

In this KLiP, we will cover the last topic:

8. Responding to Non-compliance with Laws and Regulations

A self-interest or intimidation threat to compliance with the principles of integrity and professional behaviour is created when a professional accountant becomes aware of non-compliance or suspected non-compliance with laws and regulations.

What are the objectives of professional accountant when responding to non-compliance with laws and regulations?

The uniqueness of the accountancy profession is its acceptance of the responsibility to act in the public interest. Therefore, the objectives of professional accountants when responding to non-compliance or suspected non-compliance, are:

- i) To comply with the principles of integrity and professional behaviour
- ii) By alerting management, or TCWG of the client, to seek to:
 - a) Enable them to rectify, remediate or mitigate the consequences of identified or suspected non-compliance; or
 - b) *Deter* non-compliance, where it has not yet occurred
- iii) To take any further action, as appropriate in the public interest

Non-compliance with laws and regulations comprises acts of **omission or commission, intentional or unintentional**, which are contrary to the prevailing laws or regulations. This can be committed by any of the following parties:

- a) A client;
- b) TCWG of a client;
- c) Management of a client; or
- d) Other individual working for or under the direction of a client.

This code addresses the laws and regulations that they deal with:

- Fraud, corruption and bribery
- Money laundering, terrorist financing and proceeds of crime
- Securities markets and trading
- Banking and other financial products and services
- Data protection
- Tax and pension liabilities and payments
- Environmental protection
- Public health and safety

Non-compliance might result in fines, litigation or other consequences for the client, potentially and materially affecting its financial statements. Importantly, such non-compliance might have wider public interest implications in terms of potentially substantial harm to investors, creditors, employees or the general public.

In some jurisdictions, there are legal or regulatory provisions governing how professional accountants should address non-compliance or suspected non-compliance. These legal or regulatory provisions might differ from or go beyond the provisions in this section.

When encountering such circumstances, the accountant shall obtain an understanding of those legal or regulatory provisions and comply with them, including:

- Any requirement to report the matter to an appropriate authority
- Any prohibition on alerting the client, for example, pursuant to anti-money laundering

We continue further about the responsibilities of professional accountant in such circumstances, in our next KLiP.

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