

## Supplement C 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 2

2. The impact, if any, of the proposed limited amendments in jurisdictions that have not adopted, or do not plan to adopt, the IESBA Code. For example, would any of the changes to the IAASB’s International Standards be deemed incompatible with the relevant ethical requirements that would apply in those jurisdictions?

#	Source	Comment
1.	AGC	<p>As already mentioned above, 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. In our views, the proposed limited amendments to ISAs are not incompatible with the ethical requirements applicable in Canada which allow for the disclosure of confidential information when it is a) permitted or authorized by the entity, b) required by law, or c) permitted or required by a professional right or duty, when not prohibited by law. As a public sector legislative auditor, we consider the risk of non-compliance with authorities in all our financial audits. When non-compliance is identified or suspected, we consider the need to report non-compliance to third parties outside the entity.</p> <p>We agree with IAASB’s objective to clarify and emphasize key aspects of the NOCLAR proposals in the IAASB’s International Standards, therefore eliminating any actual or perceived inconsistencies of the approach to identifying and dealing with instances of NOCLAR or suspected NOCLAR. In the public sector, accountability, transparency and ethics are of fundamental importance because they help ensure that the activities of government are carried out as intended and help prevent abuse and misuse of power. As Canada’s legislative auditor, we support the direction taken by the IESBA and IAASB concerning an auditor’s responsibility with respect to identified or suspected non-compliance issues and do not hesitate to conduct ourselves in a manner very consistent with what is now reflected in the IESBA Code.</p>
2.	ASB	<p>In the U.S., auditors of nonissuers are required to comply with the AICPA’s Code of Professional Conduct (the Code) and comply with the laws or regulations of the states where the auditor does business. The Code and state laws have strict rules of confidentiality that prohibit an auditor from disclosing any confidential information to an external party without the consent of the client unless required by law or regulation. Therefore, the ASB’s ability to consider the proposals under this exposure draft is dependent upon the AICPA’s Professional Ethics Executive Committee and the various states making amendments to their respective confidentiality rules, laws, or regulations. Therefore, absent amendments to state</p>

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		laws and regulations, an auditor or assurance practitioner's right to disclose noncompliance or suspected non-compliance with laws or regulations to persons outside the entity may be extremely limited.
3.	ANAN	Para 13 Nigeria has already adopted the IESBA Code and therefore has no ethical requirements that are conflicting with the proposed limited amendment under its own jurisdiction.
4.	ASSIREVI	In Italy, the local regulatory framework includes the Code of Ethics and the International Standards on Auditing issued by the IAASB, adopted by law. Assirevi wishes to make reference to its letter dated 22 September 2015 mentioned above for its comments on the proposed changes to the IESBA Code and on the potential inconsistencies between simultaneously applicable rules relating to the reporting of identified or suspected non-compliance to the competent authorities.  However, Assirevi believes that the proposed changes are appropriate to address reference to applicable ethical requirements also in jurisdictions that have not adopted the IESBA Code.
5.	AUASB	None
6.	BDO	Within BDO, we have a number of member firms operating in jurisdictions in which the IESBA Code has not been adopted. Given the nature of the proposed amendments (i.e. the provision of additional guidance and clarification of language) we do not foresee at this stage any specific matters that would give rise to compatibility issues.
7.	CAANZ	None
8.	CAASB	The Chartered Professional Accountants (CPA) of Canada profession is a member of the International Federation of Accountants (IFAC) and, as such, monitors IFAC developments to facilitate convergence of national and international standards.  As the profession is a member of IFAC, ethics standards adopted by the provincial CPA bodies in Canada should be no less stringent than the requirements included in the Code of Ethics for Professional Accountants (Code) issued by the IESBA unless in respect of a particular provision it is prohibited by law or regulation or it is determined not to be in the public interest.  We have considered the proposed changes to the IAASB's International Standards and found them not to be incompatible with the relevant ethical requirements in Canada.
9.	CAI	None
10.	CBarnard	None
11.	CIPFA	We confirm that auditors in France will not be significantly impacted by this proposal, at least for statutory audit since we already have quasi-similar obligations required by law.
12.	CNCC	None
13.	CPAA	Not applicable as we expect that the proposed changes to the IESBA Code would be adopted in Australia once approved internationally.

#	Source	Comment
14.	DTT	<p>DTTL is aware that in certain jurisdictions where the ISAs are used to perform audits, the jurisdictions may not adopt the IESBA Code, or the related amendments, on a timely basis, or at all. These situations should, however, in no way impede the IAASB from moving ahead with finalizing the changes to the ISAs and other international standards included in the Proposal.</p> <p>Paragraph 8a of ISA 250 indicates that the auditor may have additional responsibilities under the relevant ethical requirements regarding an entity's non-compliance with laws and regulations. Further, the requirement in paragraph 28 of ISA 250 states that where the auditor has identified or suspects non-compliance with laws or regulations to 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." DTTL believes that paragraph 28 provides sufficient flexibility to allow the auditor to report identified or suspected non-compliance to parties outside the entity in accordance with the laws or regulations of a particular jurisdiction, where the IESBA Code has not, or may not be adopted.</p>
15.	EYG	<p>We do not believe that the changes to the IAASB's International Standards would be deemed incompatible with the relevant ethical requirements in jurisdictions that have not adopted, or do not plan to adopt, the IESBA Code, but such impact is better assessed by the jurisdictions affected.</p>
16.	FACPCE	<p>Argentina has adopted the IESBA Code only for those more exigent provisions than those of its own code, and only to those entities that make public offering of its shares. We believe that changes to the International Standards IAASB are compatible with relevant ethical requirements of our jurisdiction.</p>
17.	FEE	<p>Clearly, if aspects of the IESBA Code are included within the ISA then, where jurisdictions have not adopted the Code, this could have an impact on compliance with ISAs, and specifically with the statement in ISA 200 paragraph A14, which notes: "relevant ethical requirements ordinarily comprise Parts A and B of the Code of Ethics for Professional Accountants [...], together with national requirements that are more restrictive".</p> <p>FEE believes that members of the Forum of Firms would not be significantly impacted by this proposal due to their existing obligations. However, for other networks, individual non-network firms and sole practitioners in jurisdictions that have not adopted the IESBA Code, the impact could be significant. An impact assessment should be carried out by the IAASB to ensure that no unintended consequences will derive from these limited amendments.</p>
18.	FSR	<p>We do not consider this relevant in a Danish context, since we have adopted the Code.</p>
19.	GAO	<p>Based on our review of the proposed changes, nothing came to our attention that would be incompatible with GAGAS ethics requirements. We are only commenting on the changes' compatibility with GAGAS and not with requirements of other jurisdictions.</p>
20.	HC	<p>None</p>
21.	HKICPA	<p>We observed that Section 225 of COE appear to provide more in depth guidance to auditors in certain areas such as when addressing the matter with management and determining whether further action is needed when compared to ISA 250. We would suggest the IAASB to consider if such guidance in Section 225 of COE would also be applicable to auditors under ISA 250 where there is no COE.</p>
22.	IBR-IRE	<p>None</p>

#	Source	Comment
23.	ICAG	<p>Answer: Given that this is a limited amendment there is the likelihood that an incompatibility may arise in some jurisdictions that do not have certain laws implemented such as the tipping off and money laundering; page 6(5) and page 21(A15). Thus a more fulsome review of the standard will certainly address such incompatibilities.</p> <p>In addition to the requests for specific comments above, the IAASB is also seeking comments on the general matters set out below:</p>
24.	ICAP	<p>In Pakistan, the code of Institute of Chartered Accountant of Pakistan “Code of Ethics for Chartered Accountants” is based on “Code of Ethics for Professional Accountants” of the IESBA with few amendments; therefore, we don’t think that there would be any incompatibility.</p> <p>However, we tend to believe that this is a very sensitive subject that may be theoretically correct but difficult in practice in Pakistan. Considering this, if this E.D is finalized as it is, ICAP needs to deliberate again before implementing in Pakistan.</p>
25.	ICAS	<p>We would highlight that, for jurisdictions that have not adopted the IESBA Code, there might be an issue regarding their compliance with the ISAs if certain aspects of the IESBA code are included within the ISAs. This is unlikely to have a major impact on larger firms who are part of an international network, but, for individual firms, or sole practitioners, the impact could be significant.</p>
26.	ICAZ	<p>Proposed amended to the IESBA Code:</p> <p>Under the IESBA’s NOCLAR proposals, the professional accountant would have the right to disclose an identified or suspected NOCLAR to an appropriate authority if the professional accountant determines that such disclosure is an appropriate course of action in the circumstances.</p> <p>In Zimbabwe the Institute of Chartered Accountants of Zimbabwe (ICAZ) has adopted the IESBA code. However the regulator Public Accountants and Auditors Board (PAAB) has its own code which is generally in line with the IESBA code. Therefore the changes to the IAASB’s International standards are compatible with local requirements.</p>
27.	ICPAK	<p>This does not apply to Kenya where the IESBA Code of Ethics forms the basis for the locally issued Code of Conduct for PAs. However, given the limited scope nature of the amendments (largely being reference to ethical requirements only), it is unlikely that the ISAs would be deemed to be incompatible with the relevant ethical requirements in such jurisdictions.</p>
28.	IDW	<p>We refer to our letter to which this appendix is attached. In particular we refer to the section on the impact on quality of engagements, including audit quality, which notes that the IESBA NOCLAR reporting requirements may be illegal under EU law for other than audits of public interest entities (it would be illegal under German law). Furthermore, we refer to the section in our letter on the compatibility with requirements in IAASB Standards to comply with relevant ethical requirements, which addresses the situation when the Code is not applied, and what “at least as restrictive as the requirements in the Code” means in this respect, and what that may mean for the ability of auditors in Germany to claim compliance with the Code, and hence the ability to perform IAASB engagements.</p>
29.	IFIAR	None
30.	IRBA	In South Africa we don’t foresee any significant impact, since the IRBA has adopted the IESBA Code with some jurisdictional adaptations.
31.	ISCA	None

#	Source	Comment
32.	JICPA	As commented above, we believe that paragraph A5a of ISA 250 will cause confusion in the implementation of ISA 250, regardless of whether the IESBA Code has been adopted.
33.	KICPA	<p>The proposed amendments in the ED cover most of the situations that an auditor might face after detecting non-compliance with laws and regulations. Therefore, even countries that have not adopted the IESBA Code would not deem changes to the IAASB's International Standards incompatible with their relevant ethical requirements. For example, the proposed amendments specify both cases where the auditor may not disclose identified or suspected non-compliance with laws or regulations to an appropriate authority, due to the duty of confidentiality, and where the auditor may have the right to disclose such a NOCLAR without breaching the duty of confidentiality.</p> <p>However, we believe that this approach of description could expand the volume of ISAs by including the content of the IESBA Code in details, which is not clear requirements for auditors, thereby causing difficulties in understanding the ISAs and inconsistencies in auditing practices. Therefore, it would be proper to emphasize the compliance with 'relevant ethical requirements' in the ISAs, if needed, and thus enhance auditors' interest in and understanding of such requirements, as we explained in our comment on Question (1).</p>
34.	MAZARS	We are unclear as to how the compliance with the ISA will be achieved for those countries that have not yet adopted the IFAC Code of Ethics.
35.	MAASB	The By-Laws on Professional Ethics of the Malaysian Institute of Accountants is substantially based on the ISEBA Code where in certain areas, the MIA By-Laws are more stringent. Accordingly, we foresee that there will be no incompatible issues between the IESBA Code and the MIA By-Laws.
36.	MICPA	<p>MICPA's Comments:</p> <p>Not applicable as the IESBA Code is adopted in Malaysia.</p>
37.	NBA	In the Netherlands, we have implemented the IESBA Code with some amendments. For example, our independence requirements are stricter than the IESBA Code. However, in our opinion, changes to the ISAs are compatible with the ethical requirements in the Netherlands.
38.	NZAUASB	The NZAuASB is proposing to adopt the revisions to the IESBA Code in New Zealand once they have been finalised, therefore the proposed changes to the ISAs will not be incompatible with the ethical requirements in New Zealand.
39.	PWC	Consistent with our view above, we do not believe that any of the proposed limited amendments to the IAASB's International Standards, set out in the exposure draft, would be incompatible with relevant ethical requirements that may apply in those jurisdictions that have not adopted the IESBA Code. Such conflicts could occur if the Code and relevant local ethical requirements had different reporting responsibilities. It is for that reason that, although we support aligning the work effort between the ISA and the Code, we believe the right approach has been taken with respect to reporting requirements, which may necessarily need to vary by territory.
40.	SAICA	Refer IRBA response
41.	SMPC	We are concerned that the inclusion of paragraph A12a in ISA 250 could invite unrealistic expectations, especially where the auditor does not use the Code, or has similar requirements elsewhere. There is also a risk it could be interpreted as meaning additional audit effort is required by

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		the Code, which does not seem appropriate as the audit procedures included within the ISAs are considered to be comprehensive. If the paragraph remains, it could be argued that similar guidance might be required for ISRE 2410 <sup>1</sup> , ISAE 3000 <sup>2</sup> , ISAE 3400 <sup>3</sup> , ISAE 3410 <sup>4</sup> , ISAE 3420 <sup>5</sup> , ISRS 4400 <sup>6</sup> and ISRS 4410 <sup>7</sup> .
42.	UKFRC	We are not aware of any instances where any changes to the ISAs would be deemed incompatible with the relevant ethical requirements that apply in the United Kingdom, and believe that they have been drafted in an appropriately framework neutral manner.
43.	WPK	None

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<sup>1</sup> ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*

<sup>2</sup> ISAE 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

<sup>3</sup> ISAE 3400, *The Examination of Prospective Financial Information*

<sup>4</sup> ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*

<sup>5</sup> ISAE 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*

<sup>6</sup> ISRS 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*

<sup>7</sup> ISRS 4410 (Revised), *Compilation Engagements*