



November 18, 2015

Submitted electronically to arnoldschilder@iaasb.org

Professor Arnold Schilder

Chairman

International Auditing and Assurance Standards Board

545 Fifth Avenue

New York, NY 10017 USA

COMMENTS ON THE IAASB EXPOSURE DRAFT, "RESPONDING TO NON-COMPLIANCE OR SUSPECTED NON-COMPLIANCE WITH LAWS AND REGULATIONS"

Dear Professor Schilder,

The International Forum of Independent Audit Regulators ("IFIAR") appreciates the opportunity to comment on the International Auditing and Assurance Standards Board's ("IAASB's") Exposure Draft *"Responding to Non-Compliance or Suspected Non-Compliance with Laws and Regulations"*. As an international organization of independent audit oversight regulators that share the common goal of serving the public interest and enhancing investor protection, IFIAR is committed to improving audit quality globally through the promotion of high quality auditing and professional standards, and other pronouncements and statements.

IFIAR's more specific objectives are as follows:

- Sharing knowledge of the audit market environment and practical experience of independent audit regulatory activity, with a focus on inspections of auditors and audit firms;
- Promoting collaboration and consistency in regulatory activity;
- Initiating and leading dialogue with other policy-makers and organizations that have an interest in audit quality; and
- Forming common and consistent views or positions on matters of importance to its Members, taking into account the legal mandates and missions of individual members.

The comments we have provided in this letter reflect the views expressed by many, but not necessarily all, of the Members of IFIAR. They are not intended to include, or reflect, all of the comments or views that might be provided by individual Members on behalf of their respective organisations.

Where we did not comment on certain specific matters, this should not be interpreted as either approval or disapproval by IFIAR of the proposals.

Support for the liaison between the IAASB and IESBA

We are supportive of the auditing and ethics standard-setting boards' efforts to coordinate their work on the NOCLAR project, as we see a benefit in aligning the standards on auditing and ethics issues applicable by the same auditors. Indeed, even if the IESBA Code and the IAASB pronouncements are not in force in all countries, we are of the view that the development of pronouncements that are compatible and consistent is relevant for those auditors that apply both frameworks, as well as for those that apply only one of those frameworks.

Risks due to the timing of the project

However, given that the IAASB and IESBA consultation documents on NOCLAR were not issued simultaneously, we would like to draw the IAASB's attention to the necessity to ensure that the final outcome of the IESBA project is taken into consideration. Since the project is still under finalization at IESBA level, we see a risk of inconsistent outcomes if the latest IESBA developments are not incorporated equally on the IAASB side. We believe the IAASB should continue monitoring the IESBA's project through to finalization before closing out its revision of the auditing standards.

We note that the IAASB has followed an accelerated process in developing the NOCLAR exposure draft. As stated in our 20 May 2014 comment letter on the IAASB's 2015-2019 strategy and work plan consultation, we believe in the development of flexibility in the standard-setting process for dealing with emerging issues.¹ In addition, we believe that a coordinated approach between the IAASB and IESBA should be adopted earlier in the standard-setting process for future projects of this nature.

IFIAR comments on IESBA NOCLAR exposure draft to be taken into account by IAASB

Regarding the content of the exposure draft, we draw the IAASB's attention to the comments raised by IFIAR in its letter issued on 28 September 2015 regarding the IESBA exposure draft "*Responding to Non-Compliance with Laws and Regulations*".² Our comments therein related to:

- Overall comment (national laws and regulations take precedence, strive for more stringent requirements)
- Communicating to management and those charged with governance
- Determination of further action needed
- Lack of clear obligation for the auditor to monitor and assess the entity's response
- Lack of obligation to report
- Link with international auditing standards
- Timing of the project

¹ [IFIAR comment letter on IAASB Strategy and Work Program.pdf](#)

² [IFIAR comment letter IESBA NOCLAR ED 28 September 2015.pdf](#)

Those comments apply equally to the IAASB project and we invite the IAASB to incorporate them in revising the ISAs and to deal with them in a coordinated manner with the IESBA.

Revision of ISA 250 "Consideration of Laws and Regulations in an Audit of Financial Statements"

We note that several other areas for revision of ISA 250 have been identified in the explanatory memorandum to the IAASB NOCLAR exposure draft. We would support a more holistic revision of ISA 250 which addresses these and other areas.

Should you wish to discuss any of our comments, please do not hesitate to contact me or Marjolein Doblado, Chair of the IFIAR Standards Coordination Working Group.

Yours Truly,

A handwritten signature in black ink, appearing to read 'J. van Diggelen', with a long horizontal flourish extending to the right.

Janine van Diggelen
IFIAR Chair

C.c.: Brian Hunt (IFIAR Vice-Chair)