

**Meeting:** IESBA  
**Meeting Location:** New York  
**Meeting Date:** March 9-12, 2026

## Agenda Item 2

### **Post-Implementation Reviews (PIRs) of Responding to Non-Compliance with Laws and Regulations (NOCLAR®) Provisions and the Restructured Code**

#### **Objectives**

1. To consider:
  - (a) A presentation from the Confederation of Asian and Pacific Accountants (CAPA) regarding the adoption and implementation of the NOCLAR provisions in Asia Pacific; and
  - (b) Two draft surveys to inform the NOCLAR and Restructured Code PIRs.

The Project Team welcomes any comments and suggestions on both draft surveys (**Agenda Items 2-A and 2-B**) in advance of the IESBA meeting. Please email [kamleung@ethicsboard.org](mailto:kamleung@ethicsboard.org) and [JeanneViljoen@ethicsboard.org](mailto:JeanneViljoen@ethicsboard.org).

#### **Activities Since September 2025**

2. Since the September 2025 IESBA meeting, the Project Team<sup>1</sup> has met virtually with the Board Advisors on this workstream on multiple occasions and undertaken the following activities:
  - Developed two draft surveys to inform the NOCLAR and Restructured Code PIRs.
  - Provided input from the perspective of the Code's NOCLAR provisions to CAPA on its draft report on the "adoption and implementation challenges of NOCLAR in the Asia Pacific region."
  - To better facilitate the development of survey questions for the NOCLAR PIR, undertook targeted outreach with stakeholders in Asia on the implementation of the NOCLAR provisions of the Code (See Appendix for a summary of key takeaways).

#### *Coordination with the International Auditing and Assurance Standards Board (IAASB)*

3. The IESBA and IAASB<sup>2</sup> PIR project teams met in October 2025 to progress planning for the objectives of, and approach to, the two Boards' respective PIRs, incorporating feedback from the September 2025 IESBA and IAASB Board meetings.
4. The IESBA and IAASB PIR Project Teams met again in February 2026 to share updates on relevant developments regarding the status and progress of the PIRs of both Boards.

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<sup>1</sup> The Project Team comprises Kam Leung (IESBA Director and Project Lead) and Jeanne Viljoen (IESBA Principal). The Board Advisors to the Project Team are Saadiya Adam (IESBA Member), Sung-Nam Kim (IESBA Member) and Rania Uwaydah Mardini (IESBA Member).

<sup>2</sup> The IAASB has commenced a PIR on ISA 540.

### Presentation From Guest Speaker

5. From November 2024 to January 2025, CAPA conducted a survey among its member bodies to gain insight into the adoption and implementation challenges of the NOCLAR provisions in the Asia Pacific region.
6. At the March Board meeting, Johnny Young, Executive Director of CAPA, will give a presentation on the insights gleaned from the CAPA survey.
7. The presentation is intended to help inform the IESBA's consideration of the survey questions relating to the NOCLAR PIR.

### Timing of the Release of the Surveys and Comment Periods

8. Subject to the IESBA's approval of both surveys and as agreed in coordination with the IAASB Project Team,<sup>3</sup> the IESBA Project Team will release both surveys, through both a digital platform and in Word format, according to the following timelines:

| Survey    | Release Date | Comment Period          | Indicative Deliverables at Upcoming IESBA Board Meetings  |
|-----------|--------------|-------------------------|---|
| Structure | April 1      | 94 days ending July 3   | <ul style="list-style-type: none"><li>September 2026: Review of survey feedback, draft report and recommendations</li><li>December 2026: Final report and recommendations</li></ul> |
| NOCLAR    | April 1      | 121 days ending July 30 | <ul style="list-style-type: none"><li>December 2026: Review of survey feedback, draft report and recommendations</li><li>March 2027: Final report and recommendations</li></ul>     |

### Action Requested

9. IESBA members are asked to:
  - (a) Share views on, or reactions to:
    - (i) The updates on the feedback from the Asia Outreach provided by the Project Team in the Appendix; and
    - (ii) The presentation from CAPA; and
  - (b) Approve the draft surveys set out in **Agenda Items 2-A** and **2-B**;

### Material Presented

|                 |                              |
|-----------------|------------------------------|
| Agenda Item 2-A | Draft PIR Survey – NOCLAR    |
| Agenda Item 2-B | Draft PIR Survey – Structure |

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<sup>3</sup> See [public announcement](#) of release dates for the IESBA and IAASB PIR surveys as part of the announcement of the release of the two Boards' joint Strategy and Work Plan 2028-2031 survey.

## Appendix

### Summary of Outreach in Q1 2026

#### Introduction

1. In Q1 2026, a member of the PIR Project Team and other IESBA representatives engaged with several stakeholders in Singapore, Malaysia, and Hong Kong SAR as part of the IESBA Chair's outreach in Asia. The key takeaways from these meetings in relation to NOCLAR are provided below.

#### Meeting with Singapore Chief Financial Officers (CFOs) – January 12, 2026

2. Key comments from participants included:

- A good organizational culture and clearly structured escalation channels within a company are important with respect to NOCLAR. For example, it was seen as positive if NOCLAR is reported without retaliation, and there are clear internal reporting lines and whistleblower channels to do so.
- In some jurisdictions, the laws and regulations are not yet fully developed, so what is considered NOCLAR is not clear.
- The cultural and societal norm in a particular jurisdiction is crucial for the NOCLAR standard to work. Responding to NOCLAR becomes uncertain when that norm permits non-compliance with laws and regulations (i.e., "everyone is complicit and silent").

For example, a public authority in a jurisdiction is aware that non-compliance is occurring but does nothing about it (e.g., overtime hours which are over statutory limits, or building permits which do not meet health and safety requirements, or specialized factories which do not make the required earnings contributions into their reserves).

- It is unclear what one can do if there is no evidence to confirm the NOCLAR allegations or suspicions, even after going through the response framework as set out in the NOCLAR standard (short of reporting to an appropriate authority as there is a lack of sufficient hard evidence).

For example, fraud committed by top management of a listed company might be challenging to prove without whistleblowing, or bribery might be common in certain markets if it is complicitly 'allowed' throughout that jurisdiction.

- When becoming aware of NOCLAR, less experienced employees might give in to pressure from leadership more easily and lack the fortitude to stand their ground and respond to NOCLAR even when they become aware of it. In such cases, it was emphasized that standing one's ground (i.e., doing the right thing despite pressure from others) should come from the tone at the top.
- More guidance can be provided (such as case studies) to help guide less experienced employees in considering what is NOCLAR and what actions they can take.
- The cost of doing nothing with respect to NOCLAR was emphasized.

### Meeting with Association of Chartered Certified Accountants Asia-Pacific (ACCA APAC) – January 12, 2026

3. It was noted that Singapore is very strict on anti-money laundering (AML) and therefore the NOCLAR standard is very relevant. Accordingly, a participant asked if it would be possible for IESBA to develop guidance on how to implement the NOCLAR standard in the context of AML for a bank.

IESBA representatives noted that while IESBA staff do issue frequently asked questions to support general adoption and implementation of IESBA standards, specialized implementation guides are generally not issued by the IESBA.

### Meeting with Singapore Firms<sup>4</sup> – January 13, 2026

4. Key comments from participants included:
- Singapore adopted the NOCLAR standard in 2000 with no modifications. [Implementation guidance](#) was issued by the Institute of Singapore Chartered Accountants (ISCA) to support adoption and implementation.
  - The NOCLAR standard is seen to enable auditors to be more confident when addressing NOCLAR with the client. Despite difficult conversations with client management on NOCLAR matters, often with client management “hinting” that they could change auditors, the NOCLAR standard empowers the auditor hold their ground because they are less worried about losing the client. This is because the next audit firm would be in the same position of having to respond to such NOCLAR as it would also be required to apply the NOCLAR standard.
  - NOCLAR matters were more transparently shared by the client with the auditor in the past. However, with the NOCLAR standard now effective, it was viewed that clients might be more hesitant to do so.
  - A suggestion to change the scope of the standard from excluding matters which are “clearly trivial or inconsequential” to “substantially inconsequential in the public interest,” as the threshold of “clearly trivial or inconsequential” is challenging to determine and leads to a significant volume of firm consultations. This is because there is usually a firm policy to consult whenever partners or staff are unsure of the [impact] of the NOCLAR, regardless of materiality.
  - Questions were also raised over:
    - The “level playing field,” and why professional accountants are subject to the NOCLAR standards whereas other accountants are not.
    - Whether matters of personal conduct (e.g., extramarital affairs) are considered within the umbrella of the NOCLAR standard. IESBA representatives noted that this is out of scope of the NOCLAR standard.
    - Whether the consideration of reporting to an appropriate authority is necessary within the NOCLAR standard, as auditors can report to the Audit Committee of a company directly already. In this regard, the applicability of ISA 250<sup>5</sup> was highlighted. IESBA

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<sup>4</sup> Representatives of the Singapore Accounting and Corporate Regulatory Authority (ACRA) and Institute of Singapore Chartered Accountants (ISCA) were also present.

<sup>5</sup> ISA 250, *Consideration of Laws and Regulations in an Audit of Financial Statements*

representatives noted that while the IAASB and IESBA standards are interoperable, the NOCLAR standard has broader applicability and different objectives than ISA 250.

#### **Meeting with Malaysian Firms<sup>6</sup> – January 16, 2026**

5. Key comments from participants included:

- Malaysia adopted the NOCLAR standard in 2017 with no modifications.
- The challenge with responding to NOCLAR is when the matter is suspected, rather than known.

Known NOCLAR is straightforward to respond to and report, as there is hard evidence. When the NOCLAR matter is suspected, the question arises as to when to report it, given both the requirements of the NOCLAR standard and local laws and regulations.

The NOCLAR standard allows for a ‘discovery’ process whereby auditors can investigate the matter with client management through the escalation mechanism set out in the standard. On the other hand, local laws and regulations specify that any NOCLAR (suspected or known) is to be reported within 30 days.

Therefore, auditors must balance when to report to authorities versus when to continue investigation. It was highlighted that this judgment is sometimes difficult to make – if the matter is reported too early, it could disrupt the entire market without being based on sufficient evidence; if it is reported too late in order to allow for more time for investigation, it could be seen as the auditor’s fault.

It was suggested that IESBA issue guidance on helping professional accountants make this judgement, including what would be considered “suspected” NOCLAR.

IESBA representatives noted that auditors must comply with the local laws and regulations in all circumstances, and that if the firm has acted in good faith to comply with the NOCLAR standard given the context of local laws and regulations, this would be sufficient discharge of the firm’s responsibilities under the Code.

In this regard, it was suggested that what is “in good faith” could also be further defined, e.g., whether there are any court cases that have settled this concept.

- The NOCLAR standard provides helpful procedures and processes for the auditor to follow when a NOCLAR is detected.
- The engagement letter with the client should cover the circumstance where NOCLAR is detected and is ultimately reported to an appropriate authority. This is because such reporting could infringe on confidentiality and data protection. It was noted that usually when issues are detected, they are reported to the Audit Committee.

#### **Meeting with CAPA – January 14, 2026**

6. CAPA is interested in the NOCLAR PIR that the IESBA is conducting, highlighting its own survey to its member bodies on NOCLAR.

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<sup>6</sup> Representatives of the Securities Commission Malaysia (MY SECCOM) were also present.

7. Further collaboration with IESBA was encouraged, e.g., similar to the IESBA Staff's input on CAPA's draft report for the adoption and implementation of the NOCLAR provisions in the Asia Pacific region.

#### **Meeting with the Malaysian Institute of Certified Public Accountants (MICPA) – January 15, 2026**

8. From the Chair of MICPA's experience, the success stories of speaking up and responding to NOCLAR is largely due to strong firm culture and governance. This is because responding to NOCLAR depends on:
  - The ability to comprehend what to do (e.g., this can be cultivated through guidance, case studies, success stories, etc. that cover not just auditors but also those on the receiving end of a reported NOCLAR, such as the Audit Committee); and
  - The courage to stand one's ground, whistle-blow and make decisions against potential pressures (e.g., this can be cultivated through tone at the top and internal governance structures).

#### **Meeting with Malaysian CFOs<sup>7</sup> – January 15, 2026**

9. Key comments from participants (who were largely CFOs of government-regulated entities) included:
  - An observation that despite the NOCLAR standard being in place, fraud is still happening. Despite this, it was highlighted that the duty of care among CFOs is high in Malaysia as no one wants to go to jail.
  - The NOCLAR standard is useful because it sets out what one should do, rather than leaving it to professional accountants to merely exercise their professional judgement. CFOs then would want to make sure they comply with the NOCLAR standard.
  - It was pointed out that since most of the participants in the discussion were CFOs of government-regulated entities, their culture is predicated on integrity. Therefore, a NOCLAR matter that is not reported or addressed would impact their credibility and even their operating license might be lost. Further, there is a reputational risk given that with the current speed of social media, the public would know almost immediately about the NOCLAR matter occurring in the company.

For example, within one company it was highlighted that there is a strong whistleblowing policy that protects whistleblowing, and strong governance processes that enable cases to be investigated. If someone brings up an issue, the whistleblower report goes to the auditor who then reports the matter to the audit committee.

- Guidance on whether, and if so, how the concept of materiality applies to responding to NOCLAR would be helpful.
- It is important to cascade responsibility of NOCLAR awareness and how to respond to it, throughout the team.
- Being compliant yet nimble enough to support business decisions is important.

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<sup>7</sup> Representatives of the Securities Commission Malaysia (MY SECCOM) were also present.

## **Meeting with the Hong Kong Independent Commission Against Corruption (ICAC) – January 19, 2026**

10. ICAC was very interested to hear about the IESBA NOCLAR PIR and asked for the final report and findings to be shared with them.

## **Meeting with Hong Kong Firms<sup>8</sup> – January 21, 2026**

11. Key comments from participants included:

- When applying the NOCLAR standard, one of the main judgements for an audit team is whether a NOCLAR matter is clearly inconsequential or more than inconsequential.
- In larger firms, consultation is required if the team believes that a NOCLAR matter is more than inconsequential. The challenge is when a matter appears initially 'small' but when scrutinized and investigated, it is much more significant.
- More guidance on how to apply the NOCLAR standard to various circumstances would be helpful, e.g., it was noted that the Accounting and Financial Reporting Council (AFRC) and Securities and Futures Commission (SFC) highlight what are critical or 'dubious' areas, such as money loans, other receivables, investments, etc.
- When a NOCLAR matter is not identified, there is also question of whether there is sufficient education on the NOCLAR standard and what is considered NOCLAR. It was noted that more experienced team members tend to have more experience in identifying NOCLAR matters. There was also a view that due to the ISA 250 linkage with the NOCLAR standard, all staff in larger firms are deemed to be aware / understand the NOCLAR standard.
- There are many different types of laws and regulations relevant for various industries, so one of the challenges that a professional accountant faces in applying the NOCLAR standard is that they are not aware of when there is a breach of a specific law or regulation since there are so many. A professional accountant should not be expected to know every law and regulation relevant to the operation of the client.
- Culture and societal practices in each jurisdiction matters. For example, if there is a certain practice that is common across all companies in a specific industry, but the appropriate authorities are not doing anything about it, it was questioned whether this would qualify as "clearly inconsequential" and whether the auditor should report it as NOCLAR.

Specifically for initial public offerings, the auditor would seek a legal opinion on these types of situations, but in an annual audit, they might not because it is common practice and no action is taken by the appropriate authorities.

- Suspected fraud is challenging to respond to, because there is no hard evidence even after asking the client to investigate. Even when the auditor asks for a legal opinion as to whether such cases can be reported to an appropriate authority, the legal opinion says not to because there is no hard evidence.

Nevertheless, in these circumstances, the auditor will raise it with the Audit Committee in the hope that they will push for an investigation or appropriate disclosures in the report.

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<sup>8</sup> Representatives of the Hong Kong Institute of Certified Public Accountants (HKICPA) were also present.

Alternatively, the Audit Committee might ask the firm to resign, but in these cases the reason for resignation will need to be disclosed to the Hong Kong Stock Exchange or the SFC. The AFRC will also ask for reasons for late resignations as an auditor of a client.

- It was observed that after the NOCLAR standard came into place, accounting firms (especially the larger ones) doubled or tripled their legal counsel.
- How a NOCLAR matter that has been escalated is dealt with depends on the client / company. Some client management or Audit Committees drive further investigation or disclosures, while some request the auditor to resign.

However, for the auditor, simply resigning is not an easy decision, especially if it is for suspected fraud, because after resignation it becomes extremely difficult to gather evidence and this poses an even larger liability for the firms.

- For smaller firms, or auditors of entities that are not public interest entities, when dealing with suspected NOCLAR, they would push to defer the reporting deadline or put the financial statement opinion on hold until there is sufficient evidence as to whether there is indeed NOCLAR. Nevertheless, during the investigative process, the client might also ask the auditor to resign.
- Hong Kong does not have whistleblowing laws to protect firms when they do report NOCLAR. However, there is an Organized and Serious Crimes Ordinance (OSCO) in Hong Kong whereby every resident has the duty to report any indictable offence, including misappropriation of assets. There were also views that “any indictable offence” is a very broad umbrella.
- Another challenging matter is identifying when an audit issue (e.g., unusual bank accounts and/or journal entries) becomes a NOCLAR matter. It was also noted that some laws are not yet fully developed (e.g., on virtual assets), so it is challenging for the practitioner to determine whether information indicates the existence of a NOCLAR matter.

### **Meeting with Hong Kong CFOs<sup>9</sup> – January 21, 2026**

#### **12. Key comments from participants included:**

- What everyone determines to be a NOCLAR matter might be different due to different upbringing, culture and perspectives. Therefore, one of the challenges of the NOCLAR standard is determining what is a NOCLAR matter.
- There was a view that a CFO would not understand or be aware of the requirements of the Code, let alone NOCLAR. Their main priority is business and generating profits. Therefore, a key issue is how to bridge the gap between those who do not care about ethics and the Code to those who do care.
- Even when NOCLAR is known, sometimes it is not pursued as it is too time-consuming or costly to investigate further, or due to fear of retaliation and the loss of one’s job/ career. There is also a reluctance to report NOCLAR because there is no whistleblowing law in Hong Kong.

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<sup>9</sup> Representatives of the HKICPA were also present.