

NOCLAR—A PROPOSED REVISED FRAMEWORK

Objectives – All Categories of Professional Accountants (PAs)

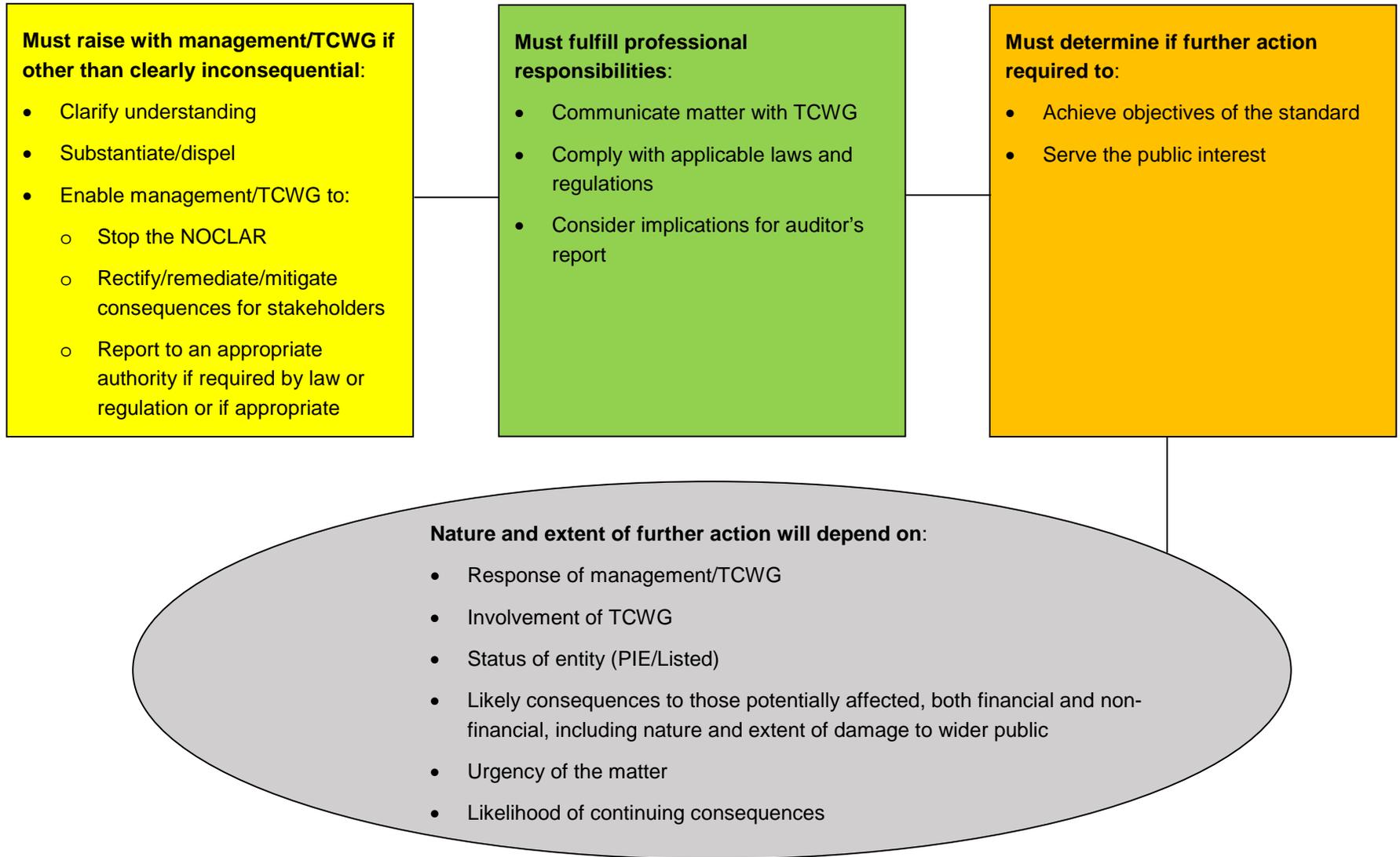
- To comply with fundamental principles of integrity and professional behavior
- To seek to avert NOCLARs that might have potential adverse consequences for stakeholders
- To assist management/TCWG to rectify, remediate or mitigate the consequences of NOCLARs where they do occur

Scope – All PAs

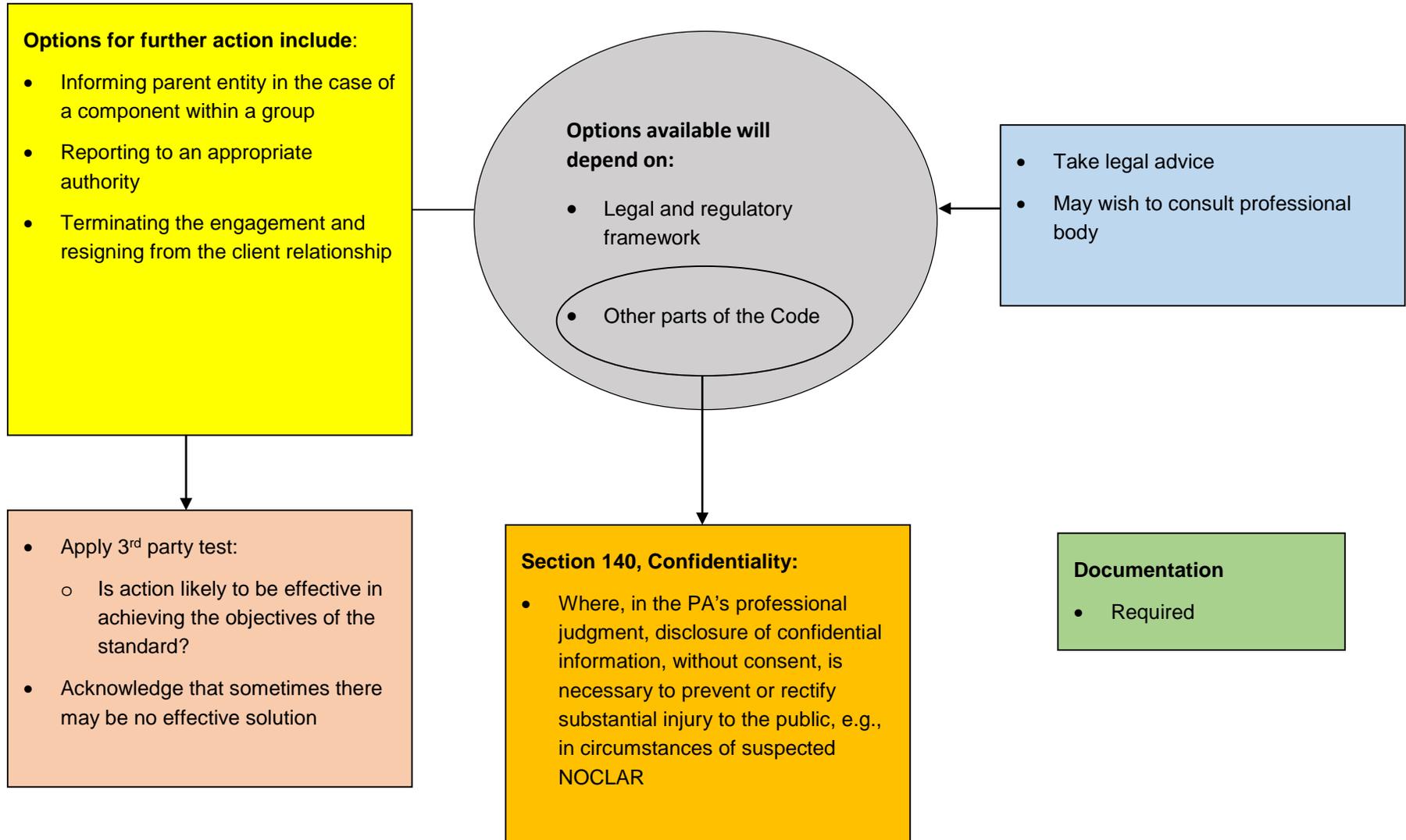
- Laws and regulations covered by ISA 250:¹
 - Laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements (e.g., tax and pension laws and regulations)
 - Other laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operating aspects of the business, to the entity's ability to continue its business, or to avoid material penalties (e.g., compliance with the terms of an operating license, compliance with regulatory solvency requirements, or compliance with environmental regulations)
- No distinction between PIEs and non-PIEs

¹ ISA 250, *Consideration of Laws and Regulations in an Audit of Financial Statements*

AUDITORS – REQUIRED RESPONSES WHEN COMING ACROSS SUSPECTED NOCLAR



AUDITORS – DETERMINATION OF FURTHER ACTION REQUIRED



SENIOR PROFESSIONAL ACCOUNTANTS IN BUSINESS (PAIBs)

Senior PAIB: Director, officer or employee able to exert significant influence over preparation of accounting records or financial statements or compliance with laws and regulations

Overarching Expectations:

- Set the right tone at the top (Section 300)
- Establish appropriate framework to prevent NOCLAR

REQUIRED RESPONSES WHEN COMING ACROSS SUSPECTED NOCLAR

Must fulfill professional responsibilities if matter other than clearly inconsequential:

- Raise with TCWG
- Comply with applicable laws and regulations
- Rectify/remediate/mitigate consequences
- Alert external auditor

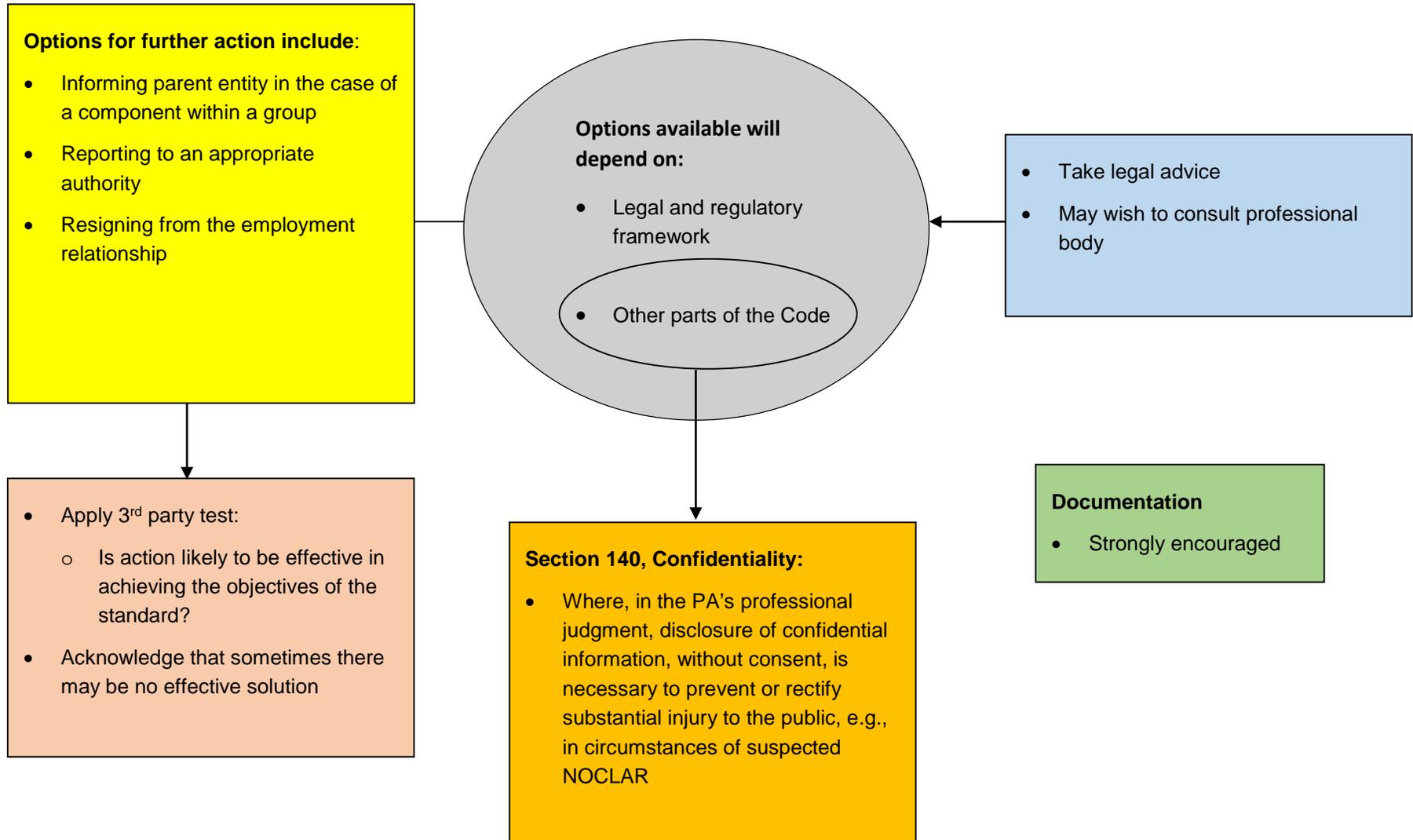
Must determine if further action required to:

- Achieve objectives of the standard
- Serve the public interest

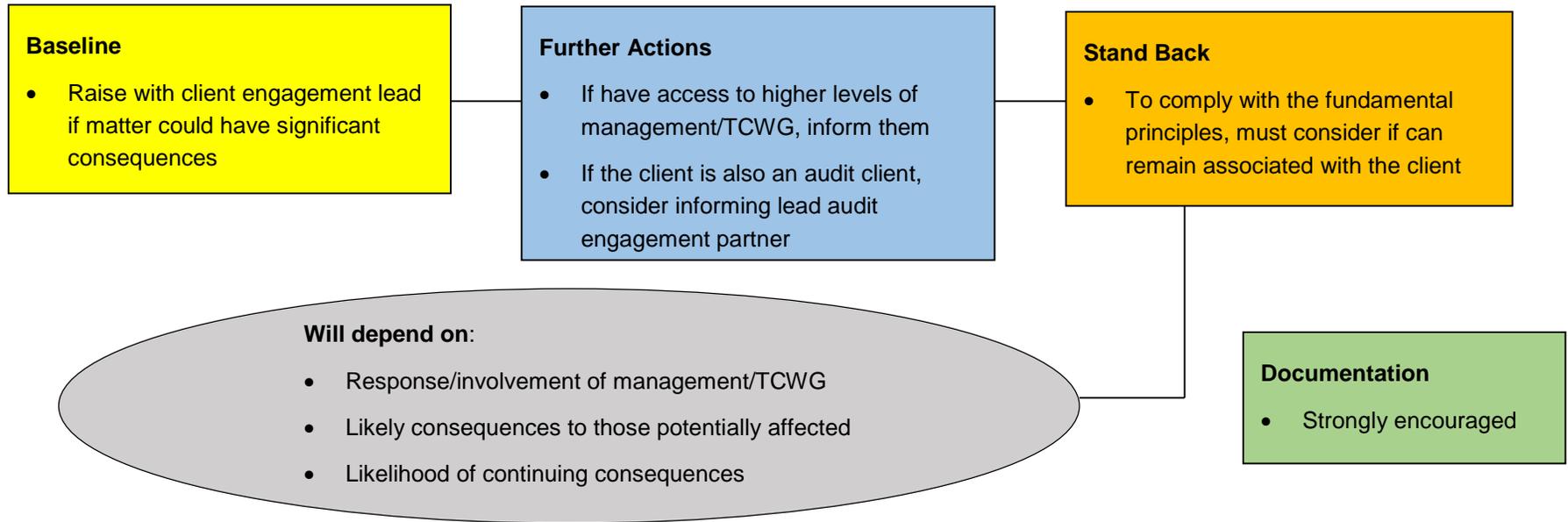
Nature and extent of further action will depend on:

- Response of TCWG
- Involvement of TCWG
- Status of entity (PIE/Listed?)
- Likely consequences to those potentially affected, both financial and non-financial, including nature and extent of damage to wider public
- Urgency of the matter
- Likelihood of continuing consequences

SENIOR PAIBs – DETERMINATION OF FURTHER ACTION REQUIRED



PA's IN PUBLIC PRACTICE OTHER THAN AUDITORS – REQUIRED RESPONSES WHEN COMING ACROSS SUSPECTED NOCLAR



PAIBs OTHER THAN SENIOR PAIBs – REQUIRED RESPONSE WHEN COMING ACROSS SUSPECTED NOCLAR

