



Organización Internacional de Comisiones de Valores
International Organisation of Securities Commissions
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November 2, 2007

Mr. James M. Sylph
Executive Director, Professional Standards
International Auditing and Assurance Standards Board
International Federation of Accountants
545 Fifth Avenue, 14th Floor
New York, NY 10017

Email Edcomments@ifac.org

Re: Proposed Redrafted International Standard on Auditing ISA 250, The Auditor's Responsibilities Relating to Laws and Regulations

Dear Mr. Sylph:

The International Organization of Securities Commissions (IOSCO) Standing Committee No. 1 on Multinational Disclosure and Accounting (SC 1) appreciates the opportunity to comment on the Exposure Draft of proposed redrafted international standard on auditing ISA 250, *The Auditor's Responsibilities Relating to Laws and Regulations in an Audit of Financial Statements* (the ED). As an international organization of securities regulators representing the public interest, IOSCO SC 1 is committed to enhancing the integrity of international markets through promotion of high quality accounting, auditing, and professional standards.

Members of SC 1 seek to further IOSCO's mission through thoughtful consideration of accounting, auditing and disclosure concerns and pursuit of improved global financial reporting. As we review proposed auditing standards, our concerns focus on whether the standards are sufficient in scope and adequately cover all relevant aspects of the area of audit being addressed, whether the standards are clear and understandable, and whether the standards are written in such a way as to be enforceable. Our comments in this letter reflect those matters on which we have achieved a consensus among the members of SC 1; however, they are not intended to include all comments that might be provided by individual members on behalf of their respective jurisdictions.

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Overall Comments on the Exposure Draft

We think the Board has done a good job of redrafting this ISA into the Clarity project format. The resulting Exposure Draft presents a standard that seems acceptable and appropriate in regard to checking for compliance with laws and regulations that would generally be viewed by the auditor and others as having a direct effect on the determination of material amounts in the financial statements.

We would, however, encourage the Board to update the standard to incorporate the risk based approach by making reference to considering the risk that material effects that noncompliance with all types of laws and regulations (including indirect effect laws and regulations) could have on the financial statements. The ED, in its current form, does not seem to align well with the risk-based approach and content in ISA 315 “Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement” and ISA 330 “The Auditor’s Procedures in Response to Assessed Risks”.

We observe that the ED does not acknowledge that indirect laws or regulations in certain industries may have a very significant impact on the financial statements. There are many types of “conduct of business” laws and other laws that could be thought to be relevant to such a determination and we know that a financial statement audit would not feasibly be able to verify compliance with all such laws. However, we believe the auditor should assess the probable risk of financial statement misstatement associated with other types of laws that have a material indirect effect, and plan and conduct audit procedures in response to that risk. We have made some suggestions for coverage of this subject in the appendix to this letter.

We appreciate the Board’s work on ISA 250. If you have any questions regarding the comments in this letter, please do not hesitate to contact me at 202-551-5300 or contact members of the SC 1 Audit Subcommittee.

Sincerely,



Julie A. Erhardt
Chair

IOSCO Standing Committee No. 1

Appendix A

Answers to Request for Specific Comments Questions listed in Exposure Draft

1. Are the objectives to be achieved by the auditor, sated in the proposed redrafted ISA, appropriate?

We have stated in our prior comment letters that objectives should be outcome based instead of being prescriptive required procedures. We offer the following comments here:

Paragraph 8 (a)

Replace “To obtain sufficient appropriate audit evidence that” with “To determine whether”.

Paragraph 8 (b)

We are uncomfortable with an objective that is stated only as "to perform specified procedures". We believe the objective should say something about assessing the risk that non-compliance with "other" laws and regulations could have a material effect on the financial statements and responding to such risks by determining the relevant controls put in place by management and also by verifying compliance with basic legal requirements, such as a license to do business.

Paragraph 8 (c)

Stating that one of the objectives is “To respond appropriately to identified or suspected non-compliance with laws and regulations” seems to be written in too general a way to provide direction to an auditor.

2. Have the criteria identified by the IAASB for determining whether a requirement should be specified been applied appropriately and consistently?

We believe the requirements in this ISA are appropriate and we believe they would be helpful in contributing to appropriate and consistent audit practice, subject to the comments we have made that the ISA overall should reflect and be more closely aligned with the risk assessment and response coverage that is in ISA 315 and 330, and also that the auditor should assess risks of material misstatement due to other laws and regulations that could have an indirect effect on the financial statements.