4- The objectives of the Auditor

- Design audit procedures to assess the risks and gather sufficient audit evidence regarding compliance with laws and regulations.
- The auditor's responsibility is limited to the impact of noncompliance which has a direct impact on financial statements. Identifying indirect or unrelated noncompliance (e.g., environmental regulations) is not a primary objective unless it has a material impact on the financial statements.
- Maintain professional skepticism and be alert to indications of potential noncompliance, such as unusual transactions or significant management estimates.

5- The Auditor must plan and perform procedure to:

- Reviewing policies and procedures for monitoring compliance to make sure that the company's management assess the compliance Processes with highest professionalism.
- Evaluate the Competence of the Engagement Team and Assign team members with experience in the entity's industry or specialized knowledge of relevant regulations. As well as he can Engage external experts or legal consultants, if necessary, for complex regulatory issues.
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6- As part of planning and performing procedures in accordance with paragraph .05, the auditor must use the information obtained from:

a. Risk assessment procedures, including:

- Evaluate Management's Actions and Disclosures and make sure that such actions or disclosures are sufficient and match with the proper professionalism.
- Determine whether management has appropriately addressed noncompliance in the financial statements, including Proper accounting and disclosure of the impact of noncompliance and adequacy of any contingent liabilities or provisions arising from legal or regulatory breaches.

.08 Obtaining an understanding about the nature and circumstances of any such noncompliance with laws and regulations and determining whether it is likely that any such noncompliance has occurred may include the following procedures:

- Consider whether legal or regulatory authorities need to be notified, based on applicable laws and regulations.
- Determine whether noncompliance requires modification of the audit opinion or withdrawal from the engagement, particularly if management fails to address the issue appropriately
- Perform Analytical Procedures by Analysing unusual trends in expenses or liabilities that could indicate fines, penalties, or settlements. He should also Look for abnormal fluctuations in regulatory or legal expense accounts.
- Evaluate the Entity's Internal Controls in order to Determine whether control weaknesses contributed to the noncompliance.

09 When the auditor determines, based on information obtained, that it is likely that [See above paragraph 19 of ISA 250 (Revised)] [See above paragraph .17 of AU-C 250] June 6, 2023 Page 13 Proposed AS 2405 ISA 250 (Revised) AU-C 250 noncompliance with laws or regulations has occurred, the auditor must:

- Consider whether the noncompliance has significant impact for any subsequent events that may need to be disclosed in the notes of the financial statements or adjust the financial statements.
- Obtain a Deeper Understanding of the Noncompliance to understand the nature, circumstances, and scope of the noncompliance in order to Determine whether the noncompliance is intentional or unintentional.
- Consider whether is it a one-time occurrence, or does it indicate systemic issues or control deficiencies
- Evaluate whether the noncompliance indicates potential fraud or management override of controls.
- Reassess Audit Risk and Procedures and Reevaluate the risks of material misstatement and adjust the audit plan accordingly.

10 the auditor should take the following factors into account when determining the possible effect of the likely noncompliance:

- Does the noncompliance disrupt the entity's operations, such as halting production, revoking permits or is it affect the entity's ability to generate revenue or meet operational targets.
- Could the noncompliance lead to reputational damage, loss of customer trust, or Might affect relationships with key stakeholders, including investors, suppliers, and business partner.

.12 When the auditor identifies or otherwise becomes aware of information indicating that noncompliance with laws and regulations (whether or not perceived to have a material effect on the financial statements), including fraud, has or may have occurred, the auditor must, as soon as practicable17 and before the issuance of the engagement report,18 communicate the matter(s) to:

- Communicate with Legal Counsel on legal and regulatory implications of the noncompliance and the appropriate course of action. Either the entity's internal or external legal counsel to understand the legal ramifications of the issue when it becomes necessary the Auditor should engage independent legal counsel to protect the auditor's interests, particularly if the issue involves significant legal risks or potential liability.
- Consider Reporting to External Parties (if Required by Law or Regulation) in order to Fulfil any statutory or regulatory obligations to report the matter to external authorities. Determine whether the law mandates disclosure of the noncompliance to regulators, enforcement agencies, or other third parties.
- Communicate with Those Charged with Governance such as the board of directors or audit committee, especially when the issue involves senior management or is significant ,The auditor should Ensure that those charged with governance are aware of the nature and implications of the noncompliance or suspected fraud.

The auditor should Provide recommendations, if appropriate, for addressing the matter and strengthening compliance processes.

.16 If other auditors participate in the audit, the lead auditor should obtain written affirmations from the other auditors that:

- The other auditors confirm they are aware of the information indicating potential noncompliance or fraud and have taken steps to investigate it.
- Ensures that the other auditors have acknowledged the matter and addressed it appropriately within their scope of the audit.
- The other auditors confirm they have communicated all significant findings related to the noncompliance or fraud to the lead auditor in order to ensures the lead auditor is fully informed of any issues that could affect the overall audit conclusions or the financial statements.
- The other auditors confirm they have evaluated the impact of the noncompliance or fraud on the financial statements and included any necessary adjustments or disclosures in order to ensures that the financial statement impact of the issue has been properly assessed and addressed.
- The other auditors confirm they have cooperated with any legal or regulatory investigations related to the noncompliance or fraud.
- The other auditors confirm that their workpapers and documentation related to the noncompliance or fraud are complete, accurate, and available for review by the lead auditor. To ensures transparency and provides the lead auditor with access to evidence supporting the other auditors' conclusions.

.**19 The auditor should determine the effect on the engagement report and on the ongoing relationship with the company if the auditor:**

- The auditor must assess the implications for their professional relationship with the client If management takes the issue seriously, implements corrective actions, and cooperates fully, the auditor may decide to continue the relationship on the other side If management is uncooperative, conceals information, or refuses to address the noncompliance, the auditor may need to reconsider their association with the company.
- If the noncompliance indicates systemic issues within the company (e.g., weak governance, poor internal controls), the auditor should assess whether these risks can be mitigated in future engagements.
- Continued association with a company involved in significant noncompliance could damage the auditor's reputation or credibility.
- If the auditor determines that continuing the relationship is untenable, they may withdraw from the Engagement by notifying those charged with governance of the decision to withdraw. As well as he may be Decline Future Engagements or renewal of the audit engagement. Accordingly he should ensure proper handover procedures if a new auditor is engaged.