

Meeting: IESBA
Meeting Location: Teleconference
Meeting Date: April 25, 2016

Agenda Item

1

Responding to Non-Compliance with Laws and Regulations (NOCLAR)

Objectives of Agenda Item

1. To:
 - (a) Consider changes to the text of Sections 225¹ and 360,² and related consequential and conforming changes to other sections of the Code, agreed in principle at the March 2016 IESBA meeting (“close-off text”); and
 - (b) Approve the revised text as a final pronouncement.

Task Force

2. Members:
 - Richard Fleck, Chair, IESBA Deputy Chair
 - Helene Agélii, IESBA Member
 - Atsushi Kato, IESBA MemberCorrespondent Member:
 - Brendan Murtagh, IAASB Member and Chair of the IAASB NOCLAR Task Force

Activities Since March 2016 IESBA Discussion

3. At the March 14-16, 2016 IESBA meeting, the Board agreed in principle the text of the NOCLAR pronouncement, subject to the outcome of the International Auditing and Assurance Standards Board’s (IAASB’s) consideration of the responses to its July 2015 [NOCLAR Exposure Draft](#).
4. The Task Force Chair participated in the NOCLAR session at the IAASB meeting on March 17, 2016. Among other matters, he briefed the IAASB on the outcome of the IESBA’s deliberations earlier in the week and explained aspects of the close-off text for purposes of facilitating the IAASB’s consideration of consequential and conforming amendments to its standards in the context of the responses to its Exposure Draft.
5. During the following week, staff received a few additional comments from a representative of Committee 1 (C1) of the International Organization of Securities Commissions (IOSCO) on the NOCLAR text that was presented at the March 8, 2016 joint IESBA CAG-IAASB CAG meeting.

¹ Proposed Section 225, *Responding to Non-Compliance with Laws and Regulations*

² Proposed Section 360, *Responding to Non-Compliance with Laws and Regulations*

6. The IESBA Task Force met via teleconference at the end of March 2016 to consider the feedback from the IAASB and the additional input from IOSCO C1, and to agree refinements to the close-off text. The Task Force Chair and staff subsequently participated in two IAASB Task Force teleconferences in early April 2016 to discuss the proposed refinements with the IAASB Task Force. On the basis of these interactions with the IAASB and its Task Force, the IESBA Task Force has fine-tuned the refinements presented in Agenda Item 1-B.
7. At IOSCO C1's request, the IESBA Chairman and representatives of the IESBA Task Force participated in a teleconference with the Chair of C1 on April 18th to explain how the IESBA or its Task Force has addressed C1's comments. The Board will be briefed on the outcome of this teleconference during the April 25th Board teleconference.

Material Presented

Agenda Item 1-A	Proposed Final Changes
Agenda Item 1-B	Revised NOCLAR Text (Mark-Up from March 2016 Close-off Text)
Agenda Item 1-C	Revised NOCLAR Text (Mark-Up from May 2015 Exposure Draft)
Agenda Item 1-D	Revised NOCLAR Text (Clean)
Agenda Item 1-E	Draft March 2016 IESBA Minutes – NOCLAR
Agenda Item 1-F	Draft March 2016 Joint IESBA CAG/IAASB CAG Minutes – NOCLAR
Agenda Item 1-G	Due Process

Draft to be Discussed at the Meeting

8. The Task Force proposes that the version marked from the March 2016 close-off text (**Agenda Item 1-B**) be discussed at the meeting.

Action Requested

9. IESBA members are asked:
 - (a) To consider the Task Force proposals presented in Agenda Item 1-A;
 - (b) Whether there are any matters raised by respondents to the May 2015 Exposure Draft, in addition to those summarized by the Task Force, that they consider should be discussed by the Board;³ and
 - (c) To approve the revised NOCLAR text as a final pronouncement.

³ All comment letters can be accessed on the [IESBA website](#).

Forward Timeline

10. Subject to Board approval of the NOCLAR text, the anticipated forward timeline for the project during the remainder of 2016 is as follows:

- PIOB consideration of due process/issuance of final pronouncement June/July 2016
- Consideration of revised draft of restructured text June 2016
- Approval of restructured text for public comment only on the restructuring September 2016