

HONDURAS¹

I. Overview of Honduras

Brief overview of current political framework

Honduras is a Republic. The capital of Honduras is Tegucigalpa. Honduras' official language is Spanish.

Honduras has a stable democratic government. The government is divided into three political branches; executive, legislative and judiciary. The chief of the state and head of government is the President. Juan Orlando Hernández (National Party) is the current President of the country. The President is elected for a four years term with no possibility of reelection.

Honduras is a Civil Law based country. The supreme law of Honduras is the Constitution.² The constitutionality of Honduran laws is determined by the Supreme Court of Justice. The Supreme Court is the higher court of the country.

Right of Association

The Constitution sets forth in article 78 the right of association. Article 78 establishes that: "*[t]he freedoms of association and assembly are guaranteed provided that they are not contrary to public order and to the morality*".³

Several laws develop this right and provide different forms of organizations. Among others, the Honduran Civil Code⁴ and Commercial Code both develop the right of association.

In the case of for-profit organizations ("FPOs"), the laws recognize individual merchants; public and private limited liability corporations; general and limited partnerships; and cooperatives. In the case of not for profit organizations ("NPOs") there are provide two different forms of not-for profit organizations: associations and not-for profit organizations such as nongovernmental organizations for development ("NGODs"). The registration and de-registration procedures will be discussed in further detail below.

¹ The following memorandum was prepared by pro bono counsel for the ABA Center for Human Rights. It is intended as background information only and should not be relied upon as legal advice on a particular case. The views expressed herein have not been approved by the House of Delegates or the Board of Governors of the American Bar Association, and, accordingly, should not be construed as representing the policy of the American Bar Association.

² Honduran Constitution, January 11, 1982. Modified subsequently.

³ Honduran Constitution, article 78.

⁴ Civil Code (Decree No. 76-1906), article 56 and subsequent.

II. Registration Procedures

A. For-Profit Organizations

Honduras recognizes multiple forms of for-profit organizations including individual merchants; public and private limited liability corporations; general and limited partnerships; and cooperatives. All of them are subject to the Commercial Code⁵ or the Civil Code⁶.

The Commercial Code regulates commercial associations. The Commercial Code is a law of general application which regulates almost all the for-profit organizations.⁷ However, the Commercial Code has been modified by several subsequent laws.⁸ The Commercial Code prescribes almost all corporate governance rules and regulations, regulates management and control issues and fiduciary duty and fiscal policies, together with operation of the company's corporate requirements such as board of director's meetings, ordinary general meetings and extraordinary general meetings.

The Civil Code regulates civil associations.⁹ Civil associations are a different kind of FPO. They have almost identical registration requirements as Commercial Code organizations.¹⁰ Civil associations are governed by the organization rules set forth in the Civil Code.¹¹

1. Registration Process for for-profit organizations

We have analyzed the different laws regarding incorporation of FPOs. In general, in the case FPOs, the following requirements must be met.

- (i) there must be two or more partners/members;
- (ii) deposit of the minimum contribution established by law in a national bank. The amount varies depending on the for-profit organization created;¹²
- (iii) a certificate must be obtained from the bank which acknowledges the amount deposited;

⁵ Honduran Commercial Code, No. 73-50, available at: <http://honduras.eregulations.org/media/codigo%20del%20comercio.pdf>

⁶ Civil Code, article 56 and subsequent.

⁷ Commercial Code, article 13. ("*Son mercantiles, independientes de su finalidad: I.- La sociedad en nombre colectivo; II.- La sociedad en comandita simple; III.- La sociedad de responsabilidad limitada; IV.- La sociedad anónima; V.- La sociedad en comandita por acciones; y VI.- La sociedad cooperativa (1). Estas sociedades podrán ser de capital variable*").

⁸ The most recent modification is the Decree No. 284-2013, January 8, 2014 (*Ley para la Generación de Empleo, Fomento a la Iniciativa Empresarial, Formalización de Negocios y Protección a los Derechos de los Inversionistas*).

⁹ Civil Code, article 1.782 and subsequent. ("*La sociedad o compañía es un contrato por el que dos o más personas estipulan poner un capital o algo en común con el objeto de repartir entre sí las ganancias o pérdidas que resulten de la especulación*").

¹⁰ The main differences are: (i) they can be incorporated by private contract if the contributions are not in excess of 200 Honduran Lempiras; and (ii) partners must make initial contributions to the organization.

¹¹ Articles 1.782 and subsequent of the Civil Code.

¹² The amount varies depending on the for-profit organization created. For example, for public limited corporations it must be more than Honduran Lempira ("Lps") 25,000 and for private limited corporations it must be more than Lps. 5,000.

- (iv) copy of the ID of each partner/member;¹³ and
- (v) information regarding the organization created (such as: (i) who the partners/members are; (ii) type of organization created and its purpose; (iii) what governing boards does the organization have and its purposes; (vi) who are the directors; and (v) which assets does the FPO have).

These are the formal incorporation requirements that generally must be met to incorporate an FPO in Honduras.

- (i) the organization has to be incorporated by public deed acknowledged by public notary;
- (ii) the incorporation has to be published in a national newspaper;
- (iii) the constituents have to pay a tax. The amount of the tax is proportional to the contribution made to the organization;
- (iv) the constituents have to provide their National Registry Tax Number¹⁴ to the Income Executive Administration¹⁵;
- (v) filing of the incorporation documents before the Commercial Registry;
- (vi) mandatory inscription in the Chamber of Commerce;
- (vii) acquisition of the organization accountancy books; and
- (viii) obtaining an operating license in the townhouse where the organization is incorporated.

The rules do not set a specific time frame to be registered. However, it takes approximately 15 to 20 days to carry out the above described procedure.¹⁶ The timing is usually conditioned by the time it takes to obtain the operating license from the townhouse.¹⁷ The operating license is not issued automatically. The townhouse of the place of incorporation has discretion to issue it. However, the solicitor has due process rights in case of rejection.

2. De-Registration Process for for-profit organizations created pursuant to the Commercial Code (public and private limited corporations, general and limited partnerships)

The de-registration process is a two step procedure. Firstly, the organization is dissolved and the winding up proceeding is initiated. Thereafter, once the winding up process is concluded, the organization is terminated. A receiver is appointed to wind up the organization. His appointment has to be duly filed before the Commercial Registry. The receiver is an agent for the organization. The receiver decides how to wind up the organization.

¹³ Nationals from Honduras or aliens, indistinctly.

¹⁴ *Registro Tributario Nacional.*

¹⁵ *Dirección Ejecutiva de Ingresos.*

¹⁶ Also, time varies depending in which city you are incorporating the organization. For instance, the incorporation process is faster in Tegucigalpa and San Pedro Sula than in Choluteca or Puerto Cortés.

¹⁷ Doing Business en Centroamérica y la República Dominicana 2015, World Bank and IFC (2015). Available at:

<http://www.doingbusiness.org/~media/GIAWB/Doing%20Business/Documents/Subnational-Reports/DB15-Central-America-and-the-Dominican-Republic-Spanish.pdf>

The Commercial Code sets forth in article 322 and subsequent the causes of dissolution for FPOs. The following grounds can be basis for a request of dissolution.

- (i) Voluntary agreement of the members;
- (ii) Concurrence of a cause of dissolution agreed on the incorporation agreement or the bylaws;
- (iii) Request by any interested person¹⁸
- (iv) Expiration of the term set forth in the incorporation agreement;
- (v) Factual or legal impossibility to fulfill the purpose of the FPO;
- (vi) Less members than the minimum required by law; and
- (vii) Loss of more than 2/3 of the contributions.

Also, the Commercial Code grants the right of separating members on any of the following grounds:

- (i) Use of the organization authority or the capital contributions for self-dealing;
- (ii) Breach of the legal obligations or agreements set forth in the bylaws;
- (iii) A member incurs in fraudulent or wanton acts against the organization; and
- (iv) Lack of capacity or requirements to be a member established in the bylaws;

However, both in a request of dissolution and in a request for separating a member any member and the organization can challenge the decision before the courts.

B. Not-For Profit Organizations

1. Registration Process for non-profit organizations created pursuant to the NGOD Law and the Civil Code

Honduras recognizes multiple forms of non-profit organizations including such as associations, foundations or religious institutions . NPO's are governed by the NGOD's law¹⁹. The NGOD's law has been subsequently developed by the Regulation for NGOD's²⁰, Also, NPOs are subsidiarily governed by the Civil Code.

Pursuant to the NGOD law, there are two kinds of NGOD's, domestic and foreign. Domestic NGOD's are those incorporated in Honduras. Foreign NGOD's are those incorporated outside Honduras but to whom Honduras recognizes legal personality.

The requirements to incorporate a domestic NGOD's vary depending if you are incorporating a foundation or an association. However, all of the NGOD's below must be

¹⁸ Please note that even creditors can request the dissolution if they prove that there is a basis for the request. The law does not define what "*interested person*" means. The proposal can be accepted or rejected. If the proposal is rejected the requestor has due process rights.

¹⁹ Ley Especial de Fomento de Organizaciones No Gubernamentales de Desarrollo, No. 32-2011, available at: http://www.foprیدهh.org/documentos/pdf/LEY_DE_ONGD_PDF.pdf

²⁰ Acuerdo Ejecutivo de Fomento de Organizaciones No Gubernamentales de Desarrollo, No. 65-2013, available at: http://www.foprیدهh.org/documentos/pdf/reglamento_ongd.pdf

registered in the Unidad de Registro y Seguimiento de Asociaciones Civiles ("URSAC"), branch of the Secretary of State of the Internal Bureau ("SEIP").

Pursuant to the Civil Code the requirements to incorporate an association are the same as an NGOD. .

- Foundations

Domestic foundations:

- (i) the NGOD has to be incorporated by public deed acknowledged by public notary. The public deed must contain the bylaws of the foundation; the initial members of the governing board; and an agent with authority to represent the foundation;
- (ii) a formal request containing the public deed must be filed before the SEIP;
- (iii) A public notary has to acknowledge that the foundation has assets amounting Lps. 50,000, or more;
- (iv) a photocopy authenticated by public notary of the ID cards of the members of the governing board must be attached to the filing documents; and
- (v) electronic copy of the bylaws of the foundation.

Foreign foundations:

An agent of the NGOD has to file a request to the SEIP requesting the recognition of the legal personality of the foundation in Honduras. The request will have to include the following.

- (i) evidence of legal personality in its home country;
- (ii) evidence that the foreign NGOD legally carries out operations in its home country;
- (iii) two copies of its bylaws both physically and electronically;
- (iv) certificate issued in its home country recognizing the appointment of the members of its governing board;
- (v) copy of its prior year financial statements;
- (vi) proof the appointment of its agent in Honduras, who can be a national of Honduras or an alien; and
- (vii) electronic copy of the bylaws of the foundation.

- Associations

The following formal requirements must be met to legally incorporate the association as governed by the NGOD.

- (i) associations can be incorporated by private contract but may be incorporated by public deed if desired. The contract must contain the bylaws of the foundation; the initial members of the governing board which must be at least 7 members; and an agent of the association with authority to act on behalf of the organization.
- (ii) a formal request containing the contract must be filed before the SEIP;

- (iii) A photocopy authenticated by public notary of the ID cards of the members of the governing board must be included;
- (iv) electronic copy of the bylaws of the association; and
- (v) certificate stating the origin of the funds.

In both cases (foundations and associations) the request of incorporation can only be rejected if (i) any of the requirements set forth above is not complied with; (ii) the bylaws have agreements which are contrary to provisions of the Honduran Constitution or the laws of the country; and (iii) the trademark requested has already been granted to another NPO.

2. De-Registration Process for non-profit organizations created pursuant to the NGOD Law

The de-registration process may be voluntary or mandatory.

De-registration is voluntary when its members agree to the dissolution and winding up of the organization. The agreement must be made in general meeting, in accordance to the proceedings agreed in the bylaws. The assets will be transferred pursuant to its bylaws. The transfer has to be approved by general meeting. The dissolution must be notified to the URSAC.

De-registration is mandatory when ordered by the SEIP. The SEIP may order the dissolution on the basis of any of the following:

- (i) a domestic association has less than 7 members;
- (ii) lack of presentation of annual reports during 2 years; or
- (iii) when the agent of the NPO engages conduct typified as crimes by the Honduran Penal Code.

NPO's have due process rights and can even challenge the final decision before the Administrative Courts.

C. Analytical comparison of the legal process of registration

From the information discussed above, the major differences are the following:

- (i) FPOs and NPOs are subject to different incorporation laws;
- (ii) FPOs shall be incorporated by public deed, while some NPOs (domestic associations) can be incorporated by contract;
- (iii) FPOs can be incorporated with only two members, while all NPO's have a higher minimum incorporating members;
- (iv) NPOs incorporation requirements vary if dealing with a foreign or domestic NPO, while there is no special regime for foreign FPOs;
- (v) In FPOs, the constituents have to pay incorporation taxes, while NPOs constituents do not have to pay incorporation taxes; and
- (vi) incorporation of FPOs has to be published in a national newspaper, while incorporation of an NPO does not have to be published in a newspaper.

III. Tax Laws

Honduras has a very complex tax system. There are two major types of taxes; local and state taxes. Municipal taxes are paid for real estate, personal taxes, commerce, and exploitation of natural resources. State taxes are divided into direct and indirect taxes.

A. For-Profit Organizations

The main taxation law in Honduras is the Tax Code.²¹ Other laws include taxation regulation, such as:

- (i) Income Tax Law (Decree No. 25, 1963): Public and private for-profit organizations (domestic and foreign) must pay taxes on all income which proceeds from activities carried out in Honduras.²²
- (ii) Sales Tax Law (Decree No. 24, 1964): All sale and purchase agreements of goods made by merchants are subject to the sales tax law.
- (iii) Real Estate Tax: For-profit organizations who sell real estate must pay a 1.5% of the sale value in taxes.
- (iv) Taxes on Distributions (Decree 17-2010): For-profit organizations have to pay taxes on distributions made to shareholders. Also, if the for-profit organization has non-commercial credits over shareholders.

B. Not-For Profit Organizations

The legal framework that regulates NPO's taxation is decentralized and is divided in different laws. There is no general exemption. However, NPO's have a beneficial tax framework spread along several laws, such as:

- (i) Income Tax Law (Decree No. 25, 1963): All NPOs are exempt of income tax.
- (ii) Sales Tax Law (Decree No. 24, 1964)
- (iii) Real Estate Tax (Decree No. 177-91): NPO's can request an exemption to the payment of the tax.
- (iv) Structural Economic Law (Decree No. 18, 1990): No taxation for gratuitous donations for health, necessities, education or creation of employment purposes.²³
- (v) Law regarding taxation over wills, legacies and donations (Decree No. 67, 1938): All NPOs are exempt of this tax.

C. Free Trade Zones

²¹ Tax Code (*Código Tributario*). Decree No. 22-97, subsequently modified. The last major modification was introduced by the Decree No. 393-2013.

²² However, please note that recently (November 24, 2014) article 25 was modified to avoid double taxation. Organizations pay taxes on income. However, when an organization made a distribution, the shareholders paid taxes on the distribution. This created double taxation. To avoid the latter, article 25 has been modified. Therefore, when the organization makes a distribution to its shareholders, the shareholders are exempt of other similar taxation on that distribution.

²³ The procedures to obtain the exemption are set forth in articles 8 to 11 of the Decree.

Lastly, it must be noted that Honduras has Free Trade Zones ("FTZ"). FTZ are tax free zones. In FTZ, corporations enjoy many benefits and are exempt from the application of tax laws. The following laws are not applicable in the tax free zones: (i) Sales Tax Law; (ii) Income Tax Law; (iii) Taxes on Distributions Law.

D. Analytical comparison

From the information discussed above, the major differences are the following:

- (i) FPOs have a general applicable law, the Tax Code, while NPOs do not. NPOs tax laws are spread among several Honduran laws;
- (ii) NPOs allow general exemptions, while FPOs do not. The laws provide that NPOs are fully exempt to some laws. FPOs, due to their for profit purpose, cannot be generally exempt of tax laws;
- (iii) FPOs are subject to the payment of income taxes, while NPOs are not; and
- (iv) NPOs can request an exemption to pay Real Estate taxes, while FPOs cannot.

IV. Financial Transaction Laws

A. Investment Laws

Law for the Promotion and Protection of Investments

Honduras has had several foreign investment laws.²⁴ The most recent foreign investment law is the Law for the Promotion and Protection of Investments (Decree No. 21-2001) ("**LPPI**"). The LPPI provides a shelter for foreign investments. The LPPI grants investors the right to arbitrate disputes before the International Centre for Settlement of Investment Disputes ("**ICSID**"). The right vests from the moment the investment is made. The LPPI grants qualifying foreign investors treatment at least as favorable than that accorded to its nationals their nationals. However, the LPPI sets forth a series of exceptions to this guarantee. Moreover, LPPI guarantees investors free access to the foreign exchange market for the remittance of capital and profits.²⁵ There are no laws specifically governing foreign donations to NPOs.

B. Free Trade Zones

As advanced, Honduras has FTZ. Corporations localted in this areas enjoy the following benefits: (i) unrestricted currency conversion; (ii) duty-free import of all machinery, raw materials, supplies and anything required for the plants' operations; (iii) clearing of incoming and outgoing shipments in less than a day with minimum documentation; (iv) 100% foreign ownership permitted; (v) exemption from sales, corporate and income taxes²⁶; (vi) unrestricted repatriation of profits and capital at anytime.

C. Political Contribution Laws

²⁴ For instance, the Investment Law of 1992 (Decree No. 80-92).

²⁵ LPPI, article 4 sections 1) and 2).

²⁶ See Section III, d.

The Electoral and Political Parties Law (Decree No. 44-2004) ("**EPPL**") regulates political contributions.²⁷ The EPPL regulates the contributions to political campaigns and political activities.

The law expressly prohibits political parties and its candidates to accept, directly or indirectly the following.

- (i) anonymous contributions or donations, with exception to those obtained in popular collections;
- (ii) absent governmental authorization, contributions or donations by public employees;
- (iii) contributions by executives, directors or shareholders of corporations that have state concessions and those who handling gambling corporations;
- (iv) subsidies from the government, organizations or foreign institutions; and
- (v) contributions or donations from any foreign person or organization.

V. Auditing/Reporting Requirements

A. For-Profit Organizations

The Accountancy and Audit Law (Decree 189-2004)²⁸ and the Commercial Code are the main frame of auditing and reporting rules. The law applies both to public and private sector. The Specialized Board of Rules of Accountancy and Auditing²⁹ is the specialized organization in charge of auditing compliance with the law. Please note that only citizens from Honduras or nationalized can be members of the Board or of any of its special commissions.

The Commercial Code requires organizations to have three different documents: balance sheet, diary book, inventory book and the general ledger.³⁰

Annually, for-profit organizations have to file before the Tax Minister (IRS equivalent) a report containing: (i) annual balance sheet; and (ii) a list of agents and directors of the organization.³¹ This is an absolute requirement. Non-compliance of this obligation will result in fines on a daily basis.

B. Not-For Profit Organizations

NPOs also have reporting obligations. NPOs audit requirements are governed by the NGOD's law and its bylaws.³² Both domestic and international NPOs have mandatory auditing obligations.

²⁷ Ley Electoral y de las Organizaciones Políticas, (Decree No. 44-2004) available at: <http://pdba.georgetown.edu/Electoral/Honduras/Leyes/LeyeElectoral.pdf>

²⁸ Ley sobre Normas de Contabilidad y de Auditoría (Decree No. 189-2004). Subsequently modified by Decree No. 186-2007.

²⁹ *Junta Técnica de normas de contabilidad y de Auditoría.*

³⁰ Commercial Code, article 430.

³¹ Commercial Code, article 37.

³² NGOD's law, article 33.

NPOs have to file within the two first months of every year: (i) a narrow report explaining the activities of the organization during the past year; and (ii) a report regarding the financial statements and balance sheet. The report has to be filed before the URSAC. Non-compliance of this obligation may result in fines.

C. Analytical comparison

From the information discussed above, the major differences are the following:

- (i) FPOs are governed by the Commercial Code. NPOs are governed by the NGOD's law.
- (ii) FPOs have more specific and strict rules than NGODs. FPOs have to file full reports of the annual activities. NPOs have to file only a narrow report.

VI. Penalties for Non-Compliance

i. Civil

Political contributions (applicable to both FPOs and NPOs)

The EPPL expressly prohibits political parties and its candidates to accept, directly or indirectly the following.

- (i) anonymous contributions or donations, with exception to those obtained in popular collections;
- (ii) absent governmental authorization, contributions or donations by public employees;
- (iii) contributions by executives, directors or shareholders of corporations that have state concessions and those who handling gambling corporations;
- (iv) subsidies from the government, organizations or foreign institutions; and
- (v) contributions or donations from any foreign person or organization.

A breach may result in civil liability. The liability usually will amount to the double of the amount received. Defendants have due process rights and can challenge the decision before Administrative courts.

Audit and accountancy:

The Specialized Board of Rules of Accountancy and Auditing is the organization in charge of auditing compliance with the law.

- **Directors:** Directors and members of any governing board who prepare or sign financial statements on the basis of false information will be jointly and severally liable. These acts may result in civil liability.³³

³³ E.g. NGOD's law, article 35.

- **Accountants:** Accountants must prepare financial statements pursuant to the International Norms of Financial Information. A disregard of the norms may result in civil liability.

NPOs' Prohibited activities:

Lastly, NPOs cannot (i) make distributions among its members or directors; (ii) pay salaries to its governing members; (iii) appoint relatives of a member of a governing board as executive directors of the NPO; (iv) assign assets of the NPO to a member of the organization; or (v) use assets from the organization to benefit, directly or indirectly a member of a governing board or its relatives.

A breach may result in (i) civil liability (disgorge of profits); and (ii) loose their membership.³⁴

ii. Criminal

Fraud and false statements in private and public documents: Pursuant to the Honduran Penal Code³⁵, fraud and false statements in private and/or public documents may result in criminal liability.

- **Directors:** Directors and members of any governing board who prepare the financial statements must not include or omit statements that result in fraud, private or public documentary falsehoods. Directors will be jointly and severally liable. These acts may result in criminal liability.
- **Accountants:** Accountants who prepare or approve financial statements must not include or omit statements that result in fraud, private or public documentary falsehoods. A breach may result in criminal liability.

³⁴ The governing board of the NPO is who decides if the member has to loose his membership. The expelled member can recourse to ordinary tribunals to challenge his removal.

³⁵ Penal Code, article 284 and subsequent.

VI. Overview Chart

Issue	For-Profit Organizations	Not-For Profit Organizations	Similarities
<p>Registration Procedures</p>	<p>FPOs are subject to the Commercial Code and to the Civil Code.</p> <p>FPOs need two members to be incorporated.</p> <p>FPOs must be incorporated by public deed.</p> <p>The constituents have to pay incorporation taxes.</p>	<p>NPOs are subject to the Civil Code and to the many other laws such as the NGOD's law.</p> <p>Some NPOs must be incorporated by public deed. Other (<i>e.g.</i> associations) can be incorporated by private contract.</p> <p>NPOs generally need more than two members (up to 10 in religious NPOs).</p> <p>The constituents do not have to pay incorporation taxes.</p>	<p>The formal requisites to incorporate an FPOs and domestic NPOs are very similar.</p> <p>The bylaws of both FPOs and NPOs must contain the same information.</p> <p>For incorporation purposes, in both cases a formal request has to be filed before the SEIP.</p>
<p>Tax Laws</p>	<p>The Tax Code is the general applicable law for FPOs</p> <p>FPOs allow general exemptions.</p> <p>FPOs are subject to the payment of income taxes.</p>	<p>NPOs tax laws are spread along several Honduran laws, such as the (i) Income Tax Law; (ii) Sales Tax Law (iii) Real Estate Tax; (iv) Structural Economic Law or (v) Law regarding taxation over wills, legacies and donations.</p> <p>NPOs applicable laws do not allow general exemptions.</p> <p>NPOs are not subject</p>	<p>The Sales Tax Law is applicable both to FPOs and NPOs.</p>

		to income taxes.	
Financial Transaction Laws	N/A	N/A	The LPPI applies equally to both FPOs and NPOs. The EPPL applies equally to FPOs and NPOs
Auditing/Reporting Requirements	Public and private FPOs have reporting obligations. Annually, FPO's have an absolute requirement of filing before the Tax Minister a report containing: (i) annual balance sheet; and (ii) a list of agents and directors of the organization.	NPO's have reporting obligations. Annually NPO's have to file: (i) a narrow report explaining the activities of the organization during the past year; and (ii) a report regarding the financial statements and balance sheet.	Both FPOs and NPOs have annual reporting obligations.
Penalties	FPOs non-compliance of reporting obligations will result in fines on a daily basis.	Honduran law does not provide for fines on a daily basis due to non-compliance. However, continuous non-compliance may result in liability.	Criminal liability is applicable both to FPOs and NPOs for fraud and false statements in private and public documents. Non-compliance of audit reporting may lead to criminal and civil liability.