

General Matters

1. Where law or regulation requires the reporting of identified or suspected NOCLAR to an appropriate authority, do respondents believe the guidance in the proposals would support the implementation and application of the legal or regulatory requirement?

Yes, the revealing and reporting of an NOCLAR as it is considered in the proposal provides enough clarity as how the PC-Auditor should react, the promptly notifications to those charge with governance or authority so they can rectify, deter or disclose the matter.

In comparison, the Code of Ethics of the Mexican Institute of Accountants allows also the reporting NOCLAR's when it is required by law even the information is confidential. (140.7)

2. Where there is no legal or regulatory requirement to report identified or suspected NOCLAR to an appropriate authority, do respondents believe the proposals would be helpful in guiding PAs in fulfilling their responsibility to act in the public interest in the circumstances?

They are helpful; every case should be evaluated in particular as for the risk it represents for the company, third parties, etc. The capability of the authority to receive and process a NOCLAR, the practice and expertise of the authority are considered in the proposal.

The accountant-auditor is distinguished by the responsibility to act in the public interest complying with the fundamental principles of integrity and behavior, so if it is necessary to act and report the NOCLAR beyond management, and those charged with governance, should do it.

3. The Board invites comments from preparers (including TCWG), users of financial statements (including regulators and investors) and other respondents on the practical aspects of the proposals, particularly their impact on the relationships between:

In a general comment, (in the Mexican practice), preparers and users of financial statements consider the proposal good. There have been changes in the principles, norms and regulations that apply to the accountability in the recent decade, so the PC practice has suffered a lot of reforms; however, it has professionalized the practice of the PC and this proposals, beyond being consider as a burden or "too much" controls, are summing to the best practices and improve the framework of the PC/Auditor.

The relation between the users of financial information and accountants/auditors is getting closer due to these proposals, fact that helps to the best understanding of the client.

- (a) Auditors and audited entities;
- (b) Other PAs in public practice and their clients; and
- (c) PAIBs and their employing organizations.

Specific Matters

4. Do respondents agree with the proposed objectives for all categories of PAs?

Yes, one of the main objectives is to not strive from the principles of integrity and professional behavior, which are very well covered by the new activities proposed in this draft.

The alerting of promptly information plays a key role in this proposal, the opportunity to be informed allows the user to implement any measures, report and or reveal the situation to authorities, depending the case.

The public interest would represent probably the more controversial of the objectives, however is very well determined on what circumstances will depend the materiality of the "public interest".

5. Do respondents agree with the scope of laws and regulations covered by the proposed Sections 225 and 360?

Yes, beyond those proposed we would include an information technology section, due to the specialized competences needed and the impact on the financial reporting that may be involved.

6. Do respondents agree with the differential approach among the four categories of PAs regarding responding to identified or suspected NOCLAR?

The different activities performed by the CP required a different action plan on how to proceed to respond to identified or suspected NOCLAR.

It is very well establish the framework on how the Auditor, Senior PAIB, PA and others should have to react in these scenarios.

7. With respect to auditors and senior PAIBs:

(a) Do respondents agree with the factors to consider in determining the need for, and the nature and extent of, further action, including the threshold of credible evidence of substantial harm as one of those factors?

The term "harm" was a very general concept but the SEC regulation does provide clarity of public interest definition. We do agree with the proposal, in Mexico, the term used before refers and is associated more to a physical injury.

It is clear that public interest would be linked to the gravity of the matter that may cause adverse consequences to the entity, investors, employees, etc.

(b) Do respondents agree with the imposition of the third party test relative to the determination of the need for, and nature and extent of, further action?

We support the proposal, the idea of having an external independent party that may assess whether there should be further action or not when suspect o identified a NOCLAR.

Since the credibility of both, PA/auditor and entity, could be at risk, it is well seen this new practice, that way, the PA/auditor would have an external opinion and may complement its investigation with more elements or drop it, because of the lack of them, depending the results of the third party and the final consensus with the PA.

(c) Do respondents agree with the examples of possible courses of further action? Are there other possible courses of further action respondents believe should be specified?

As mention on the ED, every case depend in particular on the nature of the potential injury, It is necessary to make an appropriate judgment in the particular circumstances, given the local and regulatory framework.

(d) Do respondents support the list of factors to consider in determining whether to disclose the matter to an appropriate authority?

Yes, not all countries have the same development in the accountability strategies to follow up these issues, saying their capacity may not be appropriate to receive, process and allow the mechanisms of defense to the entity, nor to protect the auditor-PC that disclose the information.

8. For PAs in public practice providing services other than audits, do respondents agree with the proposed level of obligation with respect to communicating the matter to a network firm where the client is also an audit client of the network firm?

The matter of jurisdiction and applicable laws is definitely an issue, disclosing information is not even in every country.

It is important the network firm be informed and limited for the law of the country allows it.

9. Do respondents agree with the approach to documentation with respect to the four categories of PAs?

Auditors are already required to prepare documentation concerning NOCLARs, and for the PA and PAIB's we agree their roles should determine the variation and scope of documentation to prepare at the end.

The elements mentioned in the 225.48 are consistent with the categories.