

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

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

In this KLiP, the topics for discussion are:

- iv. Determining whether to disclose the matter to an appropriate authority**
- v. Actions to be taken in the case of an imminent breach**

### **iv. Determining whether to disclose the matter to an appropriate authority**

Disclosure of the matter to an appropriate authority would be prohibited only if doing so would be contrary to law or regulation. The purpose of making disclosure is to enable an appropriate authority to investigate the matter and take action, in the public interest.

For example, the professional accountant might determine that disclosure of the matter to an appropriate authority is an appropriate course of action if:

1. The entity is engaged in bribery.
2. The entity is regulated and the matter is of such significance as to threaten its license to operate.
3. The entity is listed on a securities exchange.
4. It is likely that the entity would sell products that are harmful to public health safety.
5. The entity is promoting a scheme to its clients to assist them in evading taxes.

Disclosure of the matter to an appropriate authority also depends on some external factors such as:

- a. Whether there is an appropriate authority that is able to receive the information, and cause the matter to be investigated and action to be taken.
- b. Whether there exists robust and credible protection from civil, criminal or professional liability afforded by legislation or regulation.
- c. Whether there are actual or potential threats to the physical safety of the professional accountant or other individuals.

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 that disclosure, the accountant shall act in good faith and exercise caution when making statements and assertions.

**v. Action to be taken in the case of an 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 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 TWCG of the entity, the accountant shall exercise professional judgement and determine whether to disclose the matter immediately to an appropriate authority in order to prevent or mitigate the consequences of such imminent breach. If disclosure is made, that disclosure is permitted.

With this we come to the end of the KLiP. We will cover, what to document in our next KLiP.

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