

8. Responding to Non-Compliance with Laws and Regulations

We will continue with sub-topic, b) **Audit of Financial Statements**

In this KLiP, we will cover:

ii. Addressing the matter

By discussing the non-compliance or suspected non-compliance with management and/or TCWG, to address the matter, the professional accountant shall advise them to take appropriate and timely actions, if they have not already done so, to:

- Rectify, remediate or mitigate the consequences of the non-compliance
- Deter the commission of the non-compliance where it has not yet occurred
- Disclose the matter to an appropriate authority where required by law or regulation, or where considered necessary in the public interest

The professional accountant shall comply with the applicable:

- a. Laws and regulations; and
- b. Requirements under auditing standards, including those relating to:
 - Identifying and responding to non-compliance, including fraud
 - Communicating with TCWG
 - Considering the implications of the non-compliance or suspected non-compliance for the auditor's report

Communication with respect to component of a Group:

Where a professional accountant becomes aware of non-compliance or suspected non-compliance in relation to a component of a group in either of the following two situations, the accountant shall communicate the matter to the group engagement partner, unless prohibited by law or regulation:

- I. The accountant engaged to perform the audit of financial statements, is requested by the group engagement team to perform work on financial information related to the component; or
- II. The accountant is engaged to perform an audit of the component's financial statements for purposes other than the group audit, for example, a statutory audit.

And where the group engagement partner becomes aware of non-compliance or suspected non-compliance in the course of an audit of group financial statements, they shall consider whether the matter might be relevant to one or more components:

- ✓ Whose financial information is subject to work for purposes of the audit of the group financial statements; or
- ✓ Whose financial statements are subject to audit for purposes other than the group audit, for example, a statutory audit.

If the non-compliance or suspected non-compliance might be relevant to one or more of the components, the group engagement partner shall take steps to have the matter communicated to those performing work at the components, unless prohibited from doing so by law or regulation. If necessary, the group engagement partner shall arrange for appropriate inquiries to be made as to whether the relevant component(s) is subject to audit and the identity of the auditor.

The purpose of the communication is to enable those responsible for work at the components to be informed about the matter and to determine whether and, if so, how to address it in accordance with the provisions in this section.

With this we come to the end of the KLiP.

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