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International Ethics Standards Board for Accountants® (IESBA®)

RE: Responding to Non-Compliance with Laws and Regulations

On behalf of the more than 180,000 global members of The Institute of Internal Auditors (IIA), I am pleased to provide our response to the IESBA's Exposure Draft (ED), *Responding to Non-Compliance with Laws and Regulations*. We value the opportunity to participate in this discussion. Our comments are guided by a team of leaders in the internal audit profession representing The IIA's global reach.

Firstly, we see this ED as a significant improvement over the original ED (*Proposed Changes to the Code of Ethics for Professional Accountants Addressing Responding to a Suspected Illegal Act*) and believe it addresses a number of the concerns raised during the previous exposure. As a result, our comments here focus on issues with the obligations that the proposed response framework appears to create, most predominately for Senior Public Accountants in Business (Senior PAIBs), but also, by extension, for any PAIB.

By definition, Senior PAIBs would include chief audit executives (CAEs), chief financial officers (CFOs), and potentially others with sufficient authority who maintain their public or chartered accountant credentials yet work for organizations as employees in a non-public accountant capacity. Senior PAIBs generally will acknowledge a strong social responsibility. However, as a result of their obligations first and foremost to their employer, Senior PAIBs do not, we believe, have the same professional public interest obligation as a practicing public accountant.

As stated in the IFAC Code of Ethics for Professional Accountants, "A professional accountant in business has a responsibility to further the aims of the accountant's organization."¹ This should include reporting actual or suspected non-compliance with laws and regulations (NOCLAR) to those charged with governance; seeking to be part of the solution (versus being part of the problem); and potentially alerting the external auditor through appropriate channels.

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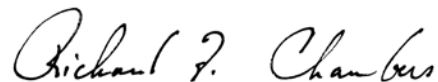
¹ IFAC Code of Ethics for Professional Accountants, Part C: 300.4

A Senior PAIB, compelled by personal ethics and integrity, may in extreme circumstances consider resigning from the employment relationship. We believe that reporting externally on actual or suspected NOCLAR is a personal decision, not a professional obligation, for a Senior PAIB, as well.

The framework also encourages PAIBs to document their concerns. However, a PAIB who creates documentation to support NOCLAR allegations and the steps taken to address the matter could leave the accountant's organization susceptible to legal liability. Such documentation should be initiated only by a Senior PAIB and only after following competent legal advice.

Thank you for the opportunity to participate in the IESBA's discussion on responding to non-compliance with laws and regulations. Please do not hesitate to contact Francis Nicholson, The IIA's Managing Director of Global Advocacy, if you have any questions about this response and/or would like to schedule a time for us to either meet in person or via conference call. Mr. Nicholson can be reached at francis.nicholson@theiia.org or +1-407-937-1236.

Best regards,

A handwritten signature in black ink that reads "Richard F. Chambers". The signature is written in a cursive style with a large initial 'R'.

Richard F. Chambers, CIA, QIAL, CGAP, CCSA, CRMA
President and Chief Executive Officer