IOSCO noted the IAASB's intent of proposing only limited amendments that the Board has taken into consideration. IOSCO believed that both a better understanding of what they have observed in the ED and in the IESBA's NOCLAR proposal regarding an explanation of supplementary information required to complete the audit of financial statements by the principal auditor, would be achieved. The intended outcome of the IAASB project is to revise ISA 250 and make it consistent with the IESBA's NOCLAR. The Board believes that the amendments to ISA 250 can be used to introduce the IESBA Code's NOCLAR provisions in ISA 250, so that they could mutually articulate without confusion. The Board explains this and the work needed to introduce the IESBA Code's NOCLAR provisions should be done in a coordinated manner with the IESBA.

IMOCA members

The IAASB took note of IFIAR's support. IFIAR supported the audit proposal amendments to all ISAs in International Standards including in FCOI and International Standards on Quality Control (ISA 210). The Standard was revised to allow for more stringent requirements included in the IESBA Code's NOCLAR provisions, such as the third-party test. The IAASB considered the final outcome of the IESBA's NOCLAR project: the Board was aware of the feedback from IFIAR of the IESBA's NOCLAR exposure draft (Survey) of the IAASB 2017–2018 Work Program, published in July 2016 and prior to the development of enhancements to ISA 250. The Board agreed to introduce several further amendments to ISA 250 in response to comment letters received, making the amendments to ISA 250 consistent with the IESBA's NOCLAR and to the IAASB's standard-setting process for dealing with emerging issues. In addition, IFIAR believed that the methodology in revising the ISA would be more clear, then IOSCO thought practitioners would be confused as to why two different sets of requirements were needed to resolve actual or perceived inconsistencies of approach between the IESBA and IOSCO should be adjusted earlier in the standard-setting process for future projects of this nature.

Inconsistencies, as mentioned above. IOSCO believed that both a better understanding of what they have observed in the ED and in the IESBA's NOCLAR proposal regarding an explanation of supplementary information required to complete the audit of financial statements by the principal auditor, would be achieved. The intended outcome of the IAASB project is to revise ISA 250 and make it consistent with the IESBA's NOCLAR. The Board believes that the amendments to ISA 250 can be used to introduce the IESBA Code's NOCLAR provisions in ISA 250, so that they could mutually articulate without confusion. The Board explains this and the work needed to introduce the IESBA Code's NOCLAR provisions should be done in a coordinated manner with the IESBA.

IMOCA members

The IAASB followed the comment process in developing changes to ISA 250 and applying amendments to all other ISAs in cases of common current project, the IOSCO and the IFIAR (as well as the IOSCO) are working towards a more consistent coordinated process.

IMOCA members

The IAASB indicated that prior to developing changes to ISA 250 and applying amendments to all other ISAs in cases of common current project, the IOSCO and the IFIAR (as well as the IOSCO) are working towards a more consistent coordinated process.

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A more fulsome review of ISA 250 is necessary. 

We agree with the concerns about ISA 250 recently expressed by regulators and other stakeholders. As the Board is currently working on a separate project to update ISA 250, the Board will consider the arguments and suggestions. As the Board is currently working on a separate project to update ISA 250, the Board will consider the arguments and suggestions.
The FRC noted that the ISA 250 currently promotes the auditors' responsibilities and need to focus on the entity's compliance with laws and regulations into two separate, although linked, categories, explicit laws and general laws. This produces an issue of whether laws and regulations that affect the determination of material amounts and disclosures should be considered in the financial statements. If all instances of laws and regulations that affect the determination of material amounts and disclosures, whether explicit laws and regulations or implied laws and regulations (e.g. regulatory rules or codes of practice), are not considered, the auditor may not be able to identify instances of non-compliance.

The FRC noted that only a few, e.g. banking, insurance, competition, or other laws and regulations covering operating aspects of the business can be classified as "material", with the other laws and regulations being considered as "non-mandatory" in their operating aspects, and not directly linked to a "material" effect on the financial statements. The FRC noted that, in some cases, such as environmental laws and regulations, the impact of non-compliance would be material in an indirect manner (e.g. litigation costs) and as a result, non-compliance is important to identify.

The FRC noted that when ISA 250 is updated, it needs to be explicit about, for example, whether the auditor should have an "opportunity to identify compliance issues", as in ISA 250 (and elaborated on in the revised ISA), and that the ISA 250 should provide for a "sufficient understanding" of laws and regulations as a result of the non-compliance, as identified by the FRC. The FRC noted that ISA 250 has not been explicitly designed to aid auditors in identifying instances where the non-compliance is material to the financial statements. The ISA 250 also does not provide guidance on the need to update the ISA to reflect more recent developments in management's internal controls over compliance and related audit procedures was viewed as a compliance exercise rather than as an important and integral part of the audit.

The FRC noted that ISA 250 currently distinguishes the auditor's responsibilities in relation to laws and regulations into two separate, although linked, categories (explicit laws and general laws). This produces an issue of whether laws and regulations that affect the determination of material amounts and disclosures should be considered in the financial statements. If all instances of laws and regulations that affect the determination of material amounts and disclosures, whether explicit laws and regulations or implied laws and regulations (e.g. regulatory rules or codes of practice), are not considered, the auditor may not be able to identify instances of non-compliance.

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Paragraph 22 - Inconsequential matters: Terms used in the ISA are not consistent. In the Code, terms such as “inconsequential” or “close-call” are used to describe matters that are not material but that, if not corrected, could influence the auditor's opinion on the financial statements. IRBA noted that these terms are used inconsistently in the ISAs. Paragraph 22 suggests that a matter is insignificant if it would have no effect on the auditor’s opinion or if it would be corrected by management before the financial statements are issued. IRBA recommended that the ISAs clarify this terminology to ensure consistency.

Paragraph 25 - Classification of laws and regulations: ISA 250 reflects the minimum disclosure requirements in the Code, but the Code does not clarify whether NOCLAR in terms of ISA 250 is intended to be applied to matters that are not material but that, if not corrected, could influence the auditor’s opinion on the financial statements. IRBA noted that these terms are used inconsistently in the ISAs. Paragraph 25 suggests that a matter is insignificant if it would have no effect on the auditor’s opinion or if it would be corrected by management before the financial statements are issued. IRBA recommended that the ISAs clarify this terminology to ensure consistency.

Paragraph 27 - Environmental matters: ISA 250 states that the auditor should consider whether to report identified or suspected NOCLAR to an appropriate authority. IRBA noted that the ISAs do not provide sufficient guidance on when and how to report NOCLAR. Paragraph 27 suggests that the auditor should consider whether to report identified or suspected NOCLAR to an appropriate authority. IRBA recommended that the ISAs provide more guidance on when and how to report NOCLAR.

Paragraph 28 - Reference to both external communications with regulators and internal correspondence within the entity: IRBA noted that the ISAs do not provide sufficient guidance on when and how to report NOCLAR. Paragraph 28 suggests that the auditor should consider whether to report identified or suspected NOCLAR to an appropriate authority. IRBA recommended that the ISAs provide more guidance on when and how to report NOCLAR.

Paragraph 29 - Further audit work under the ISAs: IRBA noted that the ISAs do not provide sufficient guidance on when and how to report NOCLAR. Paragraph 29 suggests that the auditor should consider whether to report identified or suspected NOCLAR to an appropriate authority. IRBA recommended that the ISAs provide more guidance on when and how to report NOCLAR.

Paragraph 30 - Rules and regulations: IRBA noted that the ISAs do not provide sufficient guidance on when and how to report NOCLAR. Paragraph 30 suggests that the auditor should consider whether to report identified or suspected NOCLAR to an appropriate authority. IRBA recommended that the ISAs provide more guidance on when and how to report NOCLAR.

Paragraph 31 - Paragraph 8a has become paragraph 9 and been substantially reformulated. The ISAs now require the auditor to consider whether to report identified or suspected NOCLAR to an appropriate authority. IRBA noted that the ISAs do not provide sufficient guidance on when and how to report NOCLAR. Paragraph 31 suggests that the auditor should consider whether to report identified or suspected NOCLAR to an appropriate authority. IRBA recommended that the ISAs provide more guidance on when and how to report NOCLAR.

Paragraph 32 - Paragraph 34 - Recall of audit work: IRBA noted that the ISAs do not provide sufficient guidance on when and how to report NOCLAR. Paragraph 32 suggests that the auditor should consider whether to report identified or suspected NOCLAR to an appropriate authority. IRBA recommended that the ISAs provide more guidance on when and how to report NOCLAR.

Paragraph 33 - Proposed amendment: IRBA noted that the ISAs do not provide sufficient guidance on when and how to report NOCLAR. Paragraph 33 suggests that the auditor should consider whether to report identified or suspected NOCLAR to an appropriate authority. IRBA recommended that the ISAs provide more guidance on when and how to report NOCLAR.

Paragraph 34 - Reallocation: IRBA noted that the ISAs do not provide sufficient guidance on when and how to report NOCLAR. Paragraph 34 suggests that the auditor should consider whether to report identified or suspected NOCLAR to an appropriate authority. IRBA recommended that the ISAs provide more guidance on when and how to report NOCLAR.

Paragraph 35 - Reference to both external communications with regulators and internal correspondence within the entity: IRBA noted that the ISAs do not provide sufficient guidance on when and how to report NOCLAR. Paragraph 35 suggests that the auditor should consider whether to report identified or suspected NOCLAR to an appropriate authority. IRBA recommended that the ISAs provide more guidance on when and how to report NOCLAR.

Paragraph 36 - Paragraph 8 includes a reference to both external communications with regulators and internal correspondence within the entity. IRBA noted that the ISAs do not provide sufficient guidance on when and how to report NOCLAR. Paragraph 36 suggests that the auditor should consider whether to report identified or suspected NOCLAR to an appropriate authority. IRBA recommended that the ISAs provide more guidance on when and how to report NOCLAR.

Paragraph 37 - Paragraph 29 has been substantially reformulated. IRBA noted that the ISAs do not provide sufficient guidance on when and how to report NOCLAR. Paragraph 37 suggests that the auditor should consider whether to report identified or suspected NOCLAR to an appropriate authority. IRBA recommended that the ISAs provide more guidance on when and how to report NOCLAR.

Paragraph 38 - Paragraph 4 has been substantially reformulated. IRBA noted that the ISAs do not provide sufficient guidance on when and how to report NOCLAR. Paragraph 38 suggests that the auditor should consider whether to report identified or suspected NOCLAR to an appropriate authority. IRBA recommended that the ISAs provide more guidance on when and how to report NOCLAR.

Paragraph 39 - Paragraph 3 has been substantially reformulated. IRBA noted that the ISAs do not provide sufficient guidance on when and how to report NOCLAR. Paragraph 39 suggests that the auditor should consider whether to report identified or suspected NOCLAR to an appropriate authority. IRBA recommended that the ISAs provide more guidance on when and how to report NOCLAR.

Paragraph 40 - Paragraph 2 has been substantially reformulated. IRBA noted that the ISAs do not provide sufficient guidance on when and how to report NOCLAR. Paragraph 40 suggests that the auditor should consider whether to report identified or suspected NOCLAR to an appropriate authority. IRBA recommended that the ISAs provide more guidance on when and how to report NOCLAR.

Paragraph 41 - Paragraph 1 has been substantially reformulated. IRBA noted that the ISAs do not provide sufficient guidance on when and how to report NOCLAR. Paragraph 41 suggests that the auditor should consider whether to report identified or suspected NOCLAR to an appropriate authority. IRBA recommended that the ISAs provide more guidance on when and how to report NOCLAR.