

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

We will discuss sub-topic:

### c) Professional Services other than Audits of Financial Statements

The agenda would be:

- i. Obtaining an understanding of the matter and addressing it with management and TCWG
- ii. Communicating the matter to the entity's external auditor
- iii. Considering whether further action is needed
- iv. Imminent breach
- v. Documentation

In this KLiP, we will cover the (i) and (ii) topic:

#### i. **Obtaining an understanding of the matter and addressing it with management and TCWG**

If a professional accountant engaged to provide a professional service other than an audit of financial statements, becomes aware of information concerning non-compliance or suspected non-compliance, the accountant shall seek to obtain an understanding of the matter, including the nature and 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.

If the professional accountant identifies or suspects that non-compliance has occurred or might occur, the accountant shall discuss the matter with the appropriate level of management. Where appropriate, if the accountant has access to TCWG, the accountant shall also discuss the matter with them.

The purpose of the discussion is to clarify the understanding of facts and circumstances relevant to the matter and its potential consequences. It might also prompt for further investigation on the matter.

#### ii. **Communicating the matter to the entity's external auditor**

***If the professional accountant is performing a non-audit service for:***

- (a) An audit client of the firm/ a network firm; or
- (b) A component of an audit client of the firm/ a network firm,

Then the accountant shall communicate the non-compliance or suspected non-compliance within the firm or a network firm, unless prohibited by law or regulation. The communication shall be made in accordance with the firm's or network's protocols and procedures. In the absence of such protocols and procedures, the communication shall be made directly to the audit engagement partner.

***If the professional accountant is performing a non-audit service for a client that is not:***

- (a) An audit client of the firm/ a network firm; or
- (b) A component of an audit client of the firm /a network firm,

Then, the accountant shall consider whether to communicate the non-compliance or suspected non-compliance to the firm that is the client's external auditor, if any.

**Factors relevant to consider in communicating the matter to the entity's external auditor, includes:**

1. Whether doing so would be contrary to law or regulation.
2. Whether there are restrictions about disclosure imposed by a regulatory agency or prosecutor.
3. Whether the purpose of the engagement is to investigate potential non-compliance within the entity to enable it to take appropriate action.
4. Whether management or those charged with governance have already informed the entity's external auditor about the matter.
5. The likely materiality of the matter to the audit of the client's financial statements or, where the matter relates to a component of a group, its likely materiality to the audit of the group financial statements.

The purpose of communication is to enable the audit engagement partner to be informed about the non-compliance or suspected non-compliance and to determine how to address it in accordance with the provision of the Code.

With this we come to the end of the KLiP, we will cover the last topic in the next KLiP.

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