

**Meeting:** IESBA CAG  
**Meeting Location:** New York  
**Meeting Date:** April 10, 2013

## Agenda Item

# B

### Responding to a Suspected Illegal Act

#### Objective of Agenda Item

1. To obtain CAG representatives' view on a number of key issues arising from significant comments received on the Exposure Draft (ED), *Responding to a Suspected Illegal Act*.

(The ED and comment letters may be accessed on the IESBA website at: <http://www.ifac.org/publications-resources/responding-suspected-illegal-act.>)

#### Task Force

2. Members:
  - Robert Franchini, Chair, IESBA Member
  - Isabelle Sapet, IESBA Deputy Chair
  - Helene Agélii, IESBA Member
  - Caroline Gardner, IESBA Member
  - Peter Hughes, IESBA Member

#### Background and Recent Activities

3. The IESBA issued the ED in August 2012. The comment period closed on December 15, 2012, and comment letters have been received from 73 respondents. Agenda Item B-1 provides an overview of the responses and a summary of the significant comments received on the ED.
4. The IESBA Chair and the Task Force Chair met with the International Organization of Securities Commissions' (IOSCO) Committee 1 in February 2013 to present an update on the project and to hear the views of the Committee 1 representatives on the ED. The Task Force Chair will provide a brief report-back on this meeting at the CAG meeting.
5. At its March 2013 meeting, the IESBA considered the significant comments received on the ED. While no decisions were taken on the key issues, the IESBA:
  - Explored the option of permitting a professional accountant providing professional services to an audit client to override the ethical duty of confidentiality in order to disclose a suspected illegal act to an appropriate authority vs. imposing an obligation on the professional accountant to do so;

- Agreed that it would be important to coordinate with the International Auditing and Assurance Standards Board (IAASB) on the way forward, particularly with respect to the interaction between the ED proposals and the ISAs;
  - Acknowledged that it alone cannot address whistle-blowing issues in their entirety, and expressed support for complementary action to be taken at the broader policy level (such as through the G-20, the Organization for Economic Cooperation and Development (OECD), etc.) to strengthen national whistle-blower frameworks; and
  - Gave the Task Force a mandate to fully explore options for the way forward on the key issues and to present proposals for consideration at the June 2013 IESBA meeting.
6. At its March 2013 meeting, the IESBA also received a presentation from the chair of IOSCO's Committee 1, Julie Erhardt, regarding the activities of the committee. Amongst other matters, Ms. Erhardt briefed the IESBA on some of the thinking behind IOSCO's comment letter on the ED.
7. The CAG last discussed this project at its March 2012 meeting. Prior to this, the CAG had discussed the project on four other occasions in March and September 2010, and in March and September 2011.

#### **Material Presented**

- Agenda Item B-1      Responding to a Suspected Illegal Act—Summary of Significant Comments on Exposure and Preliminary Task Force Analysis of Significant Issues
- Agenda Item B-2      *ISA 250, Consideration of Laws and Regulations in an Audit of Financial Statements* (for reference only)

#### **Action Requested**

8. CAG representatives are asked for views on the matters highlighted in Agenda Item B-1.