

October 21, 2015

Kathleen Healy

Technical Director

International Auditing and Assurance Standards Board

International Federation of Accountants

529 Fifth Avenue, 6th Floor

New York, NY 10017

KICPA's Comments on IAASB's Exposure Draft on Proposed Amendments to the IAASB's International Standards, Responding to Non-Compliance or Suspected Non-Compliance with Laws and Regulations,

Dear Kathleen Healy,

KICPA is pleased to have an opportunity to comment on the Exposure Draft published in July 23, 2015, and issued by the International Auditing and Assurance Standards Board for Accountants (IAASB), regarding "Proposed Amendments to the IAASB's International Standards, Responding to Non-Compliance or Suspected Non-Compliance with Laws and Regulations." KICPA is a strong advocate of IAASB for your relentless efforts to serve the public interest by setting high-quality international standards for auditing, assurance, and other related standards, and by facilitating the convergence of international and national auditing and assurance standards.

Please see the below for our responses to the specific questions.

(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.

We support, in principle, the limited amendment approach that does not duplicate in detail all the specific requirements of the IESBA Code of Ethics for Professional Accountants ("IESBA Code").

However, we believe that some parts of the proposed limited amendments in the ED duplicate amended requirements in too much detail, compared with how reference was made in ISA 260 (Revised) to the requirements in the IESBA Code to communicate with those charged with governance (TCWG) about breaches of independence. We also believe that criteria for which amendments to the IESBA Code should be repeated in ISAs are vague.

For example, the requirement that a professional accountant request the existing accountant to provide known information before deciding whether to accept the engagement is already included in Session 210 of the IESBA Code and therefore is difficult to be considered as new requirement regarding NOCLAR. However, this requirement is repeated in the ED on amendments to ISA 220. Meanwhile, we believe that the requirement that the auditor provide additional documentation on a major NOCLAR, besides what is required by ISAs, is not fully reflected in the IAASB's International Standards, especially the ED on amendments to ISA 250. Setting aside whether the requirement for additional documentation in the IESBA Code is needed, we believe that if the IESBA Code is amended as specified in the ED, it would be proper to create a new paragraph (A21a) in ISA 250 to call auditors' attention by describing that it is necessary to consider the need for additional documentation for other relevant ethical requirements.

However, this approach might create a burden to reflect any amendment to the IESBA Code

in the IAASB's ISAs, and reduce auditors' responsibility to closely review ethical codes or other relevant ethical requirements. Therefore, we believe that it would be sufficient to require the compliance with 'relevant ethical requirements' as described in the existing International Standards and the duplication of IESBA Code amendments in International Standards should be minimized.

Meanwhile, it would be proper for the IAASB to determine 'categories of laws and regulations' through reviews and discussion, and mention or follow the content of IESBA Code related to laws and regulations in ISAs. The ED on the IESBA Code defines 'types of laws and regulations' that are applied not only to auditors, but professional accountants in public practice and those in business, who provide various professional services as well as auditing. As such, we believe that the duplication of this content in ISAs, which are applied to auditing practices, would not be proper. As for 'categories of laws and regulations,' it would be proper for the IAASB to have more time to consider whether it is need to include the related amendments to the IESBA Code in ISA 250 or whether the examples are appropriate from the perspective of financial statement auditing.

(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?

The proposed amendments in the ED cover most of the situations that an auditor might face after detecting non-compliance with laws and regulations. Therefore, even countries that have not adopted the IESBA Code would not deem changes to the IAASB's International Standards incompatible with their relevant ethical requirements. For example, the proposed amendments specify both cases where the auditor may not disclose identified or suspected

non-compliance with laws or regulations to an appropriate authority, due to the duty of confidentiality, and where the auditor may have the right to disclose such a NOCLAR without breaching the duty of confidentiality.

However, we believe that this approach of description could expand the volume of ISAs by including the content of the IESBA Code in details, which is not clear requirements for auditors, thereby causing difficulties in understanding the ISAs and inconsistencies in auditing practices. Therefore, it would be proper to emphasize the compliance with ‘relevant ethical requirements’ in the ISAs, if needed, and thus enhance auditors’ interest in and understanding of such requirements, as we explained in our comment on Question (1).

(3) Invitation for Additional Input

The IAASB agreed to propose limited amendments to ISA 250, particularly in light of the other projects that the IAASB was asked to prioritize in the public interest. However, respondents are asked for their comments, if any, on what further changes may be required to ISA 250 and why.

We have no additional comment.

We hope our comments would be helpful in your efforts to revise the IAASB’s International Standards. Please feel free to contact us via global@kicpa.or.kr for further inquiries.