



IESBA

International Ethics Standards Board for Accountants  
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# Post-Implementation Review: Non-Compliance with Laws and Regulations (NOCLAR)

April 2026





# Overview of the Non-Compliance with Laws and Regulations (NOCLAR) provisions

# NOCLAR Project

## OVERVIEW

### WHY

In light of major corporate scandals in early 2000s (Enron, Worldcom, Parmalat etc), concerns from international regulatory community and other stakeholders about:

- Duty of confidentiality in the Code acting as a barrier to timely disclosures of NOCLAR to public authorities
- Auditors simply resigning when faced with identified or suspected NOCLAR
- Lack of guidance in the Code about responding to NOCLAR

### WHAT

- Response framework for all PAIBs and PAPPs
- Guide decisions and actions in the public interest when faced w/ NOCLAR

### HOW

- Developed over 6 years, 3 global roundtables, 2 exposure drafts
- Approved in April 2016 and effective June 2017

# What is NOCLAR?

## Non-compliance with laws and regulations

Any act of omission or commission, intentional or unintentional, which is contrary to the prevailing laws or regulations committed by:

- A client or employer
- TCWG, management or other individuals working for or under the direction of a client or employer



# Laws and Regulations Covered

- Laws and regulations with direct effect on material amounts/disclosures in the financial statements
- Other laws and regulations that may be fundamental to entity's business and operations
- No distinction between PIEs and non-PIEs
- Personal misconduct and clearly inconsequential matters excluded



# Examples of Laws and Regulations Covered

- Fraud, corruption and bribery
- Money laundering, terrorist financing and proceeds of crime
- Securities markets and trading
- Banking and other financial products and services
- Data protection
- Tax and pension liabilities and payments
- Environmental protection
- Public health and safety

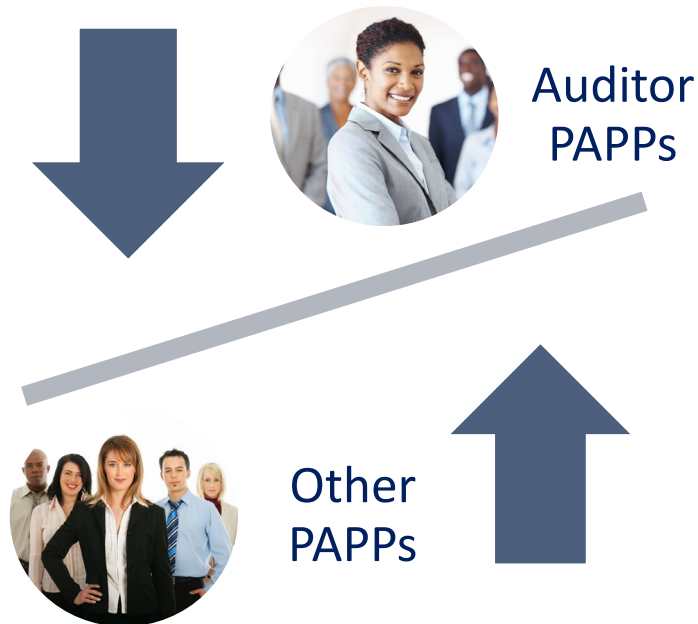
# Objectives of Standard

**Distinguishing mark of the profession is its acceptance of responsibility to act in the public interest**

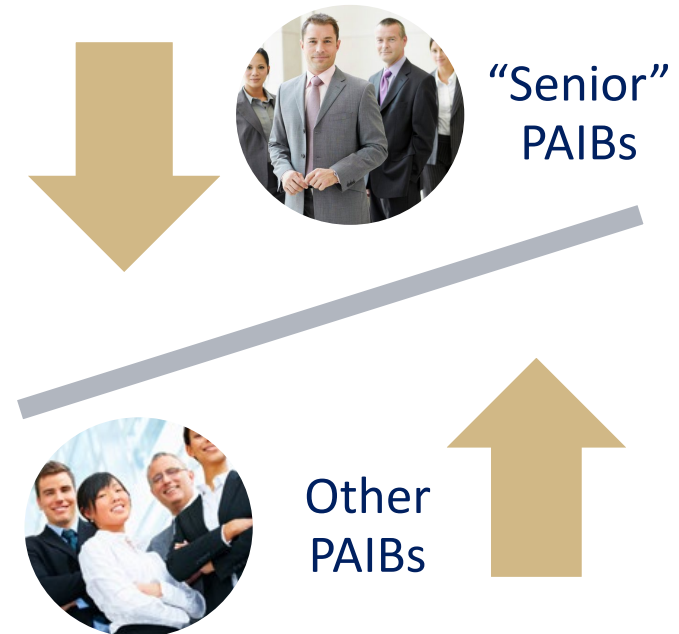
Self-interest or intimidation threats to compliance with FPs of integrity and professional behavior created when PA becomes aware of NOCLAR

- Comply with fundamental principles
  - Integrity
  - Professional behavior
- Through alerting mgmt/ TCWG, seek to
  - Enable them to rectify, remediate or mitigate consequences of NOCLAR; or
  - Deter commission of NOCLAR
- Take such further action as may be appropriate in public interest

# Applies to All Professional Accountants



Recognizes the different capacities and spheres of influence, and the different levels of public expectations, for the different categories of PAs



# Response Framework



# Obtain an Understanding of the Matter

- 1) Understand nature and circumstances in which the NOCLAR has occurred or might occur
- 2) Might consult on confidential basis with others
- 3) Discuss with appropriate level of client management or TCWG to clarify PA's understanding and potential consequences of the NOCLAR

Whether an act is NOCLAR is ultimately determined by court or other appropriate adjudicative authority



# Addressing the Matter

INCLUDING:

- PA to advise mgmt/TCWG to take appropriate and timely actions to:
  - Rectify, remediate or mitigate consequences of NOCLAR
  - Deter the commission of NOCLAR (where not yet occurred)
  - Disclose the matter to an appropriate authority where required by law or regulation or where considered necessary in the public interest
- PA to comply with applicable laws & regulations

PA not expected to have a level of understanding laws and regulations greater than that which is expected to undertake the audit



# Determining Whether Further Action is Needed

- 1) Assess appropriateness of the mgmt/TCWG response
- 2) Determine if further action is **needed in the public interest**, incl:
  - **Disclosing matter to appropriate authority**
  - Withdrawing from the engagement

Wider **public interest** implications of NOCLAR:

- **Substantial harm** to investors, creditors, employees or general public
- Results in serious adverse consequences to any of those parties in non-financial or financial terms
- e.g., fraud resulting in sig financial losses, breaches of environmental laws endangering health/safety of the public

# Determining Disclosure to Appropriate Authority

If reason to believe that NOCLAR constitutes **substantial harm**, disclosure to appropriate authority permitted under the Code

Depends on nature and extent of harm, e.g.:

- Threatens license to operate
- Publicly traded entity w/ impact to fair and orderly market or pose systemic risk to financial markets
- Harmful products to public health or safety

Depends on external factors:

- If there is an **appropriate authority** who can act
- If there is **credible protection** from civil, criminal, professional liability, retaliation (e.g., via whistle-blowing laws)
- If there are threats to the **physical safety** of the PA or others

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