IFAC
The International Ethics Standards Board for Accountants
529 5th Avenue, 6th Floor
New York 10017

Prague, 12th December 2012
No: 63/12

RE: Comments on the Document “Draft, Responding to a Suspected Illegal Act”

Dear Sirs,

Chamber of Auditors of the Czech Republic appreciate the opportunity to provide comments on the IESBA Exposure Draft, Responding to a Suspected Illegal Act.

We are concerned that imposing additional external reporting obligations on auditors may conflict with confidentiality requirements. The confidentiality principle creates an environment where management of audited companies can openly discuss with auditors all aspects of their business. We consider it a very important underlying contributor to the audit quality. New additional external reporting obligations could negatively impact the auditor’s communication with management.

We understand the nature of this proposal, but with them the we know that there already exist sufficient and adequate professional standards for auditors and also national jurisdiction, which protect the public interest in this area. In our view, any external reporting is the primary responsibility of management and those charged with governance. If the auditor suspects illegal acts, auditing standards require him/her to report to those charged with governance, and it is their responsibility to act further. If their response is considered inadequate by the auditor, the auditor need to consider modification of its audit report, resignation, etc depending on the circumstances.

Yours sincerely,

Jiří Mikyňa
Chief Executive Officer on behalf of Petr Sobotník, President of the Chamber of Auditors of the Czech Republic