

8. Responding to Non-Compliance with Laws and Regulations

The agenda would be:

- a) Responsibilities of All Professional Accountants**
- b) Audit of Financial Statements**
- c) Professional Services Other Than Audits of Financial Statements**

In this KLiP, we will discuss:

a) Responsibilities of All Professional Accountants

When a professional accountant becomes aware of a matter relating to non-compliance or suspected non-compliance, the accountant shall comply with this section on a timely basis i.e., by taking into account the nature of the matter and the potential harm it may cause to the interests of the entity, investors, creditors, employees or the general public.

b) Audit of Financial Statements

The responsibilities of professional accountants in the audit of financial statements with regards to non-compliance or suspected non-compliance are as follows:

- i. Obtaining an understanding of the matter
- ii. Addressing the matter
- iii. Determining whether further action is needed
- iv. Determining whether to disclose the matter to an appropriate authority
- v. Action to be taken in the case of an imminent breach
- vi. Documentation

i. Obtaining an understanding of the matter

If a professional accountant is engaged to perform an audit of financial statements, becomes aware of information concerning non-compliance or suspected non-compliance, the accountant shall obtain an understanding of the matter, including the nature and the circumstances in which it has occurred or might occur.

The professional accountant is expected to apply knowledge and expertise, and exercise professional judgement. Depending on the nature and significance of the matter, the professional accountant might consult on a confidential basis with others within the firm, a network firm or a professional body, or with a legal counsel.

The accountant shall discuss the matter of identified or suspected non-compliance that has occurred or might occur, with the appropriate level of management and/or to TCWG. The appropriate level of management is usually one level above the individual or individuals involved or potentially involved in the matter.

Ex: If they believe that management is involved in the non-compliance or suspected non-compliance, the accountant shall discuss the matter with TCWG or internal auditors.

The purpose of discussion is to clarify the understanding of the facts and circumstances and prompt management or TCWG to investigate the matter, if required.

With this we come to the end of the KLiP. We continue on how to address the matter of non-compliance or suspected non-compliance in audit of financial statement in our next KLiP.

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