

## PIR of NOCLAR and the Restructured Code: Proposed Objectives, Scope and Approach

This paper is set out as follows:

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### I. Introduction

1. The IESBA's [Strategy and Work Plan for 2024-2027](#) (SWP)<sup>1</sup> includes pre-commitments to undertake post-implementation reviews (PIRs) on several significant pronouncements<sup>2</sup> released during 2016 to 2022.
2. At its June 2025 meeting, the IESBA agreed to make calibrated adjustments<sup>3</sup> to its forward strategy and work plan for 2025-2026 taking into account the feedback<sup>4</sup> from stakeholders, as well as its reflections on risks and opportunities relating to trends and developments in the external environment. Among these adjustments is placing a greater focus on PIRs. Accordingly, the IESBA agreed to commence in Q3 2025 work on the PIRs on:
  - [Responding to Non-Compliance with Laws and Regulations](#)<sup>™</sup> (NOCLAR®);<sup>5</sup> and
  - The [Restructured Code](#).<sup>6</sup>
3. The IESBA agreed to undertake these two PIRs jointly in order create synergies by reducing the burden on stakeholders to respond to multiple separate PIRs.
4. Consequently, Staff has commenced preliminary information gathering to inform the development of the proposed scope of, and approach to, the PIRs of NOCLAR and the Restructured Code.

<sup>1</sup> Paragraphs 125-141

<sup>2</sup> Which have effective dates ranging from 2017 to 2024

<sup>3</sup> These adjustments include a slowing down in the pace of standard-setting, with no significant new standards expected to be issued before 2027; a reinforcement of support for adoption and implementation (A&I) (including simplification initiatives); a greater focus on PIRs; and enhanced stakeholder engagement and communications.

<sup>4</sup> Includes the April 2025 IFAC-IESBA Global Summit in Paris, the May 2025 discussions with the Stakeholder Advisory Council (SAC) and the IESBA-Jurisdictional Standard Setters (JSS) liaison group, and outreach with other stakeholders in Q2 2025.

<sup>5</sup> Released July 2016 and effective July 2017

<sup>6</sup> Released April 2018 and effective June 2019

## II. Background to the NOCLAR Pronouncement and the Restructured Code

### NOCLAR

5. The NOCLAR pronouncement incorporates a response framework to guide professional accountants (PAs) in public practice (PAPPs) and PAs in business (PAIBs) on how best to act in the public interest when they become aware of NOCLAR or suspected NOCLAR.
6. The pronouncement sets out the PA's responsibilities when encountering such circumstances, guides the PA in assessing the implications of the matter and considering possible courses of action responding to the matter.

NOCLAR comprises acts of omission or commission, intentional or unintentional, which are contrary to prevailing laws or regulations<sup>7</sup> committed by:<sup>8, 9</sup>

- In the context of PAIBs – the PAIB's employing organization, those charged with governance, management, or others working for or under the direction of the employing organization.
- In the context of PAPPs – a client, those charged with governance, management, or other individuals working for or under the direction of the client.

### *Why Was the NOCLAR Project Started?*

7. The project was started in the aftermath of the major corporate scandals in the early 2000s, including Enron, Worldcom, Tyco Electronics, and Parmalat. While PAs have a prima facie ethical responsibility not to turn a blind eye to an act or suspected act of non-compliance,<sup>10</sup> PAs lacked practical guidance on how to respond to a NOCLAR situation and deciding how best to act in the public interest in such circumstances.
8. Concerns were also raised by the regulatory community and other stakeholders about:<sup>11</sup>
  - The duty of confidentiality under the Code acting as a barrier to timely disclosure by auditors of fraud and other NOCLAR to regulatory and enforcement authorities in the public interest.
  - Auditors simply resigning from the client relationship because of identified or suspected NOCLAR without the matter being appropriately addressed.
  - A lack of guidance in the Code about the thought process and relevant factors to take into account in determining an appropriate course of action in responding to the matter in the public interest.

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<sup>7</sup> Examples of the range of laws and regulations covered include those that address fraud, corruption, bribery, money laundering, terrorist financing and proceeds of crime, securities markets and trading, data protection, tax and pension liabilities and payments, banking and other financial products and services, environmental protection, public health and safety.

<sup>8</sup> In the 2024 version of the Code, paragraphs 360.5 A1 and 360.5 A2.

<sup>9</sup> In the 2024 version of the Code, paragraphs 260.5 A1 and A2.

<sup>10</sup> [NOCLAR Basis for Conclusions](#) paragraph 2

<sup>11</sup> [NOCLAR At-a-Glance](#) page 2

9. The IESBA therefore launched<sup>12</sup> the NOCLAR project in 2010 to address these concerns.

*How Was the NOCLAR Project Informed?*

10. The NOCLAR pronouncement was developed over more than six years, and included the following public consultations:
- An exposure draft (ED), [Responding to a Suspected Illegal Act](#), issued in August 2012.  
While respondents to the August 2012 ED were supportive of the IESBA exploring appropriate responses by PAs to instances of NOCLAR or suspected NOCLAR in the public interest, there were significant concerns across most stakeholder groups regarding the operability of the proposals, whether they were appropriately balanced, and the potential for unintended consequences.<sup>13</sup>
  - Three [global roundtables](#) in 2014 to solicit further views and input from stakeholders<sup>14</sup> on the issues in the light of the substantive concerns arising from the August 2012 ED.
  - A second ED [Responding to Non-Compliance with Laws and Regulations](#), issued in May 2015,<sup>15</sup> informed by the feedback from the August 2012 ED, the global roundtables, and additional stakeholder outreach.
11. In April 2016, the [pronouncement](#) was approved by the IESBA, with an effective date of July 2017.

**Restructured Code**

12. The Restructured Code final pronouncement integrates revisions from the following projects:
- [Structure of the Code project](#) – Structural and drafting enhancements, including:
    - Increasing the prominence of the overarching message that PAs or firms are required to comply with the fundamental principles, be independent, where applicable, and apply the conceptual framework.
    - Emphasizing that compliance with the fundamental principles and, where applicable, being independent, are the overarching requirements in the Code.
    - Distinguishing requirements from application material.
    - Increasing the clarity of responsibility, in particular in relation to independence.
    - Increasing the clarity of language to improve readability and understandability, including using simpler and shorter sentences, simplifying complex grammatical structures and avoiding legalistic and archaic terms.
  - [Safeguards project](#) – Revised “safeguards” provisions better aligned with threats to compliance

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<sup>12</sup> The [project proposal](#) was [approved](#) in November 2010, and covers both PAPPs and PAIBs. The scope included developing revisions to the fundamental principle of Confidentiality and two new sections to provide additional guidance for PA's on how to respond, and actions to take, in situations where they encountered a suspected illegal act.

<sup>13</sup> See [summary of significant comments on the August 2012 ED](#)

<sup>14</sup> See [summary of feedback from roundtable participants](#)

<sup>15</sup> See [summary of significant comments on the May 2015 ED](#)

with the fundamental principles.

- [Applicability project](#) – Clarification and guidance for PAPPs that relevant PAIB provisions also apply to them.
- [Professional Skepticism project](#) – New application material relating to professional skepticism and professional judgment, including new guidance on (i) the importance of understanding facts and circumstances when exercising professional judgment, and (ii) how compliance with the fundamental principles helps the exercise of professional skepticism in audit and other assurance engagements.

#### *Why Was the Structure Project Started?*

13. In February 2012, while discussing the revisions to the IESBA strategy 2011-2012, the IESBA noted that various stakeholders had commented on issues associated with the structure and clarity of responsibility in the Code. Therefore, the IESBA agreed to consider how the structure of the Code could be improved to raise the visibility of its requirements and clearly explain who is responsible for meeting them.<sup>16</sup>

#### *How Was the Structure Project Informed?*

14. In December 2012, the IESBA established a Structure Working Group to explore options for the way forward and consider how it might improve the structure of the Code.<sup>17</sup> The Working Group released its [Report and Recommendations](#) in April 2014.
15. A [Consultation paper](#) (CP) was issued in November 2014<sup>18</sup> to further inform the IESBA's thinking on the possible approaches that could be taken to improve the clarity of the Code by revising its structure. Two EDs were then issued in a phased approach, with the CP informing the first ED, which then informed the second ED:
  - ED-1, [Improving the Structure of the Code \(Phase 1\)](#), was issued in December 2015,<sup>19</sup> which involved establishing new proposed structure and drafting conventions for the Code and restructuring most of the extant Code, as well as a new proposed Guide to the Code.
  - ED-2, [Improving the Structure of the Code \(Phase 2\)](#), was issued in January 2017,<sup>20</sup> which involved restructuring the remaining provisions of the extant Code that were not included in Phase 1, as well as restructuring the NOCLAR and Long Association provisions that were approved in 2016.
16. In December 2017, the final text of the Structure project was approved by the IESBA, with an effective date of June 2019.

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<sup>16</sup> February 2012 [Meeting Summary](#), "Revised IESBA Strategy."

<sup>19</sup> In June 2013, the IESBA [approved](#) Terms of Reference ([March 2013 draft](#) and [June 2013 fine-tuning](#)) for Structure Working Group

<sup>18</sup> See [summary of significant comments to the November 2014 CP](#)

<sup>19</sup> See [summary of significant comments to the December 2015 ED-1](#)

<sup>20</sup> See [summary of significant comments to the January 2017 ED-2](#)

### III. Objectives, Scope and Approach of the NOCLAR and Restructured Code PIRs

17. To inform the development of the proposed objective, scope and approach for the NOCLAR and Restructured Code PIRs, Staff has:

- Reviewed previous PIRs undertaken by the IESBA and the International Auditing and Assurance Standards Board (IAASB), and the general PIR approach of the International Accounting Standards Board (IASB) and U.S. Public Company Accounting Oversight Board (PCAOB) (see [Appendix 1](#) for a summary of this review).

Based on this review, Staff notes that, in general, the PIRs undertaken by the various bodies are broadly aligned at a high-level as follows:

- Objective: To evaluate whether a standard achieved the intended purpose for which it was developed.
- Approach: To obtain information through diverse channels, including stakeholder outreach, public consultation, and the review and analysis of already available data.
- Outcomes: Report with findings and recommendations, which might include no further action or further steps, including continued monitoring, additional guidance, and/or modifications to the standard.
- Reviewed the [Integrated Due Process and Public Interest Framework Operating Procedures \(April 2025\)](#) for context in relation to undertaking PIRs. Staff notes that paragraph A44 provides guidance regarding the following:
  - The scope and form of a PIR, including information gathering and research. The scope and form may vary depending on the aspects of the new or revised international pronouncement that are being addressed.
  - Post-implementation activities, which may include periodic landscape assessments undertaken as part of the SWP development, desktop literature reviews, surveys, undertaking outreach with stakeholders or public consultation.
- Coordinated with IAASB Staff to:
  - Ensure that there is a general alignment in objectives and approach between this PIR and the IAASB's PIR on ISA 540 (Revised)<sup>21</sup> which has also commenced in Q3 2025; and
  - Lay down the initial draft foundation for the development of a general framework for undertaking PIRs to be used by both Standard Setting Bodies (SSBs) going forward. This framework is proposed to be finalized in December 2026, allowing the opportunity to integrate learnings from the PIRs being conducted now by both SSBs.

#### Proposed Objectives

18. Staff proposes that the PIR objectives<sup>22</sup> for NOCLAR and the Restructured Code be as follows:

- To determine whether the NOCLAR provisions and the enhanced structure and drafting of the

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<sup>21</sup> ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

<sup>22</sup> Aligned with IAASB

Restructured Code are being consistently understood and implemented in a manner that achieves the IESBA's intended purposes in developing the standards,

- To identify practical challenges and concerns regarding the application of these standards; and
  - To determine what actions, if any, are needed to address identified matters.
19. It will be important for the IESBA to identify and understand the root causes of why issues or questions, if any, are being raised by stakeholders in the PIRs. For example, misunderstanding (e.g., as evidenced by the misapplication of requirements) or questions about specific aspects of the standard or the application of specific requirements might indicate an education or training issue, a lack of clarity in the provisions, or inadequate methodologies, policies or procedures implemented within a firm or employing organization.
20. Understanding the root causes will help the IESBA to determine the appropriate course of action. For example, fundamental issues, if any, arising from the PIR relating to the clarity of the provisions might indicate that they are not working as intended and might warrant potential narrow-scope revisions. However, commonly raised questions about the application of specific provisions might indicate that the development of non-authoritative materials (e.g., additional IESBA Staff Questions & Answers) or other actions are warranted.

### **Proposed Scope**

21. Staff proposes that the scope of the PIR relating to:
- NOCLAR encompasses the entirety of Sections 260 and 360 in the Code, including any consequential implications relating to Section 114, *Confidentiality*, and Section 115, *Professional Behavior*.
  - The Restructured Code focuses on the structural and drafting enhancements arising from the Structure project only, rather than encompassing all the other revisions from the Safeguards, Applicability and Professional Skepticism projects.

This approach would be aligned to the overarching purpose of the Structure of the Code project, which was to review the structure and drafting of the Code with a view to enhancing its clarity and usability.

### **Proposed Approach**

22. Staff proposes an approach that comprises:
- (i) Desktop information gathering – Focusing on understanding the landscape of adoption and any implementation challenges faced by jurisdictions (e.g., existing data from IFAC and other professional accountancy organizations (PAOs), jurisdictional standard setters (JSS), and inspection reports from regulators and oversight bodies). This can inform the development of the public consultation survey and guide targeted outreach.
  - (ii) Targeted outreach with stakeholders – Across geographies (including Africa, the Americas, Asia Pacific, Europe and the Middle East) and categories (including PAIBs such as CFOs and other senior PAIBs, PAOs, firms, and regulators and oversight bodies). Staff also plans to obtain input from the investor community.

To facilitate the planning of this outreach, Staff recommends that the Board issues a

communiqué in Q4 2025 to raise awareness of the upcoming PIR outreach and consultation in 2026.

Staff recognizes that sufficient time will be needed to plan outreach to and engagement with stakeholders. Staff will therefore focus on planning these activities throughout the remainder of 2025.

- (iii) Public consultation – A survey questionnaire to be developed and launched on the website and circulated widely in January 2026.

In developing the public consultation, Staff will consider the key significant matters raised by stakeholders during the finalization of the NOCLAR and Structure projects, as highlighted in the respective Basis for Conclusions documents. Staff will also consider the matters raised in the [PIOB's public interest issues \(June 2025\)](#). Finally, the areas of assessment and emphasis highlighted in the SWP 2024-2027 (paragraphs 127<sup>23</sup> and 132<sup>24</sup>) will also be considered.

- (iv) A final report with recommendations to the IESBA – The recommendations might include no further actions or one or more of the following:
- Further information-gathering.
  - Standard-setting.
  - Development of non-authoritative materials or other initiatives.

23. Staff proposes that this approach takes place over the following timeframe:

Timing	Indicative Work Plan and Activities
Q3 2025	<ul style="list-style-type: none"> <li>Information gathering, including coordination with IAASB</li> <li>Develop proposed objectives, scope and approach to PIRs, and seek IESBA views</li> </ul>
Q4 2025	<ul style="list-style-type: none"> <li>Release IESBA communiqué to raise stakeholder awareness of the PIRs</li> <li>Develop outreach plan for Q1-Q2 2026 to support the public consultation survey</li> <li>Additional information gathering</li> <li>Develop the public consultation survey for the PIRs, and seek IESBA approval</li> <li>Initial targeted outreach</li> </ul>
Q1-Q2 2026	<ul style="list-style-type: none"> <li>Issue public consultation survey with a comment period of 90-120 days</li> <li>Targeted outreach</li> <li>Analyze initial PIR feedback</li> </ul>
Q3 2026	<ul style="list-style-type: none"> <li>Analyze PIR feedback</li> </ul>

<sup>23</sup> NOCLAR – The PIR will, amongst other things, assess the status of adoption and implementation of the NOCLAR provisions across jurisdictions, any key issues relating to the understandability of the provisions and the application of the provisions at the local level and whether it is meeting the project objectives, and any other implementation issues.

<sup>24</sup> Restructured Code – This PIR will assess whether the implementation of the Restructured Code around the world is effectively meeting the objectives of the project, focusing on the broader issues of usability, translatability and application.

Timing	Indicative Work Plan and Activities
	<ul style="list-style-type: none"> <li>Develop draft report and recommendations, and discuss with IESBA</li> </ul>
Q4 2026	<ul style="list-style-type: none"> <li>Finalize report and recommendations, and determine the way forward with IESBA</li> </ul>

#### IV. Information Gathering on Adoption and Implementation Challenges

24. To gain an understanding of the adoption landscape and implementation challenges relating to NOCLAR and the Restructured Code, Staff has:

- Reviewed data provided by IFAC Staff related to the adoption of the 2018 version of Code as of December 31, 2024.

The 2018 Code was used as the basis for this review because (i) NOCLAR and the Restructured Code are both contained in this version, and (ii) it is the reference version by which IFAC determines partial or non-adoption of the Code as part of its assessment of member's compliance with SMO 4.<sup>25</sup>

Based on this data covering 142 IFAC member organizations, Staff notes that 104 jurisdictions adopt or otherwise use the 2018 Code. For those jurisdictions not adopting or using the 2018 Code, IFAC Staff have observed some of the key reasons are because:

- Some jurisdictions face legal, regulatory, structural or institutional limitations that prevent the full implementation of all provisions in the Code, e.g., adoption of NOCLAR due to legal confidentiality requirements.
  - Some jurisdictions incorporate their own jurisdictional-specific legal, regulatory, or public interest requirements, resulting in differences from the Code.
  - Some jurisdictions are in the process of translating the Code or undergoing complex regulatory approval procedures to adopt a later version of the Code.
- Reviewed [IFAC's "2024 Global Adoption Status Snapshot"](#) as of 31 December 2023.<sup>26</sup> The Snapshot reports that while 26% of standard-setters refer to the Code directly as issued by the IESBA:
  - 32% of standard-setters require an official translation or republication of revisions or new requirements in order to be legally applicable.
  - 43% of standard-setters use a convergence approach (i.e., gradually eliminating differences to align national standards with international ones) to adopt the Code.

<sup>25</sup> All [IFAC member bodies](#) are required to comply with [IFAC's Statement of Obligations](#) (SMOs). SMO 4 sets out the requirements of an IFAC member organization with respect to the IESBA Code. SMO 4 requires adoption and implementation of standards no less stringent than the IESBA Code (paragraph 17 of the Preface to the SMOs). The current reference point for compliance with SMO 4 is the 2018 version of the Code.

<sup>26</sup> IFAC assesses adoption of the Code on a jurisdictional basis. This means that a jurisdiction can be assessed as a partial adopter if there are IFAC member bodies in the jurisdiction which have adopted the Code, but there are other PAOs in the jurisdiction which are not IFAC members and they have not adopted the Code or IFAC has no relevant information on them.



In jurisdictions that follow a convergence approach, national standard-setters compare all new and revised standards to those previously adopted and applicable in the jurisdiction. To fulfil their due diligence requirement, these authorities assess all aspects of a new standard or revision to determine whether changes nationally are necessary or if the existing standards already meet what is now outlined in the international standard. The thoroughness of this process can extend the official adoption timeline.

The Snapshot further reported that the rapid pace of change of the Code from the 2016 to 2022 versions of the Code, coupled with the fact that almost half of the standard-setters follow a convergence approach to adoption, has contributed to the slight decline in the “Adopted” rate of the Code.

It was further noted that adoption of new and revised ethics standards is further challenged in small and emerging economies due to limited resources as well as in jurisdictions where English is not an official or business language, thereby requiring translations for all standards.

- Reviewed past requests for information (RFIs) from JSS regarding the status of NOCLAR and Restructured Code adoption and implementation (see [Appendix 2](#) for a summary, by jurisdiction, of this review).

Regarding NOCLAR,<sup>27</sup> challenges raised by JSS include:

- Applying the concept of “substantial harm” caused to investors, creditors, employees or the general public as a result of non-compliance. (Ref: paragraphs 260.5 A3 and 360.5 A3.)
- A potential need to enact whistleblower legislation to facilitate NOCLAR disclosures to appropriate authorities. (Ref: 260.20 A3 and 360.25 A3.)
- For PAPPs or PAIBs, including those who might have responsibilities covering multiple jurisdictions, the understanding of all relevant laws and regulations, as well as local practices, in each jurisdiction. (Ref: paragraphs R260.6 and R360.6.)
- Applying the provisions related to an “appropriate authority,” resulting in issuance of local guidance. (Ref: R260.14 and other relevant paragraphs depending on the seniority level of PAIB, and R360.13 and other relevant paragraphs depending on type of engagement).

Regarding the Restructured Code, at the time of the RFIs in 2018-2020, JSSs had reported that they were in process of adopting or using the 2018 Code or had already done so.

- Met virtually with representatives of the Confederation of Asian and Pacific Accountants (CAPA), which represents 33 PAOs in the Asia Pacific region.

CAPA has undertaken a survey of its member bodies focusing on the adoption and implementation of NOCLAR. The survey took place between November 2024 and January 2025. The preliminary insights from this survey were shared with Staff and will inform the development of the IESBA's public consultation survey for the NOCLAR PIR.

Staff also explored potential targeted outreach in the Asia Pacific region with the CAPA representatives.

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<sup>27</sup> References to relevant NOCLAR provisions have been added by Staff.

- Coordinated with representatives of CPA Australia to participate in a CPA Australia webinar in Q4 2025, which would discuss the challenges that PAs in Australia have come across in relation to NOCLAR. The inputs from this webinar will also inform the development of the IESBA's public consultation survey for the NOCLAR PIR.

## **V. Appendices**

25. The following hyper-linked appendices present the Staff review summary, by standard-setter or jurisdiction, on:

- [Appendix 1](#): PIR approaches (IASB, IESBA, IAASB, PCAOB)
- [Appendix 2](#): 2018-2020 information provided by the JSS relating to NOCLAR and Restructured Code

## Appendix 1 – Review of PIR Approaches Undertaken in the Past or Applied by Others

	IASB <sup>28</sup> – <a href="#">General PIR Approach</a>	IESBA – Past Limited Scope PIR ( <a href="#">Long Association Phase 1, 2021</a> )	IAASB – Past PIR on a Standard ( <a href="#">Auditor Reporting, 2019-2021</a> )	PCAOB <sup>29</sup> – <a href="#">General PIR Approach</a>
<b>Objective</b>	<p>The objective of a PIR is to assess whether the effects of applying the new requirements on users of financial statements, preparers, auditors and regulators are as intended when the IASB developed those new requirements.</p> <p>A PIR includes consideration of how contentious matters that the IASB considered during development of the new requirements and how market developments since those new requirements were issued are being addressed in practice.</p>	<p>Review of the implementation status of a five-year cooling-off requirement to establish the extent to which the jurisdictional provision has been adopted by jurisdictions.</p> <p>Recommend the approach to be taken by the IESBA in relation to the expiry of the jurisdictional provision on December 15, 2023.</p>	<p>Determine if the standards are being consistently understood and implemented in a manner that achieves the IAASB's intended purpose in developing them so that the IAASB can determine what actions, if any, are needed:</p> <ul style="list-style-type: none"> <li>• To increase the consistency of practitioners' understanding of the Standards; and</li> <li>• For the Standards to achieve the intended purpose.</li> </ul> <p>Identify how practical challenges and concerns are being addressed and whether further action by the IAASB is needed.</p> <p>Understand the extent of global demand for additional information in the auditor's report.</p> <p>Understand the extent of global demand for wider application of the requirements that currently apply.</p>	<p>Post-implementation reviews evaluate the overall effect of a rule or standard, after a reasonable period of time has passed since its effective date.</p> <p>This includes:</p> <ul style="list-style-type: none"> <li>• Evaluating whether a rule or standard is accomplishing its intended purpose, as identified in the rulemaking release.</li> <li>• Identifying, wherever possible, costs and benefits.</li> <li>• Identifying unintended consequences.</li> </ul>

<sup>28</sup> International Accounting Standards Board

<sup>29</sup> Public Company Accounting Oversight Board

Appendix 1 – Review of IFAC Data on Adoption/Use of the 2018 Version of the Code  
IESBA Meeting (September 2025)

	<b>IASB<sup>28</sup> – <u>General PIR Approach</u></b>	<b>IESBA – Past Limited Scope PIR (<u>Long Association Phase 1, 2021</u>)</b>	<b>IAASB – Past PIR on a Standard (<u>Auditor Reporting, 2019-2021</u>)</b>	<b>PCAOB<sup>29</sup> – <u>General PIR Approach</u></b>
<b>Approach</b>	<p>Phase 1: The IASB identifies matters to examine through discussions with the Interpretations Committee, advisory groups, and stakeholders, then conducts public consultation on these identified matters.</p> <p>Phase 2: The IASB considers public comments, evaluates feedback, alongside additional analysis and determines next steps.</p>	<p>Issue initial update of approach to stakeholders</p> <p>Stakeholders' questionnaire (45 day comment period)</p> <p>Targeted Outreach</p> <p>Preliminary and final recommendations</p>	<p>Continue ongoing monitoring activities</p> <p>Issue a project update to inform stakeholders of the IAASB's activities, and highlight global trends identified to date.</p> <p>Initiate focused information gathering, (e.g., focused outreach). Sufficient time needed to plan outreach and engagement with stakeholders.</p> <p>Stakeholder survey (120-day comment period)</p> <p>Consider the further actions to be taken, if any (e.g., updates to FAQs, other forms of communication to stakeholders incl. additional feedback statements), or, if necessary, considering the need to revise the Standards.</p>	<p>Stakeholder outreach</p> <p>Audit firm surveys</p> <p>Large sample statistical analysis on quantitative PCAOB inspections data</p> <p>Qualitative PCAOB inspections data</p> <p>Benchmark audit and financial reporting quality metrics</p>
<b>Timing</b>	PIRs begin at least 24 months after implementation, though financial statements reflecting this experience are typically available 30-36 months after the effective date. The timing depends on the availability of trend data, academic research, and sufficient practical experience.	<p>PIR completed in 1 year</p> <p>Commenced 2 years after effective date (Dec 2018) and completed 2 years before the expiry (Dec 2023) of the jurisdictional provision</p>	<p>PIR completed in 2.5 years</p> <p>Commenced 3-4 years after effective date (Dec 2016)</p>	Not indicated

Appendix 1 – Review of IFAC Data on Adoption/Use of the 2018 Version of the Code  
*IESBA Meeting (September 2025)*

	<b>IASB<sup>28</sup> – <u>General PIR Approach</u></b>	<b>IESBA – Past Limited Scope PIR (<u>Long Association Phase 1, 2021</u>)</b>	<b>IAASB – Past PIR on a Standard (<u>Auditor Reporting, 2019-2021</u>)</b>	<b>PCAOB<sup>29</sup> – <u>General PIR Approach</u></b>
<b>Deliverables/ Potential Outcomes</b>	<p>Report and Feedback statement issued to stakeholders</p> <p>PIRs may lead to (i) standard-setting projects, (ii) guidance, (iii) educational materials, (iv) continued monitoring, or (v) no further action.</p> <p>The IASB acts when evidence shows (i) fundamental flaws in core objectives or principles, (ii) benefits to users are significantly lower than expected, or (iii) costs of application, auditing, or enforcement are significantly higher than expected.</p> <p>Matters are categorized as high, medium, low, or no action based on four criteria: substantial consequences, pervasiveness, addressability, and cost-benefits analysis.</p>	Final report and IESBA determination	<p>Final recommendations from the auditor report implementation working group arising from the PIR</p> <p>Feedback statement issued to stakeholders</p>	<p>Report and staff white paper(s) to provide transparency into the data sets used, methods applied, and results of the analysis.</p> <p>Analysis helps PCAOB evaluate need for additional guidance or standard modifications, inform development of other standards.<sup>30</sup></p>

<sup>30</sup> June 2023 presentation from PCAOB Staff to the PCAOB Standards and Emerging Issues Advisory Group on the PIR of “Supervision of Other Auditors”

## Appendix 2 – Review of Jurisdictional Standard Setters (JSS) 2018-2020 Requests for Information (RFIs)

### NOCLAR

- In Australia<sup>31</sup> APESB issued amending standard to the Australian Code in respect of NOCLAR. NOCLAR provisions became effective from January 1, 2018. In November 2018 APESB issued the restructured APES 110 which includes the NOCLAR provisions in their restructured format. The restructured APES 110 is effective from 1 January 2020. Encountered reported challenges included the scope of NOCLAR provisions (2019 RFI), particularly the definition of “substantial harm,” remained challenging for professional accountants, while newly enacted whistleblower legislation was expected to enable tax-related non-compliance disclosures to regulators, which were previously prohibited by law. APESB has previously incorporated the NOCLAR provisions into the extant APES 110. The extant provisions were effective from 1 January 2018. In 2020, APESB reported developing NOCLAR Q&A to assist PAs understand how the whistleblowing laws interact with key provisions in APES 110, such as confidentiality and NOCLAR.
- Brazil (Ibracon and CFC) reported, in 2019 RFI, working to propose changes in laws to incorporate NOCLAR in the local regulations and professional standards. In late 2018, following CFC’s approval, a proposal was submitted to the Brazilian government to amend the law to incorporate NOCLAR requirements and protections for accounting professionals reporting suspected or illegal activities. Reported challenges included the fact that while the proposal aligns with the government’s anti-corruption agenda, competing priorities may delay its approval, and no timeline could yet be estimated for voting on the project or adopting NOCLAR standards in Brazil.
- China (CICPA) reported having started the process of converging with restructured IESBA ethics code, including the NOCLAR. It has been planned to develop a draft based on IESBA code by June 2019 and finally issue the converged CICPA code by the end of 2019.
- In Japan, JICPA has been working to adopt the IESBA’s NOCLAR provisions in two phases, first for professional accountants in public practice (PAPP), with a final pronouncement planned for July 2018, and then for those in business (PAIB), with further guidance expected in 2019. However, due to legal confidentiality requirements under the CPA Act, which prohibits disclosure of client or employer information without justifiable grounds, the JICPA excluded the step of reporting NOCLAR to an appropriate authority from its implementation. In July 2018, JICPA released a) the newly developed Guidance on NOCLAR (for PAPP) and the revision of b) the Code. In 2019, Japan reported implementation of NOCLAR and Part C (provisions of PAIB). NOCLAR provisions for PAPP were effective as of April 1, 2019. As to the provisions for PAIB, JICPA planned to release the final pronouncement in July 2019.<sup>32</sup>
- In Netherlands, Netherlands Institute of Chartered Accountants (Royal NBA) reported implementation of NOCAR on January 1, 2019.

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<sup>31</sup> [Amendments to APES 110 Code of Ethics for PAs due to revisions to IESBA Code.](#)

<sup>32</sup> In Japan, Under Financial Instruments and Exchange Act 193-3, if an auditor (CPA or audit firm) of a listed company identifies a potential legal violation affecting the accuracy of financial documents, they must first notify the client to prompt corrective action. If no action is taken and the issue could materially impact the appropriateness of the financial statements, the auditor must report the matter to the Financial Services Agency.

- South Africa has adopted amendments to the IESBA Code of Ethics regarding NOCLAR with the effective date of 15 July 2016. The NOCLAR provisions in the IRBA Code of Professional Conduct for Registered Auditors are effective as of 15 July 2017. These provisions apply to registered auditors while conducting an audit of the financial statements and performing other professional services<sup>33</sup>. A communiqué relating to the NOCLAR Frequently Asked Questions was issued in October 2017.<sup>34</sup>
- Canada reported that NOCLAR has been under active consideration by the CPA profession's Public Trust Committee in relation to the CPA profession's existing ethical standards. Also, it has been noted that the regulatory environment is complex due to the division of authority across 10 provinces, 2 territories, and the federal jurisdiction. There is no single legal or regulatory requirement to report NOCLAR, nor a unified administrative framework for doing so. Additionally, there are no consistent legal protections or limitations in place for those who report NOCLAR. It has been reported in 2020, that during federal consultations on reviewing Canada's AMLTF regime, the profession has advocated for an overall framework for reporting and protections. CPA Quebec has issued guidance to members on safeguarding professional secrecy for clients and employers, as well as on new legislation permitting certain disclosures to the *Autorité des marchés financiers*.
- In Germany, the professional rules and EU Audit Regulation (EU No 536/2014) align with the IESBA's NOCLAR standard for audits of PIEs. For non-PIEs, German law is also largely aligned, except for the disclosure of NOCLAR to external authorities, which is generally prohibited due to strict confidentiality laws. The WPK was reviewing the professional provisions to consider possible minor amendments or improvements. In 2019, Specific Application material for NOCLAR has been included in WPK's Professional Charter and various NOCLAR guidance published. In 2020, development of further guidance pertaining to IESBA NOCLAR has been reported.
- In Hong Kong, The HKICPA adopted the IESBA's NOCLAR Standard in September 2016, with the same effective date as the IESBA's NOCLAR standard. Nevertheless, several practical challenges have been reported that might affect the implementation of the NOCLAR in some jurisdictions. (A) Additional Firm Resources: Large firms serve diverse clients operating across various sectors and jurisdictions, each subject to different laws and regulations. Firms need additional resources to ensure their professionals understand the legal context relevant to each client. Small and medium practices (SMPs) struggle with limited capacity to identify all applicable laws and regulations when faced with suspected NOCLAR. (B) State Secrecy Laws: For example, in some regions, state secrecy laws create uncertainty about whether communication under NOCLAR may breach national security regulations, making it difficult for accountants to proceed safely. (C) Laws vs. Local Practice: For example, in some regions, the practical application of laws may differ from their formal written interpretation.

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<sup>33</sup> [IRBA NOCLAR FAQ October 2017](#).

<sup>34</sup> NOCLAR has some similarity to the South African legislative requirement (whistle blowing provisions) of Reportable Irregularities (RI) for Registered Auditors, thus there was a need to clarify the difference between the two requirements, and to address how an auditor's action may cover both NOCLAR and local legislation.

- The NZAuASB incorporated IESBA's NOCLAR standard into section 360 of the Code when it issued the revised and restructured Code in December 2018, effective June 2019, and later adopted section 250 with Part 2 in October 2020, effective 15 December 2020. Professional and Ethical Standard 1<sup>35</sup> extends the NOCLAR framework, originally designed for audit engagements, to also cover review engagements. Chartered Accountants Australia and New Zealand (CAANZ) has proposed adopting the IESBA framework for non-assurance engagements for other professional accountants in New Zealand. The implementation of NOCLAR requirements aligns with the introduction of stronger anti-money laundering laws in New Zealand, including enhanced disclosure obligations for accountants. Challenges reported in 2020 related to the question of whether different types of engagements needed separate rules. NZAuASB decided that (A) Review engagements should follow the same NOCLAR (Non-Compliance with Laws and Regulations) rules as audit engagements, (B) Other assurance engagements no longer met the test for having different NOCLAR rules than international standards. As a result, when the NZAuASB issued their updated Code, they made the NOCLAR provisions for other assurance engagements consistent with the international IESBA Code, rather than following the stricter audit-level requirements they had previously applied. In essence, the approach was simplified by reducing the differences between national standards and international standards for certain types of assurance work.
- India (ICAI) has converged with NOCLAR standard as contained in its 2019 revised ICAI Code of Ethics, applying it from 1 April 2020 to audit assignments of listed entities for professional accountants in practice. The requirements for further action or disclosure have been adjusted to comply with client confidentiality provisions in the Chartered Accountants Act, 1949, making a legal requirement a prerequisite for proceeding. The revised Code also includes examples of "appropriate authority" to guide implementation in the Indian context. For professional accountants in business, NOCLAR applied only to employees of listed entities, with the scope of applicability to be reviewed in the future.
- In the UK, the FRC's Ethical Standard covers independence, including the principles of integrity and objectivity, while other ethical principles are addressed by professional accountancy bodies. The responsibility for addressing IESBA's NOCLAR standard rests with those professional bodies that align their ethical codes with the IESBA Code. Some UK professional accountancy bodies have already updated their codes of ethics and others have indicated they will do so. For example: ICAS has adopted the NOCLAR standard in its Code of Ethics applicable as of 1 November 2017<sup>36</sup>. ACCA's Rulebook<sup>37</sup> addresses ethics and sections on NOCLAR. ICAEW reported that "*The IESBA changes will be adopted by ICAEW in due course but may currently be considered as good practice guidance underlying the discussion in s140.7*".
- United States American Institute of Certified Public Accountant, Professional Ethics Executive Committee (AICPA PEEC) reported in 2020 that following Exposure Draft issuance on March 10, 2017, there were ongoing task force meetings to address the wide range of feedback,

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<sup>35</sup> [NZ Standard](#).

<sup>36</sup> Some recent resources can be found here: [ICAS NOCLAR References](#).

<sup>37</sup> [ACCA's Rulebook](#).



extreme diversity of comments received and challenges in implementation. Collaboration with stakeholders and regulators to create workable NOCLAR provisions has been underlined. Re-exposure draft date was estimated for February 2021. Task Force recommendations to PEEC based on comment letter feedback were expected in August 2021.

### **Restructured Code**

- In Australia<sup>38</sup>, between 2019 and early 2020, APESB updated its 20 other professional standards to align with the restructured APES 110. During this update, they also made improvements based on stakeholder feedback, including stronger auditor independence rules in APES 220 *Taxation Services*, updates to APES 330 *Insolvency Services* to reflect new legislation. Most standards took effect on 1 January 2020. APES 230 *Financial Planning Services* started later on 1 July 2020. Six guidance notes were implemented as they were issued throughout January-March 2020.
- New Zealand, NZAuASB issued the revised and restructured Code in December 2018, effective June 2019 (in line with IESBA effective date). The XRB (External Reporting Board) can only set ethical standards for assurance practitioners. In 2019, this mandate was expanded to include agreed-upon procedures engagements. Previously, New Zealand excluded Part 2 of the international ethics code (IESBA Code) from their national standards. However, the new restructured international code is more interconnected, and Part 3 now references Part 2 and new quality management standards reference the entire IESBA Code. Part 2 of the IESBA Code has been incorporated into Professional and Ethical Standard 1. Exposure draft dated April 2020 with final standard planned for October 2020.
- Canadian provincial CPA bodies maintain harmonized codes that are at least as stringent as IESBA standards, with exceptions only for legal, regulatory, or public interest reasons. A mapping project has been completed comparing the restructured IESBA Code with provincial codes. This will help inform decisions about adopting a more principles-based approach. A new Independence Standards Committee (ISC) was about to update Canadian independence standards based on IESBA changes while preserving stricter Canadian requirements where justified. The independent AASOC will oversee the ISC's work. Canada remains committed to aligning with international standards while maintaining their traditionally rigorous approach when required by the public interest.
- Germany has systematically worked toward adopting IESBA Code requirements through multiple assessment phases (2012-2013, 2015, and the 2018 version). The implementation of EU Audit Regulation into German law eliminated most remaining differences between German professional rules and IESBA standards by updating the German Commercial Code, Public Accountant Act (WPO), and WPK by-laws (Professional Charter, Charter for Quality Assurance). As a result, German professional rules combined with EU Audit Regulation now

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<sup>38</sup> In November 2018, APESB issued a restructured APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (APES 110) which incorporates the IESBA's 2018 Restructured Code (including the restructured Inducements provisions). The effective date of the restructured APES 110 is 1 January 2020. The restructured APES 110 is largely consistent with the IESBA Code – approximately 98% compliant. Differences are primarily intended to comply with Australian legal or regulatory requirements.

achieve convergence with IESBA Code of Ethics requirements, with the WPK continuing to monitor new IESBA releases to maintain this alignment.

- Hong Kong reported in 2020 that the HKICPA Code includes clarifications referencing Hong Kong legislation but maintains complete convergence with IESBA standards. In November 2018, HKICPA updated its Code to align with the IESBA Revised and Restructured Code, again without substantive changes to the international provisions. Beyond the core IESBA requirements, HKICPA has added local sections covering areas not addressed internationally (Parts D, E, and F) including additional ethical requirements, insolvency practice guidelines, and anti-money laundering provisions.
- In India, the ICAI Code of Ethics has been converged in line with 2018 edition of IESBA Code of Ethics edition. The converged edition has been effective since 1st July 2020. Some of the provisions of IESBA 2018 Code of Ethics have been suitably modified in the process of convergence. These modifications broadly fall under four categories: India's convergence with the IESBA Code includes modifications in four key areas: (A) stricter domestic rules, such as the complete ban on statutory auditors providing Accounting and Internal Audit Services; (B) legally binding domestic requirements that differ from IESBA provisions, like ICAI's Networking Guidelines; (C) unique domestic rules without IESBA equivalents, for example, firm rotation requirements alongside partner rotation; and (D) minor language adjustments reflecting domestic terminology, such as using "professional accountant in service" instead of "in business." The revised Code, issued as an ICAI Council Guideline, carries disciplinary consequences for non-compliance.
- Japan's ethical framework for accountants, established under the CPA Act and the JICPA Code of Ethics, is generally more stringent than the IESBA Code. JICPA has actively worked to align its Code and guidance with revisions to the IESBA Code, including ongoing updates to reflect the 2018 restructured version. Engagement with the Financial Services Agency and key stakeholders supports this alignment process. In July 2019, JICPA issued revised standards and guidance including updates on NOCLAR for professional accountants in business (PAIB) and provisions related to the preparation and presentation of information effectively implementing earlier IESBA amendments ahead of the full restructured Code. Independence checklists were also updated in April 2020 to mirror changes in long association requirements. As reported in 2020, JICPA was revising its Code, NOCLAR guidance, and other ethical guidance documents to fully incorporate the 2018 IESBA Restructured Code, with plans to release the final updated pronouncement in July 2022.
- In South Africa, the IRBA Code, comprising Parts A and B of the IESBA Code of Ethics, was adopted and effective from January 2011. It applies exclusively to registered auditors in public practice, as the IRBA is the regulator of the auditing profession. The IRBA Code includes stricter local requirements and, together with the IRBA Rules Regarding Improper Conduct, forms the basis for disciplinary actions against registered auditors. Published in English, it incorporates all subsequent IESBA Code updates. In 2018, the IRBA adopted the updated IESBA Code (including Parts 1, 3, 4A, and 4B) with local amendments after exposure in South Africa. Although Part 2 was not formally adopted, the IRBA Code does refer to Part 2 for auditors acting as professional accountants in business. This was possible as SAICA has adopted the IESBA Code in its entirety. The IRBA website provides guidance, including [mapping table](#) tracking changes from the extant IRBA Code to its November 2018 revision. In 2020, IRBA was working to adopt amendments aligning Part 4B with ISAE 3000 (Revised).

- In the UK, in 2020, FRC has found no significant cases where the IESBA Code's requirements are stricter than the FRC's Ethical Standards
- In the US, the AICPA's Professional Ethics Executive Committee (PEEC) interprets and enforces the AICPA Code of Professional Conduct, issuing rulings and revisions as needed to uphold integrity, objectivity, and professionalism. The PEEC has an IFAC Convergence & Monitoring task force that identifies and manages projects addressing differences between the AICPA Code and IFAC's ethical exposure drafts. Additionally, in 2020, AICPA staff planned to compare the AICPA Code with the IESBA Code and develop a convergence matrix to help members understand where AICPA addresses IESBA topics more robustly in non-authoritative guidance.