



American Institute of CPAs
1211 Avenue of the Americas
New York, NY 10036-8775

October 16, 2015

Ms. Kathleen Healy
Technical Director
International Auditing and Assurance Standards Board
529 Fifth Avenue
New York, NY 10017

Re: Exposure Draft – Responding to Non-Compliance or Suspected Non-Compliance with Laws and Regulations

Dear Ms. Healy:

The American Institute of Certified Public Accountants (AICPA) is pleased to respond to the above referenced Exposure Draft regarding the proposed amendments to the International Auditing and Assurance Standards Board's (IAASB) standards related to responding to non-compliance or suspected non-compliance with laws and regulations (NOCLAR).

The AICPA is the world's largest member association representing the accounting profession, with more than 400,000 members in 145 countries and a history of serving the public interest. AICPA members represent many areas of practice, including business and industry, public practice, government, education and consulting. Among other things, the AICPA sets ethical standards for the profession and U.S. auditing standards (GAAS) for private companies, nonprofit organizations, and federal, state and local governments.

This letter provides the AICPA Auditing Standards Board's (ASB) response to the request for comments within the context of reporting by nonissuers under auditing standards generally accepted in the United States of America. The ASB is the AICPA's senior committee for auditing, attestation, and quality control applicable to the performance and issuance of audit and attestation reports for nonissuers. Its mission is to serve the public interest by developing, updating and communicating comprehensive standards and practice guidance that enable practitioners to provide high-quality, objective audit and attestation services to nonissuers in an effective and efficient manner.

We generally agree with the proposals outlined in the explanatory memorandum. However, we offer the following comments for your consideration and included in the responses to the specific request for comments on page 8 of the explanatory memorandum.

Issues for Consideration

IAASB Request 1

Whether respondents believe the proposed limited amendments are sufficient to resolve actual or perceived inconsistencies of approach or to clarify and emphasize key aspects of the NOCLAR proposals in the IAASB's International Standards.

Proposed Changes to ISA 250

We believe that the proposed limited amendments are sufficient to resolve actual or perceived inconsistencies of approach or to clarify and emphasize key aspects of the NOCLAR proposals in the IAASB's International Standards. However, we offer the following comments:

Paragraph 8a of ISA 250 states, in part, that complying with those additional responsibilities [relevant ethical requirements] may provide further information that is relevant to the auditor's work in accordance with this and other ISAs...Paragraph A17 further states ... "the auditor's compliance with relevant ethical requirements may provide further information that is relevant to the auditor's responsibilities..."

We agree with the proposed changes to paragraph 8a and A17; however, we believe that an example would be helpful in clarifying what the IAASB intends by these proposed changes.

Paragraph A12a states, in part, "The auditor may become aware of information about non-compliance with laws and regulations (or example, in responding to matters that the auditor is required to address under relevant ethical requirements)..." The wording in this sentence appears inconsistent with other proposed amendments to the standard. For example, the last sentence in paragraph A17, states "As noted in paragraph 8a, "the auditor's compliance with relevant ethical requirements..." The wording in paragraph A17 is more consistent with paragraph 8a, which focuses on compliance with ethical responsibilities and does not focus on "responses." We suggest that paragraph be revised as follows: "The auditor may become aware of information about non-compliance with laws or regulations in performing procedures to comply with relevant ethical requirements." Also, it might be helpful to reference paragraph A12a to the requirement in paragraph 18 to emphasize that any procedures performed to comply with relevant ethical requirements are other than those required to be performed in paragraphs 12-16 of ISA 250.

Paragraph A59a should be referenced to paragraph 40 of ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*, to emphasize that in instances of noncompliance or suspected noncompliance with laws and regulations, the auditor is required to communicate these matters on a timely basis to the appropriate level of management or to those charged with governance.

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IAASB Request 2

The impact, if any, of the proposed limited amendments in jurisdictions that have not adopted, or do not plan to adopt, the IESBA Code. For example, would any of the changes to the IAASB's International Standards be deemed incompatible with the relevant ethical requirements that would apply in those jurisdictions?

In the U.S., auditors of nonissuers are required to comply with the AICPA's Code of Professional Conduct (the Code) and comply with the laws or regulations of the states where the auditor does business. The Code and state laws have strict rules of confidentiality that prohibit an auditor from disclosing any confidential information to an external party without the consent of the client unless required by law or regulation. Therefore, the ASB's ability to consider the proposals under this exposure draft is dependent upon the AICPA's Professional Ethics Executive Committee and the various states making amendments to their respective confidentiality rules, laws, or regulations. Therefore, absent amendments to state laws and regulations, an auditor or assurance practitioner's right to disclose noncompliance or suspected non-compliance with laws or regulations to persons outside the entity may be extremely limited.

Thank you for the opportunity to present our views on the exposure draft. If you have any questions regarding the comments in this letter, please contact Hiram Hasty at +1-212-596-6011 hhasty@aicpa.org.

Respectfully submitted,



/s/ Bruce Webb

Chair, Auditing Standards Board