

MEMORANDUM

TO: PCAOB Docket 051: Amendments to PCAOB Auditing Standards related to a Company's Noncompliance with Laws and Regulations

FROM: PCAOB Division of Registration and Inspections

DATE: October 9, 2024

RE: Table of responses to targeted inquiries about firm's approach relating to noncompliance with laws and regulations or illegal acts

On March 6, 2024, PCAOB staff held a roundtable focused on issues set forth in commenter responses to the proposing release, Docket Matter No. 051, ("2024 Roundtable"). During the 2024 Roundtable, some participants encouraged PCAOB staff to conduct specific inspection procedures to gain a more thorough understanding of what engagement teams are doing currently across the profession. Subsequently, staff in the Division of Registration and Inspections selected an engagement for certain firms to conduct targeted inquiries about the engagement teams' approach relating to noncompliance with laws and regulations or illegal acts when conducting the audit. In a few instances, the firm also described their overall policies and practices based on the firm's guidance in this area. The attached document records the responses inspections staff received from firm representatives in an anonymized and appropriately redacted format so as not to disclose the identities of firms or issuers.

Attachment: Table of responses to targeted inquiries about firm's approach relating to noncompliance with laws and regulations or illegal acts.

Firm	1. What procedures do you perform in obtaining an understanding of the relevant industry, regulatory, and other external factors affecting the company as part of your risk assessment?	2. What specific procedures do you perform to identify a company's noncompliance with laws and regulations that would have a direct and material effect on their financial statements?	3. What specific procedures, if any, do you perform to identify a company's noncompliance with laws and regulations that would have an indirect, but material, effect on their financial statements?
Big 6 - 1	We generally have an extensive and cumulative knowledge of the industry. For example, related to [the issuer], I have over 15 years of experience in the [REDACTED] industry. We obtain an understanding of regulatory requirements and changes, read publications, review recent financial statements and other filings, perform internet research, monitor daily news alerts specific to the company, and inquire with the company executives and general counsel to understand the legal framework.	In addition to what I already mentioned, Income taxes is an example of laws and regulations related to [issuer]. We perform inquiries with the CEO, CFO, and others such as the tax director. We also review tax filings and correspondence to understand whether everything is consistent with our understanding, and if there could be any impact on the company from a regulation and laws perspective.	We consider the different regulatory frameworks and first make sure we have a foundational understanding. We perform inquiries with general counsel, review legal spend detail, obtain an understanding of the nature of the legal services, and send legal confirmations. We also meet with the audit committee to inquire about any potential noncompliance or fraud, including consideration of the whistleblower hotline. Additionally, we review daily news alerts targeted specific to the company that may indicate noncompliance with any regulations.
Big 6 - 2	As a part of our planning and risk assessment procedures, we perform inquiries with management, including discussions with internal legal counsel to understand the relevant legal and regulatory framework in which the Issuer operates, the laws and regulations that have a direct effect on the financial statements, and other laws and regulations that may have a material effect on the financial statements. In addition, we hold discussions with internal legal counsel on a quarterly basis to be provided updates to these matters and discuss in detail any litigation currently before the Issuer. [REDACTED] In addition, as a part of our discussions with the audit committee, we also inquire on violations of laws and regulations that they are aware of. [REDACTED]	We obtained an understanding of the Issuer's business processes and performed risk assessment procedures to evaluate potential fraud. The engagement team designed procedures around potential areas of fraud, [REDACTED]. We utilized our existing understanding of the Issuer's industry, regulatory and knowledge of the Issuer's compliance with laws in the past of those regulations to determine where potential risks may lie of the Issuer's compliance with laws and regulations. We gained an understanding of the Issuer's policies put in place around the Foreign Corrupt Practices Act and other anti-corruption laws and the associated controls put in place, including the controls put in around the delegation of authority and review of all wires and payments. In addition, we discussions with management and internal legal counsel about awareness of noncompliance with laws and regulations and through our detailed discussions of legal matters on a quarterly basis.	We remain alert for instances of noncompliance that would come to our attention to identify indirect, material NOCLAR. If matters are identified, we would reevaluate our risk assessment and determine if additional substantive procedures are deemed necessary to address the identified risks.
Big 6 - 3	<ul style="list-style-type: none"> • Considered relevant information in the [REDACTED] Industry Risk Assessment, IBIS World industry reports, Company specific press releases, industry information sourced from relevant sources (for instance, the [REDACTED] Industry Association), and news articles related to the Company to obtain an understanding of the regulatory environment, industry, and other external factors. • Reviewed periodic analyst and industry market reports on both [REDACTED] and other [REDACTED] research reports to stay abreast of changes in the industry, competitors, etc. [REDACTED] 	<ul style="list-style-type: none"> • Obtained a general understanding of the legal and regulatory framework and how the entity is complying with that framework through testing of entity-level controls [REDACTED] and walkthrough procedures related to the legal process [REDACTED]; further documentation in [REDACTED] • Tested the company's ethics & hotline log review [REDACTED], as well as the annual enterprise risk assessment [REDACTED] • Sent and obtained legal letters from both in-house and external legal counsel [REDACTED] • Met and inquired with management (e.g. Chief Compliance Officer), reviewed board meeting minutes, reviewed internal audit reports, inspected correspondence with relevant licensing and regulatory authorities [REDACTED] • Attended Audit Committee meetings which includes updates from the Chief Compliance Officer 	<ul style="list-style-type: none"> • Refer to response in question 2 above.
Big 6 - 4	<p>The issuer operates in a global environment, which is subject to multiple layers of regulatory and compliance requirements. The engagement team considered our existing understanding of the entity's legal and regulatory framework, including their past history of non-compliance with laws and regulations, including illegal acts.</p> <p>-The engagement team obtained an understanding of the following factors via inquiries (including multiple layers of management and the Audit Committee), reading of analyst reports, gaining an understanding of recent developments such as new or changes in regulations, and independent research of other public information:</p> <ul style="list-style-type: none"> + [REDACTED] industry factors + Regulatory factors + Political environment, including international + Competitor landscape and technology + Key supplier and customer relationships <p>-The engagement team documented our existing understanding of:</p> <ul style="list-style-type: none"> + Legal and regulatory framework, including direct and indirect laws and regulations, in which the Issuer operates (including those that apply to the industry or sector in which the Issuer operates) +How the Issuer complies with that framework 	<p>Quarterly updates, interviews, discussions and compliance procedures related to the Issuer's process to respond to risks in this area:</p> <ul style="list-style-type: none"> + Meetings with Issuer's compliance function and internal audit to review the status of open [REDACTED] investigations together with the firm's forensic specialists. The engagement team also separately meets with the [Issuer's] Chief Compliance Officer and General Counsel. + Perform inquiries and obtain legal letters from internal and external counsel + Conduct fraud inquiries of management at various levels of responsibility and the Audit Committee + Observation and participation in the discussion between management (specifically the Chief Compliance Officer) and the Audit Committee regarding hotline matters and open compliance investigations and inspection of the corresponding presentation materials. <p>- Document our understanding and perform an evaluation [REDACTED] of the Issuer's process and procedures to respond to the risks in this area[, including procedures to benchmark the Issuer's process and procedures against leading compliance guidelines/practices.] This was led by the firm's forensics specialists (with participation from [engagement] team members) who benchmarked the Issuer's global compliance function program against leading compliance guidelines/practices.</p>	See response at #2. The direct or indirect effect on the financial statements is not a factor relevant to the procedures we perform to identify noncompliance.

Firm	4. For questions #2 and #3, if not already provided, what sources of information do you take into account when performing such procedures?	5. What procedures do you perform when you detect or otherwise become aware of information indicating that noncompliance with laws and regulations (whether or not perceived to have a material effect on the company's financial statements) has or may have occurred?	6. What procedures do you perform when determining whether a loss contingency should be disclosed, or accrued and disclosed, in the company's financial statements in accordance with ASC 450? When making such determination, do you discuss the situation with representatives of the company (including external parties), and if so, who?
Big 6 - 1	We read board minutes as well, particularly for meetings that we did not attend.	Team members are instructed to make me, as the lead engagement partner, immediately aware of any information related to any potential noncompliance. The information would be evaluated from a noncompliance perspective, including the impact it could have on the audit, such as contingencies and related disclosures. We would also alert and discuss with appropriate executive management and the audit committee, and if not clearly inconsequential, escalate and discuss with the firm professional practice group.	We obtain an understanding of the matter, evaluate the matter, and to the extent that there could be a contingent loss, it would be evaluated under ASC 450 to determine whether it is remote, reasonably possible, or probable. We would follow the ASC 450 guidance related to assessing the potential accrual and disclosure. Our understanding includes inquiries with management, legal, and any other relevant parties. If not clearly inconsequential, we identify additional individuals to discuss potential ramifications of noncompliance, and assess the company's analysis and conclusions related to the matter.
Big 6 - 2	In addition to discussions with internal counsel, we perform confirmation procedures with external legal counsel and review of underlying legal invoices to gain an understanding of the nature of legal activity noted during the year.	[REDACTED]	We held discussions with management, including internal legal counsel on a quarterly basis to discuss in process legal matters and gained an understanding through those discussions regarding the nature of each legal matter and whether there was a potential loss contingency that should be disclosed or accrued and disclosed. We further corroborated management's assessments through confirming with external legal counsel the nature and status of each legal matter to validate the proper identification and evaluation of each matter for possible disclosure or accrual and disclosure under ASC 450. Further we detail tested a sample of legal invoices throughout the year and gained an understanding of these services being provided to ensure the completeness of the legal matters discussed with management and internal legal counsel. On a quarterly basis, we discussed with: [senior management and internal counsel]. We also listen to management's legal update to the audit committee and compare to our notes/understanding to ensure all matters discussed are consistent with our understanding.
Big 6 - 3	<ul style="list-style-type: none"> Refer to response in question 1 and 2 above. 	<ul style="list-style-type: none"> Any allegations of non-compliance would be assessed in accordance with [REDACTED] / PCAOB AS 2405. 	<ul style="list-style-type: none"> Performed inquiries with Finance and internal legal counsel to understand the nature of new claims, the potential financial exposure and also to gather updates on other ongoing significant claims. For any significant legal loss contingency accruals recorded by the Company, assessed the appropriateness of the accrual in accordance with ASC 450. When a legal loss contingency accrual is not recorded for disclosed legal matters (for items that are reasonably possible), assessed the appropriateness of management's conclusions with respect to ASC 450. Considered and evaluated the existence of contrary evidence including consideration of responses from legal firms as part of the external legal letter confirmation process. Attended and observed the Company's [disclosure presentations] to assess for the existence of any new information relative to previously identified matters or the existence of new legal matters subsequent to period-end and the impact on financial statement disclosures. [REDACTED] [REDACTED]
Big 6 - 4	<p>The sources of information considered are:</p> <ul style="list-style-type: none"> + Conduct fraud inquiries of management at various levels of responsibility and the Audit Committee + Issuer-prepared [documents that list matters being tracked], including matters reported through the Issuer's [hotline] + Correspondence with government authorities, as appropriate + Board and Audit Committee meeting minutes and materials + Legal confirmations (external and internal) + Review of the Issuer's SEC filings, as appropriate 	<p>We considered all matters we became aware of over the course of the audit and evaluated them as:</p> <ul style="list-style-type: none"> - Matters deemed to be of little significance, which do not require further investigation - Matters deemed to be clearly inconsequential - Matters deemed to be government investigations by other than SEC/DOJ and for which the firm has not received a subpoena - Matters determined to be not clearly inconsequential; governmental agency enforcement investigations by the SEC or DOJ, or enforcement investigations by any other governmental agency where the firm has received a subpoena; and public interest matters <p>The engagement team performed the following audit procedures depending on the significance of the matter</p> <ul style="list-style-type: none"> + Quarterly meetings with the Issuer's Compliance team and internal audit overseeing the investigations who provide readouts of findings and conclusions + The nature of the actual or suspected non-compliance with laws and regulations, including illegal acts, to be investigated and the scope of the investigation + Inspection of correspondence with regulators + Procedures to assess the adequacy of the investigation scope + Evaluate and document the engagement team's assessment of management's specialists and the firm's forensic specialists + Assess whether the Issuer has taken timely and appropriate remedial actions + Inquiries of Issuer's counsel + Assess the financial statement (ASC 450 accrual/disclosure), ICFR, management integrity, and audit implications + Provide required communications to the Audit Committee + Obtained written representations from management and others charged with governance 	<p>For each matter, the engagement team evaluated the matter and assessed management's conclusion of the impact on the financial statements, based on the following procedures and inquiries:</p> <ul style="list-style-type: none"> - Confirmations with external counsel - Representation letter from in-house general counsel - For each individual matter, we evaluated and documented the following: 1. What is the actual or potential monetary impact/ What accounts are impacted / Financial consequences of non-compliance on FS?

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Big 6 - 5	<p>a. Perform current year planning activities based on long history of auditing the issuer and various inquiries of different levels at the issuer over the years.</p> <p>b. Conduct planning meetings (e.g., fraud and brainstorming sessions) among engagement team members, including specialists.</p> <p>c. Perform risk assessment procedures at the entity level and financial statement line items, including: + evaluating current and industry events; + reading board minutes; + reading analyst reports; and + reviewing the issuer benchmark against peers.</p> <p>d. Read 10Q and 10K reports.</p> <p>e. Read earnings releases and transcripts.</p> <p>f. Evaluate regulatory policies and procedures.</p> <p>g. Test various entity level controls (ELCs), including the issuer's risk assessment process.</p> <p>h. Review scope and monitor any trending metrics of Internal Audit and other internal monitoring groups.</p>	<p>a. Conduct quarterly meetings with the global head of litigation to discuss current investigations.</p> <p>b. Evaluate whether the issuer has considered applicable FASB and SEC guidance (GAAP checklist and SEC checklist).</p> <p>c. Test various ELCs, including controls over the issuer's risk assessment process and controls over the period-end financial reporting process.</p> <p>d. [REDACTED]</p> <p>e. Perform risk assessment over cybersecurity risk and ELCs over cybersecurity governance.</p> <p>f. Review subsidiary entities, such as broker dealers, for compliance with SEC rules.</p> <p>g. Test assertions with income tax provision for compliance with tax regulations.</p>	<p>a. Conduct quarterly meetings with the global head of litigation to evaluate legal contingencies and regulatory investigations.</p> <p>b. Perform fraud inquiries of various personnel, such as CFO, Chief Legal Officer, and CEO, including NOCLAR.</p> <p>c. Review minutes of meetings held by those charged with governance.</p> <p>d. Conduct meetings with compliance/legal team responsible for various subsidiaries and legal entities.</p> <p>e. Meet with Internal Audit quarterly and read Internal Audit's reports.</p> <p>f. Obtain and inspect fraud risk assessment considerations from internal monitoring groups.</p> <p>g. Test ELCs over the [REDACTED] hotline and the related service auditor report.</p> <p>h. Conduct periodic meetings with [the Issuer's regulators].</p> <p>i. Maintain team's alertness for NOCLAR.</p>
Big 6 -6a (Issuer Level)	<p>The engagement team documented relevant information about the industry, regulatory, and other external factors affecting the company in the [REDACTED]. This information included:</p> <ul style="list-style-type: none"> • background knowledge on the client's business; • prior interim periods of the current year and prior year; • minutes of meetings of management and of the audit committee; and • inquiries with management and those charged with governance. <p>[REDACTED] the engagement team selected a sample of four legal expenses from the general ledger and tested to validate the Issuer is properly accounting for legal expenses. [REDACTED]</p> <p>The engagement team also received legal letters from [REDACTED] law firms engaged by the Issuer, stating the nature of the legal representation, any known pending litigation, and outstanding fees.</p>	<p>The engagement performed inquiries with the [senior management] reporting [REDACTED] regarding:</p> <ul style="list-style-type: none"> • violations or possible violations of laws or regulations; • any known or pending litigation; • cyber incidents; and • impact on external economic conditions. <p>[REDACTED]</p>	<p>See response to question 2, above.</p>
Big 6 - 6b (Firm Level)	<p>** The nature of procedures performed by the engagement team and the availability of information to obtain an understanding of these matters, including the reliability and relevancy of the related information sources, are affected by various factors, including:</p> <ul style="list-style-type: none"> + the nature of the issuer; + the products and services provided by the issuer; + the industry in which the issuer operates; and + the various regulatory environments and jurisdictions in which the issuer operates. <p>• The engagement team's procedures should sufficiently provide a reasonable basis to identify and evaluate risks of material misstatement,</p>	<p>**The legal and regulatory environments of an issuer are dependent upon multiple factors, such as geographic location, products or services provided by the issuer, and industry in which the issuer operates.</p> <p>• Therefore, the nature of audit procedures by the engagement team to obtain an understanding of noncompliance matters are affected by factors and considerations derived from:</p> <ul style="list-style-type: none"> + Historical audit experience with the issuer; (AS 2110.42) + Experience with other engagements; and (AS 2110.44) + The issuer's disclosures in quarterly and annual filings and the disclosures made by the issuer's competitors. 	<p>In line with AS 2405.07, we do not perform procedures specifically to identify these. However, if specific information comes to the auditor's attention that provides evidence concerning the existence of possible illegal acts that could have a material indirect effect on the financial statements, we would apply additional procedures in line with the standards.</p> <p>The types of procedures discussed in #2 (inquiries, reading information, risk assessment, substantive procedures and attorney inquiry letters, etc.) could identify</p>

Firm	4. For questions #2 and #3, if not already provided, what sources of information do you take into account when performing such procedures?	5. What procedures do you perform when you detect or otherwise become aware of information indicating that noncompliance with laws and regulations (whether or not perceived to have a material effect on the company's financial statements) has or may have occurred?	6. What procedures do you perform when determining whether a loss contingency should be disclosed, or accrued and disclosed, in the company's financial statements in accordance with ASC 450? When making such determination, do you discuss the situation with representatives of the company (including external parties), and if so, who?
Big 6 - 5	<p>a. Review [REDACTED] regulatory filings.</p> <p>b. Review other regulatory filings of various subsidiaries, such as broker dealer focus reports.</p>	<p>**a. Consider AS 2405 regarding procedures to be performed.</p> <p>b. Understand the facts and circumstances related to the information that could be indicative of noncompliance, including the magnitude and related effect to the financial statements.</p> <p>c. Discuss with the internal and external legal counsel.</p> <p>d. Obtain confirmations from the external legal counsel.</p> <p>e. Evaluate the materiality on the financial statements based on quantitative and qualitative factors.</p> <p>f. Evaluate whether there were concerns indicating that information within the financial statements could be misleading from a quantitative and qualitative perspective.</p> <p>g. Evaluate for indicator of whether management in a Financial Reporting Oversight Role was involved.</p> <p>h. Evaluate the consistency of legal reports to the Audit Committee and other reporting throughout the year.</p> <p>i. Held discussions with the Audit Committee at a level above the involved individual.</p>	<p>**a. Meet with the legal counsel to evaluate possible matters of noncompliance on a quarterly basis.</p> <p>b. Discuss with the external legal counsel.</p> <p>c. Discuss with management how the issuer evaluates estimates related to the legal reserve and/or the related basis of such reserve.</p> <p>d. Review minutes of meetings of those charged with governance.</p> <p>e. Perform retrospective review based on actual settlements to identify potential management bias.</p> <p>f. Obtain confirmations from the external legal counsel.</p> <p>g. Perform inquiries and test controls over management's quarterly review of legal reserves.</p> <p>h. Review legal contingencies disclosures and checklists.</p>
Big 6 - 6a (Issuer Level)	The engagement team performed walkthroughs to obtain an understanding of relevant business processes (for this non-integrated audit). The engagement team did not identify any instances of non-compliance with laws and regulations as a result of these procedures.	N/A – no instances of non-compliance or illegal acts were identified.	N/A – no instances of non-compliance or illegal acts were identified.
Big 6 - 6b (Firm Level)	<p>**</p> <p>+ Discuss with management, the audit committee, and internal audit.</p> <p>+ Review minutes of meetings of those charged with governance, the audit committee, management, or other applicable parties.</p> <p>+ Review publicly available information related to the entity's activities (e.g., press releases, news articles).</p> <p>+ Review information from external parties such as regulators.</p> <p>+ Obtain an understanding of the issuer's information technology system and related business</p>	<p>**An illegal act is an act or omission that violates any law, or any rule or regulation having the force of law. The firm initiates its SEC Rule 10A response when the firm detects or otherwise becomes aware of information indicating that noncompliance with laws and regulations, whether or not it is perceived to have a material effect on the company's financial statements, has or may have occurred.</p> <p>That response requires the following:</p> <ol style="list-style-type: none"> 1. The engagement partner is notified, as soon as practicable, of the identified information. 2. The engagement partner is required to notify and consult with firm technical, risk, and legal groups to evaluate and determine the response to the matter. 	<p>[REDACTED]</p> <p>To the extent matters are identified, the procedures to perform would vary, but generally include inquiry with management (in practice internal legal counsel) and inquiry letters from external counsel, as well as inspecting relevant documents to determine if that information supports management's conclusions. In practice, these documents may be regulatory communications, court documents, and various contractual documents.</p> <p>[REDACTED]</p>

Firm	1. What procedures do you perform in obtaining an understanding of the relevant industry, regulatory, and other external factors affecting the company as part of your risk assessment?	2. What specific procedures do you perform to identify a company's noncompliance with laws and regulations that would have a direct and material effect on their financial statements?	3. What specific procedures, if any, do you perform to identify a company's noncompliance with laws and regulations that would have an indirect, but material, effect on their financial statements?
	<p>whether due to fraud or error, and design further procedures to respond to the related risks of material misstatements. (AS 2101.04)</p> <ul style="list-style-type: none"> The engagement team performed procedures and activities throughout the audit to obtain applicable information about the industry, regulatory, and other external factors affecting the issuers. These procedures and activities can be part of audit planning, identifying and evaluating risks of material misstatements, and responding to the assessed risks of material misstatements. We have a questionnaire requiring the engagement team to document its initial understanding of matters affecting the issuers during the initial risk assessment procedures as follows. <ul style="list-style-type: none"> "AS 2110.09 requires auditors to obtain an understanding of: (a) relevant industry factors, including the issuer's competitive environment and technological developments; (b) the regulatory environment, including the applicable financial reporting framework and the legal and political environment; and (c) external factors, including general economic conditions." <p>While we do not provide prescriptive procedures on how to achieve these objectives, there is a user guide that provides examples of factors to be considered by the engagement team.</p> <p>For example,</p> <ul style="list-style-type: none"> The user guide provides examples of issuer environmental factors to consider, including: <ul style="list-style-type: none"> Material changes or volatility in the issuer's market or industry; Competitive environment; Position of the issuer in the marketplace; Issuer's relationships with suppliers and customers; IT developments; Cyclical or seasonal activities; Energy and supply costs; and Climate-related risks applicable to the industry and the issuer. The user guide also provides other examples of legal and regulatory factors to consider, including: <ul style="list-style-type: none"> The issuer's financial reporting framework; Legislation and regulation affecting the issuer's operations and industry; Governmental policies affecting the issuer's operations, including trade restrictions and tariffs imposed on the issuer's business partners; <p>and</p> <ul style="list-style-type: none"> Environmental policies affecting the issuer's operations and industry. <ul style="list-style-type: none"> Information relevant to the matters may be obtained from various sources internal and external to the issuer using standardized procedures. <ol style="list-style-type: none"> Reviewing minutes of meetings of management and those charged with governance, including the audit committee; Reviewing information from external sources about the issuer, such as by: <ol style="list-style-type: none"> Regulators; Reports by analysts, financial institutions, or rating agencies; or Business performance publications or other documents about the issuer's business performance. Reviewing the issuer's disclosures in quarterly and annual filings and the disclosures made by the issuer's competitors. Discussing and interacting throughout the audits with: <ol style="list-style-type: none"> Management; Internal auditors; and The audit committee; regarding matters applicable to the audit of the issuer's financial statements (and internal control over financial reporting, if applicable). <ul style="list-style-type: none"> Note: We have required procedures for the engagement team to discuss with management and the audit committee the issuer's correspondence with regulators and to further investigate such matters to identify instances with potential direct and material effect on the financial statements. Inspecting information and explanations from management obtained in conjunction with the engagement team's risk assessment analytical 	<ul style="list-style-type: none"> The identification of laws and regulations that would have a direct and material effect on the issuer's financial statements is through a combination of inquiries and reviews of various sources of information in conjunction with the engagement team's (a) risk assessment procedures; and (b) audit procedures performed to address the assessed risks of material misstatements. <ol style="list-style-type: none"> The engagement team is required to discuss with the issuer's management, including the issuer's legal counsel, litigation, claims, and the related assessments, and review various sources of information internal and external to the issuer. The engagement team is required to discuss as a team, any pending litigation and/or contingent liabilities that may be applicable to the identification and assessment of risks of material misstatements. The engagement team is required to identify any Cybersecurity issues impacting the issuer, review management's evaluation of the matters, and consider whether the matters impact the identification and assessment of risks of material misstatements and the issuer's disclosures. An entity-level control questionnaire requires the engagement team to obtain an understanding and document its understanding of the issuer's internal control environment under the COSO Framework, including applicable policies, procedures, and controls performed by management to: <ul style="list-style-type: none"> Monitor and review compliance with laws and regulations; and Identify and address fraud risks relevant to the issuer. 	<p>these types of noncompliance or other indirect but material matters (e.g., Cybersecurity issues could have a monetary effect).</p> <p>In line with AS 2405.07, we do not perform procedures specifically to identify these. However, if specific information comes to the auditor's attention that provides evidence concerning the existence of possible illegal acts that could have a material indirect effect on the financial statements we would apply additional procedures in line with the standards.</p>

Firm	4. For questions #2 and #3, if not already provided, what sources of information do you take into account when performing such procedures?	5. What procedures do you perform when you detect or otherwise become aware of information indicating that noncompliance with laws and regulations (whether or not perceived to have a material effect on the company's financial statements) has or may have occurred?	6. What procedures do you perform when determining whether a loss contingency should be disclosed, or accrued and disclosed, in the company's financial statements in accordance with ASC 450? When making such determination, do you discuss the situation with representatives of the company (including external parties), and if so, who?
	<p>processes related to significant classes of transactions, account balances, and disclosures (e.g., as part of the engagement team's walkthrough procedures).</p> <ul style="list-style-type: none"> + Obtain an understanding of the issuer's system of internal controls under the COSO framework. + Obtain confirmations from the external legal counsel. 	<p>3. The first step to determine the response includes evaluating whether the identified information is indicative of noncompliance with laws and regulations that has or may have occurred.</p> <p>4. If the information is indicative of noncompliance, the engagement partner is instructed to notify the issuer's management and audit committee.</p> <p>5. The engagement partner then evaluates whether an illegal act has likely occurred and to assesses the impact on the financial statements of the issuer, including any indirect impact such as from fines and penalties for noncompliance as a result of investigations to be further performed by the issuer.</p> <p>The investigations to be further performed by the issuer may involve internal or external counsel, internal audit, and/or forensic accountants who will investigate the matter, conclude whether an illegal act has likely occurred, and assess the impact to the issuer's financial statements. The firm's forensic specialist may also be engaged by the engagement team to shadow the issuer's investigations and assist the engagement team with its evaluation of the sufficiency and appropriateness of the issuer's investigation scope, related conclusions, and proposed remedial actions.</p> <p>6. During the investigations, the engagement partner regularly updates the firm's technical, risk, and legal groups on the planned procedures, results to date, and other matters as appropriate.</p> <p>7. During this process, the engagement partner with input from firm's technical, risk, and legal groups and the firm's forensic specialist, will continually evaluate if the issuer performs timely and appropriate remedial actions, assess any impact the matter may have on the audit report, consider the client continuance considerations and the notice requirements under SEC Rule 10A-1.</p> <p>8. The engagement partner prepares a memo to document the evaluation made, procedures performed, and conclusions reached. This memo is submitted to the firm's technical group for review.</p> <p>9. The memo is reviewed by the firm's technical group and then shared for further review by the firm's risk and legal groups, and the firm's forensic specialist.</p> <p>10. Once all reviewers approve, the memo along with the approvals are added to the audit work papers.</p> <p>11. Lastly, the results of the memo and related approvals are documented in the firm's client acceptance and continuance system.</p>	

Firm	1. What procedures do you perform in obtaining an understanding of the relevant industry, regulatory, and other external factors affecting the company as part of your risk assessment?	2. What specific procedures do you perform to identify a company's noncompliance with laws and regulations that would have a direct and material effect on their financial statements?	3. What specific procedures, if any, do you perform to identify a company's noncompliance with laws and regulations that would have an indirect, but material, effect on their financial statements?
Annual 1 U.S. NAF	<p>The firm documents the following in its work program:</p> <ul style="list-style-type: none"> -The structure ownership and governance of the issue or -Industry regulatory and other external factors -Nature of the company new line selection and application of accounting principles including related disclosures -Objectives and strategies and related business risks -Measurement and review of the company's financial performance 	<p>During the client acceptance process we performed the following procedures:</p> <ul style="list-style-type: none"> -Reading form 8K's if applicable to determine if there are any changes in officers or directors including resignations or declinations to stand for reelection. -Review of SEC and other regulatory actions that are in process or settled. -Evaluate whether the client takes aggressive accounting or tax positions that have led to repeated financial statement adjustments, has placed pressure on the firm or its personnel regarding the restriction of audit procedures, or appears to have been untruthful in past audit responses or failed to provide vital audit evidence that proved to be readily available. -Evaluate whether the client frequently changes auditors. -Document all discussions with bankers, attorneys, credit services and others having a business relationship with the client, including discussions about regulatory compliance, reputation, etc. -Document any information that has come to our attention by other means (e.g., press reports IRS investigations legal proceedings SEC examination letters) that calls into question management's integrity or any issue of fraud. -Perform a background investigation on the prospective client by consulting the US Department of the Treasury's list and Google. Document if the search returned any matches. -Determine if the prospective client has independent reputable legal counsel. <p>Quarterly, the hired administrator validates and summarizes compliance with key 1940 act and other SEC requirements (as provided by rule 38(a)-1). These quarterly compliance checklists are obtained and reviewed by [the firm] to assess the inclusion of the key compliance items within. In addition, [the firm] complete[s work programs] for Subchapter M Compliance and other compliance checks, documenting our review of these items. The engagement team then discusses the responses with the [issuer's Chief Compliance Officer] CCO and compares to the CCO report for completeness and accuracy.</p> <ul style="list-style-type: none"> -Read the CCO report. -Read all board minutes including reports from the CEO to the board regarding both operational and legal compliance. -Interview the CCO regarding the contents of the report. -Evaluate the impact of any items on both the financial statements and the internal control environment. 	<p>See #2</p>
Annual 2 U.S. NAF	<p>Inquiries with executive management & others within the [issuer's] finance team and operations.</p> <p>Others being such as sales [personnel] to understand forecast and perform fraud inquiries. The engagement team has a discussion with the CEO, VP of finance, and external legal related to relevant industry and regulatory. The engagement team does not inquire about regulatory items with the operational and sales personnel.</p> <p>Inquiries with audit committee.</p> <p>Alerts from the Company's external general counsel [REDACTED] whether emails, or legal letter confirmations & updates.</p>	<p>Requests for letter notifications (such as from SEC, NASDAQ and others).</p> <p>See also #1.</p>	<p>Inquiries with others within the [issuer's] finance team and operations.</p>
Annual 3 U.S. NAF	<p>The team utilizes First Research to understand the company's industry, regulatory and external factors. We have also done internet research to understand who their competitors are and topics that may impact risk assessment. We also perform inquiries of management and others in key roles at the Company (e.g. in-house counsel). [The company has a regulator, aside from the SEC, that it is inspected by, periodically.] We perform inquiries of [that regulator] to understand what, if any, communications have occurred between the company and [that regulator]. [REDACTED] We also read the minutes of meetings of stockholders, directors and committees to identify litigation, claims and assessments involving the entity. We read press releases and listen to earnings calls and speeches made by company's CEO & CFO. [REDACTED]</p>	<p>We read the minutes of meetings of stockholders, directors, and committees to identify litigation, claims and assessments involving the entity. Obtained and inspected, from the company, their summary of litigation, asserted and unasserted claims, and assessments that existed at the date of the financial statements being reported on and during the period from the date of the financial statements to the date the information is furnished. Inspected legal invoices looking for instances of litigation or matters involving non-compliance with laws and regulations. We performed inquiries with management, inclusive of legal counsel and [other regulator]. We inspected the other regulator's internal compliance and audit testing noting no errors.] We also sent legal inquiry letters to both external counsel and in-house legal team and evaluated their responses.</p>	<p>Procedures noted [previously] addressed both indirect and direct impact on the financial statements – [the main sources of indirect impact would be failure of the other regulator's audit.] Penalties can range from recommendations, monetary penalties or forcing the company to cease operations until compliance is demonstrated. The company is also subject to SEC regulation. [REDACTED]</p>
Annual 4 U.S. NAF	<p>The engagement team performs inquiry with management through the annual audit questionnaire as well as verbal inquiries with management and audit committee chair. The engagement team also performs legal inquiries with outside counsel to identify any potential risk areas for industry, regulatory, or other external factors. The engagement team also performs inquiry of the audit committee to confirm their understanding and awareness of any non-compliance of laws and regulations.</p>	<p>The engagement team performs inquiry with management through the annual audit questionnaire as well as verbal inquiries with management and audit committee chair. The engagement team also performs legal inquiries with outside counsel to identify any non-compliance with laws or regulations and its impact on the financial statements. Management also signed a representation letter that speaks to knowledge of non-compliance with laws and regulations. The engagement [team] also performs inquiry of the audit committee to confirm their understanding and awareness of any non-compliance of laws and regulations.</p>	<p>The engagement team performs inquiry with management through the annual audit questionnaire as well as verbal inquiries with management and the audit committee chair. The engagement team also performs legal inquiries with outside counsel to identify any non-compliance with laws or regulations and its impact on the financial statements. Management also signed a representation letter that speaks to knowledge of non-compliance with laws and regulations.</p>

Firm	4. For questions #2 and #3, if not already provided, what sources of information do you take into account when performing such procedures?	5. What procedures do you perform when you detect or otherwise become aware of information indicating that noncompliance with laws and regulations (whether or not perceived to have a material effect on the company's financial statements) has or may have occurred?	6. What procedures do you perform when determining whether a loss contingency should be disclosed, or accrued and disclosed, in the company's financial statements in accordance with ASC 450? When making such determination, do you discuss the situation with representatives of the company (including external parties), and if so, who?
Annual 1 U.S. NAF	Our responses to #2 and #3 are comprehensive.	-Interview the CCO regarding the contents of the report.	<ul style="list-style-type: none"> -The engagement team reviews the [legal expenses] report and legal invoices to determine the need to send a legal letter. If there is evidence of significant legal expenses the team sends a legal letter and evaluates the response to that letter. -The tax department reviews the ASC 740 and subchapter M analysis performed by the administrator to determine if there are any uncertain tax positions or noncompliance with IRC subchapter M. -We search Edgar for any regulatory notices available and inquire of the client of any existence of in progress investigations. -We review SOC reports for all service providers and managed to appropriate professional skepticism in our substantive procedures to determine if any operational deficiencies exist that could result in noncompliance or error. -Investment losses are substantively tested 100% and related market risk is disclosed in the footnotes as a potential loss contingency in the normal course of business in an investment fund.
Annual 2 U.S. NAF	The Company's external general counsel [REDACTED].	<p>Request for any letter notification and review the correspondence.</p> <p>Obtain an understanding by inquiry and discussion with executive management.</p> <p>For significant matters, request the [issuer's] finance team provide a written analysis with related accounting impact & FS disclosure draft.</p> <p>Obtain legal confirmation from the Company's external general counsel, including a live discussion as needed.</p>	<p>[REDACTED]</p> <p>Same steps as #5 above and in addition, the following:</p> <p>Assess management's calculation of the loss contingency with reference to applicable accounting literature.</p> <p>Review and reperform the calculation for the amount or range of loss contingency derived by management.</p> <p>If the matter arises from a legal matter (litigation, alleged claims etc.), then we would likely also discuss with the Company's external general counsel to ensure that we have the full picture and consideration of all the pertinent factors.</p> <p>Discuss with management their views on the weight of factors, if applicable: typically with the CAO. If relevant, also with the CEO. And reporting to the Audit Committee to see if other factors were discussed.</p> <p>[REDACTED]</p>
Annual 3 U.S. NAF	See [previous] responses.	We did not become aware of any such instances. If we had, we would have analyzed the information to understand the nature and root cause of the noncompliance then analyzed the ramifications of the noncompliance to understand what the potential impact on the company's financial statements. We would have re-evaluated our initial risk assessment and considered consulting with professionals with specialized knowledge should the situation have warranted it.	We evaluated responses to legal letters sent to the company's legal counsel (both internal and external counsel). We inspect management's disclosures and accruals to ensure they appear proper when compared to the information we have gathered through our audit procedures to determine whether management's disclosures and/or accruals appear to be in accordance with authoritative guidance. We discuss with management, namely the company's in-house counsel, the Audit Committee chairman, CEO, CFO, and corporate controller quarterly.
Annual 4 U.S. NAF	Outside counsel communication letters, industry information as noted in the audit questionnaire, management representation letters.	The engagement team has not noted any instances of noncompliance with laws or regulations while engaged to perform the annual audits for the issuer.	When a loss contingency is identified, the engagement team will inquire with legal counsel on nature of the contingency and potential outcome. This is also discussed with management and the audit committee, and the engagement team will document the consideration in line with ASC 450 in the workpapers. The engagement team will also review the disclosures within the financials.

Firm	1. What procedures do you perform in obtaining an understanding of the relevant industry, regulatory, and other external factors affecting the company as part of your risk assessment?	2. What specific procedures do you perform to identify a company's noncompliance with laws and regulations that would have a direct and material effect on their financial statements?	3. What specific procedures, if any, do you perform to identify a company's noncompliance with laws and regulations that would have an indirect, but material, effect on their financial statements?
Triennial 1 U.S. NAF	[REDACTED] The firm uses [a third-party audit methodology] and completes [the template from the third-party audit methodology related to understanding and identifying risks] as part of its audit planning and risk assessment procedures. Procedures include client inquiry and review of public information, such as annual reports and SEC filings which may include disclosures of risks that the company faces, as well as other public communications. Further, the firm subscribes to services provided by Reuters and PwC for updates on regulatory and other external factors that could affect issuer audits.	As part of its client acceptance and continuance procedures as well as procedures performed to understand the company being audited, the firm performs internet searches, reads the company's website, reviews SEC filings (Form 8-Ks) and orders, reviews minutes of governance meeting, and inquiries with management, the audit committee, and others involved in company accounting or operations, such as third-party bookkeepers. In certain instances where the firm believes there is heightened risk, it will perform background checks on members of management and governing bodies. During the audit, engagement teams obtain confirmations from legal service providers to understand pending or threatened legal actions, which could include instances of alleged non-compliance with laws and regulations.	No specific procedures beyond those described in the response to question #2.
Triennial 2 U.S. NAF	We monitor industry and regulatory factors by subscribing to Big 4 and [other non-affiliate annually inspected firms] publications, FDIC alerts and quarterly banking profile, attend [REDACTED] bank finance group events/meetings, and other industry specific meetings/events. [REDACTED].	Inquiry of client management, Audit Committee, and internal audit function, review of Board and Audit Committee minutes, and review of any regulatory reports	Inquiry of client management, Audit Committee, and internal audit function, review of Board and Audit Committee minutes, and review of any regulatory reports.
Triennial 3 U.S. NAF	Our firm follows [a third-party audit methodology]. As part of our risk assessment procedures we document the results of the following procedures in relation to other laws and regulations which may have a material effect on the financial statements: a. Inquiries of management and the audit committee as to whether the entity is in compliance with such laws and regulations; and b. Inspection of correspondence, if any, with the relevant licensing or regulatory authorities. Where applicable, the auditor's inquiries of management should include: a. The entity's policies relative to the prevention of illegal acts; and b. The use of directives issued by the client and periodic representations obtained by the entity from management at appropriate levels of authority concerning compliance with laws and regulations	Our firm follows [a third-party audit methodology, including illegal acts by clients' work programs].	Our firm follows [a third-party audit methodology], including illegal acts by clients work programs].
Triennial 4 U.S. NAF	In each audit, the firm template [a third-party audit methodology] instructs the auditor to obtain an understanding of the company and its environment that includes, considerations related to industry, regulatory and other external factors affecting the company as part of the firm's risk assessment during the planning phase of the audit.	The firm template instructs the auditor to obtain an understanding of the company and its environment that includes, considerations related to evaluation on how the company complies with legal and regulatory framework, identification of laws and regulations, if any, that may affect the operations and financial reporting of the company, inquiries with management and audit committee, and inspection of correspondence, if any, with any regulatory authorities. In addition, the firm may tailor audit procedures, as needed, based on circumstances of the audit client such as specific regulatory matters, [evaluating disclosures, comparing issuer information to third-party sources, and evaluating how the company complied with regulatory compliance matters] that may influence the audit. [REDACTED]	Same response as #2.

Firm	4. For questions #2 and #3, if not already provided, what sources of information do you take into account when performing such procedures?	5. What procedures do you perform when you detect or otherwise become aware of information indicating that noncompliance with laws and regulations (whether or not perceived to have a material effect on the company's financial statements) has or may have occurred?	6. What procedures do you perform when determining whether a loss contingency should be disclosed, or accrued and disclosed, in the company's financial statements in accordance with ASC 450? When making such determination, do you discuss the situation with representatives of the company (including external parties), and if so, who?
Triennial 1 U.S. NAF	External sources include public information available via internet searches, the company's website, the SEC's website, background checks, and discussions with individuals outside of the company that would be reasonably expected to have relevant information, such as third party legal and accounting service providers. Internal sources include minutes of governance meetings and inquiries with individuals inside the company.	Once non-compliance has been identified, there are internal discussions held among the engagement team, the EQR, and the firm's managing partner to discuss the information obtained, [including management's evaluation and response]. [REDACTED] [The firm would then determine] whether [it] would continue to provide services to the company.	The firm is aware of the requirements under ASC 450 and will evaluate whether requirements have been met to disclose or accrue and disclose a loss contingency related to instances of non-compliance. For [an] issuer audit engagement where non-compliance occurred, the firm established a timeline of events from inquiries with management to evaluate at what point was a loss contingency probable and estimable. Additional inquiries were made to relevant external legal counsel to confirm the completeness and accuracy of the timeline of events.
Triennial 2 U.S. NAF	Noted above	Should noncompliance with laws and regulations be identified, the engagement team would then assess what the impact is on the client's financial statements and ICFR, if any.	Should a potential loss contingency need to be considered, we would follow the guidance in ASC 450 including our internally developed flowchart, then discuss our assessment with issuer management.
Triennial 3 U.S. NAF	<ul style="list-style-type: none"> •Inquiries •Meeting minutes •Regulatory exam reports •Legal letters 	Our firm follows [a third-party audit methodology, including illegal acts by clients work programs.]	Our firm follows [a third-party audit methodology, including illegal acts by clients work programs.]
Triennial 4 U.S. NAF	The primary sources used by the firm are guidance in the firm template, inquiries with company's personnel including management, audit committee, and legal counsel, board minutes, legal confirmations, communication with those charged with governance, correspondence, if any, with any regulatory authorities, and other sources of information.	The firm's approach is to perform procedures similar to contingent liability procedures. These procedures, among others, are obtaining an understanding of the noncompliance with laws and regulations by gathering facts, inquiring with management and legal counsel, auditing any assumptions used, and perform tailored audit procedures, as necessary.	Yes. The firm will discuss the matter with management and legal counsel.

Firm	1. What procedures do you perform in obtaining an understanding of the relevant industry, regulatory, and other external factors affecting the company as part of your risk assessment?	2. What specific procedures do you perform to identify a company's noncompliance with laws and regulations that would have a direct and material effect on their financial statements?	3. What specific procedures, if any, do you perform to identify a company's noncompliance with laws and regulations that would have an indirect, but material, effect on their financial statements?
Triennial 5 U.S. NAF	<p>The engagement team will complete [its work program that references the]SEC [and] understanding the entity and its environment. Within the [work program], there is a section pertaining to obtaining an understanding of the industry, regulatory and other external factors which is performed via inquiry of management. Inquiries include the following:</p> <ul style="list-style-type: none"> -A description of the nature of the entity; -Understanding of the financial reporting framework including whether there are any regulatory factors relevant to the entity's accounting estimates; -Whether the entity is in compliance with laws and regulations; -The industry in which the entity operates including the legal and regulatory frameworks applicable to the entity or group and the industry or sector in which it operates and how the entity or group complies with that framework; -Other laws and regulations, if any, that may affect the operations and financial reporting of the entity; -The policies and procedures adopted for identifying, evaluating and accounting for litigation, claims and assessments; -Any accounting principles derived from the regulatory environment; -Any legislation, regulations and/or government policies that significantly impact the entity's operations; -Whether the industry receives any government financial incentives, such as government programs; -Any environment requirements; -Federal and state taxation issues. <p>As applicable, the engagement team will also (a) inspect correspondence with the relevant licensing or regulatory authorities, and (b) consider the use of an auditor's specialist related to compliance with laws and regulations.</p>	<p>The firm does not have specific procedures designed to detect illegal acts, however procedures applied for the purpose of forming an opinion on the financial statements (such as reading minutes, inquiring of the client's management and legal counsel concerning litigation, claims and assessments, performing substantive tests of details of transactions or balances) may bring possible illegal acts to the engagement team's attention. The engagement team will complete [certain work programs that focus on SEC compliance with laws and regulations and illegal acts by clients] The engagement team will also obtain written representations from management concerning the absence of violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.</p>	<p>The firm will perform the same procedures as noted [in the previous response].</p>
Triennial 6 U.S. NAF	<p>The engagement team obtains a compendium of the company's operations and talks to management about how those possible risks occur in the company (possible risks would include things such as the regulatory environment and multilevel marketing in [other countries], where the company is headquartered). The engagement team further gets an understanding of how the company operates in the industry, primarily through discussion with management. The engagement team also consider risks associated with the products sold by the company.</p>	<p>The engagement team considers the laws and regulations [REDACTED], including performing inquiry with management, the audit committee and with various employees about non-compliance with laws and regulations (as part of fraud inquiries).</p>	<p>Same answer as in #2.</p>
Triennial 7 U.S. NAF	<p>We would review the "audits of specific industry guidelines" research material found in our audit library. We would also make inquiries of client management and audit committee as to their knowledge of regulatory requirements (if any).</p>	<p>A. Reading minutes B. Inquires of our client's management and audit committee regarding any knowledge of illegal acts and compliance of laws and regulations. C. Obtained a representation letter from management. D. Review of legal invoices and obtained representation from clients legal counsel.</p>	<p>Throughout the audit our team looks for large and irregular transactions which might give rise to violations of laws or regulations. Irregular transactions might include but not limited to large cash transactions, unusual fines or penalties, payments to unspecified consultants, payments made to government officials or employees and failure to file taxes.</p>
Triennial 8 U.S. NAF	<p>We inquire of management, read industry reports, and do general research on other similar companies.</p>	<p>We inquire of management and legal counsel and send legal letters.</p>	<p>We inquire of management and legal counsel and send legal letters.</p>

Firm	4. For questions #2 and #3, if not already provided, what sources of information do you take into account when performing such procedures?	5. What procedures do you perform when you detect or otherwise become aware of information indicating that noncompliance with laws and regulations (whether or not perceived to have a material effect on the company's financial statements) has or may have occurred?	6. What procedures do you perform when determining whether a loss contingency should be disclosed, or accrued and disclosed, in the company's financial statements in accordance with ASC 450? When making such determination, do you discuss the situation with representatives of the company (including external parties), and if so, who?
Triennial 5 U.S. NAF	The engagement team will take into account information from (a) inquiries with management, (b) reading board minutes, (c) discussion with in-house legal counsel, (d) legal letters obtained from outside lawyers, and (e) maintaining awareness throughout substantive audit procedures for potentially illegal transactions (including unauthorized transactions, payment of unusual fines or penalties, large payments for unspecified services, sales commissions that appear excessive, unusually large cash payments, etc).	The engagement team reference[s] [its] methodology [related to procedures performed that focus on SEC compliance with laws and regulations and illegal acts by clients] [REDACTED].	The engagement team will complete [its work program prescribing procedures to be performed related to SEC litigation, claims and assessments and will reference its methodology related to inquiry of a client's lawyer related to litigation, claims and assessments and the auditor's responsibility related to the risks of material misstatements]. The engagement team will also perform inquiries with management, in-house legal counsel, and obtain legal letters from outside attorneys in order to make an assessment of the need to disclose or accrue a contingent liability.
Triennial 6 U.S. NAF	The engagement team would talk to the audit committee, management, and evaluate the results of audit procedures (including procedures performed to gain and understanding of the company, industry, etc.)	The engagement team would go to the audit committee to discuss the issue with them and consult with their legal counsel. Further, they would consider withdrawing from the client. In past instances, the engagement team has talked to the audit committee and CEO and communicated that if identified noncompliance continues happening, the firm may withdraw from the engagement. These issues are discussed amongst the engagement team, and they will incorporate those considerations into the audit procedures as necessary. For instance, the engagement team maintains a list of the CEO's other ventures in order to determine if there is any noncompliance or to identify unusual transactions when performing their audit.	The engagement team would discuss with the issuer's legal counsel and management and ask if there is an estimate on the possible loss contingency associated with the compliance.
Triennial 7 U.S. NAF	Journal entry reports and cash disbursement reports as well review of accounts payable ledgers. We also review these reports subsequent to the balance sheet date up to the date of our audit report.	We have not detected such aforementioned information. If we did, we would consult with client's legal counsel and apply additional procedures to obtain a further understanding of the nature of the acts. If applicable we would communicate the matter with the audit committee.	We would determine the materiality of the violation and would follow the requirements to be disclosed in the same manner as other loss contingencies within the guidelines of ASC 450. We would discuss these matters with the client's audit committee as well as legal counsel.
Triennial 8 U.S. NAF	For industry reports, we use First Research and/or IBS world.	If there is indication of noncompliance, we inquire of management further, obtain support related to the noncompliance, inquire of legal counsel, and document the facts and circumstances from there. If the noncompliance impacts the company's financial accounts, we ensure it is appropriately recorded and disclosed, and if no financial impact, we ensure it is appropriately disclosed.	For loss contingencies, we inquire of management, send legal letters, obtain support, if needed, and discuss with the Company's legal counsel if more specifics are needed. Also, depending on the situation and materiality of the situation, we would discuss with internal specialists that would help us determine if the conclusion is appropriate.

Firm	1. What procedures do you perform in obtaining an understanding of the relevant industry, regulatory, and other external factors affecting the company as part of your risk assessment?	2. What specific procedures do you perform to identify a company's noncompliance with laws and regulations that would have a direct and material effect on their financial statements?	3. What specific procedures, if any, do you perform to identify a company's noncompliance with laws and regulations that would have an indirect, but material, effect on their financial statements?
Triennial 9 U.S. NAF	[REDACTED] Our procedures in this area generally include inquiries of management and members of the Audit Committee, review of Board minutes, review of SEC filings and press releases, review of similar company SEC filings, [completion of a work program related to understanding the entity and environment], which is divided into [various] sections, or areas to be considered, including NOCLAR, and various other procedures as deemed necessary.	In our limited exposure, [REDACTED], our clients do not have significant direct government contracts, so our compliance with laws and regulations in this area would relate to income taxes, sales tax, payroll taxes, and any other required filings. As part of our audit procedures, we review the income tax filings and test the current year income tax provision. As for payroll taxes, we do testing of the payroll, which is frequently prepared by an outside service who will have a SOC-1 report. We also review the reasonableness of the payroll tax expense and the sales tax liabilities. We do inquire of management regarding any regulatory notices, as well as our inquiries of the company's legal counsel.	Our procedures in this area generally include inquiries of management, members of the Audit Committee, and other selected personnel of the company; review of Board minutes, review of SEC filings and press releases; legal expense testing and attorney representation letters; and management representation letter.
Triennial 10 U.S. NAF	As a part of our risk assessment procedures, each engagement team utilizes the knowledge and experience of not only each client, but the [issuer's] industry via our niche-based approach to this segment of our firm's practice. The [issuers] in our client base operate under very similar industry and regulatory factors. The engagement lead partner, the engagement quality control reviewer, the engagement manager and the engagement supervisor/in-charge are fully dedicated to this part of the firm's practice and spend all of their time within the [issuer's] audit industry. The specific considerations and sources of regulatory and industry knowledge include: 1)Ongoing inquiry and discussion with the client regarding any significant changes identified as part of our quarterly 10-Q review procedures performed throughout each audit cycle leading up to our interim planning for year-end audit engagements. 2)Specific inquiries of client management during our interim planning fieldwork to address specific questions from our questionnaire for "Understanding the Entity and its Environment". 3)Monitoring of client Form 8-K filings throughout the year for significant transactions, management and board of director changes. 4)Review of all board of directors, audit committee and other significant board sub-committee meeting minutes and subsequent inquiry should a significant matter be identified during our review. 5) [Ongoing participation and membership in the Issuer's industry associations/conferences.] 6)Team wide attendance of the semi-annual [issuer's industry] webinars for information relevant for consideration in our risk assessment relating to industry and economic trends. 7)Ongoing review of regulatory reports for each of our [issuer audit] clients (non-issuer and issuer alike) for adverse trends and regulatory findings/focuses. 8)Team wide meeting at least annually to discuss industry trends, economic changes and fraud risks to be considered within each engagement associated with AS 2401. 9)Consideration of applicable updates from the Financial Accounting Standards Board, the U.S. Securities and Exchange Commission, and other sources of regulatory changes [REDACTED]. These matters are monitored through our subscriptions to CCH Accounting Research Manager and email updates from the regulatory agencies, among other sources.	[REDACTED] [O]ur review of the client's regulatory compliance examinations are the primary procedure we perform related to the risk of non-compliance with regulations (both directly and indirectly material to the financial statements). In addition to this review, we also review the minutes of all board of directors and audit committee meetings and the results of all internal audit reports issued during the audit period. The internal audit reports would identify the results of any significant compliance related examination. [REDACTED] [REDACTED] We perform a detailed review of legal invoices paid by the client, and independently obtain legal letters for attorneys utilized by the client during the period to identify any significant, non-routine pending or ongoing litigation that may have occurred during the period or that would otherwise indicate non-compliance with laws. In addition to these procedures, we also perform quantitatively driven substantive audit procedures related to our search for unrecorded liabilities as well as flux analysis analytical reviews of noninterest expense as tests to identify (a) significant increases in expenses that may indicate payments made for non-compliance related penalties and (b) payments made during the subsequent events period that should be accrued for similar reasons.	See our response to question #2 above.
Triennial 11 Non-U.S. NAF	The firm has a client acceptance/client continuance process. As part of this process, there are three key documents requested from the potential client for analysis: 1) financial statements; 2) commercial registration with the chamber of commerce; 3) tax registration. These documents are reviewed and if no concerns are identified, the firm will move forward to the next step of completing the client acceptance/client continuance checklist [REDACTED]. The checklist includes obtaining an understanding of the background of the client, any independence issues, and why the client is changing auditors. Additionally, the firm checks a sanctions list from the Office of Foreign Assets Control ("OFAC"), an agency of the U.S. Treasury Department, to make sure the potential client is not on the sanctions list. At the completion of the checklist, a risk rating is assigned (low, medium, high). The checklist is signed off by the partner completing it, and if it is high risk, the audit leader also signs off. Then the recommendation is forwarded to the Board of Directors for final approval of the proposal.	In addition to the client acceptance/client continuance process described above, the firm also assesses this risk at the engagement level. As part of the planning process, the engagement team uses a risk assessment template which, among other things, includes evaluating risks related to the client's industry. This risk assessment template includes an evaluation of risks by financial statement line item.	See # 1 and 2 above.

Firm	4. For questions #2 and #3, if not already provided, what sources of information do you take into account when performing such procedures?	5. What procedures do you perform when you detect or otherwise become aware of information indicating that noncompliance with laws and regulations (whether or not perceived to have a material effect on the company's financial statements) has or may have occurred?	6. What procedures do you perform when determining whether a loss contingency should be disclosed, or accrued and disclosed, in the company's financial statements in accordance with ASC 450? When making such determination, do you discuss the situation with representatives of the company (including external parties), and if so, who?
Triennial 9 U.S. NAF	See answers above.	Should the occasion arise, we would obtain an understanding of the matter, determine the effect on the financial statements, and discuss it with management, and/or the audit committee if the matter is deemed to warrant their attention. We would also determine if additional audit procedures are necessary based on our re-evaluation of risk assessment. We would also review the matter with the Company's legal counsel and determine if we should retain separate legal counsel.	We obtain management's evaluation of the loss contingency under ASC 450, and we evaluate the reasonableness of the information provided. We would discuss it with the CFO and if applicable, the Company's in-house legal counsel. We also obtain representation letters from the Company's outside legal counsel. In certain instances, we may do a retrospective review of the potential liability. We will also obtain management's representation on the matter. The matter of accrual comes down to the determination of management, in consultation with their legal counsel, that a loss is probable to occur, and it can be reasonably estimated. If those conditions are met, we would anticipate an accrual being made, assuming that we agree with management's position.
Triennial 10 U.S. NAF	See our response to question #2 above.	<p>We would first obtain an understanding of the matter through inquiry and discussion with Management, generally at a level above those involved, where possible. We would then request that Management prepare and provide for our review their assessment/response to the matter and their plan to address the non-compliance matter and its potential impact on the financial statements and any related disclosures. Based on Management's internal evaluation, we would perform additional inquiry, analysis, or testing procedures that we feel are pertinent to the evaluation of the matter with consideration given to our audit manual section SECM 2405: Illegal Acts by Clients and audit manual practice aids as well as our audit program 4200 Compliance with Laws and Regulations Procedures. These policies and procedures require that we further risk assess the matter as to its potential impact, consider the reliability of written representations made by Management, and consider whether continuation of the engagement is appropriate, among other considerations.</p> <p>Further considerations of the matter generally would include, but not be limited to:</p> <ul style="list-style-type: none"> •An independent evaluation of the materiality of the impact of the non-compliance matter on the financial statements as we would other similar misstatements (whether corrected or uncorrected) in terms of whether the item is appropriately included in the financial statements under audit. This would include evaluation of disclosure and accrual or only disclosure as it relates to subsequent events depending on the timing of the matter and any further financial and/or other reporting implications. Direct communication with the client's legal counsel through our request for an attorney letter regarding their opinion on the inclusion of the matter within the financial statements as well as the possible effects on the financial statements. If the matter is not included in the attorney letter response, we inquire directly with the attorneys, if deemed necessary. •Application of additional procedures which are appropriate in the circumstances, if necessary, to obtain a further understanding of the nature of the acts, including potential use of an auditor's specialist, to consider the likelihood of whether other similar transactions or events may have occurred and applying procedures specifically to identify them. <p>These types of situations, including our audit response (if any) are also matters we discuss with those charged with corporate governance if they are not previously covered through a discussion from Management directly to those charged with governance. In most cases, we encourage Management to lead these discussions with those charged with corporate governance and [the firm] participates in and supplements the discussion and communication of the relevant facts, circumstances, and financial reporting considerations with additional information as necessary.</p>	<p>Anytime there is a loss contingency that we are evaluating for the need for disclosure or accrual and disclosure, we would first start a dialogue with the client's CFO to gain a better understanding of the matter under consideration. Through this discussion we obtain a detailed understanding of the circumstances, timing, potential range of impacts and the likelihood of recognition. If more than inconsequential, we also request that Management prepare an internal memo to document their understanding of the key facts and circumstances of the matter, its potential implications with regard to financial reporting, and their assessment of the appropriate application of relevant accounting guidance, financial reporting and conclusions on the matter.</p> <p>After understanding the situation and Management's position, we consult our audit methodology manuals in addition to other authoritative and interpretive guidance including [REDACTED] CCH Accounting Research Manager in making our final determination on whether management has arrived at the most appropriate accounting treatment.</p>
Triennial 11 Non-U.S. NAF	See # 1 and 2 above.	The firm has not seen such a case in 15 years. [REDACTED]. If this hypothetical situation were to occur, then the firm's Board of Directors would become involved, which is outlined as a specific procedure in the client acceptance/client continuance process.	Whenever there is a loss contingency, the firm will discuss it with the leadership of the company, depending on the management structure. Contingent losses are disclosed, in accordance with the relevant standards and evaluated by the firm in accordance with the firm's methodology.

Firm	1. What procedures do you perform in obtaining an understanding of the relevant industry, regulatory, and other external factors affecting the company as part of your risk assessment?	2. What specific procedures do you perform to identify a company's noncompliance with laws and regulations that would have a direct and material effect on their financial statements?	3. What specific procedures, if any, do you perform to identify a company's noncompliance with laws and regulations that would have an indirect, but material, effect on their financial statements?
Triennial 12 Non-U.S. NAF	<p>The firm performs several procedures. They are part of a global network of firms, [REDACTED], that holds regular meetings and training courses to expose the firm to a wide variety of industry knowledge across various industry sectors. The firm is also registered with the [REDACTED], which also provides regular updates to the firm relating to accounting topics. The firm also subscribes to receive updates from the PCAOB, SEC, AICPA and other similar sources for emerging trends. The firm then does research into an entity through compilation of an understanding of the business document which is updated at least annually as part of the regular audit procedures performed. Lastly, the firm's subscription to [a third-party audit methodology] will be implemented on all future engagements to further guide the firm on the planned audit procedures and updates surrounding risk assessment.</p>	<p>The firm is guided by the [REDACTED] code of ethics; which is taught through training courses to all employees and instilled in the corporate culture of the firm. The firm's one issuer client has entity level controls that the engagement team tests and relies on that would help identify any noncompliance with laws and regulations that would have a direct and material effect on the financial statements. Additionally, the engagement team reviews the board member backgrounds and evaluates their integrity through inquiry. The team also inspects all board and committee minutes as part of its audit procedures. The engagement team also performs various inquiries throughout the organization including management and the board of directors. Before accepting new clients, the firm performs client acceptance procedures on all potential new clients to ensure that they are ethical.</p>	<p>See above for procedures performed. In addition, the engagement team creates a testing work paper of all the legal cases pending at the Issuer, which is obtained from the in-house counsel. From there, the team evaluates and determines the probability of impact on the financial statements. After this assessment, the engagement team follows up directly with the in-house legal counsel on further questions and, if necessary, supporting documentation. The team also performs substantive testing of legal expenses included within the general and administrative expenses and, through sampling, tests legal expenses.</p>
Triennial 13a (Firm Level) Non-U.S. GNF	<p>Not asked/no response provided.</p>	<p>[REDACTED]: Our procedures are embedded within our [REDACTED]. There is a chapter within [REDACTED] that addresses NOCLAR. Thinking about this process at an engagement level, our teams would complete the [REDACTED] process that would involve performing procedures to develop an understanding of an issuer's regulatory, tax, reporting and legal frameworks. Indirectly, we'd perform procedures such as reviewing board of director's minutes, inquiring of management, of the issuer's legal group and, of any external counsel.</p>	<p>Not asked/no response provided.</p>
Triennial 13b (Issuer Level) Non-U.S. GNF	<p>The engagement team obtained an understanding of the company's industry and regulatory environment as part of the planning process. [The firm] provides a pre-determined list, [REDACTED], of laws and regulations that have a direct and indirect impact on the company. The engagement team reviews the lists and can tailor it for the specific client. The engagement team obtains an understanding of the company's policies and monitoring of laws and regulations. This information is considered during the engagement team's risk assessment process and throughout the audit.</p>	<p>***The engagement team's procedures to identify a company's noncompliance with laws and regulations include: 1) reviewing internal audit reports (which include NOCLAR considerations), 2) reviewing matters reported through ethics and whistleblower hotlines (the issuer, third-party, and directly to the firm), 3) reviewing minutes of meetings by those charged with governance, 4) reviewing minutes and/or communication materials provided to the audit committee, 5) inquiries of management (including inquiries of local management by component auditors as instructed by the primary auditor), 6) reading short-seller reports, 7) reviewing public allegations against the issuer, 8) reviewing management reports regarding the company's governance, 9) reviewing reports from parties performing non-audit services to the company, and 10) searching the internet for potential allegations as reported by the press.</p> <p>The engagement team documents this work in the audit work paper. Each event or matter was summarized in the work paper and evaluated for the impact on the financial statements and to determine if additional procedures should be performed.</p>	<p>As discussed above, the engagement team reviews multiple sources to identify noncompliance with laws and regulations events that might have an indirect, but material impact on the financial statements.</p>
Triennial 14 Non-U.S. GNF	<p>Currently the engagement teams are following noncompliance with laws and regulations rules ("NOCLAR") established under International Ethics Standards Board ("IESB"). [REDACTED]</p> <p>The engagement teams review regulatory compliance items, minutes from board meetings, etc.</p> <p>[REDACTED]</p>	<p>The engagement teams first obtain an understanding of laws and regulations as outlined in question #1 above. Then, the engagement teams perform inquiries of management and legal counsel around matters they are aware of, review minutes of meetings, review documents such as component team inquiries/instructions, news articles, and internal audit reports, and consider evidence obtained throughout the performance of audit work.</p>	<p>The engagement teams apply a qualitative lens to the procedures above. The engagement teams contemplate not only items that have a direct financial statement impact.</p>

Firm	4. For questions #2 and #3, if not already provided, what sources of information do you take into account when performing such procedures?	5. What procedures do you perform when you detect or otherwise become aware of information indicating that noncompliance with laws and regulations (whether or not perceived to have a material effect on the company's financial statements) has or may have occurred?	6. What procedures do you perform when determining whether a loss contingency should be disclosed, or accrued and disclosed, in the company's financial statements in accordance with ASC 450? When making such determination, do you discuss the situation with representatives of the company (including external parties), and if so, who?
Triennial 12 Non-U.S. NAF	See the above.	The engagement team would review the possible impact on the financial statements. As this analysis is performed, the engagement team would request a response of both the Issuer's management and audit committee on the identified information indicating noncompliance with laws and regulations. The engagement partner would present the matter to the firm's quality control committee and action would be taken from there after the committee meets. If there is a violation of the law, regardless of the size, the firm is committed to ensuring that the financial statements would contain the complete and accurate disclosure.	The engagement team performs this analysis as part of the procedures performed for legal cases described above. All potential matters are evaluated for materiality and probability. Once this analysis is complete, the engagement team determines the need for whether a loss contingency is required to be disclosed and potentially accrued.
Triennial 13a (Firm Level) Non-U.S. GNF	Not asked/no response provided.	[REDACTED]; Similarly, [REDACTED] provides guidance on NOCLAR situations. An engagement team is initially required to evaluate whether a matter is more than inconsequential. If a matter is determined to be inconsequential, an engagement team can conclude independently. If, however, an engagement team concludes that there is potential for a matter to be more than inconsequential, the engagement team must consult with the [REDACTED]. The [REDACTED] will look to understand all of the facts. There is a standard consultation form [REDACTED] that assists teams in documenting their procedures and conclusions. Once the work has been completed, the [REDACTED] is required to sign off on the conclusion. If it's an engagement that has an EQR, that EQR would also be required to sign off on the conclusion.	[REDACTED]; There is a whole range of loss contingency procedures, however these procedures are tailored to the nature of matter in hand. We [the engagement team with oversight from the [REDACTED] group] would go through an evaluation of probable or remote, which would lead to a provision or disclosure in the company's financial statements. We would expect interactions with internal counsel, external counsel, and management. I should also add that the firm does distinguish between commercial disputes and actual non-compliance with laws and regulations. We have 500+ NOCLAR matters raised up to us [REDACTED] per year.
Triennial 13b (Issuer Level) Non-U.S. GNF	Discussed above.	[REDACTED]. [REDACTED]. If a consequential event did occur during the year, the engagement team would have 1) performed procedures to gather more relevant information, 2) hold discussions with management, and 3) required formal consultation with [REDACTED]. The engagement team considered an event to be more than inconsequential if the event would cause an impact to the financial statements that was above the engagement team's nominal reporting amount/posting threshold. The engagement team would also consider qualitative considerations (e.g., involvement of senior management, and nature of the noncompliance)	To determine if a loss contingency should be disclosed or accrued and disclosed, in the company's financial statements the engagement team would discuss it with the company's controller and legal counsel to understand and evaluate the facts and circumstances. The engagement team would evaluate the information to ensure all required disclosures are included in the financial statements.
Triennial 14 Non-U.S. GNF	Both internal and external information as described above.	The engagement teams follow a process similar to the following: (1) establish the facts, (2) remain mindful of not tipping off management/other actors of investigation, (3) consult with Risk Management and OGC for support. The firm has not encountered such a scenario. The [REDACTED] firm has a very consultative culture and the expectation if an event of noncompliance with laws and regulations would be for the engagement teams to reach out to Risk Management for a consultation on next steps. [REDACTED]	The engagement teams would initially begin with a discussion with the issuer to obtain their assessment, they would assess the completeness of the issuer's list and the controls and processes used to develop it, and lastly obtain an understanding of the issuer's conclusion and perform testing procedures (contracts, agreements, inquiries with legal department, legal letter confirmations, etc.) to determine the appropriateness of the conclusion under the relevant accounting framework. [REDACTED]. Lastly the engagement teams perform procedures around the issuer's disclosure of the loss contingency (tie-out, disclosure checklist, etc.). [REDACTED]

Firm	1. What procedures do you perform in obtaining an understanding of the relevant industry, regulatory, and other external factors affecting the company as part of your risk assessment?	2. What specific procedures do you perform to identify a company's noncompliance with laws and regulations that would have a direct and material effect on their financial statements?	3. What specific procedures, if any, do you perform to identify a company's noncompliance with laws and regulations that would have an indirect, but material, effect on their financial statements?
Triennial 15 Non-U.S. NAF	Obtain understanding of laws and regulations in each relevant jurisdiction or industry, discuss compliance with management and client legal team, review of past legal matters involving the company or others in the industry, and review of legal publications around operating in different jurisdictions.	Tax review procedures, including discussing with tax advisors, legal confirmations, review of news searches regarding clients, review of stock offerings. Legal letters and discussions with attorneys. Obtain and review legal titles on properties in different jurisdictions and get legal opinions regarding ownership if necessary.	No unique incremental procedures other than what it is described in question 2 above.
Triennial 16 Non-U.S. GNF	The engagement team develops an understanding of the activity in the regulatory environment section through its interviews with management and those charged with governance, reading info available from the company, and reading other public information. The firm's acceptance and continuance questionnaire also includes questions prompting the engagement team's evaluation of risks within the issuer's industry, possible risks related to political affiliations and government influence, and anti-money laundering risks.	The engagement team inquired of management and those charged with governance. They also have an understanding of the entity and its environment to be able to understand what regulators impact them. The issuer's products have to be certified by a regulatory body in a country's market where the sales take place so there is already an element of regulatory compliance being evaluated for individual sales. The engagement team has also had interactions with the issuer's regulatory affairs group and reviews the management representation letter.	Procedures are similar to above. The engagement team also reviews and evaluates the issuer's control environment to see if anything additional has been reported to management and then inquires about those items.
**	Where ** appears in a cell, the firm's response has been re-worded to remove identifying content.		

Firm	4. For questions #2 and #3, if not already provided, what sources of information do you take into account when performing such procedures?	5. What procedures do you perform when you detect or otherwise become aware of information indicating that noncompliance with laws and regulations (whether or not perceived to have a material effect on the company's financial statements) has or may have occurred?	6. What procedures do you perform when determining whether a loss contingency should be disclosed, or accrued and disclosed, in the company's financial statements in accordance with ASC 450? When making such determination, do you discuss the situation with representatives of the company (including external parties), and if so, who?
Triennial 15 Non-U.S. NAF	See above.	Request clients to engage legal counsel and obtain a legal opinion of the matter. Review government reports if applicable.	Discuss with client management and general counsel, discuss with client legal counsel particularly on matters communicated in legal letters to obtain an understanding of the matter and the counsel's basis for reaching their conclusions.
Triennial 16 Non-U.S. GNF	The engagement team uses the management representation letter in addition to reviewing any reports from the issuer's internal audit function and whistleblower hotline and any items coming from the audit committee.	The engagement team inquires of the issuer of any information to understand such situations if they arise. If the issuer has engaged with external advisors, such as legal counsel, the engagement team will speak with them or request additional information to understand the situation, make the link to the financial statements and disclosure to understand the impact. If such a situation is identified, the engagement team would also possibly discuss internally with the [REDACTED] risk management practice to consider the implications and understand if the situation has triggered an obligation to discuss with those charged with governance or any additional obligations on the statutory audit.	The engagement team inquires to understand if any contingencies are out there. They might have to send an information request to external legal counsel and discuss with management regarding the situation to understand the possible need for additional information.
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