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May 15, 2017

Ms. Lisa Snyder
Director of the Professional Ethics Division
American Institute of Certified Public Accountants

Via email: lsnyder@aicpa.org

Re: Proposed Interpretations: Responding to Non-compliance with Laws and Regulations, issued March 10, 2017

Dear Ms. Snyder:

We appreciate the opportunity to comment to the Professional Ethics Executive Committee (PEEC) on the Proposed Interpretations related to a member's responsibility with respect to discovery of non-compliance with laws and regulations (NOCLAR) during the conduct of professional services. We understand that the proposed interpretation was drafted in part to align US ethical standards with International ethical standards. We commend the PEEC for its continuing efforts to converge ethical standards globally, while understanding that the practice environment in the US is substantially different than internationally and certain differences from the IESBA guidance are necessary. Our comments below will address certain observations and suggestions that we believe could improve the "usability" of the guidance.

By way of background, Baker Tilly Virchow Krause, LLP, is a large nationally recognized accounting firm operating primarily in the Mid-West and Northeast sections of the United States. We have approximately 300 partners and employee approximately 2,500 persons. Our practice is diverse, offering accounting and auditing services as well as tax and consulting services across a broad spectrum of industries and geographies.

Response to questions:

1. We believe that members should be required to document certain aspects of NOCLAR, in keeping with the overarching principle in the Code of Conduct to operate in the public interest. Requiring members to document items related to NOCLAR, we believe will encourage better compliance with the interpretation and lead to better information for the clients.

2. We believe a one year transition period is adequate for the application of the interpretation.

Specific comments and observations:

We will limit our comments to Section 1.170 applicable to members in public practice.

In general we agree with the concepts in 1.170 as in many instances they reflect requirements in the audit standards and elsewhere. Our comments are in the nature of improving the clarity of the requirements in order to avoid confusion about the applicability of the ET versus other standards. We also strongly agree with the guidance in 1.170.0103, which reinforces the member's responsibility as to the Confidential Client Information Rule. Specific suggestions follow:

1.170.0104: the reference here to SEC rules and other governmental bodies is appropriate but we do not believe it goes far enough. A footnote citing Section 10-A requirements related to illegal acts and other specific requirements in federal rules such as Yellow Book requirements to report fraud related to federal funds. Understanding that it may not be possible to cite every specific instances of requirements, especially from state governments. Citing the important federal requirements, we believe would be useful and be a reminder for the member when performing engagements where such oversight is in place.

1.170.0106: reference is made here to the effect on client's financial statements. Here it may be helpful for a footnote to direct the member to specific requirements included in the audit standards (AU-C 250) and in SSSARS (AR-C 90.51).

1.170.0107: we note that with respect to tax matters, there is current guidance in the TS section 600 as to member's responsibilities with respect to knowledge of errors in the tax returns. Perhaps it would add clarity to add a footnote referencing those specific requirements.

1.170.0119: this requirement seems to soften the requirement in AU-C 250 which requires communication with those charged with governance. Some clarity here could be considered, perhaps with a footnote. To avoid confusion, consider removing the use of the term "when appropriate" when referencing those responsible for governance as we believe thehe requirement should be in all instances to communicate such information to those responsible for governance. It is hard to imagine a situation where such communication would not be beneficial and in the public interest.

1.170.0121(a): see comment above related specific references to SEC and Yellow Book rules.

1.170.0121 (b): see comment about specific references to relevant AU and AR standards

1.170.0122: we agree with this requirement for the component auditor in the spirit of improving the quality of group audits. However, this ET requirement appears to be breaking new ground in relationship to the requirements in AU-C 600. That is, there are currently no requirements in the AU-C as to the responsibilities of a component auditor when performing in a group audit setting, which, in our view, is a weakness in the standard. As such, for component auditors today, considering this issue may present a problem. We tend to agree that the place for component auditor guidance may be in the ET, but a piece meal approach only addressing this issue may not be the best point of entry to a more comprehensive review of the ethical requirements that a component auditor should have.

1.170.0123: the requirement in the last paragraph about the group engagement partner making inquiries about components seems odd. It is a requirement of AU-C 600 that the group auditor obtain an understanding of the group and its components. It seems that if this requirement is followed they will have already made these determinations, unless the component is immaterial to the group. In that case, we believe it may be burdensome for the group auditor to go beyond the initial understanding to undertake such an investigation to assist component auditors when the components are not material to the group financial statements.

1.170.0134: we assume that this comment refers to the situation where the audit review or engagement partner is for a client of the firm. But the placement here, after the preceding paragraph referencing not reporting the NOCLAR to the client's external auditor, is confusing. Perhaps this paragraph's intent can be worked into .31 and .32.

In conclusion, we welcome the additional clarity of a member's responsibility when providing professional services and the enhancements these interpretations will make to our public interest requirements.

We appreciate the opportunity to provide comments on these interpretations and are available to answer any questions you may have.

Sincerely yours,

Baker Tilly Virchow Krause, LLP