

## **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:

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

The professional accountant shall assess the appropriateness of the response of management and/or TCWG.

Relevant factors to consider in assessing the appropriateness of the response include, whether:

- The response is timely.
- The non-compliance or suspected non-compliance has been adequately investigated.
- Action has been, or is being, taken to rectify, remediate or mitigate the consequences of any non-compliance.
- Action has been, or is being, taken to deter the commission of any non-compliance where it has not yet occurred.
- Appropriate steps have been, or are being, taken to reduce the risk of re-occurrence, for example, additional controls or training.
- The non-compliance or suspected non-compliance has been disclosed to an appropriate authority where appropriate and, if so, whether the disclosure appears adequate.

From the response of management and/or TCWG, the professional accountant shall determine if further action is needed in the public interest.

The professional accountant shall exercise professional judgement in determining the need for, and nature and extent of further action. In making this determination, the accountant shall take into account whether a reasonable and informed third party would be likely to conclude that the accountant has acted appropriately in the public interest.

Further action that the professional accountant might take, includes:

- Disclosing the matter to an appropriate authority even when there is no legal or regulatory requirement to do so.
- Withdrawing from the engagement and the professional relationship, where permitted by law or regulation.

Where the professional accountant has withdrawn from the professional relationship, the accountant shall (on request by the proposed accountant), provide all relevant facts and other information concerning the identified or suspected non-compliance to the proposed accountant. The predecessor accountant shall do so, even in the circumstances where the client fails or refuses to grant the predecessor accountant the permission to discuss the client's affairs with the proposed accountant, unless prohibited by law or regulation.

If the proposed accountant is unable to communicate with the predecessor accountant, the proposed accountant shall take reasonable steps to obtain information about the circumstances of the change of appointment by other means including inquiries of third parties or background investigations of management or those charged with governance.

We will discuss what further steps to take in our next KLiP.

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