

### NOCLAR—Comparison Between Exposure Draft and Proposed Framework

#### 1. Objectives

ED	Proposed Framework
<p>Not specified</p> <p>(Focus for all categories of PA is on disclosure of NOCLAR to an appropriate authority)</p>	<p>All categories of PA:</p> <ul style="list-style-type: none"> <li>➤ Comply with fundamental principles;</li> <li>➤ Seek to have consequences of identified/suspected NOCLAR rectified, remediated or mitigated, or deter commission of NOCLAR; and</li> <li>➤ Take any further action needed to serve public interest</li> </ul>

#### 2. Scope

ED	Proposed Framework
<p>For initial understanding/escalation process:</p> <ul style="list-style-type: none"> <li>➤ No limitations</li> </ul>	<p>All categories of PA: same scope as ISA 250</p> <ul style="list-style-type: none"> <li>➤ Laws and regulations having direct effect on financial statements</li> <li>➤ Other laws and regulations that may be fundamental to entity's business</li> </ul>
<p>For reporting to external auditor and/or to appropriate authority:</p> <ul style="list-style-type: none"> <li>➤ PAs serving audit clients: <ul style="list-style-type: none"> <li>➤ Matters affecting financial reporting or matters within PA's expertise</li> </ul> </li> <li>➤ PAs serving non-audit clients: <ul style="list-style-type: none"> <li>➤ Matters relating to subject matter of services provided</li> </ul> </li> <li>➤ PAIBs: <ul style="list-style-type: none"> <li>➤ Matters affecting financial reporting or matters within PA's expertise</li> </ul> </li> </ul>	

### 3. Becoming Aware of Suspected NOCLAR

ED	Proposed Framework
<p>All categories of PA:</p> <ul style="list-style-type: none"> <li>Obtain an understanding</li> <li>Substantiate/dispel</li> </ul>	<p>All categories of PA:</p> <ul style="list-style-type: none"> <li>Obtain an understanding</li> <li>Substantiate/dispel</li> </ul>

### 4. Escalation Process vs. Engaging with Management and TCWG

ED	Proposed Framework
<p>➤ For PAs serving both audit and non-audit clients:</p> <ul style="list-style-type: none"> <li>Comply with applicable laws and regulations</li> <li>Discuss with appropriate level of management</li> <li>Escalate if matter not appropriately addressed, including to TCWG if appropriate</li> <li>If disclosure to an appropriate authority would be in public interest, must advise the entity to do so</li> <li>Communicate with TCWG</li> </ul>	<p>➤ For auditors:</p> <ul style="list-style-type: none"> <li>Discuss with management/TCWG</li> <li>Prompt management/TCWG to take appropriate actions rectify/remediate/mitigate consequences; deter NOCLAR; disclose to appropriate authority</li> <li>Understand and comply with applicable laws and regulations</li> <li>Comply with professional standards</li> </ul> <p>➤ For PAPPs providing NAS:</p> <ul style="list-style-type: none"> <li>Discuss with management; or</li> <li>If have access to them, TCWG</li> </ul>
<p>➤ For PAIBs:</p> <ul style="list-style-type: none"> <li>Comply with applicable laws and regulations</li> <li>Raise with superior</li> <li>Escalate if matter not appropriately addressed, including to TCWG if appropriate, or go through internal whistle-blowing (WB) mechanism</li> <li>If disclosure to an appropriate authority would be in public interest, must advise the employing organization to do so</li> </ul>	<p>➤ For senior PAIBs</p> <ul style="list-style-type: none"> <li>Raise with superior or go through internal WB mechanism</li> <li>Rectify/remediate/mitigate consequences; seek to deter NOCLAR; alert external auditor; communicate with TCWG</li> <li>Understand and comply with applicable laws and regulations</li> </ul> <p>➤ For other PAIBs</p> <ul style="list-style-type: none"> <li>Raise with superior or go through internal WB mechanism</li> </ul>

## 5. Reporting to External Auditor

ED	Proposed Framework
<ul style="list-style-type: none"> <li>➤ For PAs serving non-audit clients: <ul style="list-style-type: none"> <li>• Required if entity has not disclosed to an appropriate authority</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>➤ For PAPPs providing NAS: <ul style="list-style-type: none"> <li>• Consider as a possible further action</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>➤ For PAIBs: <ul style="list-style-type: none"> <li>• Required if: <ul style="list-style-type: none"> <li>○ Escalation not possible and no internal WB mechanism; or</li> <li>○ Employing organization has not disclosed to an appropriate authority</li> </ul> </li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>➤ For senior PAIBs <ul style="list-style-type: none"> <li>• Required to fulfill professional responsibilities</li> </ul> </li> <li>➤ For other PAIBs <ul style="list-style-type: none"> <li>• Not required</li> </ul> </li> </ul>

## 6. Reporting to an Appropriate Authority

ED	Proposed Framework
<ul style="list-style-type: none"> <li>➤ For PAs serving audit clients: <ul style="list-style-type: none"> <li>• Required</li> </ul> </li> <li>➤ For PAs serving non-audit clients: <ul style="list-style-type: none"> <li>• Right and expectation</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>➤ For auditors: <ul style="list-style-type: none"> <li>• Determine if needed along with other possible actions – must apply 3<sup>rd</sup> party test</li> </ul> </li> <li>➤ For PAPPs providing NAS: <ul style="list-style-type: none"> <li>• Consider as a possible further action along with other possible actions</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>➤ For PAIBs: <ul style="list-style-type: none"> <li>• Right and expectation</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>➤ For senior PAIBs <ul style="list-style-type: none"> <li>• Determine if needed along with other possible actions – must apply 3<sup>rd</sup> party test</li> </ul> </li> <li>➤ For other PAIBs <ul style="list-style-type: none"> <li>• Not required</li> </ul> </li> </ul>

## 7. Documentation

ED	Proposed Framework
<ul style="list-style-type: none"> <li>➤ For PAs serving audit and non-audit clients: <ul style="list-style-type: none"> <li>• Required <ul style="list-style-type: none"> <li>○ Document steps taken to respond to suspected NOCLAR, including: individuals consulted; responses received; disclosure, if any, made to an appropriate authority</li> <li>○ If no external disclosure by PA, document: rationale for not disclosing and why PA decided to continue or not with the professional relationship</li> </ul> </li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>➤ For auditors: <ul style="list-style-type: none"> <li>• Required under auditing standards</li> </ul> </li> <li>➤ For PAPPs providing NAS: <ul style="list-style-type: none"> <li>• Encouraged <ul style="list-style-type: none"> <li>○ Document nature and substance of the matter, discussions held, decisions made</li> </ul> </li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>➤ For PAIBs: <ul style="list-style-type: none"> <li>• Required <ul style="list-style-type: none"> <li>○ Document steps taken to respond to suspected NOCLAR, including: individuals consulted; responses received; disclosure, if any, made to an appropriate authority</li> <li>○ If no external disclosure by PAIB: rationale for not disclosing, and if PA decided not to resign, why</li> </ul> </li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>➤ For PAIBs: <ul style="list-style-type: none"> <li>• Encouraged <ul style="list-style-type: none"> <li>○ Document nature and substance of the matter, discussions held, decisions made</li> </ul> </li> </ul> </li> </ul>