



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. 9(c)
Meeting Date: 15 September 2015
Subject: NOCLAR – Proposed Amendments to International Standards
Date Prepared: 1 September 2015

Action Required **For Information Purposes Only**

Agenda Item Objectives

To inform the Board and seek input on the IAASB’s Exposure Draft, *Proposed Amendments to the IAASB’s International Standards—Responding to Non-Compliance or Suspected Non-Compliance with Laws and Regulations*.

Background

The IAASB released an Exposure Draft, Proposed Amendments to the IAASB’s International Standards—Responding to Non-Compliance or Suspected Non-Compliance with Laws and Regulations, to propose limited amendments to the IAASB’s International Standards in response to IESBA’s May 2015 Re-Exposure Draft, Responding to Non-Compliance with Laws and Regulations.

The IESBA’s Exposure Draft proposes a framework for professional accountants in deciding how best to act in the public interest when they come across an act or suspected act of non-compliance with laws and regulations.

The focus of the IAASB’s Exposure Draft is proposed amendments ISA 250, Consideration of Laws and Regulations in an Audit of Financial Statements, with less extensive changes proposed to seven other standards. The IAASB’s proposals seek to acknowledge the enhancements that will be made by the IESBA in the Code and clarify and emphasize key aspects of the IESBA’s proposals in the IAASB’s International Standards.

Changes proposed by ED

<i>Standard and Paragraph impacted</i>	<i>Explanation of the change</i>
ISA 250, Para 8a ISA 240, Para 8a	Brings aspects of IESBA’s NOCLAR proposals to the auditor’s attention highlighting that the auditor may have additional obligations under relevant ethical requirements regarding NOCLAR.
ISA 250, Para A5a	Includes examples of laws and regulations
ISA 250, Para A12a, A17	Implications of NOCLAR, for example even if non-compliance is not material, the auditor may re-evaluate the integrity of management.
ISA 250, Para 28, Para A19 ISQC 1, Para A56 ISA 240, Para 43, A65 ISRE 2400, Para A92	Consideration of auditor’s duty of confidentiality, particularly their legal or ethical duty or right to report the NOCLAR outside of the entity.

This document contains preliminary views and/or AUASB Technical Group recommendations to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions of the AUASB. No responsibility is taken for the results of actions or omissions to act on the basis of reliance on any information contained in this document (including any attachments), or for any errors or omissions in it.

ISA 250, Para A15 ISA 240, Para A59a, A65 ISA 260, Para 7 ISA 450, Para A8	Law or regulation may prohibit “tipping off” the entity.
ISA 250, Para A16	Auditors may consult on a confidential basis with others within the firm/network, professional body, and auditor’s legal counsel.
ISA 250, Para A18a	Examples of circumstances that may cause the auditor to evaluate the implications of non-compliance on the reliability of written representations of management and TCWG
ISA 220, Para 8a	New application material providing guidance to the the auditor to highlight NOCLAR requirement for the auditor to communicate with the predecessor auditor prior to accepting the engagement.

Specific Questions for the AUASB:

1. Does the AUASB have any issues with the proposed changes?
2. Are the proposed changes, clear enough?
3. Are there any issues with the effective date—it is anticipated that the effective date of the amendments to the IAASB’s International Standards would be aligned with the effective date of the NOCLAR standards, which the IESBA will determine in due course.
4. Is it beneficial for the IAASB to further consider (and include in a later work plan):
 - (a) Whether the existing distinction between the types of laws and regulations (see paragraph 6 of ISA 250) and the different levels of work effort applied to each under extant ISA 250 warrants further investigation or revision.
 - (b) Whether ISA 250 should address making inquiries of management or, when appropriate, TCWG, regarding NOCLAR that may occur.
 - (c) Whether ISA 250 should include a requirement to obtain an understanding of how management identifies and addresses known or suspected NOCLAR as an essential component in obtaining an understanding of the entity and its environment.
 - (d) How ISA 250 addresses personal misconduct related to the business activities of the entity or parties associated with the entity, including contractors.
 - (e) How NOCLAR is addressed in other ISAs, such as when dealing with auditor’s experts and in a group audit situation.⁴

AUASB Technical Group Recommendations

The technical group recommends that the AUASB sends in a submission to the IAASB which is supportive of the amendments proposed in the Exposure Draft and include any additional commentary provided by the AUASB.

Material Presented

- Agenda Item 9(c) AUASB Board Meeting Summary Paper
- Agenda Item 9(c).1 The IAASB’s Exposure Draft, *Proposed Amendments to the IAASB’s International Standards—Responding to Non-Compliance or Suspected Non-Compliance with Laws and Regulations*.

Action Required

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	Provide comments to include in submission to the IAASB.	Comments	AUASB	15 September 2015	O/S