAASB to explore how national requirements can be assessed. For example, when would they be deemed as either less or more than restrictive, or equally restrictive to the IESBA Code in the context of NOCLAR – or should they be assessed as a whole rather than in relation to isolated aspects of the Code? In particular, the two Boards will need to consider the consequences for auditors and other practitioners and their compliance with the ISAs and other engagement standards in the event that national legal and regulatory requirements (including court decisions) are deemed less restrictive than the IESBA Code because they effectively prohibit requirements in the Code. We would like to point out that if the definition of compliance with the Code is too restrictive, there may be many jurisdictions that have currently adopted the ISAs that may no longer be in a position to do so. As agreed with the technical director of the IESBA, we have provided a copy of this letter to the IESBA for further consideration. We would be pleased to be of further assistance in these matters. **Some additional detailed comments on the IESBA NOCLAR that the IAASB might wish to convey to the IESBA** 225.10 The professional accountant should also obtain an understanding of those provisions in law or regulation that prohibit disclosure to third parties, including authorities, or that may cause serious legal risks to the professional accountant. 225.16 We would like to point out that legally-speaking, management at an entity that controls the client is in fact a third party, and not just another level of management within the entity. Consequently that last sentence in this paragraph belongs in the section on whether further action is needed. 225.21 In the last bullet point, consideration also needs to be given whether there may be substantial harm to the legitimate interests of the professional accountant or the profession, given the public interest role that professional accountants have.

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		225.33 If the professional accountant obtains the understanding noted in this paragraph because the engagement is an assurance engagement (see our comments above for non-assurance engagements), the professional accountant should also obtain an understanding of those provisions in law or regulation that prohibit disclosure to third parties, including authorities, or that may cause serious legal risks to the professional accountant. 225.44 We found some of the guidance in 225.44 about legal privilege to be particularly useful and ask ourselves why this guidance was not included in the section applicable to auditors. 140.7 We would like to point out that the wording in 140.7 (c) (iv) is not aligned with ISQC 1.12 (o).
29.	IFIAR	The International Forum of Independent Audit Regulators ("IFIAR") appreciates the opportunity to comment on the International Auditing and Assurance Standards Board's ("IAASB's") Exposure Draft *"Responding to Non-Compliance or Suspected Non-Compliance with Laws and Regulations"*. As an international organization of independent audit oversight regulators that share the common goal of serving the public interest and enhancing investor protection, IFIAR is committed to improving audit quality globally through the promotion of high quality auditing and professional standards, and other pronouncements and statements. IFIAR's more specific objectives are as follows: • Sharing knowledge of the audit market environment and practical experience of independent audit regulatory activity, with a focus on inspections of auditors and audit firms; • Promoting collaboration and consistency in regulatory activity; • Initiating and leading dialogue with other policy-makers and organizations that have an interest in audit quality; and • Forming common and consistent views or positions on matters of importance to its Members, taking into account the legal mandates and missions of individual members. The comments we have provided in this letter reflect the views expressed by many, but not necessarily all, of the Members of IFIAR. They are not intended to include, or reflect, all of the comments or views that might be provided by individual Members on behalf of their respective organisations. Where we did not comment on certain specific matters, this should not be interpreted as either approval or disapproval by IFIAR of the proposals. *Support for the liaison between the IAASB and IESBA* We are supportive of the auditing and ethics standard-setting boards' efforts to coordinate their work on the NOCLAR project, as we see a benefit in aligning the standards on auditing and ethics issues applicable by the same auditors. Indeed, even if the IESBA Code and the IAASB pronouncements are not in force in all countries, we are of the view that the development of pronouncements that are compatible and consistent is relevant for those auditors that apply both frameworks, as well as for those that apply only one of those frameworks. *Risks due to the timing of the project*

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		However, given that the IAASB and IESBA consultation documents on NOCLAR were not issued simultaneously, we would like to draw the IAASB's attention to the necessity to ensure that the final outcome of the IESBA project is taken into consideration. Since the project is still under finalization at IESBA level, we see a risk of inconsistent outcomes if the latest IESBA developments are not incorporated equally on the IAASB side. We believe the IAASB should continue monitoring the IESBA's project through to finalization before closing out its revision of the auditing standards. We note that the IAASB has followed an accelerated process in developing the NOCLAR exposure draft. As stated in our 20 May 2014 comment letter on the IAASB's 2015-2019 strategy and work plan consultation, we believe in the development of flexibility in the standard-setting process for dealing with emerging issues.[3] In addition, we believe that a coordinated approach between the IAASB and IESBA should be adopted earlier in the standard-setting process for future projects of this nature. *IFIAR comments on IESBA NOCLAR exposure draft to be taken into account by IAASB* Regarding the content of the exposure draft, we draw the IAASB's attention to the comments raised by IFIAR in its letter issued on 28 September 2015 regarding the IESBA exposure draft *"Responding to Non-Compliance with Laws and Regulations"*.[4] Our comments therein related to: − Overall comment (national laws and regulations take precedence, strive for more stringent requirements) − Communicating to management and those charged with governance − Determination of further action needed − Lack of clear obligation for the auditor to monitor and assess the entity's response − Lack of obligation to report − Link with international auditing standards − Timing of the project Those comments apply equally to the IAASB project and we invite the IAASB to incorporate them in revising the ISAs and to deal with them in a coordinated manner with the IESBA. *Revision of ISA 250 "Consideration of Laws and Regulations in an Audit of Financial Statements"* We note that several other areas for revision of ISA 250 have been identified in the explanatory memorandum to the IAASB NOCLAR exposure draft. We would support a more holistic revision of ISA 250 which addresses these and other areas. **"IFIAR Comment Letter to IESBA"** *"28 September 2015*

[3] IFIAR comment letter on IAASB Strategy and Work Program.pdf
[4] IFIAR comment letter IESBA NOCLAR ED 28 September 2015.pdf

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		Submitted electronically to StavrosThomadakis@ethicsboard.org Dr Thomadakis Chairman International Ethics Standards Board for Accountants 529 Fifth Avenue New York, NY 10017 USA Comments on THE IESBA EXPOSURE DRAFT, "RESPONDING TO NON-COMPLIANCE WITH LAWS AND REGULATIONS" Dear Dr Thomadakis, The International Forum of Independent Audit Regulators ("IFIAR") appreciates the opportunity to comment on International Ethics Standards Board for Accountants' ("IESBA") Exposure Draft *"Responding to Non-Compliance with Laws and Regulations"*. As an international organization of independent audit oversight regulators that share the common goal of serving the public interest and enhancing investor protection, IFIAR is committed to improving audit quality globally through the promotion of high quality auditing and professional standards, and other pronouncements and statements. IFIAR's more specific objectives are as follows: • Sharing knowledge of the audit market environment and practical experience of independent audit regulatory activity, with a focus on inspections of auditors and audit firms; • Promoting collaboration and consistency in regulatory activity; • Initiating and leading dialogue with other policy-makers and organizations that have an interest in audit quality; and • Forming common and consistent views or positions on matters of importance to its Members, taking into account the legal mandates and missions of individual members. The comments we have provided in this letter reflect the views expressed by many, but not necessarily all, of the Members of IFIAR. They are not intended to include, or reflect, all of the comments or views that might be provided by individual Members on behalf of their respective organisations. Where we did not comment on certain specific matters, this should not be interpreted as either approval or disapproval by IFIAR of the proposals. The IESBA Code of Ethics is used by some IFIAR members, but not by all of them. Even for those jurisdictions that do not use it, IFIAR sees a clear interest in enhancing the Code, as it is used as a basis for certain benchmarks at the international level. Moreover, a number of audit firms and networks have voluntarily committed to complying with the Code. We draw the IESBA's attention to the fact that, in line with our mandates as independent audit regulators, we have commented only on those proposals of the exposure draft that relate to auditors and not those that relate to other categories of accountants. *Overall comment*

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		We appreciate that the proposals recognize that national laws and regulations take precedence over the requirements of the Code.[5] Nevertheless, as set out below, we believe that the IESBA should strive for more stringent requirements than those currently set out in the exposure draft which are not, in our view, sufficient to drive appropriate behaviour from the auditor vis-à-vis instances of NOCLAR or suspected NOCLAR. A number of jurisdictions around the world already have more robust requirements in place regarding the action required to be taken by an auditor in relation to NOCLAR. *Communicating the matter to management and those charged with governance* Unless prohibited by national law, we believe that the auditor should inform management and those charged with governance when NOCLAR or suspected NOCLAR has been identified and invite them to take appropriate and timely action. The proposals require the auditor to prompt management or those charged with governance to take appropriate and timely actions "*if management or those charged with governance agree that NOCLAR has taken or may take place."*[6] We suggest that the IESBA revises this wording, as the current drafting could lead to misunderstanding. We are also of the view that the term "*prompt*" could be read to imply that the auditor is assuming managerial responsibilities. Accordingly, we suggest that alternative wording, such as "invite" or "request" for example, be considered by the IESBA. *Determination of further action* The current proposals refer to the objectives to be achieved when determining whether further action is needed.[7] In our view, the reference to these objectives, as well as the link between the objectives and the other factors to consider when determining whether further action is needed,[8] should be clarified for purposes of driving consistency in application. *Lack of clear obligation for the auditor to monitor and assess the entity's response* The exposure draft indirectly points to the need for the auditor to monitor and assess the entity's response to NOCLAR.[9] In our view, the auditor should monitor and assess the appropriateness and timeliness of the entity's response before determining whether further steps are necessary. We suggest that the IESBA integrates this step in the Code as an additional mandatory action for the auditor to perform, as opposed to referring to it as an option for the auditor to consider when determining what further action is needed. *Lack of obligation to report* The proposals allow for the auditor to report NOCLAR to an appropriate authority rather than imposing an obligation to do so.[10] In our view, the auditor should be required to report NOCLAR to an appropriate authority able to receive the information, determined in accordance with national law, when management and those charged with governance fail to satisfy legal or regulatory requirements to report such information to external

[5] Including ED §225 .19, .21, .24, .27 …

[6] ED §225.17

[7] ED §225.20

[8] ED §225.21, .22, .23

[9] ED §225.21 second bullet

[10] ED §225.24

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		parties or fail to take timely and appropriate steps to respond to known or likely NOCLAR, after having confirmed that it is in the public interest for the auditor to do so. We believe that the auditor should have the obligation to report NOCLAR to an appropriate authority, unless it would be incompatible with national legal provisions, for instance with regards to confidentiality and protection of the liability, and of the safety of the auditor.[11] *Link with international auditing standards* We note that the proposals seek to complement the requirements of the auditing standards in as far as the auditor's response to NOCLAR is concerned.[12] We share the view that certain aspects of the proposals would require further alignment between auditing and ethics provisions.[13] In particular, we believe that further consideration should be given, within the Code or the ISAs, to the communication of NOCLAR in a group audit situation, especially between group and component auditors, regardless of whether all of the auditors involved belong to the same network or not. [14] *Timing of the project* The potential benefit to the public interest that would be achieved by having requirements included in the Code with regards to NOCLAR is such that we encourage the IESBA, subject to our comments, to seek to finalise the project in the near future. Should you wish to discuss any of our comments, please do not hesitate to contact me or Marjolein Doblado, Chair of the IFIAR Standards Coordination Working Group. Yours Faithfully, Janine van Diggelen IFIAR Chair"
30.	IOSCO[15]	The International Organization of Securities Commissions' Committee on Issuer Accounting, Audit and Disclosure (Committee 1) appreciates the opportunity to comment on the International Auditing and Assurance Standards Board's (the IAASB or the Board) Exposure Draft: Responding to Non-Compliance or Suspected Non-Compliance with Laws and Regulations (the Paper). As an international organization of securities regulators representing the public interest, IOSCO is committed to enhancing the integrity of international markets through the promotion of high quality accounting, auditing and professional standards, and other pronouncements and statements. Members of Committee 1 seek to further IOSCO's mission through thoughtful consideration of accounting, disclosure and auditing concerns, and pursuit of improved global financial reporting. Unless otherwise noted, the comments we have provided herein reflect a general consensus among

[11] See factors described in ED §225.27

[12] ED Explanatory Memorandum §121 and 122

[13] Please note that this letter does not include any consideration related to the IAASB proposals to amend the ISAs on NOCLAR that were published on July 23, 2015, since this letter was prepared before that date.

[14] ED §225.19(b)

[15] Comments from IOSCO have not yet been discussed by the Task Force or incorporated into the issues paper.

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		the members of Committee 1 and are not intended to include all of the comments that might be provided by individual securities regulator members on behalf of their respective jurisdictions. **General Approach in the Paper** We appreciate the Board proposing amendments to certain of its International Standards including its International Standards on Auditing (ISAs) and International Standards on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements (ISQC 1), in response to the International Ethics Standards Board for Accountants' Re-Exposure Draft, Responding to Non-Compliance with Laws and Regulations. However, we have noted the Board's intent of proposing limited amendments that the Board has "determined would be necessary to resolve actual or perceived inconsistencies of approach or to clarify and emphasize key aspects of the NOCLAR proposals in its International Standards" (emphasis added). Does this intended outcome mean that the collective provisions of the ISAs and ISQC 1 should not conflict with an auditor's NOCLAR responsibilities under the Ethics Code, or that these collective provisions should encompass all of the auditor's NOCLAR responsibilities under the Ethics Code? In other words, does the Board consider omissions from the ISAs/ISQC 1 of the provisions for auditors that are contained in the Ethics Code, such as the Ethics Code's proposed "third-party test" or the proposed inclusion of NOCLARs that derive from "securities markets and trading" (which would seem to occur outside of the operations of the audited entity), as inconsistencies between the two? We are not sure if the exclusion from the Paper of some of the IESBA's NOCLAR proposals was an oversight by the Board or if the Board has determined that such amendments were not necessary in completing the audit of financial statements since the IESBA's NOCLAR proposal with respect to auditors may go beyond requirements necessary to complete an audit of financial statements. If the latter, then we believe the Board should make it clear in the ISAs that the Board has made only amendments that are necessary for purposes of forming an auditor's opinion on a set of financial statements. Accordingly, the ISAs and ISQC 1 do not reflect what an auditor may be called upon to do under his or her accompanying legal and/or professional ethical responsibilities. The Board should specifically state within the ISAs/ISQC 1that auditors who are subject to the Code should look to the Code for additional requirements and comply accordingly. If the Board does not make this more clear, then we think practitioners will be confused as to why two IFAC-related standard-setting Boards have issued revised standards at the same time that give two differing sets of direction on an auditor's responsibilities in handling a suspected NOCLAR. **Specific Provisions in the Paper** We have outlined below issues that came to our attention based on what we have observed in the Paper and in the IESBA's NOCLAR proposal regarding an audit of financial statements. We believe these comments are applicable regardless of the resolution of the matter of the Board's overall objective with respect to resolving inconsistencies, as discussed above. Nonetheless, we believe both a better understanding of the Board's objective for the revisions to the ISAs and ISQC 1 and the finalization of the IESBA's NOCLAR deliberations will have bearing on the changes the Board needs to further consider. As such, we anticipate that we would be in a more informed position to comment on the actions needed by the Board after the IESBA has finalized its deliberations. …

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		Interrelationship with ISQC 1 Project Working Group We believe the Board should establish appropriate provisions that require audit firms to establish processes internal to the audit firm to stipulate how the firm should address those instances in which an auditor comes across a NOCLAR at an audited entity. We believe the Board's ISQC 1 project working group should be encouraged to include such provisions as part of their deliberations.
31.	IRBA	We appreciate this opportunity to comment on the proposed amendments to the International Standards – *Responding to Non-Compliance or Suspected Non-Compliance with Laws and Regulations (NoCLAR)* developed by the International Auditing and Assurance Standards Board (IAASB). Our comments, which have been prepared by a task group of the CFAS that comprises representatives from large firms and the South African Institute of Chartered Accountants, are presented under the following sections: 1. General comments; 2. Request for specific comments and responses; 3. Request for comments on general matters; and 4. Invitation for additional input. In our comments, when commenting on the wording of specific paragraphs in the proposed changes to the ISAs, words that have been ~~*struck-through*~~ indicate a suggestion to delete and those that have been *underlined* are suggested additions to the text of the proposed changes to the ISAs. **1. GENERAL COMMENTS** a. We are generally supportive of the IAASB's view that amendments to the International Standards are warranted to address actual or perceived inconsistencies in the approach applied by auditors in identifying and dealing with instances of NoCLAR or suspected NoCLAR. b. The International Ethics Standards Board for Accountants (IESBA) Code of Ethics (the Code) is not applied by all jurisdictions, including those that have adopted the International Standards on Auditing (ISAs). Accordingly, these amendments will be beneficial for those jurisdictions that do not apply the Code. c. Furthermore, we are also of the view that the proposed amendments to the ISAs may not sufficiently reflect the level of work effort that is expected under the proposed revised Code. Requiring auditors to separately consult the Code in addition to the ISA requirements could create a risk that insufficient procedures will be performed in complying with the Code. Could a greater level of detail in work effort requirements be provided in the ISAs? d. Lastly, we noted that at times certain of the proposed ISAs used the phrase "legal or ethical duty or right" and at other times the phrase "legal or ethical right" is employed. We recommend that "legal or ethical duty or right" should be used consistently throughout the ISAs. **Inconsequential Matters**

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		We believe that there are inconsistencies in the auditor's response to the non-compliance between ISA 250 and the proposed IESBA NoCLAR amendments. In terms of the proposed NoCLAR amendments there is a level of severity that exits between matters that are not clearly inconsequential and significant matters. Although paragraph 22 includes reference to "other than when the matters are clearly inconsequential", we recommend that the IAASB describes this as detailed in Section 225.8(a) of the proposed NoCLAR amendments. The auditor would also have to consider whether a matter is inconsequential much earlier in the audit process than what is currently inferred. **Conforming amendments to other ISAs, International Standards on Quality Control (ISQC 1), International Standards on Review Engagements (ISREs) and International Standards on Assurance Engagements (ISAEs)** We agree with the conforming amendments made, however, we have the following comments: [*The specific comments have been included in Supplement E]*
32.	ISCA	In preparation of this comment letter, the Institute of Singapore Chartered Accountants (ISCA) has sought views from its members through a one-month public consultation process and discussed the ED with members of the ISCA Auditing and Assurance Standards Committee. Generally, we agree with all the suggestions in the ED and do not have significant comments or additional insights. For the "Invitation For Additional Input", in relation to addressing personal misconduct in ISA 250, we are of the view that only personal misconduct related to the business activities and which has an impact on the amounts and disclosures in the financial statements should be covered under the scope of ISA 250. It may be too onerous for auditors to consider all types of personal misconduct regardless of the impact on financial statements. After all, the scope of ISAs covers the audits of general purpose financial statements. If there is no impact on the financial statements, it should not fall under the purview of ISA 250. Additionally, the IAASB should consider working together with the International Ethics Standards Board for Accountants (IESBA) to look into developing guidance for group audit scenarios where signs of NOCLAR are evident, especially in cases where the components are operating in jurisdictions that have not adopted the IESBA Code. One possible avenue is to develop the guidance in the form of an International Auditing Practice Note (IAPN). The IAPN could include: 1. guidance for group auditors to send specific instructions to their component auditors to report any known or suspected NOCLAR, which could include a sample group audit questionnaire for the component auditors to understand the requirements of the IESBA Code and be aware of any signs of NOCLAR which came to their attention; 2. guidance on how component auditors should communicate to the group auditors in the event that component auditors discover instances of NOCLAR or suspected NOCLAR; and 3. guidance on how the group and component auditors should document their respective work performed to meet the requirements of ISA 250 in the event that the component auditors discover instances of NOCLAR or suspected NOCLAR.
33.	JICPA	The Japanese Institute of Certified Public Accountants ("we", "our," and "JICPA") is grateful for the opportunity to comment on the Proposed Amendments to the IAASB's International Standards *Responding to Non-Compliance or Suspected Non-Compliance with Laws and Regulations* ("Proposed Standards"). We support that the IAASB proposes limited amendments to certain of its International Standards at this time to enable

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		stakeholders to concurrently review both the IAASB and IESBA proposals. Our specific comments and suggestions are provided below for your consideration.
34.	KICPA	KICPA is pleased to have an opportunity to comment on the Exposure Draft published in July 23, 2015, and issued by the International Auditing and Assurance Standards Board for Accountants (IAASB), regarding "Proposed Amendments to the IAASB's International Standards, Responding to Non-Compliance or Suspected Non-Compliance with Laws and Regulations." KICPA is a strong advocate of IAASB for your relentless efforts to serve the public interest by setting high-quality international standards for auditing, assurance, and other related standards, and by facilitating the convergence of international and national auditing and assurance standards. Please see the below for our responses to the specific questions.
35.	MAZARS	We understand that the amendments proposed by the IAASB are intended to clarify actual or perceived inconsistencies of approach between the International Ethics Standards Board for Accountants' (IESBA) NOCLAR proposals and the current standards, and welcome such clarification. While we fully understand and appreciate the process, we are concerned by the fact that eight standards will be modified on very few elements: ISQC1, ISA 220, ISA 240, ISA 250, ISA 260, ISA 450, ISRE 2400, and ISAE 3402. The range of these changes may create difficulties and also be a cost for many countries and jurisdictions to be able to transpose and translate on a timely basis. We would recommend to keep at a maximum the principle of the stable platform and to open existing ISAs only when there are key changes on the requirements or the application material. Over the last three years, key efforts that have been put by the IAASB on the significant revisions brought to the New Auditor's report so such efforts need to be considered as a priority by all countries and jurisdictions, compared to the other modifications, even if deemed as necessary but not as important as the New Auditor's report. The more changes are made to the standards, the potentially reduced efforts and resources available which could impact the quality of the implementation of the priority evolutions. The process is made particularly challenging as the consultation to the changes of the IESBA Code of Ethics has been completed in September 2015 and there may be additional amendments in the final version. While there is already a strong coordination between the different boards, it would be helpful if they could more closely coordinate the issue of papers when there is a need to modify two documents / standards regarding the same topic. Our comments relate solely to the elements of the proposed pronouncement concerning professional accountants in public practice.
36.	MAASB	None
37.	MICPA	We thank you for the opportunity to comment on the IAASB Exposure Draft, *Responding to Non-Compliance or Suspected Non-Compliance with Laws and Regulations*. In this regard, we are pleased to attach the Institute's comments as set out in Appendix I for your consideration.
38.	NBA	The NBA appreciates the opportunity to comment on the Exposure Draft *Responding to Non-Compliance or Suspected Non-Compliance with Laws and Regulations* (hereafter 'NOCLAR').

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39.	NZAUASB	Thank you for the opportunity to comment on this Exposure Draft. We submit the feedback from the New Zealand Auditing and Assurance Standards Board (NZAuASB) in the attachment. The NZAuASB commends the IAASB for working with the IESBA, tracking the IESBA NOCLAR project and working to address any actual or perceived inconsistencies between the IESBA Code and the International Standards on Auditing and other assurance standards in a timely manner, and aligning the comment periods so as to enable consideration in conjunction with the IESBA proposals. The NZAuASB's mandate covers both auditing and assurance standards, and includes ethical standards as they apply to assurance engagements. All efforts to co-ordinate and align terminology and requirements between the IAASB's assurance standards and the IESBA's ethical requirements as they apply to assurance engagements assists the NZAuASB in aligning all of the standards within the mandate of the NZAuASB with the international equivalents. The NZAuASB's main concern with the NOCLAR project has been raised in its submission to the IESBA. That is, the NZAuASB considers that too much reliance or emphasis is placed on the obligations of the auditor, disproportionate to other professional accountants, and that the ethical obligations should be the same across all categories of professional accountants. The IAASB's *Framework for Audit Quality* demonstrates the importance of appropriate interactions among stakeholders and the importance of various contextual factors in ensuring quality audits. All members of the profession should therefore be subject to the same requirements and high standards to act in the public interest. The NZAuASB is supportive of the proposed amendments by the IAASB but has identified some further suggestions where it considers further clarification could be made. In formulation of this response, the NZAuASB has sought input from New Zealand constituents. As a minor comment, the NZAuASB recommends that clarification is required between a professional or ethical duty. The proposed amendments replace references to "professional duty" with "ethical duty" however there are additional places where "professional duty" remains. (For example ISA 240 paragraph 38 (a) refers to "Determine the <u>professional</u> and legal responsibilities applicable in the circumstances, including whether there is a requirement for the auditor to report to the person or persons who made the audit appointment or, in some cases, to regulatory authorities". Paragraph A65 still refers to "professional duty". For consistency, we recommend that these references should be amended to refer to ethical responsibilities consistently. The NZAuASB also note that the term "illegal act" has been retained in some instances (ISA 260 paragraph 7, ISA 450 paragraph A8 and ISRE 2400 paragraph 52(d) and A92). For clarification and consistency, the NZAuASB recommend that the term "non-compliance with laws and regulations" should be used instead.
40.	PWC	We appreciate the opportunity to comment on the IAASB's proposed revisions to International Standard on Auditing (ISA) 250 'Consideration of Laws and Regulations in an Audit of Financial Statements' and other standards in response to the International Ethics Standards Board for Accountants' (IESBA's) Re-Exposure Draft (May 2015), Responding to Non-Compliance with Laws and Regulations. *Auditor's 'duty or right'* We note that the Code does not use the term 'right'. We believe there is a risk of this term being misunderstood. The Code simply requires a professional accountant to determine whether reporting would be an appropriate course of action, and if so, that such action would not constitute

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		a breach of confidentiality. We recommend replacing this term and including wording directly from Code paragraph 225.29. We have included suggested wording in the appendix.
41.	SAICA	The proposed *limited changes* to the identified IAASB International Standards are in response to the project of the IESBA to introduce changes to the IESBA Code of Ethics (the Code) in relation to a professional accountant responding to non-compliance or suspected non-compliance with laws and regulations (NOCLAR). The developments around the Code are particularly significant in the context that the proposed changes extend to all professional accountants; those in practice and those in business. Chartered Accountants (SA)s are active in all of these areas. In this context SAICA has submitted a comment letter, dated 4 September 2015, to the IESBA on its May 2015 Re-Exposure Draft. In considering our comments on the IAASB Exposure Draft, *Responding to non-compliance or suspected non-compliance with laws and regulations*, we recognise that the proposed limited changes are intended to ensure that the International Standards concerned can continue to be applied together and consistently with the IESBA Code of Ethics. To this extent the changes affect SAICA members in practice. Therefore, we took the decision to participate in the Task Group that was set up by the Committee for Auditing Standards (CFAS) of the Independent Regulatory Board for Auditors (IRBA) (i.e. the regulator of registered auditors, and the audit and assurance standards setter in South Africa). Our comments are encapsulated in the IRBA comment letter as submitted to the IAASB, and we will not submit a separate comment letter. We thank you for the opportunity to provide comment on this exposure draft.
42.	SMPC	The SMP Committee (SMPC) is pleased to respond to the IAASB on this Exposure Draft (ED). We have closely followed the development of the IESBA project on Non-Compliance with Laws and Regulations (NOCLAR) and submitted a comment letter in response to its recent Exposure Draft: *Responding to Non-Compliance with Laws and Regulations* (the IESBA ED). **GENERAL COMMENTS** We support the IAASB and IESBA working together to consider amendments to International Standards in response to the IESBA project on NOCLAR. We agree that it would be appropriate and helpful for the respective Boards to ensure there is an alignment of the work efforts required by the IESBA *Code of Ethics for Professional Accountants* (the Code), the ISAs, and all the other IAASB standards. We are, however, concerned with the timing of the IAASB ED as the IESBA proposals will not be finalized until after its closure, and many in the profession believe certain proposals remain contentious. It could also be argued that the IAASB Explanatory Memorandum indicates support, or a "seal of approval", for the IESBA proposals, which may have resulted in some commentators not according the IESBA proposals the necessary degree of critical reading. In addition, we believe that the potential impact of the IESBA NOCLAR proposals on audit quality should be fully explored by the IAASB (the Board). In principle, we do not support alignment of ISA 250 with the IESBA NOCLAR proposals, since these have not been finalised and, in our opinion, cannot be considered entirely uncontentious. We have raised a number of concerns with the proposed changes to the Code, which are explained in our comment letter response to the IESBA ED.

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		In our view, some of the changes proposed to the Code have been addressed in the IAASB drafting proposed changes to the ISAs. However, in other cases, the areas included in the 'Invitation for Additional Input' relate to matters discussed in the IESBA proposals, but no changes to the standards seem to have been proposed. For example, it could be questioned that if the Code was changed to require instances of NOCLAR that a professional accountant (PA) believes may be about to occur with management (proposed paragraph 225.12 of the Code), would the IAASB follow suit and change the ISAs as appropriate, given the implications as to client integrity. The standards of the standards setting boards (IAASB, IESBA, IAESB) have always been written in the public interest such that there is a presumption that when the PA has met the standard (objectives and requirements), the PA has acted in the public interest. The IESBA is now proposing to change this by introducing a public interest test that is either not actionable or enforceable, and may lead to audit oversight authorities second-guessing auditors as to what is in the public interest. This issue is exacerbated by the "reasonable informed third party" test. The IAASB's silence on this aspect of the IESBA's proposals appears to imply acceptance of this change in approach. We believe that the determination of any action that may be needed in the public interest in any particular circumstance is highly subjective. There needs to be some recognition (by IAASB and IESBA) that there are varying degrees of public interest and it is not the same for all audits. For example, it could be argued that the voluntary audit of a small unlisted entity has significantly fewer public interest implications, compared to the statutory audit of a listed entity, or a large financial institution. **Issues not (yet) discussed by the IAASB or the IESBA** **Auditor Reporting** We believe that both the IAASB and the IESBA should give consideration to the impact of the new and revised Auditor Reporting Standards and, in particular, the requirements in the new ISA 701 when NOCLAR constitutes a Key Audit Matter (KAM). For example, it may need to be clear in ISA 701 what impact NOCLAR would have, or not have, on the auditor's report. In our view, the auditor's report is on the financial statements only and reporting by the auditor on the true and fair opinion would not extend to NOCLAR beyond this. However, it is unclear whether the IAASB supports the proposed extension of the auditor's duty in this context as well. Clarification from the IAASB might be helpful in guiding public expectations in this relatively new area. **ISA 200 requirements** We note that the IESBA has not (yet) chosen to discuss the general issue of how national ethical regimes might be measured against the Code in terms of their respective restrictiveness going forward, but believe that this is an issue that will need to be considered in conjunction with the IAASB. The proposals in the IESBA NOCLAR ED, if adopted, would increase the stringency of the extant Code in regard to instances of NOCLAR of which a PA may become aware. In addition, while the Code recognizes that it cannot override law or regulation, national laws or regulations may indeed prohibit the PA from complying with specific provisions of the Code. These factors impact compliance with ISAs, in regard to whether national ethical requirements need to be at least as stringent as the Code, since an auditor is required by ISA 200.14 to: "comply with the relevant ethical requirements…". In addition, ISA 200.A14 explains: "relevant ethical requirements ordinarily comprise Parts A and B of the IESBA Code of Ethics for Professional Accountants…, together with national requirements

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		that are more restrictive". As the Code becomes increasingly stringent or divergent from national "equivalents" in isolated respects, this issue will need to be addressed i.e., what can "ordinarily" be deemed to mean in this context. In some jurisdictions there may be little or no law or regulation to address the role of a PA, or an auditor, encountering any form of NOCLAR. In many of the more developed jurisdictions there will be laws and regulations dealing with distinct issues e.g., money laundering and corruption etc. Legislation in the EU contains further requirements for auditors of public interest entities. As the ED potentially extends the scope to certain instances of NOCLAR including and beyond these issues, we suggest there is a need for the IESBA and the IAASB to explore how national requirements can be assessed. For example, when would they be deemed as either less, equally, or not as, restrictive as the Code in the context of this project – or should they be assessed as a whole, rather than in relation to isolated aspects of the Code? In particular, the two Boards may need to consider the consequences for auditors and the compliance with the ISAs in the event that national requirements are deemed less restrictive than the Code. We recognize that this issue is not limited to the proposals on NOCLAR, and we accept that this may need to be addressed "as a whole" rather in respect of isolated projects. **Alignment of the approach** The IESBA NOCLAR proposals cover both audit and non-audit services, but do not adequately convey the fact that the ability of the PA to identify NOCLAR differs according to the type of service provided. For example, the sufficiency and appropriateness of evidence with which a PA would be satisfied as to whether initial indications of NOCLAR support, or do not support, the identification of NOCLAR for a limited assurance engagement is considerably less than for a reasonable assurance engagement. Likewise, the information that a PA might obtain to satisfy themselves with respect to issues identified as part of a compilation engagement would have significantly less evidential value than in an assurance engagement. There is a risk that the public may have unrealistic expectations unless the IAASB and IESBA can work together to address this issue. **SPECIFIC COMMENTS** **Lack of alignment in terms of the work effort** When the auditor becomes aware of information concerning an instance of non-compliance, ISA 250.18 requires the auditor to obtain an understanding of the nature of the act and the circumstances in which it has occurred. Related application guidance in ISA 250.A13 provides examples of the types of information that may be relevant in this context, indicating that the auditor's understanding would be expected to be of a relatively general nature at this initial stage. Following on from this, ISA 250.19 puts the onus firmly on the entity's management, and where appropriate, those charged with governance (TCWG), to investigate suspected instances of non-compliance and provide to the auditor sufficient information to dispel such suspicion. In contrast, paragraph 225.11 of the ED IESBA, includes proposed changes to the Code for the auditor to be required to obtain a more comprehensive understanding of the matter – extending the term "matter" to include both acts that have occurred, as well as those that may yet occur, and extending the understanding to specifically include the application of the relevant laws and regulations to the circumstances. Therefore, before any discussion with the entity's officers, the proposed changes to the Code exceed extant ISA 250 and would specifically require the auditor to look into the matter more thoroughly than is required under the ISAs.

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		We believe this proposed "difference" between ISA 250 and the Code is inappropriate for two reasons. Firstly, in practice the auditor's required "understanding" under the Code would lead them to "firm up on" facts as a prerequisite to obtaining an understanding of the legal position, as (in contrast to ISA 250) it appears that the Code is dealing with relatively well founded suspicions at this stage. Indeed, obtaining an understanding of the legal position pertaining to the individual matter (which is not required under ISA 250 at this stage) will often involve recourse to legal advice, which would certainly add costs to audits. For instance, regulators would expect diligent documentation. Secondly, in placing the onus on the auditor at this initial stage, instead of on management, it may also potentially leave the auditor open to claims, should the auditors "probing" be perceived as a false accusation, deformation of character or similar. For example, in the worst case scenario it may lead to a formal legal investigation that could subsequently dispel the original suspicion. In addition, a perception of excessive probing by the auditor prior to a discussion of the matter with the entity's officers beyond "normal" audit procedures could be detrimental to the auditor's relationship with the client. In our view, the approaches of both the IESBA and IAASB differ in terms of the risk-based approach under the ISAs. Whilst we recognize that proposed paragraph 225.8(a) of the Code clarifies the exclusion of clearly inconsequential matters, the proposals still do not recognize a risk-based approach in terms of the required work effort. We suggest that the IESBA and IAASB align the required work effort more closely to ISA 250, and other of the IAASB's standards, as applicable. **Proposed limited amendments** Overall, we are concerned that the proposed changes to the ISAs are not appropriately balanced as they do not acknowledge the possibility that national law and regulation may preclude the professional accountant from acting on such ethical aspects. We hope the IAASB finds this letter helpful. We are committed to helping the Board in whatever way we can to build upon the results of this ED. Please do not hesitate to contact me should you wish to discuss matters raised in this submission.
43.	UKFRC	The Financial Reporting Council (FRC) welcomes the opportunity to comment on the proposed amendments to the IAASB's International Standards (the ISAs) set out in the above exposure draft (ED). Overall, we support the IAASB's objective that it is in the public interest: to ensure that the IAASB's and the International Ethical Standards Board of Accountant's (IESBA) standards are able to operate in conjunction with each other without conflict; and to draw appropriate attention to, or clarify and emphasise key aspects of, the IESBA's Exposure Draft 'Responding to Non-Compliance with Laws and Regulations' (IESBA Re-ED) in the ISAs. As requested in the explanatory memorandum accompanying the proposed standard, we have provided responses to specific questions posed by the IAASB below.
44.	WPK	The WPK is pleased to take this opportunity to comment on the above mentioned Exposure Draft (hereinafter referred to as "ED"). Instead of answering each question individually we would like to give an all-encompassing response. First of all we do view very positively the further alignment of the new IESBA Code of Ethics (hereinafter referred to as the "Code") with ISA 250 and appreciate the corresponding efforts undertaken by the joint IESBA/IAASB Working Group.

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		In accordance with our comments to the IESBA's ED to NOCLAR we would like to express our concerns because the Code of Ethics in our view still provides a (de facto) requirement to disclose a suspected or identified NOCLAR to an appropriate authority. Such disclosure would only be precluded "if it would be contrary to law or regulation". These requirements may bring about a distinct lack of legal certainty for auditors in jurisdictions where there is no legal system that provides for a clear understanding of what needs to be reported. **We are of the opinion that the question as to when and how auditors should report suspected or identified NOCLAR to an external authority or person, respectively, should be exclusively governed by the legislator of the jurisdiction concerned, but not by IESBA or IAASB, in order to provide auditors with legal certainty.** In this sense the EU legislator recently adopted a provision in Art. 7 of its Regulation (EU) No 537/2014 which stipulates a possible reporting towards an external authority and takes effect in the 31 countries of the European Economic Area. When discussing a possible override, one should bear in mind that confidentiality is a core principle that is also in the public interest. Confidentiality enables the extensive disclosure of facts and circumstances within the relationship between the audited entity and its auditor and therefore contributes to improving the quality of the auditor´s work from which the stakeholders and the public benefit. In contrast, overriding confidentiality may run the risk of creating inappropriate disincentives for the audited entity to disclose information reluctantly or less comprehensively to the auditor. In other words, the relationship of the auditor and the audited entity might be affected negatively, also against the background of the aforementioned lack of legal certainty for the auditor. In accordance with ISA 250.28 "the auditor shall determine whether the auditor has a legal or ethical duty or right to report the identified or suspected non-compliance to parties outside the entity". We welcome that the IAASB explains in ISA 250.A19 that „the auditor may consider obtaining legal advice to determine whether the auditor has a legal or ethical duty or right to report to parties outside the entity and, when applicable, the appropriate course of action in light of such duty or right" and provides examples of three ways how jurisdictions can be configured. In order to alert the auditors directly that the requirement in ISA 250.28 might be precluded by legal provisions in some jurisdictions, we would suggest moving the explanation in 250.A19 directly into the requirement of ISA 250.28 to give this provision more prominence. Furthermore, in the various references to Section 225.29 of the Code (Footnotes to ISA 250.A19, ISQC 1.A56, ISA 240.A65, ISRE 2400.A92) it should be noted that the relevant applicable laws in the respective jurisdiction particularly with respect to confidentiality must be observed with priority. As in our response to IESBA we note the existence of loopholes and the lack of guidance within the ED with respect to cross-border situations, including group audits. For example, there are situations where a component audit takes place in a jurisdiction with a strict legal duty to preserve confidentiality, like in Germany, whereas the group audit is conducted in another country where an override of confidentiality would not be in conflict with the local laws in that country. Such types of situations become even more problematic where jurisdictions are involved where the legislation has an extraterritorial outreach (e. g. the US FCPA and the UK Bribery Act). Moreover, the precise meaning of some terms remains unclear and will depend upon the individual interpretation of the auditors concerned, examples are "legal or ethical duty or right" (ISA 250.28, ISQC 1.A56, ISRE 2400.A92) and "under relevant ethical requirements" (ISA 250.8a, A17, ISA 240.8a, .43, .A65, ISRE 2400.A92). We hope that our remarks will be taken into consideration in the subsequent course of the proceedings, and we would be delighted to answer any questions you may have.