

Meeting: IAASB
Meeting Location: New York
Meeting Dates: June 21–24, 2016

Agenda Item 12

Non-Compliance with Laws and Regulations (NOCLAR) - Due Process

Objective of Agenda Item

1. To advise the IAASB of the status of due process for proposed ISA 250 (Revised), *Consideration of Laws and Regulations in an Audit of Financial Statements*, and amendments to other of the IAASB's International Standards to address non-compliance with laws and regulations (NOCLAR) (collectively referred to within this paper as the "proposed revisions to the International Standards").

Background

2. The IAASB Technical Director is responsible for advising the IAASB as to whether due process has been followed effectively and with proper regard for the public interest before a proposed Standard, or changes to standards, are approved.
3. The following outlines the Technical Director's conclusion and basis thereof with respect to actions up to the June 2016 IAASB meeting for the proposed revisions to the International Standards. Before approval of the proposed revisions to the International Standards, the IAASB Technical Director will advise on whether due process has been followed during the course of the June 2016 meeting.

Due Process Up to the Date of the June 2016 IAASB Meeting

4. The Technical Director confirms to the IAASB that, up to the June 2016 IAASB meeting, the proposed revisions to the International Standards have been developed in accordance with the IAASB's due process.
5. For the proposed revisions to the International Standards, in summary, the IAASB:
 - Approved the project proposal for commencement of work to determine whether revisions to the International Standards were needed and, if so, develop such revisions. The IAASB Consultative Advisory Group (CAG) was consulted on the proposal.
 - Consulted with the IAASB CAG on the significant issues during the development of the proposed revisions to the International Standards.

Significant comments received through the consultation with the IAASB CAG have been brought to the IAASB's attention, and the Project Task Force has reported back to the IAASB CAG the results of the IAASB's deliberations.

- Considered whether it is necessary to hold a public forum or roundtables, or to issue a consultation paper or conduct field testing, in order to solicit views on a matter under consideration. The IESBA NOCLAR project was subject to extensive consultation with stakeholders over 6.5 years. The IAASB was kept apprised of developments on the IESBA's NOCLAR project through updates and discussions at IAASB meetings over the life of the

IESBA's NOCLAR project. Due to the limited nature of the proposed revisions to ISA 250 and other International Standards, the IAASB did not believe that additional activities beyond issuing the Exposure Draft were necessary in order to solicit views on the matter.¹

Exposure Draft

- Approved and issued an Exposure Draft of the proposed revisions to the International Standards, [Responding to Non-Compliance or Suspected Non-Compliance with Laws and Regulations](#), for public comment, together with an explanatory memorandum highlighting, amongst other matters, the significant proposals of the IAASB.
 - Considered analysis of the significant issues raised by respondents on the Exposure Draft, including an outline of their proposed disposition and, as appropriate, the reasons significant changes recommended by respondents have, or have not, been accepted.
 - Consulted with the IAASB CAG on significant issues raised in comment letters on the exposure draft of the proposed changes to the International Standards and the Project Task Force's proposed responses. Significant comments received through the consultation with the IAASB CAG were brought to the IAASB's attention at the March 2016 meeting, and the Project Task Force will report back to the IAASB CAG the results of the IAASB's deliberations at the CAG's September 2016 meeting.
 - Having familiarized themselves with the issues raised in comment letters, the IAASB members:
 - Deliberated significant matters raised in the comment letters received, including consideration of whether there were any issues raised by respondents, in addition to those summarized by the Project Task Force, that they considered should be discussed; and
 - Amended the proposals for the changes to the International Standards accordingly.
6. During the June 2016 meeting, the IAASB will be asked to:
- Deliberate any further significant matters, including matters raised in the comment letters which have not been considered by the Project Task Force (if any), that they considered should be discussed; and
 - Finalize the changes to the International Standards accordingly.

¹ Due to the nature of the changes and the International Ethics Standards Board for Accountants' (IESBA) outreach efforts on its substantive project to address NOCLAR, the Task Force does not believe it is necessary to obtain further input through field testing, roundtables or the issuance of a consultation paper. The IAASB is asked to consider this as part of its discussions on Agenda Item 3-A (see paragraphs 53–55).