

## **8. Responding to Non-compliance with Laws and Regulations**

We will continue with sub-topic:

### **c. Professional Services other than Audits of Financial Statements**

In this KLip, we will cover the following topics:

- iii. Considering whether further action is needed**
- iv. Imminent Breach**
- v. Documentation**

#### **iii. Considering whether further action is needed**

The professional accountant shall consider whether further action is needed in the public interest.

Whether further action is needed will depend on factors such as:

- a. The legal and regulatory framework
- b. The appropriateness and timeliness of the response of management and/or TCWG
- c. The urgency of the situation
- d. The involvement of management or TCWG in the matter
- e. The likelihood of substantial harm to the interests of the client, investors, creditors, employees or the general public

When disclosing to an appropriate authority the matter, the following factors might be considered:

1. Whether doing so would be contrary to law or regulation.
2. Whether there are restrictions about disclosure imposed by a regulatory agency or prosecutor.
3. Whether the purpose of the engagement is to investigate potential non-compliance within the entity to enable it to take appropriate action.

If the professional accountant determines that disclosure of the non-compliance or suspected non-compliance to an appropriate authority is an appropriate course of action in the circumstances, that disclosure is permitted. When making such disclosure, the accountant shall act in good faith and exercise caution when making statements and assertions. The accountant shall also consider whether it is appropriate to inform the client of their intentions before disclosing the matter.

**iv. Imminent Breach**

In exceptional circumstances, the professional accountant might become aware of actual or intended conduct that the accountant has reason to believe would constitute an imminent breach of a law or regulation, and that would cause substantial harm to investors, creditors, employees or the general public.

In such circumstances, having considered whether it would be appropriate to discuss the matter with management or TCWG of the entity, the accountant shall exercise professional judgement. They shall determine whether to disclose the matter immediately to an appropriate authority in order to prevent or mitigate the consequences of such imminent breach of law or regulation. If disclosure is made, that disclosure is permitted.

**v. Documentation:**

The professional accountant is encouraged to document:

- The matter
- The results of discussion with management and/or TCWG and other parties
- How management and/or TCWG have responded to the matter
- The courses of action the accountant considered, the judgments made and the decisions taken
- How the accountant is satisfied that they have fulfilled their responsibility?

With this we come the end of training on Part 3 – Professional Accountants for Public Practice.

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