

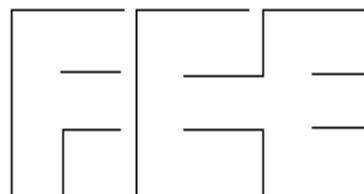
Date  
30 July 2007

Le Président

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Mr. J. Sylph  
Executive Director Professional Standards  
International Auditing and Assurance Standards Board (IAASB)  
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[Edcomments@ifac.org](mailto:Edcomments@ifac.org)

Dear Mr. Sylph,

**Re: Exposure Draft – Proposed (Redrafted) International Standard on Auditing (ISA) 250 “The Auditor’s Responsibilities Relating to Laws and Regulations in an Audit of Financial Statements”**

As the representative organisation of the European accountancy profession, FEE is pleased to comment on the Exposure Draft – Proposed (Redrafted) International Standard on Auditing (ISA) 250 on The Auditor’s Responsibilities Relating to Laws and Regulations in an Audit of Financial Statements (Proposed ISA 250).

FEE considers the Proposed ISA 250 is an improvement on the existing standard. Notably, it helps clarify the nature and extent of the auditor’s responsibility in respect to the two different types of laws and regulations: those with a direct effect on amounts and disclosures in the financial statements, and those with an indirect effect only.

We believe, however, that our suggested amendments which follow would further enhance the standard.

## **1 Comments on introduction**

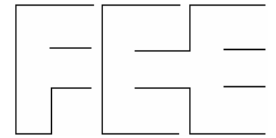
*Paragraphs 3, 4,5 and 6*

FEE fully agrees with the content of paragraphs 3, 4, 5 and 6 on the responsibilities of management for compliance with laws and regulation and the responsibilities of the auditor relating to laws and regulation in an audit of financial statements.

However, we suggest that the following text, currently in paragraphs A3 and A4, clarifying the limits of an audit be moved to paragraph 5. This would aid the public understanding of what can and cannot be expected of an audit:

*“...an audit cannot be expected to detect non-compliance with all laws and regulations“(from A3 second sentence).*

*“Determining whether a particular act constitutes or is likely to constitute non-compliance is generally based on the advice of an informed expert qualified to practice law but ultimately can only be determined by a court of law.” (last sentence of paragraph A4).*



### *Paragraph 6 (a)*

This paragraph is important as it explains the distinction being made between the two categories of laws and regulations. The first category, e.g. those laws and regulations which have a direct effect on the determination of material amounts and disclosures in the financial statements, does not need to be 'generally recognised *by the auditor*', as explained in paragraph A7, to acquire that status. Therefore, we recommend deleting the words 'by the auditor'. We agree that 'generally recognised' is retained to address circumstances where there may be divergence of views as to which of the two categories a particular law falls into.

## **2. Comments on objectives**

We are concerned that the procedural nature of objective 8 (b) should not set a precedent. Objectives 'to perform specified procedures' are only appropriate in very limited circumstances. The objective reflects circumstances in which (1) the scope of work the auditor could potentially perform is extremely wide - in this case other laws and regulations that may have a material effect on the financial statements - and (2) in order to obtain consistency in performance, there is no alternative but to mandate the performance of specified procedures as an end in itself.

We do not disagree with the objective as drafted but we strongly believe that procedural objectives should only be necessary in exceptional circumstances and are therefore likely to be rare.

## **3. Comments Requirements**

### *Paragraph 11*

We suggest the following wording: '... regarding compliance with laws and regulations which, in the auditor's judgment, have a direct effect on the determination of...' better clarifies this requirement than the extant wording: "...regarding compliance with laws and regulations generally recognized by the auditor to have a direct effect'.

### *Paragraph 12*

We suggest the following revised wording for the first sentence of paragraph 12:

*"...non-compliance with other laws and regulations that, in the auditor's judgment, may... "*

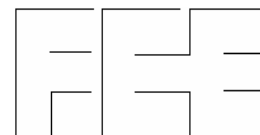
This would be an improvement because the auditor needs to consider those other laws and regulations which, in his judgment, have a greater than acceptably low level of risk of having a material effect on the financials statements.

### *Paragraph 12 (b)*

Inspecting correspondence with licensing or regulatory authorities will not always be applicable and, accordingly, we suggest to add 'if any' after 'correspondence'.

### *Paragraph 15*

The sentence of extant paragraph 24 "In the absence of audit evidence to the contrary, the auditor is entitled to assume the entity is in compliance with these laws and regulations." has been dropped. This sentence better clarifies what the auditor is supposed to do in a situation of absence of identified or suspected non-compliance and we therefore suggest to add this sentence again to paragraph 15.



#### **4. Response to IAASB's Request for Responses to Questions**

**2.1 Are the objectives to be achieved by the auditor, stated in the proposed redrafted ISA, appropriate?**

Yes, although we would like to draw your attention to our comment on objectives above.

**2.2 Have the criteria identified by the IAASB for determining whether a requirement should be specified been applied appropriately and consistently, such that the resulting requirements promote consistency in performance and the use of professional judgment by auditors?**

Yes

If you have any further questions about our views on these matters, please do not hesitate to contact us.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Jacques Potdevin', written over a horizontal line.

Jacques Potdevin  
President