

## Supplement B 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](#).

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### COMMENTS RECEIVED ON IAASB NOCLAR EXPOSURE DRAFT

#### Question 1

1. Whether respondents believe the proposed limited amendments are sufficient to resolve actual or perceived inconsistencies of approach or to clarify and emphasize key aspects of the NOCLAR proposals in the IAASB’s International Standards.

#	Source	Comment
1.	AGC	<p>We have no concerns with respect to the proposed limited amendments in the IAASB’s International Standards. In Canada, professional accountants are required to follow rules of professional conduct/code of ethics issued by various provincial professional accounting bodies. Although the IESBA’s Code has not been adopted in Canada, ethics standards adopted by the provincial professional accounting bodies should be no less stringent than the requirements of the IESBA’s Code.</p>
2.	ASB	<p><i>Proposed Changes to ISA 250</i></p> <p>We believe that the proposed limited amendments are sufficient to resolve actual or perceived inconsistencies of approach or to clarify and emphasize key aspects of the NOCLAR proposals in the IAASB’s International Standards. However, we offer the following comments:</p> <p>Paragraph 8a of ISA 250 states, in part, that complying with those additional responsibilities [relevant ethical requirements] may provide further information that is relevant to the auditor’s work in accordance with this and other ISAs...Paragraph A17 further states ... “the auditor’s compliance with relevant ethical requirements may provide further information that is relevant to the auditor’s responsibilities...”</p> <p>We agree with the proposed changes to paragraph 8a and A17; however, we believe that an example would be helpful in clarifying what the IAASB intends by these proposed changes.</p> <p>Paragraph A12a states, in part, “The auditor may become aware of information about non-compliance with laws and regulations (or example, in responding to matters that the auditor is required to address under relevant ethical requirements)...” The wording in this sentence appears inconsistent with other proposed amendments to the standard. For example, the last sentence in paragraph A17, states “As noted in paragraph 8a, “the auditor’s compliance with relevant ethical requirements...” The wording in paragraph A17 is more consistent with paragraph 8a, which focuses on compliance with ethical responsibilities and does not focus on “responses.” We suggest that paragraph be revised as follows: “The auditor may become aware of information about non-compliance with laws or regulations in performing procedures to comply with relevant ethical</p>

#	Source	Comment
		<p>requirements.” Also, it might be helpful to reference paragraph A12a to the requirement in paragraph 18 to emphasize that any procedures performed to comply with relevant ethical requirements are other than those required to be performed in paragraphs 12-16 of ISA 250.</p> <p>Paragraph A59a should be referenced to paragraph 40 of ISA 240, <i>The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements</i>, to emphasize that in instances of noncompliance or suspected noncompliance with laws and regulations, the auditor is required to communicate these matters on a timely basis to the appropriate level of management or to those charged with governance.</p>
3.	ANAN	<p>Para 12 The Association agrees with the proposed limited amendments, considers them as sufficient enough to resolve actual or perceived inconsistencies of approach and is convinced that adequate clarifications and emphasis on key aspect of the NOCLAR proposals have been made in the IAASB's international standards.</p> <p>However, the Association is concerned that since the IESB's Re-ED was yet to be finalized and IESBA Code could be amended in the light of comments on the Re-ED, the IAASB's ED should have waited for the finalization of the IESB's NOCLAR project.</p> <p>A major question that could be raised is whether IAASB would re - issue this ED if there are major amendments to the IESB's amended Code.</p>
4.	ASSIREVI	<p>Assirevi considers it appropriate to reaffirm its critical considerations included in its letter dated 22 September 2015 mentioned above with respect to certain aspects of the definition of NOCLAR included in the IESBA’s proposed changes to the Code of Ethics.</p> <p>Nevertheless, Assirevi agrees to the proposed limited amendments included in ED ISA 250. Assirevi believes that such amendments are appropriate to resolve actual or perceived inconsistencies between auditing standards and relevant ethical requirements.</p>
5.	AUASB	None
6.	BDO	<p><i>(a) ISA 250 Amendment – Right to Disclose</i></p> <p>We support the proposed limited amendments to the IAASB’s International Standards. Under the IESBA’s NOCLAR proposals, the professional accountant (PA) would have the right to disclose an identified or suspected NOCLAR to an appropriate authority if the PA determines that such disclosure is an appropriate course of action in the circumstances. We have already stated in our IESBA response our concerns about what would constitute an appropriate course of action and also issues we had about the primacy of local laws and regulations. However, we also acknowledge that were the IESBA changes to be approved, that this could cause a potential inconsistency with ISA 250 (paragraphs 28, A19), which does not explicitly recognize this right. On the basis that the IESBA changes are approved, we also agree with the proposed IAASB intention to make the necessary amendment in ISA 250 by replacing ‘responsibility’ with ‘legal or ethical duty or right’.</p> <p><i>(b) ISA 250 Amendment – Audit Impact of Non-Compliance</i></p> <p>The proposed amendments to paragraphs A12a and A17 that provide new guidance to auditors about instances of NOCLAR that may be identified as part of relevant ethical requirements provide practical examples of how these matters could give rise to other concerns from an auditing perspective - such as integrity of management or those charged with governance.</p> <p>Although the numbering and ordering of the Application Guidance is clearly only at a draft stage, we would however suggest that the proposed new paragraph A18a (dealing with circumstances that could cause the auditor to evaluate the implications of non-compliance on the reliability of</p>

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		<p>written representations) is moved to precede the extant paragraph A18 (which considers the ultimate sanction of withdrawal from the engagement).</p> <p><i>(c) ISA 240 and ISA 250 Amendments – Additional Obligations</i></p> <p>By including new paragraphs (ISA 240, paragraph 8; ISA 250, paragraph 8a) in respect of the auditor’s additional responsibilities that may exist under relevant ethical requirements, we support the IAASB’s intention to highlight this as a potential further source of information that may be relevant to the auditor’s work. We note that the proposed amendment to ISA 250 contains the phrase ‘additional responsibilities,’ whereas the ISA 240 amendment only considers ‘responsibilities’. To improve clarity we would ask that the language be aligned.</p> <p><i>(d) ISA 220 Amendment – Terminology</i></p> <p>We support the proposed change outlined in ISA 220 (paragraph A8a) for the term ‘predecessor auditor’ to replace the extant ‘existing accountant’</p> <p><i>(e) ISA 220 Amendment – ‘Tipping Off’ prohibition</i></p> <p>We support the additional Application Guidance (ISA 250, ISA 240, and ISA 450) and Scoping amendment (ISA 260 (Revised)) as proposed by the IAASB. While the term ‘tipping-off’ is not of itself commonly used across all jurisdictions, we recognize the importance of reminding auditors that laws or regulations may prohibit alerting the entity when, for example, the auditor is required to report a NOCLAR to an appropriate authority under money laundering or other anti-fraud legislation. By reiterating this issue in a number of ISAs the IAASB will be providing helpful guidance to auditors of the need to consider domestic laws and regulations. This was a matter we highlighted in our recent IESBA ED comment letter.</p> <p><i>(f) ISA 250 Amendments – Other Changes</i></p> <p>We note inclusion of the proposed Application Guidance to provide examples of Laws and Regulations that may be included in the categories for consideration contained within the ISA 250 Requirements. While we support the inclusion of examples to assist auditors by providing a more practical perspective, we refer to our ED letter to IESBA, which noted that in some instances including aspects such as ‘environmental protection’ and ‘public health and safety’ may be outside the scope of most auditors’ skill sets or knowledge.</p>
7.	CAANZ	None
8.	CAASB	Yes, we believe that the proposed limited amendments are sufficient.
9.	CAI	None
10.	CBarnard	In answer to your specific question, I believe that the proposed limited amendments are sufficient to resolve actual or perceived inconsistencies of approach or to clarify and emphasize key aspects of the NOCLAR proposals in the IAASB’s International Standards
11.	CIPFA	<p>We note that there are still needs to further align the vocabulary of the ED with the IESBA ED – <i>Responding to non-compliance with laws and regulations</i>. Differences in the wording between the IESBA Code and the ED could lead to uncertainties in their respective interpretations. For example, we have noted the following differences:</p> <ul style="list-style-type: none"> <li>– Paragraph 8a of the ISA 250 - <i>Consideration of laws and regulations in an audit of financial statements</i> uses the expression “ethical requirements <u>regarding</u> an entity’s non-compliance with laws and regulations”. We believe that this should be aligned with the terms used in</li> </ul>

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		<p>the IESBA code, i.e. “<u>Responding</u> to non-compliance with Laws and Regulations”. The expression “requirements regarding” appears too generic, the obligation for the auditor is to <u>respond</u> to the non-compliance with laws or regulations.</p> <ul style="list-style-type: none"> <li>– This comment is also applicable to the paragraph 8a of the ISA 240 – <i>The auditor’s responsibilities relating to an audit of financial statements</i></li> </ul> <p>We have a concern regarding paragraph A5a of the said ISA 250 that gives examples of laws and regulations that may be included in the 2 categories described in paragraph 6 of the said ISA 250, i.e.</p> <ul style="list-style-type: none"> <li>– the laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements;</li> <li>– the other laws and regulations that do not have a direct effect on the determination of amounts and disclosures on the financial statements, but compliance with which may be fundamental to the operating aspects of the business, to an entity’s ability to continue its business, or to avoid material penalties.</li> </ul> <p>We consider that the list in paragraph A5a is going too far. Some readers of the standard may consider that all these topics fall necessary in categories 1 and 2 of the said paragraph 6 of ISA 250, whereas some topics may be in the third category (no further work to do). More specifically, we have some concerns in dealing explicitly with environmental protection and public health and safety. We therefore recommend either that the IAASB categorizes the topics given in the paragraph A5a into the 2 categories of laws and regulations as defined in the paragraph 6, or, should such stratification not be possible that paragraph 5a be deleted. The latter is our preferred solution.</p> <p>We have concerns with the paragraphs A12a and A13a of the said ISA 250 for the following reasons:</p> <ul style="list-style-type: none"> <li>– We have difficulties to understand the link between the paragraph A12a that deals with the procedures to be performed by the auditors (i.e. to become aware of information about non-compliance with laws or regulations other than as a result of performing the procedures in paragraphs 12-16 of ISA 250) and the paragraph A13 that lists matters that may be an indication of non-compliance with laws and regulations. We are also wondering about the position of paragraph A13 after the paragraph A12a. We consider that the IAASB should further clarify the status of these 2 paragraphs;</li> <li>– We also wonder why the paragraph A12 is not cross-referenced with paragraph 18 of the said ISA 250.</li> </ul> <p>Paragraph A16 states that “<i>If it is not considered appropriate to consult with the entity’s legal counsel or if the auditor is not satisfied with the legal counsel’s opinion, the auditor may consider it appropriate to consult <u>on a confidential basis with others within the firm, a network firm, a relevant professional body, or with the auditor’s legal counsel</u> as to whether a contravention of a law or regulation is involved, the possible legal consequences, including the possibility of fraud, and what further action, if any, the auditor would take.</i>” We understand that the changes in the paragraph result from conforming amendments with the IESBA ED – <i>Responding to non-compliance with laws and regulations</i>. However, we have a concern about the mention “a network firm”. The reference to “the network firm” may generate inconsistencies between the IESBA code and ISA 220 – <i>Quality control for an audit of financial statements</i> and between the said ISA 250 and the other ISAs in which the concept of “the network firm” is not addressed. We therefore consider that this amendment is not relevant and should be deleted. We recommend that the IAASB maintains the homogeneity and consistency between the ISAs.</p>

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		<p>Concerning the homogeneity and the consistency between the ISAs, we have the following comments:</p> <ul style="list-style-type: none"> <li>– paragraph A56 of ISQC1 - <i>Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements</i> should be amended to be consistent with paragraph 28 of ISA 250, i.e. change “the legal or ethical <u>right</u>” for “the legal or ethical <u>duty or right</u>”;</li> <li>– paragraph A59a of ISA 240 – <i>The auditor’s responsibilities relating to an audit of financial statements</i> should be amended to be aligned with the terms and semantics used in paragraph 28 of the said ISA 250, i.e. change “the auditor <u>is required</u> to report the non-compliance to an appropriate authority” for “the auditor <u>has a legal or ethical duty or right</u> to report”. This is the same for paragraph A65 of the said ISA 240, i.e. change “law , regulation, or relevant ethical requirements may include a <u>duty or right</u> to report” for “law , regulation, or relevant ethical requirements may include a <u>legal or ethical duty or right</u> to report”;</li> </ul> <p>Finally, we are surprised by the order of the paragraphs A17, A18 and A18a of the ISA 250. Paragraph A17 states that as required by paragraph 21 of the said ISA, the auditor evaluates the implications of non-compliance in relation to other aspects of the audit. Paragraph A18 adds that in exceptional cases the auditor may withdraw from the engagement. Paragraph A18a gives examples of circumstances that may cause the auditor to evaluate the implications of non-compliance. We believe that paragraph A18a should be transferred just below the paragraph A17, since we consider that paragraph A18a illustrates paragraph A17. The cross-reference of the paragraph 21 to the paragraph of the application and other explanatory material should be accordingly amended.</p>
12.	CPAA	We do not note any other inconsistencies between the existing IAASB Standards and the NOCLAR proposals.
13.	CNCC	None
14.	DTT	<p>DTTL agrees that the limited amendments in the Proposal are sufficient to clarify and emphasize key aspects drawn from the IESBA Re-ED. As described in the Executive Summary, DTTL recognizes that jurisdictions may adopt differing ethical codes; however, DTTL believes that ISA 250 should more directly emphasize the relevant content contained within the IESBA Code. DTTL therefore recommends including the following proposed paragraph in the Application and Other Explanatory Material to ISA 250.</p> <p style="padding-left: 40px;"><u>ISA 200 [Footnote 1] explains that relevant ethical requirements ordinarily comprise Parts A and B of the IESBA Code [Footnote 2] related to an audit of financial statements together with national requirements that are more restrictive. The IESBA Code contains ethical requirements that address responding to non-compliance or suspected non-compliance with laws and regulations [Footnote 3].</u></p> <p style="padding-left: 40px;"><u>Footnote 1: ISA 200, Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing, paragraph A14</u></p> <p style="padding-left: 40px;"><u>Footnote 2: International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code)</u></p> <p style="padding-left: 40px;"><u>Footnote 3: See Part B Section 225 of the IESBA Code</u></p>
15.	EYG	We agree with the IAASB’s approach of proposing limited amendments to the International Standards consisting of clarifications to requirements or application material to address circumstances when the auditor is also required to comply with the IESBA NOCLAR proposals. However, we

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		<p>have concerns about the clarity of certain proposed amendments, including the degree of alignment with the IESBA NOCLAR proposals. We also have identified a few areas of ISA 250, in particular, that we believe may benefit from clarifying application material in light of the IESBA NOCLAR proposals, as well as a few areas in which we see inconsistency in the wording of the amendments.</p> <p><i>Clarity of amendments to reflect proposed IESBA Code changes to the auditor’s duty of confidentiality</i></p> <p>We believe the most significant and important proposed amendments to the International Standards included in the ED deal with the introduction of provisions in the IESBA Code that allow for the duty of confidentiality to be overridden when the auditor makes the determination that disclosure of NOCLAR to an appropriate authority is the appropriate course of action in the circumstances. We agree with the paragraphs of the Standards to which the IAASB has proposed clarifications to highlight this aspect of the IESBA NOCLAR proposals, but we do have some concerns about the clarity of the amendments.</p> <p>Specifically, the amendments include the introduction of the term “right” (as in “ethical right”) to concisely describe the auditor’s ability to report NOCLAR to an appropriate authority without breaching confidentiality. Although we agree conceptually that this may be a new “right” of the auditor, we do not believe that the term “right” effectively captures the underlying decision-making process and evaluation that would occur before exercising this right, which is a large focus of the IESBA NOCLAR proposals. In addition, the IESBA does not refer within its proposals to the auditor having a “right” to report, and therefore we believe there is a risk of confusion.</p> <p>We would prefer that the IAASB use terminology that is more closely aligned and representative of the IESBA NOCLAR proposals, recognizing that the ISAs must also remain operable with ethical requirements other than the IESBA Code. This preference extends beyond eliminating the use of the term “right” to the language used in the fuller descriptions of the IESBA NOCLAR proposals in the application material.</p> <p>In Appendix A to our letter, we have provided for the IAASB’s consideration editorial suggestions to ISA 250.28 and ISA 250.A19, as well as conforming language to other paragraphs in the International Standards where this particular aspect of the IESBA NOCLAR proposals is highlighted or described.</p>
16.	FACPCE	<p>We believe the proposed limited amendments are sufficient to resolve actual or perceived inconsistencies of approach or to clarify and emphasize key aspects of the NOCLAR proposals in the IAASB’s International Standards.</p>
17.	FEE	<p>Even with limited amendments, FEE notes that there is still scope for further alignment of the ED with the IESBA ED on NOCLAR, both in terms of the requirements set out, but also in terms of wording and semantics. This is particularly noticable in paragraphs 18-21 of the ISA 250 requirements. Differences in wording between the Code and the ED could lead to uncertainty in their interpretation. The issue of differing interpretations will only be further exacerbated by the translation of the relevant ISAs in different languages and jurisdictions. There is a risk that the various interpretations will lead to an incongruence between ethical standards and auditing standards, and as such, result in disparity and confusion in terms of application.</p> <p>FEE understands the considerations of the IAASB to incorporate the new paragraph 8 (a). Nevertheless, FEE believes that this addition risks introducing more uncertainty as to what “additional responsibilities” may entail.</p> <p>FEE does not believe that the IAASB’s proposal to change the word “responsibilities” to read “legal or ethical duty or right” is the right approach. It is not clear what an “ethical duty or right” is (paragraph 11 (a) of the introduction), and as such this change introduces further uncertainty</p>

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		<p>(reference is made to Appendix 2 in this respect). Without being clearly defined, which is perhaps not possible, this new concept should not be used and we would favour keeping the commonly understood term “responsibilities”. Even if clearly defined, this also risks adding ambiguity in application due to the fact that, although specific laws in jurisdictions differ, generally there is some form of legal confidentiality constraint on reporting both internally and externally on the entity. For example, in some cases it is prohibited to alert the entity (“tipping-off”) when the auditor is required to report non-compliance to the appropriate authority. As already stated, FEE is of the view that determining whether to disclose a matter to an appropriate authority, and breach client confidentiality, is a matter for legislation, and not for international standard setters to define. FEE welcomes the inclusion of examples of circumstances “that may cause the auditor to evaluate the implications of non-compliance on the reliability of written representations received from management” within A17- A18a of the explanatory material of the ED. The ED proceeds to discuss procedures that auditors could employ as part of their evaluation. It might also be valuable to explicitly note that the matters which might not directly impact the financial statements, but which may nevertheless cast doubt on management integrity, should also be included in the auditors’ evaluation.</p> <p>It would be pertinent for the respective Boards to ensure an appropriate alignment of the work effort required by the Code and the ISAs, as well as all the other IAASB standards. Alignment and guidance for ISRE 2410, ISAEs 3000, 3400, 3410, 3420, and ISRSs 4400 and 4410 appears to be needed. In addition, IESBA should not include auditing or assurance standards in its Code. The requirements that need to be followed in an audit or assurance engagement should be included in the standards issued by the IAASB. FEE refers to its comment letter submitted to IESBA in this context.</p>
18.	FSR	<p>The auditor has indeed the responsibility to report NOCLAR to an appropriate authority. This is described accurately in the revised paragraph A19 of ISA 250. However, we question whether the revision of paragraph A19 is necessary since reporting requirements for auditors to relevant authorities stem from laws and regulations that overrule the fundamental principle of confidentiality.</p> <p>We do not think that the IAASB’s proposal to change the word “responsibilities” to read “legal or ethical duty or right” is the right approach. We question what an “ethical right” means (paragraph 11 (a) of the introduction). We are of the view that determining whether to disclose a matter to an appropriate authority, and as such break client confidentiality, is a matter for legislation, and not for international standard setters to define.</p> <p>We do agree with the changes that impact the auditor’s evaluation of management integrity.</p>
19.	GAO	<p>We believe that the proposed changes to the NOCLAR proposals in the IAASB International Standards are sufficient to address the issues raised and to clarify the International Standard on Auditing (ISA) 250 and the other standards. In our September 3, 2015, comment letter addressing the IESBA exposure draft entitled Responding to Non-Compliance with Laws and Regulations, we submitted recommendations on language changes and additions to address government considerations. We suggest that the IAASB consider the impact on the ISAs of any changes made to the IESBA code based on GAO’s or other responses to that exposure draft.</p>
20.	HC	None
21.	HKICPA	<p>We appreciate the efforts of the IAASB in revising the various ISAs. However, we are of the view that the proposed limited amendments do not clarify and emphasize to the same extent as the NOCLAR proposals.</p>

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		<p>Due to the different drafting conventions of the IESBA Code of Ethics for Professional Accountants ("COE") and ISAs, some paragraphs in the proposed Section 225 of COE appear similar to those in the "Requirements" or the "Application and Other Explanatory Material" sections of ISA 250 which may create confusion to auditors who may be required to comply with both standards.</p> <p>In addition, some guidance appear to be inconsistent as currently drafted: e.g. paragraph 225.12 of COE requires the auditor to discuss with the appropriate level of management and paragraph 19 of ISA only requires discussion with management; the guidance as to which level of management to discuss with is inconsistent as described in paragraph 225.16 of COE and paragraph 24 of ISA 250.</p> <p>In jurisdictions where both ISAs and COE have been adopted, the auditors would be carrying out the work procedures under both sets of standard concurrently. We would suggest the IAASB to consider which paragraphs of Section 225 are considered "requirements" and align ISA 250. This would help streamline the work to be carried out by auditors.</p>
22.	IBR-IRE	None
23.	ICAG	<p>Answer: We generally agree with the proposals. It brings further clarity to the provisions relating to NOCLAR.</p> <p>In the interim the amendments are sufficient however there will be the need for a more fulsome review of the ISA. However paragraph A12a can replace the cancelled part of A13 instead of it standing as a paragraph on its own. This will make clearer the premise on which the points in A13 on other indications of non-compliance are based on.</p> <p>Paragraph A17 is a very good addition as it helps one to appreciate the linkage between the paragraphs in the standard.</p> <p>Also on page 24, ISA 220 A8a will make it imperative on the successor auditor to look at what has happened in the past and what to look forward to. However this may pose an issue practically in certain jurisdictions where predecessor auditors are unwilling to disclose information because of the client confidentiality clause and also given that the Client may not give the predecessor auditor the go ahead to disclose relevant information.</p>
24.	ICAP	<p>The proposed limited amendments are sufficient to address key aspects of the NOCLAR proposals in the IAASB's International Standards.</p> <p>The guidance in the IESBA's NOCLAR proposal supported the implementation and application of the legal or regulatory requirements. Guidance on understanding the matter, addressing it to those charged with governance (TCWG), determining the further action and the concept of substantial harm for defining the threshold for further action were of significance in devising appropriate response to the NOCLAR.</p> <p>The overriding principle of the NOCLAR proposal was that Professional Accountant (PA) have the responsibility to act in public interest. Three broad proposed objectives were,</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> to ensure PAs do not close their eyes to identified or suspected NOCLAR and that they do not bring profession into disrepute,</li> <li><input type="checkbox"/> to alert management and TCWG to seek remedial actions to mitigate the consequences of the NOCLAR</li> <li><input type="checkbox"/> to deter the commission of the NOCLAR where it has not yet occurred and finally to take further action in public interest.</li> </ul> <p>All these proposed objectives required PAs to act in accordance with fundamental principles of integrity and professional behavior and thus the proposed limited amendments to IAASB's International Standards are sufficient to resolve actual or perceived inconsistencies of approach or to clarify and emphasize key aspects of the NOCLAR proposals.</p>

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25.	ICAS	<p>Although we are supportive of the proposed approach to this matter, we question the timing of these proposed revisions. We believe that IAASB should not have commenced this project until IESBA had finalised its revisions to the IESBA Code.</p> <p>Additionally, we have a number of specific comments in relation to the proposed amendments to ISA 250 and other standards which we have listed below.</p>
26.	ICAZ	<p><b>Characteristics of proposed amendments:</b></p> <ul style="list-style-type: none"> <li>a. Proposed amendments to recognize and reflect changes to the auditor’s duty of confidentiality, particularly the legal or ethical duty or right to disclose identified or suspected NOCLAR to an appropriate authority, reflected in the IESBA’s NOCLAR proposals. <i>We agree with the proposal for example the one in ISA 250 par 28 where the word responsibility has been replaced by the phrase “a legal or ethical duty or right” which clarifies the auditors duty in respect of NOCLARs.</i></li> <li>b. New guidance to clarify the implications of the IESBA’s NOCLAR proposals on ISA 250. <i>We agree with the proposed amendment as it brings to the attention of the auditor the potential relevance of the information obtained as part of complying with ethical requirements to risk assessment and reliability of written representations.</i></li> <li>c. Provisions that bring key aspects of the IESBA’s NOCLAR proposals to the auditor’s attention. <i>We agree with this proposed amendment as it brings to the attention of the auditor the potential relevance to the audit of information obtained as part of complying with ethical requirements.</i></li> <li>d. New guidance to highlight a requirement in the IESBA Re-ED that, in the case of an audit of financial statements, a professional accountant shall request the existing accountant to provide known information regarding any facts or circumstances that, in the existing accountant’s opinion, the proposed accountant needs to be aware of before deciding whether to accept the engagement (see paragraph A8a of ISA 220). <i>We agree with this proposed amendment as it is line with the general objectives of the project which are to synchronise the changes to the IESBA’s code of conduct with the ISA’s</i></li> <li>e. New 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 (see paragraph A15 of ISA 250, paragraph A59a of ISA 240, paragraph 7 of ISA 260 (Revised), and paragraph A8 of ISA 450). <i>We agree with the proposal as it brings to the attention of the auditor the requirements of relevant laws and regulations when reporting a NOCLAR.</i></li> <li>f. Other changes, such as additional examples or explanatory material, which the IAASB believes would significantly clarify the application of its International Standards in light of the IESBA NOCLAR proposals. <i>We generally agree with the additional examples and explanatory material as included in the amendments to the relevant ISA’s.</i></li> </ul>
27.	ICPAK	<p>Assuming that the IESBA Code of Ethics amendments are approved and issued largely as exposed for comment in May 2015, we do believe that the limited scope amendments will assist in removing perceived inconsistencies between the Code and the requirements of International Standards on Auditing.</p>
28.	IDW	<p>We refer to our letter for our views on the extension of the scope of IAASB engagements standards through the IESBA NOCLAR.</p>

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		<p>We believe that there is an imbalance in the amendments, in that often reference is made only to a “legal ethical duty or right” to report, when in many jurisdictions there may be a “legal prohibition” to report. Furthermore, the application material only dwells on a legal ethical duty or right to report and potential limitations on reporting to the management or those charged with governance due to “tipping off” restrictions, without consideration of some of the material in the IESBA NOCLAR about the legal and other risks that practitioners need to consider when making such a decision. In particular, the IESBA Code recognizes that there may be real legal risks involved in disclosure (legal liability due to breach of contract, tort, defamation, etc., not to mention physical risks in some jurisdictions). None of these other risks that the IESBA Code are addressed in the IAASB’s exposure draft.</p> <p>In our view, the following standards and paragraphs are too one-sided about the legal or ethical duty or right to report as opposed to an effective prohibition on reporting:</p> <p style="padding-left: 40px;">ISA 250.28, A.15, .A19 in the introductory sentence ISQC 1.A56, .A65, ISRE 3402.A53</p> <p>ISA 250.A15 and .A19 ought to include more guidance on some of the legal and other risks that the IESBA NOCLAR identifies that the auditor needs to consider when deciding when to report. The same applies to ISA 240.A65.</p> <p>Furthermore, we note that the following relatively new IAASB engagement standards have not included any amendments for the legal or ethical duty or right to report or prohibition on reporting:</p> <p style="padding-left: 40px;">ISRE 2410, ISAE 3000, ISAE 3410, ISAE 3420, ISRS 4410.</p> <p>We also note that the older standards ISAE 3400 and ISAE 4400 have also not included such amendments, but understand that these may need general revision before such amendments are undertaken.</p>
29.	IFIAR	None
30.	IRBA	<p>We are of the view that the proposed amendments are appropriate.</p> <p>However, we have the following comments that we believe may further contribute to resolving actual or perceived inconsistencies of approach or to clarify and emphasize key aspects of the NoCLAR proposals:</p> <p><i>[The specific comments have been included in Supplement E]</i></p>
31.	ISCA	None
32.	JICPA	None
33.	KICPA	<p>We support, in principle, the limited amendment approach that does not duplicate in detail all the specific requirements of the IESBA Code of Ethics for Professional Accountants (“IESBA Code”).</p>

#	Source	Comment
		<p>However, we believe that some parts of the proposed limited amendments in the ED duplicate amended requirements in too much detail, compared with how reference was made in ISA 260 (Revised) to the requirements in the IESBA Code to communicate with those charged with governance (TCWG) about breaches of independence. We also believe that criteria for which amendments to the IESBA Code should be repeated in ISAs are vague.</p> <p>For example, the requirement that a professional accountant request the existing accountant to provide known information before deciding whether to accept the engagement is already included in Session 210 of the IESBA Code and therefore is difficult to be considered as new requirement regarding NOCLAR. However, this requirement is repeated in the ED on amendments to ISA 220. Meanwhile, we believe that the requirement that the auditor provide additional documentation on a major NOCLAR, besides what is required by ISAs, is not fully reflected in the IAASB's International Standards, especially the ED on amendments to ISA 250. Setting aside whether the requirement for additional documentation in the IESBA Code is needed, we believe that if the IESBA Code is amended as specified in the ED, it would be proper to create a new paragraph (A21a) in ISA 250 to call auditors' attention by describing that it is necessary to consider the need for additional documentation for other relevant ethical requirements.</p> <p>However, this approach might create a burden to reflect any amendment to the IESBA Code in the IAASB's ISAs, and reduce auditors' responsibility to closely review ethical codes or other relevant ethical requirements. Therefore, we believe that it would be sufficient to require the compliance with 'relevant ethical requirements' as described in the existing International Standards and the duplication of IESBA Code amendments in International Standards should be minimized.</p> <p>Meanwhile, it would be proper for the IAASB to determine 'categories of laws and regulations' through reviews and discussion, and mention or follow the content of IESBA Code related to laws and regulations in ISAs. The ED on the IESBA Code defines 'types of laws and regulations' that are applied not only to auditors, but professional accountants in public practice and those in business, who provide various professional services as well as auditing. As such, we believe that the duplication of this content in ISAs, which are applied to auditing practices, would not be proper. As for 'categories of laws and regulations,' it would be proper for the IAASB to have more time to consider whether it is need to include the related amendments to the IESBA Code in ISA 250 or whether the examples are appropriate from the perspective of financial statement auditing.</p>
34.	MAZARS	<p>Overall, we consider it challenging to establish an international requirement on aspects that might be often already dealt with inside individual countries and jurisdictions. However, as certain countries may have no national requirements to do such reporting on NOCLAR, the amendments are helpful.</p> <p>In addition we would like to make the following comments:</p> <ul style="list-style-type: none"> <li>• We think that the new paragraph 8 (a) which stands before the requirements paragraphs may create some ambiguity on whether it implicitly creates additional audit procedures for the auditor as to specific reporting.</li> <li>• While the existing examples in the paragraph A5a in relation to the 2 categories of the paragraph 6 will assist, they are somewhat broad and it may be helpful to have additional examples in front of each category described in § 6.</li> </ul> <p>While it is helpful to have changed the word "responsibilities" to "legal or ethical duty or right", it may be appropriate to consider whether these new concepts should be defined more precisely, in order to assist countries which have nothing similar in their national law and regulation.</p>

#	Source	Comment
35.	MAASB	We believe the proposed limited amendments are sufficient to resolve actual or perceived inconsistencies of approach or to clarify and emphasize key aspects of the NOCLAR proposals in the IAASB’s International Standards. However, we have some comments on the following:
36.	MICPA	<p>MICPA’s Comments:</p> <p>The Institute agrees that the proposed limited amendments are sufficient to resolve actual or perceived inconsistencies of approach or to clarify and emphasize key aspects of the NOCLAR proposals in the IAASB’s international Standards.</p>
37.	NBA	<p>NOCLAR is already dealt with in (local) laws and regulations, IESBA’s Code of Ethics and in other regulations applicable to professional accountants. However, we understand the considerations of the IAASB to incorporate the new paragraph 8a in ISA 250. This addition ensures consistency between the Code of Ethics and the ISAs. In our opinion, this addition is sufficient to highlight that the auditor may have additional obligations under relevant ethical requirements regarding NOCLAR.</p> <p>The auditor has indeed the right or (ethical) requirement to report NOCLAR to the relevant authorities. In general, this is not considered a breach of the duty of confidentiality as re-orting requirements for auditors to relevant authorities stem from laws and regulations that overrule the fundamental principle of confidentiality. This is described accurately in the revised paragraph A19 of ISA 250.</p> <p>Regarding the new paragraph A5a in ISA 250 we would like to remark that we understand that it was impracticable to split this paragraph into the two categories (direct and indirect effect) as mentioned in paragraph 6 in ISA 250. We recommend to add in paragraph A5a that it is not possible to split the examples into the two categories.</p> <p>In the Netherlands, it is prohibited to alert the entity (“tipping-off”) when the auditor is required to report non-compliance relating to anti-money laundering and combatting the financing of terrorism to the appropriate authority. This is described correctly in the revised paragraph A15 of ISA 250. Moreover, in case of anti-money laundering and combatting the financing of terrorism the predecessor auditor is also prohibited to report this to the successive auditor, as already is described in ISA 250, paragraph A19. In the new paragraph A8a of ISA 220 it is described that law may require the auditor to request the predecessor auditor to provide this information. We recommend to consider whether it should be stated explicitly that there may be exceptions to the request and that the successive auditor may not receive all required information from the predecessor auditor due to prohibitions in local law.</p>
38.	NZAUASB	<p>The NZAuASB is supportive of the proposed limited amendments, although has identified some areas where it considers further clarification could be made.</p> <p>In summary the NZAuASB considers that further clarification could be made between the legal duty to report, the legal or ethical right to report and the legal or ethical duty to maintain confidentiality. Detailed recommendations by standard follow:</p> <p><i>[The specific comments have been included in Supplement E]</i></p>
39.	PWC	We fully support the objective of the proposed revision to ISA 250 and other impacted standards. As a fundamental principle, we believe there should be alignment between the IESBA Code of Ethics (the “Code”) and the ISAs. We recognise that it is not a requirement to comply with the Code to be able to comply with the ISAs and vice versa, and therefore some might argue that alignment is not necessary, particularly with respect to the reporting obligations. However, a significant number of auditors and audit firms will comply with both (including members of the Forum of

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		<p>Firms through their membership obligations). In addition, the proposed revisions to the Code are based on significant consultation with stakeholders. For these reasons, we believe that, at a minimum, the work effort should be consistent to avoid the auditor having to reference two different sources to determine what to do. In that regard we are concerned that the proposed limited amendments to the ISA are not sufficient to achieve that consistency. Our comments in this letter, and in the related appendix, have been informed by considering the key question of: what changes are necessary to enable that objective?</p> <p>No changes have been proposed to the requirements in ISA 250 that define the auditor's work effort. There is simply acknowledgement in the Introduction that the auditor may have additional responsibilities under relevant ethical requirements regarding an entity's non-compliance with laws and regulations. Auditors who are required to, or want to, comply with both the ISAs and the Code will necessarily have to compare them and try to understand the implications of different wording. The work effort required under the proposed Code is, in our view, reasonable, irrespective of the applicable ethical standards that may apply to the engagement. Furthermore, we cannot foresee a scenario where the work effort associated with a more closely aligned ISA would result in a conflict, or excessive additional work effort, when other ethical standards or codes apply to the audit engagement. As such, we recommend that the IAASB align the work effort requirements between the ISA and the Code. We have included within the appendix to this letter proposed amendments for the Board's consideration.</p>
40.	SAICA	Refer IRBA response
41.	SMPC	None
42.	UKFRC	<p>As the proposals set out in the IESBA Re-ED are not intended to set any specific requirements with respect to the performance of an audit or assurance engagement, and do not undermine the ISAs including ISA 250<sup>1</sup>, we support the IAASB's decision to make the limited amendments now, subject to a more fulsome review of ISA 250 in due course. With regard to the proposed amendments we have additional recommendations set out below.</p> <p><b>Determining whether to report non-compliance to regulatory and enforcement authorities in the context of the wider public interest.</b></p> <p>Paragraph 28 of ISA 250 deals with the auditor's responsibility to determine if it is necessary to report identified or suspected non-compliance to parties outside the entity. The supporting application material in paragraph A19 has been enhanced to assist the auditor to determine if they have a legal or ethical duty or right to disclose identified or suspected non-compliance with laws and regulations (NOCLAR) to an appropriate authority.</p> <p>We welcome the proposed enhancement to the ED. However, as expressed in our response to the IESBA Re-ED<sup>2</sup>, the auditor should be required to make such disclosure if it is not made by management or those charged with governance if disclosure to an appropriate authority would, on</p>

<sup>1</sup> International Standard on Auditing 250 'Consideration of Laws And Regulations in an Audit of Financial Statements'

<sup>2</sup> For the FRC response to the IESBA Re-ED follow this link [www.frc.org.uk](http://www.frc.org.uk)

#	Source	Comment
		<p>balance, be in the public interest. This would be in the context of having given due consideration to any potential adverse consequences, and is not precluded by law or regulation.</p> <p>In addition, strengthening ISA 250 in this regard would be consistent with other ISAs. For example, ISA 701<sup>3</sup> states that “it will be extremely rare for a matter determined to be a key audit matter not to be communicated in the auditor’s report. This is because there is presumed to be a <u>public interest</u> benefit in providing greater transparency about the audit for intended users”. ISA 240<sup>4</sup> states that “The auditor may consider it appropriate...to determine the appropriate course of action in the circumstances, the purpose of which is to ascertain the steps necessary in considering the <u>public interest</u> aspects of identified fraud”.</p> <p>We believe that the proposed application material in the IAASB ED should also <i>emphasise a key aspect</i> of the IESBA Re-ED; the auditor’s responsibility to determine if it is necessary to report NOCLAR to an appropriate authority in the context of the wider public interest (paragraph 225.27 of the IESBA Re-ED).</p> <p>We therefore recommend that the IAASB include additional application material drawing the auditor’s attention to the wider public interest in their determination whether to report non-compliance to an appropriate authority.</p> <p><b>Tipping Off</b></p> <p>Paragraph 19 of ISA 250 requires the auditor to discuss information concerning any NOCLAR with those charged with governance. Consistent with the IESBA Re-ED, proposed wording in the supporting application material in paragraph A15 of ISA 250 makes it clear that in some jurisdictions there are legal or regulatory provisions that prohibit communicating such matters to those charged with governance prior to making any disclosure to an appropriate authority pursuant to anti-money laundering legislation (“tipping off”). Accordingly, in some circumstances the auditor’s obligation under law or regulation may override the requirement in paragraph 19 of the ISA to communicate NOCLAR with those charged with governance.</p> <p>We support this additional material, but we believe it is of such importance - as it seeks to prevent the auditor from inadvertently prejudicing the legal process - that it should be included more prominently in the ISA as part of the requirement. Our suggestions for editorial changes to give effect to this suggestion are included in Appendix I.</p>
43.	WPK	None

<sup>3</sup> International Standard on Auditing 701 ‘Communicating key audit matters in the independent auditors report’ paragraph A53

<sup>4</sup> International Standard on Auditing 240 ‘The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements’