



**FREQUENTLY ASKED QUESTIONS ON NON-COMPLIANCE WITH LAWS AND
REGULATIONS (NOCLAR) FOR REGISTERED AUDITORS**

This publication has been prepared by the NOCLAR Task Group of the Independent Regulatory Board for Auditors' (IRBA) Committee for Auditor Ethics (CFAE). **It does not constitute an authoritative pronouncement from the IRBA**, nor does it amend or override the IRBA Code of Professional Conduct for Registered Auditors, International Standards on Auditing, South African Standards on Auditing, South African Auditing Practice Statements or South African Guides (collectively called pronouncements).

Further, this publication is not meant to be exhaustive. Reading this publication is not a substitute for reading the abovementioned pronouncements.

The IRBA has responded to the interest raised about the implications of NOCLAR in the South African context by developing these IRBA Frequently Asked Questions. This publication aims, among others, to explain the interaction between NOCLAR obligations and other legislative reporting obligations applicable to registered auditors, such as reportable irregularities under Section 45 of the Auditing Profession Act. Appendix A reflects a detailed comparison between reportable irregularities and NOCLAR.

This publication is intended to assist registered auditors as they adopt and implement the provisions of Section 225 of the IRBA Code of Professional Conduct for Registered Auditors (the IRBA Code), addressing the responsibility to respond to non-compliance with laws and regulations.

Readers are cautioned to seek appropriate professional advice for their circumstances.

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.

CONTENTS

	Page
Definitions and Abbreviations.....	3
Section 1: Reportable Irregularity (RI) and NOCLAR	4
Section 2: Confidentiality	7
Section 3: Clarification of NOCLAR Terms.....	7
Section 4: NOCLAR and Other Professional Services.....	8
Section 5: Responsibility.....	9
Section 6: NOCLAR and Legislation.....	10
Section 7: NOCLAR and the Auditor-General South Africa (AGSA).....	11
Section 8: NOCLAR and Client Acceptance.....	11
Section 9: Effective Date.....	11
Appendix A: Comparison between RI and NOCLAR.....	12

The International Ethics Standards Board for Accountants (IESBA) released staff-prepared Questions and Answers on NOCLAR. Therefore, several questions below are cross-referenced to the *IESBA Staff Questions and Answers on NOCLAR for Professional Accountants in Public Practice* (IESBA Staff Q&A). The IESBA document can be viewed on the [IESBA website](#) or the [IRBA website](#).

The IESBA Staff Q&A publication supports the adoption and implementation of the IESBA's NOCLAR pronouncement, which came into effect as of 15 July 2017. The IESBA Staff Q&A's publication is designed to highlight, illustrate or explain aspects of NOCLAR, and thereby assist in their proper application.

Definitions and Abbreviations

For the purposes of these FAQs, the terms below have the following meanings:

- APA: The Auditing Profession Act, 2005 (Act No. 26 of 2005).
- Firm: A partnership, company or sole proprietor that is registered with the IRBA, in terms of Section 38 of the APA.
- IRBA: Independent Regulatory Board for Auditors.
- IRBA Code: The *IRBA Code of Professional Conduct for Registered Auditors*, with which all registered auditors are required to comply. (The IRBA Code is available on the IRBA website at: <https://www.irba.co.za/guidance-to-ras/technical-guidance-for-auditors/ethics:-the-rules-and-the-code/the-rules-and-the-code>.)
- NOCLAR: Non-compliance with Laws and Regulations as defined in terms of Section 225 of the IRBA Code. The term includes suspected non-compliance. According to paragraph 225.2 of the IRBA Code, “non-compliance with laws and regulations ('non-compliance') comprises acts of omission or commission, intentional or unintentional, committed by a client, or by those charged with governance, by management or by other individuals working for or under the direction of a client, which are contrary to the prevailing laws or regulations”.
- RA: Registered auditor, which refers to an individual or firm registered with the IRBA.
- RI: Reportable irregularity. Section 1 of the APA defines a reportable irregularity as any unlawful act or omission committed by any person responsible for the management of an entity, which —
- (a) has caused or is likely to cause material financial loss to the entity or to any partner, member, shareholder, creditor or investor of the entity in respect of his, her or its dealings with that entity; or
 - (b) is fraudulent or amounts to theft; or
 - (c) represents a material breach of any fiduciary duty owed by such person to the entity or any partner, member, shareholder, creditor or investor of the entity under any law applying to the entity or the conduct or management thereof.
- RI Guide: The *2015 Revised Guide for Registered Auditors on Reportable Irregularities* in terms of the Auditing Profession Act, 2005, issued by the IRBA in May 2015. (This Guide is available on the IRBA website at: <https://www.irba.co.za/upload/Revised%20Guide%20for%20Registered%20Auditors%20Reportable%20Irregularities%20in%20terms%20of%20the%20APA%20final.pdf>.)

SECTION 1: Reportable Irregularity (RI) and NOCLAR

This section should be read with **Appendix A: Comparison between RI and NOCLAR**, which provides a side by side analysis of Section 45 of the APA and Section 225 of the IRBA Code.

No.	Q&A
1.1	<p>(a) Is an RA required to comply with both Section 45 of the APA and the NOCLAR provisions in the IRBA Code, or (b) does one take preference over the other?</p>
	<p>(a) Yes, an RA is required to comply with both Section 45 of the APA and the NOCLAR provisions in the IRBA Code.</p> <p>(b) No, the one does not take preference over the other and both should be assessed concurrently.</p> <p>In terms of paragraph 225.3 of the IRBA Code, an RA is required to comply with jurisdictional laws and regulations governing how the RA should address a NOCLAR or suspected NOCLAR.</p> <p>According to the Preface of The IESBA Code of Ethics: “Some jurisdictions may have requirements and guidance that differ from those contained in this Code. Professional Accountants in those jurisdictions need to be aware of those differences and comply with the more stringent requirement and guidance unless prohibited by law or regulation.” The IRBA adopts and applies this understanding when there are differences between the IRBA Code and South African laws and regulations.</p> <p>Complying with Section 45 of the APA may result in partially discharging some obligations under the NOCLAR provisions in the IRBA Code. For example, when communication with management relating to an RI may include explaining the NOCLAR considerations and requirements. In addition to complying with Section 45 of the APA, the RA has a responsibility to assess if there are residual obligations under the IRBA Code.</p> <p>Also, the RA is required to document their consideration of both the RI and the NOCLAR provisions in the IRBA Code.</p>
1.2	<p>If a matter does not meet the definition of an RI, could it still be a NOCLAR or suspected NOCLAR that requires further action (paragraphs 225.18-225.19 of the IRBA Code)?</p>
	<p>Yes. The RA’s consideration for identifying an RI is not necessarily aligned with that of identifying a NOCLAR or suspected NOCLAR. There is a possibility that the matter may not fall within the definition of an RI, as per the APA, but may be considered a NOCLAR or suspected NOCLAR.</p> <p>For example, if the RA becomes aware of non-compliance that was committed solely by a contractor or agent not responsible for the management of the audit client, this may not meet the definition of an RI, but it may be a NOCLAR or suspected NOCLAR, as explained in the IESBA Staff Q&A, question 10.</p>

1.3	<p>If an RA complies with Section 45 of the APA, does that mean the RA may still have other requirements under the NOCLAR provisions in the IRBA Code?</p>
	<p>Yes. The RA must first comply with the law (paragraph 225.3 of the IRBA Code), in this instance, the APA. It is, however, possible that complying with the RI requirements may fulfil certain NOCLAR considerations. For example, as per Section 45(4) of the APA, based on the RA’s opinion that the RI is continuing, the IRBA will notify the appropriate regulator in writing of the details of the RI. Reporting the matter to an appropriate authority (in this instance via the IRBA) is one of the considerations under Section 225 of the IRBA Code.</p> <p>Though an RA may have reported an RI to the IRBA, the RA must still respond to NOCLAR or suspected NOCLAR, including the consideration of reporting the NOCLAR or suspected NOCLAR to an appropriate authority. Also, it is possible that an RA may report an RI to the IRBA and determine that additional disclosure of the matter to an appropriate authority is an appropriate course of action.</p> <p>Section 225 contains other provisions that would apply if not already required by law or regulation, or if law or regulation does not prohibit them.</p> <p>Examples are:</p> <ul style="list-style-type: none"> • Provisions addressing the escalation of the matter within the entity; • In the case of an audit of group financial statements, communication with the relevant RA involved in the group audit; • Advising management or those charged with governance to take appropriate action, if they haven’t done so already, to rectify, remediate or mitigate the consequences of the non-compliance; deter the commission of the non-compliance, where it has not yet occurred; or disclose the matter to an appropriate authority, where required by law or regulation or where considered necessary in the public interest; and • Determination of the need for further action (including withdrawal from the client relationship) in appropriate circumstances. <p>In addition, the RA is required to document their consideration of both the RI and NOCLAR provisions in the IRBA Code.</p>
1.4	<p>For the same matter, Section 45 of the APA requires the RA to report “without delay”, while Section 225 of the IRBA Code requires the RA to discuss the NOCLAR or suspected NOCLAR with management. Which requirement should the RA follow?</p>
	<p>An RI imposes a reporting obligation (to the IRBA), while the NOCLAR provisions in the IRBA Code is a response framework that includes a discussion with management as well as a consideration to disclose the matter to an appropriate authority.</p> <p>The RA should comply with both requirements concurrently as they are not in conflict or considered to be mutually exclusive of each other.</p> <p>Section 45 of the APA includes prescribed timelines, while the NOCLAR provisions in the IRBA Code does not specify the timing of communication with those charged with governance. RAs, however, must always adhere to the prescribed timelines for RI reporting.</p> <p>Likewise, an RA will be required to consider the timeframes of other relevant legislative reporting requirements.</p> <p>Communication with the client regarding an RI and a NOCLAR or suspected</p>

	NOCLAR does not have to be done separately. Where discussions are not prohibited by law, RAs should consider documenting the purpose of the communication, be it for an RI or a NOCLAR or suspected NOCLAR or both, before they then conclude appropriately.
1.5	Does the requirement to advise those charged with governance in terms of the NOCLAR provisions in the IRBA Code conflict with the requirement to provide a conclusion in the second report (Section 45(3)(c) of the APA) for an RI?
	<p>No. Paragraph 225.18 of the IRBA Code requires the RA to advise the client to take timely and appropriate action. While it does not require the RA to advise the client on what such appropriate action may be, the RA shall consider whether the client's management and those charged with governance understand their legal or regulatory responsibilities with respect to the NOCLAR or suspected NOCLAR. If they do not, the RA may suggest appropriate sources of information or recommend that they obtain legal advice.</p> <p>In accordance with the independence requirements for audit, review and assurance clients (paragraphs 290.159-290.163 and 291.141-291.144 of the IRBA Code), the RA should not assume management responsibility. Rather, those charged with governance are required to consider the non-compliance and to then react appropriately.</p> <p>In the second report sent to the IRBA relating to an RI, the RA is required to indicate the conclusion reached. This conclusion has to be based on the RA's assessment of both the decisions taken and the actions initiated by those charged with governance in response to the RI identified.</p>
1.6	Where an RA concludes that an RI is not continuing, the RA's second report must state that "adequate steps have been taken for the prevention or recovery of any loss as a result of the RI" (APA, S45(3)(c)(i)(bb)). Does this statement imply that the paragraph 225.23 requirement of the IRBA Code has been met, i.e. that the RA has assessed the response of management to be appropriate?
	Yes, provided that the details and the circumstances of the RI and the NOCLAR and suspected NOCLAR are the same. However, the RA is required to document their compliance with both the RI and NOCLAR requirements.
1.7	If an RA has reported an RI under Section 45 of the APA, is the RA still required to comply with paragraph 225.25 of the IRBA Code?
	<p>Yes. In terms of paragraph 225.25 of the IRBA Code, the RA is required to determine if further action is needed. Reporting the matter (in this instance, via an RI) to an appropriate authority (in this instance, via the IRBA) is one such further action. Section 225 should be considered in its entirety in order to determine the need for and the nature and extent of further action(s). In addition, the RA's considerations under Section 225 of the IRBA Code are not limited to reporting (see IRBA Q&A 1.3). Further considerations may include escalating the matter within the entity and communicating with the group auditor, among other actions.</p> <p>The RA is required to document these considerations and other additional relevant legislative reporting requirements and determine the need for further action.</p>
1.8	Should an RA consider other South African legislative reporting duties that apply in addition to the reporting requirements in the APA and the IRBA Code when dealing with a NOCLAR or suspected NOCLAR?
	Yes. In terms of paragraph 225.3 of the IRBA Code, if an RA has a duty in terms of a law or regulation to report non-compliance to an appropriate authority, an RA shall

	<p>comply with those requirements.</p> <p>Therefore, the RA has a responsibility to consider an RI, a NOCLAR or suspected NOCLAR and any additional reporting requirements as stipulated in applicable laws or regulations.</p>
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SECTION 2: Confidentiality

No.	Q&A
2.1	An RA breaches confidentiality while under the impression that there is a reporting obligation under Section 225 of the IRBA Code. What are his/her responsibilities when he/she is made aware of this breach?
	Please refer to paragraph 100.10 of the IRBA Code.

SECTION 3: Clarification of NOCLAR Terms

No.	Q&A
3.1	Do the different circumstances that give rise to an audit of financial statements (for example, voluntary, contractual or statutory requirements) affect the responsibilities applicable to the audit of financial statements under Section 225 of the IRBA Code?
	<p>No. Section 225 of the IRBA Code deals with audits of financial statements, regardless of the circumstances giving rise to the audit engagement. Paragraphs 225.12-225.38 of the IRBA Code address audits of financial statements.</p> <p>Please refer to the IESBA Staff Q&A, question 23.</p> <p>Note that a review of financial statements does not fall under the definition of an audit of financial statements in terms of Section 225 of the IRBA Code. It is, however, a professional service other than the audit of financial statements that is subject to paragraphs 225.39–225.56 of the IRBA Code.</p>
3.2	Paragraph 225.29 of the IRBA Code states that further actions may include “disclosing the matter to an appropriate authority even when there is no legal or regulatory requirement to do so”. Who is the appropriate authority?
	<p>When identifying an appropriate authority in relation to NOCLAR or suspected NOCLAR, the RA should consider who is responsible for oversight of that particular legislation and has powers to investigate the non-compliance in the public interest. If the entity or industry in which it operates is regulated, the RA should consider whether the regulator may be the appropriate authority.</p> <p>Additionally, paragraph 225.20 of the IRBA Code requires an RA to comply with “laws and regulations, including legal or regulatory provisions governing the reporting of non-compliance or suspected non-compliance to an appropriate authority”.</p> <p>For example, the South African Revenue Service will likely be the appropriate authority for non-compliance with the South African Income Tax Act.</p>
3.3	Section 225 of the IRBA Code uses the term “substantial harm”. What is meant by this phrase?

	<p>Paragraph 225.7 states that: “For the purposes of this section, an act that causes substantial harm is one that results in serious adverse consequences to any of these parties in financial or non-financial terms. Examples include the perpetration of a fraud resulting in significant financial losses to investors, and breaches of environmental laws and regulations endangering the health or safety of employees or the public.”</p> <p>Substantial harm should be considered in the context of the particular matter and may differ on a case by case basis. Audit materiality is not the only consideration when determining an appropriate threshold for substantial harm.</p> <p>Other indicators include financial penalties, additional taxes, additional costs to rectify or remedy the non-compliance, potential exposure to liability and litigation, as well as non-financial indicators, such as harm to reputation, erosion of goodwill, and health and safety risk.</p>
3.4	In the IRBA Code, what is the difference between paragraph 225.8, <i>clearly inconsequential</i>, and paragraph 225.5, <i>material amounts and disclosures in the financial statements</i>?
	Please refer to the IESBA Staff Q&A, question 11.
3.5	Paragraph 225.18 of the IRBA Code requires the RA to advise management to take “appropriate and timely action”. What is the nature of this advice, and is it specific?
	<p>The RA should advise those charged with governance to take appropriate action, but should refrain from making decisions on what those appropriate steps should be.</p> <p>The RA should exercise caution not to take on management responsibilities or make management decisions. Please refer to the IESBA Staff Q&A, question 28.</p>

SECTION 4: NOCLAR and Other Professional Services

No.	Q&A
4.1	Is the identification of a NOCLAR or suspected NOCLAR, as per the IRBA Code, limited to audit clients?
	No, paragraphs 225.39-225.56 of the IRBA Code apply when an RA is rendering professional services to a client other than the audit of financial statements.
4.2	If an RA has been requested to perform an engagement, e.g. a forensic investigation, where confidentiality of the information is paramount to the engagement, would the RA be expected to report a NOCLAR or suspected NOCLAR, as per the IRBA Code?
	Not necessarily. Please refer to the IESBA Staff Q&A, question 48.
4.3	Is it possible that an RA may encounter or uncover non-compliance during an engagement other than an audit?
	<p>Yes. It may be possible for an RA to encounter or be made aware of non-compliance during an engagement other than an audit of financial statements, for example, a review engagement.</p> <p>For ISAE 3000 (Revised)¹ engagements, please refer to the IESBA Staff Q&A, question 16.</p>

¹ ISAE 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*

	<p>For responsibilities to address identified or suspected NOCLAR when performing professional services other than an audit of the annual financial statements, please refer to the IESBA Staff Q&A, questions 44 and 45.</p> <p>For audits of a specific item of the financial statements, please refer to the IESBA Staff Q&A, question 46.</p> <p>Additionally, NOCLAR or suspected NOCLAR may come to the RA's attention in a manner other than performing professional services. Thus, there is a possibility of identifying a NOCLAR or suspected NOCLAR irrespective of the services rendered. Please refer to the IESBA Staff Q&A, question 25.</p>
4.4	Are there guidelines on how to distinguish the IRBA Code requirements from others if there is more than one RA working on a client, in different service lines?
	Yes. Please refer to the IESBA Staff Q&A, question 47.

SECTION 5: Responsibility

No.	Q&A
5.1	Is Section 225 merely guidelines or does it impose obligations on an RA?
	Section 225 is a response framework that contains requirements with which an RA must comply. Please refer to the IESBA Staff Q&A, question 1.
5.2	How should RAs inform or educate their clients on the NOCLAR provisions in the IRBA Code?
	It is advisable that RAs brief their clients regarding the NOCLAR provisions in the IRBA Code at an appropriate meeting. Similarly to the way an RI and its requirements are explained in the engagement letter, it is recommended that the engagement letter should include an explanation of NOCLAR provisions in the IRBA Code and its requirements, as provided for in ISA 210 ² , application paragraph A26, which states that: "A reference to, and description of, the auditor's responsibilities under law, regulation or relevant ethical requirements that address reporting identified or suspected non-compliance with laws and regulations to an appropriate authority outside the entity."
5.3	Does a firm have any responsibility regarding raising awareness on the NOCLAR provisions in the IRBA Code with its staff?
	Yes, firms have a responsibility, in terms of the International Standard on Quality Control 1 (ISQC 1) ³ , paragraph 20, read with application paragraph A9, to update their staff on the relevant ethical requirements. Please refer to IESBA Staff Q&A, question 7.
5.4	Do the NOCLAR considerations and requirements apply to the individual RAs and the firm?
	Yes. The NOCLAR considerations and requirements apply to the individual RA responsible and accountable for the audit of a client's financial statements (or to the individual RA engaged to provide professional services other than an audit of financial

² ISA 210, *Agreeing the Terms of Audit Engagements*

³ International Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

	statements). The firm has a responsibility in terms of ISQC 1, paragraph 20, to establish policies and procedures designed to provide it with reasonable assurance that the firm and its personnel comply with relevant ethical requirements. Please refer to the IESBA Staff Q&A, questions 2, 3 and 7.
5.5	Do the NOCLAR considerations and requirements apply to an individual working in an RA firm when that individual is not an RA?
	Yes. Please refer to the IESBA Staff Q&A, questions 2 and 3.
5.6	When does the responsibility to consider a NOCLAR or suspected NOCLAR, as per the IRBA Code, start?
	The responsibility starts on the effective date of the agreement between the RA and the client. In the case of an audit of financial statements, it is the date of the engagement letter. Notwithstanding these dates, it is conceivable that the NOCLAR or suspected NOCLAR could precede those dates.

SECTION 6: NOCLAR and Legislation

No.	Q&A
6.1	What level of knowledge is required of an RA on legislation that affects the client?
	Paragraph 225.13 of the IRBA Code states that an RA is not expected to have a level of knowledge of laws and regulations that is greater than what is required to undertake the engagement. Please refer to the IESBA Staff Q&A, questions 12, 14 and 17.
6.2	How will an RA deal with a situation where multiple reporting obligations exist, for example, to the JSE and the South African Reserve Bank?
	The RA shall comply with all legislative requirements. RAs are reminded that NOCLAR provisions in the IRBA Code does not have a reporting obligation, but rather a response consideration under paragraphs 225.33-225.36 of the IRBA Code for an audit of financial statements engagement; or paragraphs 225.51-225.54 of the IRBA Code for professional services engagements other than an audit. If an RA has reported a matter under a legal requirement (e.g. the Pension Funds Act) to a regulator, and later comes to the conclusion that a similar report under the NOCLAR provisions in the IRBA Code is required for the same matter and that the appropriate authority is the same regulator, a second communication to the appropriate authority may not be necessary. However, the RA is encouraged to document that reporting was considered necessary under the NOCLAR provisions and that reporting had been made earlier due to a legislative requirement.
6.3	Is there guidance on the impact of foreign legislation and the permissibility of exchanging the information with RAs and regulators cross-border?
	Yes. Please refer to the IESBA Staff Q&A, questions 29 and 30.

SECTION 7: NOCLAR and the Auditor-General South Africa (AGSA)

No.	Q&A
7.1	Is an RA required to comply with the NOCLAR provisions of the IRBA Code when he/she performs an engagement in the public sector?
	<p>It depends on whether the engagement is performed for, or on behalf of the Auditor-General, as indicated below.</p> <p>7.1.1 Engagements performed for or on behalf of the Auditor-General</p> <p>When an RA undertakes an engagement for, or on behalf of the Auditor-General, he/she must comply with the AGSA Code of Ethics (AGSA Code). In the event of a conflict between the AGSA Code and the IRBA Code, the IRBA Code will prevail. Furthermore, if the IRBA Code's requirements are more stringent than the equivalent requirements contained in the AGSA Code, the IRBA Code will apply. Section 12(5) of the Public Audit Act, 2004 (Act No.25 of 2004), states that the AGSA Code for Authorised Auditors is subject to any code of professional conduct prescribed for public practitioners in the accounting and auditing profession.</p> <p>7.1.2 Other public sector engagements</p> <p>When an RA undertakes an engagement in which the Auditor-General is not involved, for example, where the Auditor-General has opted not to perform an audit in terms of Section 25 of the Public Audit Act, 2004, the RA will be required to comply with the NOCLAR provisions in the IRBA Code.</p>

SECTION 8: NOCLAR and Client Acceptance

No.	Q&A
8.1	Has the NOCLAR provisions in the IRBA Code, resulted in consequential changes to client acceptance procedures?
	<p>Yes. An update to the client engagement letter is recommended (see IRBA Q&A 5.2). This will be applicable to client acceptance for audits of financial statements and other professional services.</p> <p>Please refer to the IESBA Staff Q&A, questions 40-43.</p>

SECTION 9: Effective Date

No.	Q&A
9.1	What is the effective date of the amendments relating to NOCLAR or suspected NOCLAR, and how does it apply to audits?
	<p>The amendments are effective as of 15 July 2017.</p> <p>Please refer to the IESBA Staff Q&A, questions 18-20.</p>
9.2	The final amendments to the IRBA Code and ISA 250 (Revised)⁴ (with conforming amendments) have different effective dates. How would an RA comply with these requirements?
	<p>Please refer to the IESBA Staff Q&A, questions 18-20.</p>

⁴ ISA 250 (Revised), *Consideration of Laws And Regulations in an Audit of Financial Statement*

Appendix A: Comparison between RI and NOCLAR

1. This is a detailed side by side comparison between Section 45 of the APA and Section 225 of the IRBA Code when considering the differences and similarities between RIs and NOCLAR or suspected NOCLAR.
2. This is not an exhaustive comparison and it does not remove the auditor’s responsibility to consider the full texts of Section 45 of the APA and Section 225 of the IRBA Code.
3. This appendix is not intended to be a substitute for reading the RI Guide.

	NOCLAR Section 225 of the IRBA Code of Professional Conduct	Reportable Irregularity Section 45 of the Auditing Profession Act
Definition	Non-compliance with laws and regulations (“non-compliance”) comprises acts of omission or commission, intentional or unintentional, committed by a client, or by those charged with governance, by management or by other individuals working for or under the direction of a client, which are contrary to the prevailing laws or regulations.	Reportable irregularity (RI) means any unlawful act or omission committed by any person responsible for the management of an entity, which — (a) has caused or is likely to cause material financial loss to the entity or to any partner, member, shareholder, creditor or investor of the entity in respect of his, her or its dealings with that entity; or (b) is fraudulent or amounts to theft; or (c) represents a material breach of any fiduciary duty owed by such person to the entity or any partner, member, shareholder, creditor or investor of the entity under any law applying to the entity or the conduct or management thereof.
Framework/Requirement	NOCLAR provisions in the IRBA Code introduces a response framework that includes: (a) Provisions addressing the escalation of the matter within the entity; (b) In the case of an audit of group financial statements, communication with relevant RAs involved in the group audit;	Section 45 is a reporting requirement. An RA is required: (a) To report RIs to the IRBA; (b) To communicate the provisions of Section 45 of the APA to the members of the entity’s management board; (c) To discuss RI reports with the members of the

	NOCLAR Section 225 of the IRBA Code of Professional Conduct	Reportable Irregularity Section 45 of the Auditing Profession Act
	<p>(c) Advising management or those charged with governance to take appropriate action regarding rectifying, mitigation or remediation of the consequences of NOCLAR or suspected NOCLAR or the deterrence of NOCLAR or suspected NOCLAR, or the disclosure of the matter to an appropriate authority where required by law or regulation or where considered necessary in the public interest;</p> <p>(d) Determination of the need for further action (including withdrawal from the client relationship) in appropriate circumstances; and</p> <p>(e) Consideration of reporting to an appropriate authority.</p>	<p>entity’s management board; and</p> <p>(d) To conclude on the status of RIs.</p>
Act committed by	Those charged with governance, by management or by other individuals working for or under the direction of a client (this includes contractors).	Any person or persons responsible for the management of the entity.
Responsible to comply	The individual RA and the firm.	<p>The individual RA of the entity is responsible for complying with the RI requirements, as per Section 45 of the APA.</p> <p>The firm has a responsibility in terms of ISQC 1, paragraph 11(a), to establish and maintain a system of quality control to provide it with reasonable assurance that the firm and its personnel comply with professional standards and applicable legal and regulatory requirements.</p>
Scope of engagements	<p>NOCLAR requirements apply to all professional services. However, the framework specifies a differential approach for:</p> <p>(a) Audits of financial statements; and</p>	<p>Refer to Paragraph 6.1.5 of the RI Guide.</p> <p>The definition of “audit”, as per the RI Guide, includes any examination of financial and other information prepared in accordance with suitable</p>

	NOCLAR	Reportable Irregularity
	Section 225 of the IRBA Code of Professional Conduct	Section 45 of the Auditing Profession Act
	<p>(b) Professional services other than audits of financial statements.</p> <p>The different circumstances that give rise to an audit of financial statements are not relevant to the applicability of the section (i.e. the section on audit of financial statements applies to all audit engagements).</p>	<p>criteria, with the objective of expressing an opinion on such financial and other information. The audit of other information includes other reasonable assurance engagements as provided for in International and South African auditing pronouncements. It excludes limited assurance engagements. However, review engagements performed under ISRE 2410, <i>Review of Interim Financial Information Performed by the Independent Auditor of the Entity</i>, are included since in these circumstances the RA is appointed to audit the annual financial statements.</p>
Communication in a group audit	<p>Please see IESBA Staff Q&A, questions 29-34.</p> <p>This requirement applies across the network firm.</p> <p>If a NOCLAR or suspected NOCLAR is identified by a component RA, the responsibility to respond to the NOCLAR or suspected NOCLAR lies with the RA of the component.</p> <p>The component RA shall also communicate with the RA responsible for the audit of the group financial statements (group RA).</p> <p>If a NOCLAR or suspected NOCLAR relating to a component is identified by the group RA, then the group RA is required to take steps to have the matter communicated to the relevant component RA. The group RA is still responsible for responding to the NOCLAR or suspected NOCLAR.</p>	<p>Where the RA performing the audit of a subsidiary or component will issue a separate audit opinion on the financial statements of the subsidiary or component, that RA has a responsibility to report an RI if one is identified in the subsidiary or component.</p> <p>The group RA should consider whether the RI will affect the group.</p> <p>Refer to Paragraphs 6.3.1-6.3.3 of the RI Guide.</p>

	<p style="text-align: center;">NOCLAR</p> <p style="text-align: center;">Section 225 of the IRBA Code of Professional Conduct</p>	<p style="text-align: center;">Reportable Irregularity</p> <p style="text-align: center;">Section 45 of the Auditing Profession Act</p>
<p>Timing of reporting</p>	<p>Reporting is not a requirement but rather a consideration; thus, timing has not been stipulated.</p> <p>The NOCLAR response framework includes a discussion with management as well as a consideration to disclose the matter to an appropriate authority.</p> <p>In the IRBA Code, paragraphs 225.33-225.36 details consideration for an audit of financial statements, while paragraphs 225.53-225.54 relates to professional services other than audits of financial statements.</p>	<p>Section 45 of the APA has the following timing requirements:</p> <p><i>(1)(a) An individual registered auditor referred to in section 44(1)(a) of an entity that is satisfied or has reason to believe that a reportable irregularity has taken place or is taking place in respect of that entity must, without delay, send a written report to the Regulatory Board.</i></p> <p><i>(b) The report must give particulars of the reportable irregularity referred to in subsection (1)(a) and must include such other information and particulars as the registered auditor considers appropriate.</i></p> <p><i>(2)(a) The registered auditor must within three days of sending the report to the Regulatory Board notify the members of the management board of the entity in writing of the sending of the report referred to in subsection (1) and the provisions of this section.</i></p> <p><i>(b) A copy of the report to the Regulatory Board must accompany the notice.</i></p> <p><i>(3) The registered auditor must as soon as reasonably possible but no later than 30 days from the date on which the report referred to in subsection (1) was sent to the Regulatory Board —</i></p> <p><i>(a) take all reasonable measures to discuss the report referred to in subsection (1) with the members of the management board of the entity;</i></p> <p><i>(b) afford the members of the management board of the entity an opportunity to make representations in</i></p>

	NOCLAR Section 225 of the IRBA Code of Professional Conduct	Reportable Irregularity Section 45 of the Auditing Profession Act
		<p><i>respect of the report; and</i></p> <p><i>(c) send another report to the Regulatory Board, which report must include —</i></p> <p><i>(i) a statement that the registered auditor is of the opinion that —</i></p> <p><i>(aa) no reportable irregularity has taken place or is taking place; or</i></p> <p><i>(bb) the suspected reportable irregularity is no longer taking place and that adequate steps have been taken for the prevention or recovery of any loss as a result thereof, if relevant; or</i></p> <p><i>(cc) the reportable irregularity is continuing; and</i></p> <p><i>(ii) detailed particulars and information supporting the statement referred to in subparagraph (i).</i></p>
Resignation	Where resignation from the audit engagement is not prohibited by law or regulation, it is a course of action that can be considered independently from the disclosure of matters to an appropriate authority under paragraph 225.29 of the IRBA Code. In some circumstances, the RA might conclude that both actions are required. Where the RA concluded that disclosure to an appropriate authority is an appropriate course of action, resignation from the engagement will not relieve the RA from taking such action.	The RA must complete the reporting of an RI before resigning from an audit. Refer to paragraph 16.2 of the RI Guide.
Documentation	Documentation of NOCLAR provisions in the IRBA Code relating to the audit of financial statements is required. Paragraph 225.56 of the IRBA Code recommends	The RA is required to document the considerations and conclusions reached. Refer to paragraphs 6.1.8, 20.2 and 20.3 of the RI

	NOCLAR	Reportable Irregularity
	Section 225 of the IRBA Code of Professional Conduct	Section 45 of the Auditing Profession Act
	documentation regarding NOCLAR that relates to professional services other than audits of financial statements.	Guide.
Reporting	If reporting is deemed to be an appropriate course of action, it needs to be made to an appropriate authority.	The RA must report an RI to the IRBA. The IRBA is responsible for communicating all continuing RIs to the appropriate regulators.
Disclosure in the audit report	The RA should consider the implications of the non-compliance or suspected non-compliance in the auditor's report. Although there is no requirement under the NOCLAR provisions in the IRBA Code to include a notification in the auditor's report, law or regulation may require such disclosure in the auditor's report.	Section 44 of the APA and Part 3 of the RI Guide give details on when a notification is required to be included in the auditor's report.
Relationship with laws and regulations	Where there are multiple reporting requirements, the RA must comply with legislative requirements. Additionally, the RA is required to comply with and document the NOCLAR disclosure considerations.	An RI is a legislative requirement, thus should be complied with independently of other laws and regulations. Therefore, even if the RA reports non-compliance under different legislation, the Section 45 requirement, as per the APA to report an RI, is still required.
Relationship with laws and regulations that have confidentiality requirements	NOCLAR considerations and reporting will be done in accordance with the confidentiality requirements of that law.	RI reporting will still be required in accordance with Section 45 of the APA. RI reporting will not be prohibited or delayed by any confidentiality requirements contained in any other laws and regulations.