

# Proposed Amendments to the Non-Assurance Services related provisions of APES 110 Code of Ethics for Professional Accountants (including Independence Standards)

Prepared and issued by  
Accounting Professional & Ethical Standards Board Limited

EXPOSURE DRAFT      04/21  
ISSUED:                      May 2021

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### Commenting on this Exposure Draft

This Exposure Draft, *Proposed Amendments to the Non-Assurance Services Related Provisions of APES 110 Code of Ethics for Professional Accountants (including Independence Standards)*, was developed and approved by the Accounting Professional & Ethical Standards Board Limited (APESB).

The proposals in this Exposure Draft may be modified in light of comments received before being issued in final form. **Comments are requested by 31 August 2021.**

Comments should be addressed to:

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APESB would prefer that respondents express a clear overall opinion on whether the proposed amendments, as a whole, are supported and that this opinion be supplemented by detailed comments, whether supportive or critical, on any matter. APESB regards both critical and supportive comments as essential to a balanced view of the proposed amendments.

Respondents are asked to submit their comments electronically through the APESB website, using the link <https://apesb.org.au/current-projects/>.

Please submit comments in both a PDF and Word file. All comments will be considered a matter of public record and will ultimately be posted on the APESB website, [www.apesb.org.au](http://www.apesb.org.au).

APESB prefers that comments are submitted via its website. However, if there are practical difficulties, comments can also be sent to [sub@apesb.org.au](mailto:sub@apesb.org.au) or mailed to the address noted above.

### Obtaining a copy of this Exposure Draft

This Exposure Draft is available on the APESB website: [www.apesb.org.au](http://www.apesb.org.au).

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## Reasons for issuing Exposure Draft 04/21

Accounting Professional & Ethical Standards Board Limited (APESB) proposes to amend APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) to incorporate changes made by the International Ethics Standards Board for Accountants (IESBA) to the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the International Code). The proposed revisions clarify the circumstances in which firms and network firms may or may not provide a non-assurance service to an audit or assurance client.

## Key requirements and guidance in Exposure Draft 04/21

This Exposure Draft sets out proposed amendments to the current version of the Code. The proposed key changes are summarised below:

- The prohibition on assuming management responsibility for all audit clients and related material is relocated from Section 600 *Provision of Non-Assurance Services to an Audit Client* to Section 400 to increase its prominence and to emphasise it relates to all aspects of Part 4A *Independence for Audit and Review Engagements* of the Code.
- A new general prohibition on the provision of non-assurance services (NAS) that creates a self-review threat to independence to a PIE audit client.
- New requirements to strengthen communications with those charged with governance (TCWG) about NAS matters provided to Public Interest Entity (PIE) audit clients including obtaining concurrence from TCWG for the provision of the NAS.
- Strengthened provisions for identifying and evaluating threats, including where multiple NAS is provided to the same audit client.
- Enhanced clarity about the relevance of materiality in applying NAS provisions and remains as a factor to consider in evaluating threats.
- Removal of the materiality qualifier for NAS provided to PIE audit clients and in a few instances for non-PIE audit clients.
- Certain prohibitions for NAS to PIE audit clients are now prohibited if it might create a self-review threat including, valuation services, acting as an advocate on a tax dispute, internal audit services, designing or implement IT systems services, litigation support services, legal advice, acting as an advocate for dispute or litigation.
- A number of new prohibitions relating to tax advisory and tax planning services, valuation for tax purposes, providing assistance in the resolution of a tax dispute, legal advice, or corporate finance services that might create a self-review threat.
- More robust provisions to address threats including new application material on how firms might deal with situations where safeguards may not be available.
- Improved, and in some cases, expanded descriptions of specific types of NAS including new application material to explain where circumstances in which a self-review threat is not created.
- Consequential amendments to Part 4B, Section 950 *Provision of Non-Assurance Services to Assurance Clients other than Audit and Review Engagements*.
- Conforming amendments to Part 4B, Section 900 *Applying the Conceptual Framework to Independence for Assurance Engagements other than Audit and Review Engagements* and Section 525.

- [Other matters to be completed]

## Proposed operative date

It is intended that the proposed amendments will be effective for engagements beginning or on or after 1 January 2023. Early adoption will be permitted.

# Amendments to the Non-Assurance Services related provisions of APES 110 Code of Ethics for Professional Accountants (including Independence Standards)

ISSUED: [Month XXXX]

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# CODE OF ETHICS FOR PROFESSIONAL ACCOUNTANTS (INCLUDING INDEPENDENCE STANDARDS)

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## SCOPE AND APPLICATION

- 1.1 Accounting Professional & Ethical Standards Board Limited (APESB) issues APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (**this Code**). This **Code** is operative from 1 January 2020 and supersedes APES 110 *Code of Ethics for Professional Accountants* (issued in December 2010 and subsequently amended in December 2011, May 2013, November 2013, May 2017 and April 2018). Earlier adoption of this **Code** is permitted. Transitional provisions relating to **Key Audit Partner** rotation, revisions to Part 4B, ~~and~~ the role and mindset of **Members** provisions and the non-assurance related provisions apply as specified in the respective transitional provisions on page ~~240~~ 56.

## GLOSSARY

**Commented [JH1]:** Placeholder in case defined terms required for PJC recommendations. If no identified changes can be deleted.

*[All other terms in the Glossary of the extant Code remain unchanged.]*

## PART 4A – INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS

### SECTION 400

#### APPLYING THE CONCEPTUAL FRAMEWORK TO INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS

##### Introduction

*[Paragraphs 400.1 to 400.10 of extant Section 400 remain unchanged.]*

##### Requirements and Application Material

###### General

**R400.11** A Firm performing an Audit Engagement shall be independent.

**R400.12** A Firm shall apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to Independence in relation to an Audit Engagement.

**AUST R400.12.1** Where a Member in Public Practice identified multiple threats to Independence, which individually might not be significant, the Member shall evaluate the significance of those threats in aggregate and the safeguards applied or in place to eliminate some or all of the threats or reduce them to an Acceptable Level in aggregate.

###### Prohibition on Assuming Management Responsibilities

**R400.13** A Firm or a Network Firm shall not assume a management responsibility for an Audit Client.

**400.13 A1** Management responsibilities involve controlling, leading and directing an entity, including making decisions regarding the acquisition, deployment and control of human, financial, technological, physical and intangible resources.

**400.13 A2** When a Firm or a Network Firm assumes a management responsibility for an Audit Client, self-review, self-interest and familiarity threats are created. Assuming a management responsibility might also create an advocacy threat because the Firm or Network Firm becomes too closely aligned with the views and interests of management.

**400.13 A3** Determining whether an activity is a management responsibility depends on the circumstances and requires the exercise of professional judgment. Examples of activities that would be considered a management responsibility include:

- Setting policies and strategic direction.
- Hiring or dismissing employees.
- Directing and taking responsibility for the actions of employees in relation to the employees' work for the entity.
- Authorising transactions.
- Controlling or managing bank accounts or investments.
- Deciding which recommendations of the Firm or Network Firm or other third parties to implement.

**Commented [JH2]:** No change to para R400.11 to AUST R400.12.1. Included for context of the following amendment

**Commented [JH3]:** New paras R400.13 to R400.14 are the moved provisions on assuming management responsibilities from the extant Section 600 (extant paras R600.7 to R600.8). Minor amendments have been made to the text to broaden the extant reference to non-assurance services to now refer to professional activities provided to clients.

- Reporting to Those Charged with Governance on behalf of management.
- Taking responsibility for:
  - The preparation and fair presentation of the Financial Statements in accordance with the applicable financial reporting framework.
  - Designing, implementing, monitoring or maintaining internal control.

400.13 A4 Subject to compliance with paragraph R400.14, providing advice and recommendations to assist the management of an Audit Client in discharging its responsibilities is not assuming a management responsibility. The provision of advice and recommendations to an Audit Client might create a self-review threat and is addressed in Section 600.

**R400.14 When performing a Professional Activity for an Audit Client, the Firm shall be satisfied that client management makes all judgements and decisions that are the proper responsibility of management. This includes ensuring that the client's management:**

**(a) Designates an individual who possesses suitable skill, knowledge and experience to be responsible at all times for the client's decisions and to oversee the activities. Such an individual, preferably within senior management, would understand:**

- (i) The objectives, nature and results of the activities; and**
- (ii) The respective client and Firm or Network Firm responsibilities.**

**However, the individual is not required to possess the expertise to perform or re-perform the activities.**

**(b) Provides oversight of the activities and evaluates the adequacy of the results of the activities performed for the client's purpose.**

**(c) Accepts responsibility for the actions, if any, to be taken arising from the results of the activities.**

*[Paragraphs 400.~~13~~15 to 400.19 are intentionally left blank]*

#### **Related Entities**

*[Paragraphs R400.20 to 400.29 of extant Section 400 remain unchanged.]*

#### **Period During which Independence is Required**

##### All Audit Clients

*[Paragraphs R400.30 to 400.30 A1 of extant Section 400 remain unchanged.]*

**R400.31 If an entity becomes an Audit Client during or after the period covered by the Financial Statements on which the Firm will express an Opinion, the Firm shall determine whether any threats to Independence are created by:**

- (a) Financial or business relationships with the Audit Client during or after the period covered by the Financial Statements but before accepting the Audit Engagement; or**
- (b) ~~Previous s~~Services provided to the Audit Client by the Firm or a Network Firm in prior Financial Statement periods.**



400.31 A1 Threats to Independence are created if a non-assurance service was provided to an Audit Client during, or after the period covered by the Financial Statements, but before the Audit Team begins to perform the audit, and the service would not be permitted during the Engagement Period.

400.31 A2 A factor to be considered in such circumstances is whether the results of the service provided might form part of or affect the accounting records, the internal controls over financial reporting, or the Financial Statements on which the Firm will express an Opinion.

400.31 A3<sup>2</sup> Examples of actions that might be safeguards to address ~~such~~ threats to Independence include:

- ~~Using~~ Not assigning professionals who performed the non-assurance service to be are not Audit Team members to perform of the Engagement Team service.
- Having an appropriate reviewer review the audit work or and non-assurance ~~work~~ service as appropriate.
- Engaging another Firm outside of the Network to evaluate the results of the non-assurance service or having another Firm outside of the Network re-perform the non-assurance service to the extent necessary to enable the other Firm to take responsibility for the service.

400.31 A4 A threat to Independence created by the provision of a non-assurance service by a Firm or a Network Firm prior to the Audit Engagement Period or prior to the period covered by the Financial Statements on which the Firm will express an Opinion is eliminated or reduced to an Acceptable Level if the results of such service have been used or implemented in a period audited by another Firm.

Audit Clients that are Public Interest Entities

**R400.32 A Firm shall not accept an appointment as auditor of a Public Interest Entity to which the Firm or the Network Firm has provided a non-assurance service prior to such appointment that might create a self-review threat in relation to the Financial Statements on which the Firm will express an Opinion unless:**

- (a) The provision of such service ceases before the commencement of the Audit Engagement Period.**
- (b) The Firm takes action to address any threats to its Independence; and**
- (c) The Firm determines that, in the view of a reasonable and informed third party, any threats to the Firm's Independence have been or will be eliminated or reduced to an Acceptable Level.**

400.32 A1 Actions that might be regarded by a reasonable and informed third party as eliminating or reducing to an Acceptable Level any threats to Independence created by the provision of non-assurance services to a Public Interest Entity prior to appointment as auditor of that entity include:

- The results of the service had been subject to auditing procedures in the course of the audit of the prior year's Financial Statements by a predecessor Firm.
- The Firm engages a Member, who is not a member of the Firm expressing the opinion on the Financial Statements, to perform a review of the first Audit Engagement affected by the self-review threat consistent with the objective of an Engagement Quality Review.

**Commented [JH4]:** Proposed defined term in ED on Objectivity of an EQR and other appropriate reviewers.

- The Public Interest Entity engages another Firm outside of the Network to:
  - (i) Evaluate the results of the non-assurance service; or
  - (ii) Re-perform the service.to the extent necessary to enable the other Firm to take responsibility for the result of the service.

*[Paragraphs 400.3~~3~~2 to 400.39 are intentionally left blank]*

*[Paragraphs 400.40 A1 to R400.89 of extant Section 400 remain unchanged.]*

## SECTION 600

### PROVISION OF NON-ASSURANCE SERVICES TO AN AUDIT CLIENT

#### Introduction

- 600.1 [Firms](#) are required to comply with the fundamental principles, be independent, and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to [Independence](#).
- 600.2 [Firms](#) and [Network Firms](#) might provide a range of non-assurance services to their [Audit Clients](#), consistent with their skills and expertise. Providing non-assurance services to [Audit Clients](#) might create threats to compliance with the fundamental principles and threats to [Independence](#).
- 600.3 This section sets out requirements and application material relevant to applying the conceptual framework to identify, evaluate and address threats to [Independence](#) when providing non-assurance services to [Audit Clients](#). The subsections that follow set out specific requirements and application material [that are](#) relevant when a [Firm](#) or [a Network Firm](#) provides certain [types of](#) non-assurance services to [Audit Clients](#) and indicate the types of threats that might be created as a result. ~~Some of the subsections include requirements that expressly prohibit a Firm or Network Firm from providing certain services to an Audit Client in certain circumstances because the threats created cannot be addressed by applying safeguards.~~
- [600.4](#) [Some subsections include requirements that expressly prohibit a Firm or a Network Firm from providing certain services to an Audit Client because the threats created cannot be eliminated and safeguards are not capable of being applied to reduce the threats to an Acceptable Level.](#)
- [600.5](#) [New business practices, the evolution of financial markets and changes in technology are some developments that make it impossible to draw up an all-inclusive list of non-assurance services that Firms and Network Firms might provide to an Audit Client. The conceptual framework and the general provisions in this section apply when a Firm proposes to a client to provide a non-assurance service for which there are no specific requirements and application material.](#)

#### Requirements and Application Material

##### General

##### [Non-Assurance Services Provisions in Laws or Regulations](#)

- [600.6 A1](#) [Paragraphs R100.6 to 100.7 A1 set out requirements and application material relating to compliance with the Code. If there are laws and regulations in a jurisdiction relating to the provision of non-assurance services to Audit Clients that differ from or go beyond those set out in this section, Firms providing non-assurance services to which such provisions apply need to be aware of those differences and comply with the more stringent provisions.](#)

Risk of Assuming Management Responsibilities when Providing a Non-Assurance Service

600.7 A1 When a Firm or a Network Firm provides a non-assurance service to an Audit Client, there is a risk that the Firm or Network Firm will assume a management responsibility unless the Firm or Network Firm is satisfied that the requirements in paragraph R400.14 have been complied with.

Accepting an Engagement to Provide a Non-Assurance Service

**R600.84** Before a Firm or a Network Firm accepts an engagement to provide a non-assurance service to an Audit Client, the Firm shall apply the conceptual framework to identify, evaluate and address any threat to independence that might be created by determine whether providing that such a service might create a threat to independence.

~~600.4 A1—The requirements and application material in this section assist the Firm in analysing certain types of non-assurance services and the related threats that might be created if a Firm or Network Firm provides non-assurance services to an Audit Client.~~

~~600.4 A2—New business practices, the evolution of financial markets and changes in information technology, are among the developments that make it impossible to draw up an all-inclusive list of non-assurance services that might be provided to an Audit Client. As a result, the Code does not include an exhaustive list of all non-assurance services that might be provided to an Audit Client.~~

Identifying and Evaluating Threats

All Audit Clients

600.9 A1 A description of the categories of threats that might arise when a Firm or a Network Firm provides a non-assurance service to an Audit Client is set out in paragraph 120.6 A3.

600.95 A24 Factors that are relevant in identifying evaluating the different level of threats that might be created by providing a non-assurance service to an Audit Client, and evaluating the level of such threats include:

- The nature, scope, intended use and purpose of the service.
- The manner in which the service will be provided, such as the personnel to be involved and their location.
- ~~• The degree of reliance that will be placed on the outcome of the service as part of the audit.~~
- The legal and regulatory environment in which the service is provided.
- Whether the client is a Public Interest Entity.
- ~~• The level of expertise of the client's management and employees with respect to the type of service provided.~~
- ~~• The extent to which of the client's involvement in determining significant matters of judgement. (Ref: Para. R400.13 to R400.14).~~
- Whether the outcome of the service will affect the accounting records or matters reflected in the Financial Statements on which the Firm will express an Opinion, and, if so:
  - The extent to which the outcome of the service will have a material effect on the Financial Statements.

- The degree of subjectivity involved in determining the appropriate amounts or treatment for those matters reflected in the [Financial Statements](#).
- ~~The level of expertise of the client's management and employees with respect to the type of service provided.~~
- ~~The extent of the client's involvement in determining significant matters of judgement.~~
- The nature and extent of the impact of the service, if any, on the systems that generate information that forms a significant part of the client's:
  - Accounting records or [Financial Statements](#) on which the Firm will express an [Opinion](#).
  - Internal controls over financial reporting.
- The degree of reliance that will be placed on the outcome of the service as part of the audit.
- ~~Whether the client is a Public Interest Entity. For example, providing a non-assurance service to an Audit Client that is a Public Interest Entity might be perceived to result in a higher level of a threat.~~
- The fee relating to the provision of the non-assurance service.

600.95 A32 Subsections 601 to 610 include examples of additional factors that are relevant in [identifying evaluating the level of threats to Independence](#) created by providing the [certain non-assurance services, and evaluating the level of such threats](#) ~~set out in those subsections.~~

#### Materiality in Relation to Financial Statements

600.105 A13 [Materiality is a factor that is relevant in evaluating threats created by providing a non-assurance service to an Audit Client.](#) Subsections 601 to 610 refer to materiality in relation to an Audit Client's Financial Statements. The concept of materiality in relation to an audit is addressed in [Auditing and Assurance Standard ASA 320, Materiality in Planning and Performing an Audit \(Compiled\)](#), and in relation to a review in [ASRE 2400, Review of a Financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity](#). The determination of materiality involves the exercise of professional judgement and is impacted by both quantitative and qualitative factors. It is also affected by perceptions of the financial information needs of users.

[600.10 A2 Where the Code expressly prohibits the provision of a non-assurance service to an Audit Client, a Firm or a Network Firm is not permitted to provide that service, regardless of the materiality of the outcome or results of the non-assurance service on the Financial Statements on which the Firm will express an Opinion.](#)

#### [Providing advice and recommendations](#)

[600.11 A1 Providing advice and recommendations might create a self-review threat. Whether providing advice and recommendations creates a self-review threat involves making the determination set out in paragraph R600.14. Where the Audit Client is not a Public Interest Entity and a self-review threat is identified, the Firm is required to apply the conceptual](#)

framework to evaluate and address the threat. If the Audit Client is a Public Interest Entity, paragraphs R600.16 and R600.17 apply.

Multiple Non-Assurance Services Provided to the Same Audit Client

~~600.5 A4—A Firm or Network Firm might provide multiple non-assurance services to an Audit Client. In these circumstances the consideration of the combined effect of threats created by providing those services is relevant to the Firm's evaluation of threats.~~

**R600.12** When a Firm or a Network Firm provides multiple non-assurance services to an Audit Client, the Firm shall consider whether, in addition to the threats created by each service individually, the combined effect of such services creates or impacts threats to Independence.

600.12 A1 In addition to paragraph 600.9 A2, factors that are relevant in a Firm's evaluation of the level of threats to Independence created where multiple non-assurance services are provided to an Audit Client might include whether:

- The combined effect of providing multiple services increases the level of threat created by each service assessed individually.
- The combined effect of providing multiple services increases the level of any threat arising from the overall relationship with the Audit Client.

Self-review threats

600.13 A1 When a Firm or a Network Firm provides a non-assurance service to an Audit Client, there might be a risk of the Firm auditing its own or the Network Firm's work, thereby giving rise to a self-review threat. A self-review threat is the threat that a Firm or a Network Firm will not appropriately evaluate the results of a previous judgment made or an activity performed by an individual within the Firm or Network Firm as part of a non-assurance service on which the Audit Team will rely when forming a judgment as part of an audit.

**R600.14** Before providing a non-assurance service to an Audit Client, a Firm or a Network Firm shall determine whether the provision of that service might create a self-review threat by evaluating whether there is a risk that:

- The results of the service will form part of or affect the accounting records, the internal controls over financial reporting, or the Financial Statements on which the Firm will express an opinion; and
- In the course of the audit of those Financial Statements on which the Firm will express an opinion, the Audit Team will evaluate or rely on any judgments made or activities performed by the Firm or Network Firm when providing the service.

Audit Clients that are Public Interest Entities

600.15 A1 When the Audit Client is a Public Interest Entity, stakeholders have heightened expectations regarding the Firm's Independence. These heightened expectations are relevant to the reasonable and informed third party test used to evaluate a self-review threat created by providing a non-assurance service to an Audit Client that is a Public Interest Entity.

600.15 A2 Where the provision of a non-assurance service to an Audit Client that is a Public Interest Entity creates a self-review threat, that threat cannot be eliminated, and safeguards are not capable of being applied to reduce that threat to an Acceptable Level.

#### Self-review threats

R600.16 A Firm or a Network Firm shall not provide a non-assurance service to an Audit Client that is a Public Interest Entity if the provision of that service might create a self-review threat in relation to the audit of the Financial Statements on which the Firm will express an opinion. (Ref: Para. 600.13 A1 and R600.14).

#### Providing advice and recommendations

R600.17 As an exception to paragraph R600.16, a Firm or a Network Firm may provide advice and recommendations to an Audit Client that is a Public Interest Entity in relation to information or matters arising in the course of an audit provided that the Firm:

- (a) Does not assume a management responsibility (Ref: Para. R400.13 and R400.14); and
- (b) Applies the conceptual framework to identify, evaluate and address threats, other than self-review threats, to Independence that might be created by the provision of that advice.

600.17 A1 Examples of advice and recommendations that might be provided in relation to information or matters arising in the course of an audit include:

- Advising on accounting and financial reporting standards or policies and financial statement disclosure requirements.
- Advising on the appropriateness of financial and accounting control and the methods used in determining the stated amounts in the Financial Statements and related disclosures.
- Proposing adjusting journal entries arising from audit findings.
- Discussing findings on internal controls over financial reporting and processes and recommending improvements.
- Discussing how to resolve account reconciliation problems.
- Advising on compliance with group accounting policies.

#### *Addressing Threats*

##### All Audit Clients

~~600.6 A1—Subsections 601 to 610 include examples of actions, including safeguards, that might address threats to Independence created by providing those non-assurance services when threats are not at an Acceptable Level. Those examples are not exhaustive.~~

~~600.6 A2—Some of the subsections include requirements that expressly prohibit a Firm or Network Firm from providing certain services to an Audit Client in certain circumstances because the threats created cannot be addressed by applying safeguards.~~

600.186 A13 Paragraphs R120.10 to 120.10 A2 includes a requirement and application material that are relevant when addressing threats to Independence, including a description of safeguards. ~~In relation to providing non-assurance services to Audit Clients, safeguards are actions,~~

~~individually or in combination, that the Firm takes that effectively reduce threats to Independence to an Acceptable Level. In some situations, when a threat is created by providing a non-assurance service to an Audit Client, safeguards might not be available. In such situations, the application of the conceptual framework set out in Section 120 requires the Firm to decline or end the non-assurance service or the Audit Engagement.~~

~~600.18 A2 Threats to Independence created by providing a non-assurance service or multiple services to an Audit Client vary depending on the facts and circumstances of the Audit Engagement and the nature of the service. Such threats might be addressed by applying safeguards or by adjusting the scope of the proposed service.~~

~~600.18 A3 Examples of actions that might be safeguards to address such threats include:~~

- ~~• Using professionals who are not Audit Team members to perform the service.~~
- ~~• Having an appropriate reviewer who was not involved in providing the service review the audit work or service performed.~~
- ~~• Obtaining pre-clearance of the outcome of the service from an appropriate authority (for example, a tax authority).~~

~~600.18 A4 Safeguards might not be available to reduce the threats created by providing a non-assurance service to an Audit Client to an Acceptable Level. In such a situation, the application of the conceptual framework requires the Firm or Network Firm to:~~

- ~~(a) Adjust the scope of the proposed service to eliminate the circumstances that are creating the threats;~~
- ~~(b) Decline or end the service that creates the threats that cannot be eliminated or reduced to an Acceptable Level; or~~
- ~~(c) End the Audit Engagement.~~

#### ~~Prohibition on Assuming Management Responsibilities~~

~~**R600.7 — A Firm or a Network Firm shall not assume a management responsibility for an Audit Client.**~~

~~600.7 A1 — Management responsibilities involve controlling, leading and directing an entity, including making decisions regarding the acquisition, deployment and control of human, financial, technological, physical and intangible resources.~~

~~600.7 A2 — Providing a non-assurance service to an Audit Client creates self-review and self-interest threats if the Firm or Network Firm assumes a management responsibility when performing the service. Assuming a management responsibility also creates a familiarity threat and might create an advocacy threat because the Firm or Network Firm becomes too closely aligned with the views and interests of management.~~

~~600.7 A3 — Determining whether an activity is a management responsibility depends on the circumstances and requires the exercise of professional judgement. Examples of activities that would be considered a management responsibility include:~~

- ~~• Setting policies and strategic direction.~~
- ~~• Hiring or dismissing employees.~~
- ~~• Directing and taking responsibility for the actions of employees in relation to the employees' work for the entity.~~

**Commented [JH5]:** Provisions on assuming management responsibility moved to Section 400.



- ~~Authorising transactions.~~
- ~~Controlling or managing bank accounts or investments.~~
- ~~Deciding which recommendations of the Firm or Network Firm or other third parties to implement.~~
- ~~Reporting to Those Charged with Governance on behalf of management.~~
- ~~Taking responsibility for:
 
  - ~~The preparation and fair presentation of the Financial Statements in accordance with the applicable financial reporting framework.~~
  - ~~Designing, implementing, monitoring or maintaining internal control.~~~~

~~600.7 A4 Providing advice and recommendations to assist the management of an Audit Client in discharging its responsibilities is not assuming a management responsibility. (Ref: Paras. R600.7 to 600.7 A3).~~

~~**R600.8 To avoid assuming a management responsibility when providing any non-assurance service to an Audit Client, the Firm shall be satisfied that client management makes all judgements and decisions that are the proper responsibility of management. This includes ensuring that the client's management:**~~

~~(a) Designates an individual who possesses suitable skill, knowledge and experience to be responsible at all times for the client's decisions and to oversee the services. Such an individual, preferably within senior management, would understand:~~

~~(i) The objectives, nature and results of the services; and~~

~~(ii) The respective client and Firm or Network Firm responsibilities.~~

~~However, the individual is not required to possess the expertise to perform or re-perform the services.~~

~~(b) Provides oversight of the services and evaluates the adequacy of the results of the service performed for the client's purpose.~~

~~(c) Accepts responsibility for the actions, if any, to be taken arising from the results of the services.~~

#### [Communication with Those Charged With Governance Regarding Non-Assurance Services](#)

##### [All Audit Clients](#)

[600.19 A1 Paragraphs 400.40 A1 and 400.40 A2 are relevant to a Firm's communication with Those Charged with Governance in relation to the provision of non-assurance services.](#)

##### [Audit Clients that are Public Interest Entities](#)

[600.20 A1 Paragraphs R600.21 to R600.23 require a Firm to communicate with Those Charged with Governance of a Public Interest Entity before the Firm or Network Firm provides non-assurance services to entities within the corporate structure of which the Public Interest Entity forms part that might create threats to the Firm's Independence from the Public Interest Entity. The purpose of the communication is to enable Those Charged with Governance of the Public Interest Entity to have effective oversight of the Independence of the Firm that audits the Financial Statements of that Public Interest Entity.](#)

600.20 A2 To facilitate compliance with such requirements, a Firm might agree with Those Charged with Governance of the Public Interest Entity a process that addresses when and with whom the Firm is to communicate. Such a process might:

- Establish the procedure for the provision of information about a proposed non-assurance service which might be on an individual engagement basis, under a general policy, or on any other agreed basis.
- Identify the entities to which the process would apply, which might include other Public Interest Entities within the corporate structure.
- Identify any services that can be provided to the entities identified in paragraph R600.21 without specific approval of Those Charged with Governance if they agree as a general policy that these services are not prohibited under this section and would not create threats to the Firm's Independence or, if any such threats are created, they would be at an Acceptable Level.
- Establish how Those Charged with Governance of multiple Public Interest Entities within the same corporate structure have determined that authority for approving services is to be allocated.
- Establish a procedure to be followed where the provision of information necessary for Those Charged with Governance to evaluate whether a proposed service might create a threat to the Firm's Independence is prohibited or limited by professional standards, laws or regulations, or might result in the disclosure of sensitive or confidential information.
- Specify how any issues not covered by the process might be resolved.

R600.21 Before a Firm that audits the Financial Statements of a Public Interest Entity, or a Network Firm accepts an engagement to provide a non-assurance service to:

- (A) That Public Interest Entity;
  - (B) Any entity that controls, directly or indirectly, that Public Interest Entity; or
  - (C) Any entity that is controlled directly or indirectly by that Public Interest Entity,
- the Firm shall, unless already addressed when establishing a process agreed with Those Charged with Governance:
- (a) Inform Those Charged with Governance of the Public Interest Entity that the Firm has determined that the provision of the service:
    - (i) Is not prohibited; and
    - (ii) Will not create a threat to the Firm's Independence as auditor of the Public Interest Entity or that any identified threat is at an Acceptable Level or, if not, will be eliminated or reduced to an Acceptable Level; and
  - (b) Provide Those Charged with Governance of the Public Interest Entity with information to enable them to make an informed assessment about the impact of the provision of the service on the Firm's Independence.

600.21 A1 Examples of information that might be provided to Those Charged with Governance of the Public Interest Entity in relation to a particular non-assurance service include:

- The nature and scope of the service to be provided.
- The basis and amount of the proposed fee.

- Where the Firm has identified any threats to Independence that might be created by the provision of the proposed service, the basis for the Firm's assessment that the threats are at an Acceptable Level or, if not, the actions the Firm or Network Firm will take to eliminate or reduce any threats to Independence to an Acceptable Level.
- Whether the combined effect of providing multiple services creates threats to Independence or changes the level of previously identified threats.

R600.22 A Firm or a Network Firm shall not provide a non-assurance service to any of the entities referred to in paragraph R600.21 unless Those Charged with Governance of the Public Interest Entity have concurred either under a process agreed with Those Charged with Governance or in relation to a specific service with:

- The Firm's conclusion that the provision of the service will not create a threat to the Firm's Independence as auditor of the Public Interest Entity, or that any identified threat is at an Acceptable Level or, if not, will be eliminated, or reduced to an Acceptable Level; and
- The provision of that service.

R600.23 As an exception to paragraphs R600.21 and R600.22, where a Firm is prohibited by applicable professional standards, laws or regulations from providing information about the proposed non-assurance service to Those Charged with Governance of the Public Interest Entity, or where the provision of such information would result in disclosure of sensitive or confidential information, the Firm may provide the proposed service provided that:

- The Firm provides such information as it is able without breaching its legal or professional obligations;
- The Firm informs Those Charged with Governance of the Public Interest Entity that the provision of the service will not create a threat to the Firm's Independence from the Public Interest Entity, or that any identified threat is at an Acceptable Level or, if not, will be eliminated or reduced to an Acceptable Level; and
- Those Charged with Governance do not disagree with the Firm's conclusion in (b).

R600.24 The Firm or Network Firm, having taken into account any matters raised by Those Charged with Governance of the Audit Client that is a Public Interest Entity or by the entity referred to in paragraph R600.21 that is the recipient of the proposed service, shall decline the non-assurance service or the Firm shall end the Audit Engagement if:

- The Firm or Network Firm is not permitted to provide any information to Those Charged with Governance of the Audit Client that is a Public Interest Entity, unless such a situation is addressed in a process agreed in advance with Those Charged with Governance; or
- Those Charged with Governance of an Audit Client that is a Public Interest Entity disagree with the Firm's conclusion that the provision of the service will not create a threat to the Firm's Independence from the client or that any identified threat is at an Acceptable Level or, if not, will be eliminated or reduced to an Acceptable Level.

*Providing Non-Assurance Services to an Audit Client that Later Becomes a Public Interest Entity*

**R600.259** A non-assurance service provided, either currently or previously, by a Firm or a Network Firm to an Audit Client compromises the Firm's Independence when the client becomes a Public Interest Entity unless:

- (a) The previous non-assurance service complies with the provisions of this section that relate to Audit Clients that are not Public Interest Entities.
- (b) Non-assurance services currently in progress that are not permitted under this section for Audit Clients that are Public Interest Entities are ended before, or if that is not possible, as soon as practicable after, the client becomes a Public Interest Entity; and
- (c) The Firm addresses and Those Charged with Governance of the client that becomes a Public Interest Entity agree and take further actions to address any threats that are created to Independence that are not at an Acceptable Level.

600.25 A1 Examples of actions that the Firm might recommend to the Audit Client include engaging another Firm to:

- Review or re-perform the affected audit work to the extent necessary.
- Evaluate the results of the non-assurance service or re-perform the non-assurance service to the extent necessary to enable the other Firm to take responsibility for the service.

*Considerations for Certain Related Entities*

**R600.2610** This section includes requirements that prohibit Firms and Network Firms from ~~assuming management responsibilities or~~ providing certain non-assurance services to Audit Clients. As an exception to those requirements and the requirement in paragraph R400.13, a Firm or a Network Firm may assume management responsibilities or provide certain non-assurance services that would otherwise be prohibited to the following Related Entities of the client on whose Financial Statements the Firm will express an Opinion:

- (a) An entity that has direct or indirect control over the client;
- (b) An entity with a Direct Financial Interest in the client if that entity has significant influence over the client and the interest in the client is material to such entity; or
- (c) An entity which is under common control with the client,  
provided that all of the following conditions are met:
  - (i) The Firm or a Network Firm does not express an opinion on the Financial Statements of the Related Entity;
  - (ii) The Firm or a Network Firm does not assume a management responsibility, directly or indirectly, for the entity on whose Financial Statements the Firm will express an opinion;
  - (iii) The services do not create a self-review threat ~~because the results of the services will not be subject to audit procedures~~; and
  - (iv) The Firm addresses other threats created by providing such services that are not at an Acceptable Level.

## Documentation

600.27 A1 Documentation of the Firm's conclusions regarding compliance with this section in accordance with paragraphs R400.60 and 400.60 A1 might include:

- (a) Key elements of the Firm's understanding of the nature of the non-assurance service to be provided and whether and how the service might impact the Financial Statements on which the Firm will express an opinion.
- (b) The nature of any threat to Independence that is created by providing the service to the Audit Client, including whether the results of the service will be subject to audit procedures.
- (c) The extent of management's involvement in the provision and oversight of the proposed non-assurance service.
- (d) Any safeguards that are applied, or other actions taken to address a threat to Independence.
- (e) The Firm's rationale for determining that the service is not prohibited and that any identified threat to Independence is at an Acceptable Level.
- (f) In relation to the provision of a proposed non-assurance service to the entities referred to in paragraph R600.21, the steps taken to comply with paragraphs R600.21 to R600.23.

## **SUBSECTION 601 – ACCOUNTING AND BOOKKEEPING SERVICES**

### **Introduction**

~~601.1 — Providing accounting and bookkeeping services to an Audit Client might create a self-review threat.~~

601.12 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to ~~R600.2740 A1~~ are relevant to applying the conceptual framework when providing ~~an Audit Client with~~ accounting and bookkeeping services to an Audit Client. ~~This subsection includes requirements that prohibit Firms and Network Firms from providing certain accounting and bookkeeping services to Audit Clients in some circumstances because the threats created cannot be addressed by applying safeguards.~~

### **Requirements and Application Material**

#### General **All Audit Clients**

~~601.3 A1 — Accounting and bookkeeping services comprise a broad range of services including:~~

- ~~• Preparing accounting records and Financial Statements.~~
- ~~• Recording transactions.~~
- ~~• Payroll services.~~

601.23 A12 Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with the applicable financial reporting framework. These responsibilities include:

- Determining accounting policies and the accounting treatment in accordance with those policies.
- Preparing or changing source documents or originating data, in electronic or other form, evidencing the occurrence of a transaction. Examples include:
  - Purchase orders.
  - Payroll time records.
  - Customer orders.
- Originating or changing journal entries.
- Determining or approving the account classifications of transactions.

~~601.3.A3—The audit process necessitates dialogue between the Firm and the management of the Audit Client, which might involve:~~

- ~~• Applying accounting standards or policies and Financial Statement disclosure requirements.~~
- ~~• Assessing the appropriateness of financial and accounting control and the methods used in determining the stated amounts of assets and liabilities.~~
- ~~• Proposing adjusting journal entries.~~

~~These activities are considered to be a normal part of the audit process and do not usually create threats as long as the client is responsible for making decisions in the preparation of accounting records and Financial Statements.~~

~~601.3.A4—Similarly, the client might request technical assistance on matters such as resolving account reconciliation problems or analysing and accumulating information for regulatory reporting. In addition, the client might request technical advice on accounting issues such as the conversion of existing Financial Statements from one financial reporting framework to another. Examples include:~~

- ~~• Complying with group accounting policies.~~
- ~~• Transitioning to a different financial reporting framework such as International Financial Reporting Standards.~~

~~Such services do not usually create threats provided neither the Firm nor Network Firm assumes a management responsibility for the client.~~

#### Description of Service

~~601.23 A234—Accounting and bookkeeping services comprise a broad range of services including:~~

- ~~• Preparing accounting records and Financial Statements.~~
- ~~• Recording transactions.~~
- ~~• Providing Ppayroll services.~~
- ~~• Resolving account reconciliation problems.~~
- ~~• Converting existing financial statements from one financial reporting framework to another.~~

**Commented [JH6]:** IESBA editorial - number in approved text missed 601.2 A2. APESB Technical Staff changed to have continuous numbering

## Potential Threats Arising from the Provision of Accounting and Bookkeeping Services

### All Audit Clients

601.3 A1 Providing accounting and bookkeeping services to an Audit Client creates a self-review threat when there is a risk that the results of the services will affect the accounting records or the Financial Statements on which the Firm will express an Opinion.

### Audit Clients that are Not Public Interest Entities

**R601.45 A Firm or a Network Firm shall not provide to an Audit Client that is not a Public Interest Entity accounting and bookkeeping services, including preparing Financial Statements on which the Firm will express an Opinion or financial information which forms the basis of such Financial Statements, unless:**

- (a) The services are of a routine or mechanical nature; and**
- (b) The Firm addresses any threats that are created by providing such services that are not at an Acceptable Level.**

### *Accounting and Bookkeeping Services that are Routine or Mechanical*

601.4 A1 Accounting and bookkeeping services that are routine or mechanical ~~in nature:~~

- (a) Involve information, data or material in relation to which the client has made any judgements or decisions that might be necessary; and
- (b) ~~Require~~ require little or no professional judgement.

601.4 A2 ~~Some e~~Examples of ~~these~~ services that might be regarded as routine or mechanical include are:

- Preparing payroll calculations or reports based on client-originated data for approval and payment by the client.
- Recording recurring transactions for which amounts are easily determinable from source documents or originating data, such as a utility bill where the client has determined or approved the appropriate account classification.
- Calculating depreciation on fixed assets when the client determines the accounting policy and estimates of useful life and residual values.
- Posting transactions coded by the client to the general ledger.
- Posting client-approved entries to the trial balance.
- Preparing **Financial Statements** based on information in the client-approved trial balance and preparing related notes based on client-approved records.

The Firm or a Network Firm may provide such services to Audit Clients that are not Public Interest Entities provided that the Firm or Network Firm complies with the requirements of paragraph R400.14 to ensure that it does not assume a management responsibility in connection with the service and with the requirement in paragraph R601.4 (b).

*Audit Clients that are Not Public Interest Entities*

~~**R601.5** A Firm or a Network Firm shall not provide to an Audit Client that is not a Public Interest Entity accounting and bookkeeping services including preparing Financial Statements on which the Firm will express an Opinion or financial information which forms the basis of such Financial Statements, unless:~~

- ~~(a) The services are of a routine or mechanical nature; and~~
- ~~(b) The Firm addresses any threats that are created by providing such services that are not at an Acceptable Level.~~

601.45 A34 Examples of actions that might be safeguards to address a self-review threat created when providing accounting and bookkeeping services of a routine ~~and or~~ mechanical nature to an Audit Client that is not a Public Interest Entity include:

- Using professionals who are not Audit Team members to perform the service.
- Having an appropriate reviewer who was not involved in providing the service review the audit work or service performed.

*Audit Clients that are Public Interest Entities*

~~**R601.56** Subject to paragraph R601.7, a Firm or a Network Firm shall not provide to an Audit Client that is a Public Interest Entity accounting and bookkeeping services including preparing Financial Statements on which the Firm will express an Opinion or financial information which forms the basis of such Financial Statements to an Audit Client that is a Public Interest Entity.~~

~~**R601.67** As an exception to paragraph R601.56, a Firm or a Network Firm may prepare statutory Financial Statements provide accounting and bookkeeping services of a routine or mechanical nature for divisions or a Related Entityies of a Public Interest Entity an Audit Client included in subparagraph (c) or (d) of the definition of Related Entity provided that is a Public Interest Entity if the personnel providing the services are not Audit Team members and:~~

- ~~(a) The audit report on the group Financial Statements of the Public Interest Entity has been issued divisions or Related Entities for which the service is provided are collectively immaterial to the Financial Statements on which the Firm will express an Opinion; or~~
- ~~(b) The Firm or Network Firm does not assume management responsibility and applies the conceptual framework to identify, evaluate and address threats to Independence service relates to matters that are collectively immaterial to the Financial Statements of the division or Related Entity;~~
- ~~(c) The Firm or Network Firm does not prepare the accounting records underlying the statutory Financial Statements of the Related Entity and those Financial Statements are based on client approved information; and~~
- ~~(d) The statutory Financial Statements of the Related Entity will not form the basis of future group Financial Statements of that Public Interest Entity.~~



## SUBSECTION 602 – ADMINISTRATIVE SERVICES

### Introduction

~~602.1 — Providing administrative services to an Audit Client does not usually create a threat.~~

602.12 In addition to the specific application material in this subsection, the requirements and application material in paragraphs 600.1 to ~~R600.2740 A1~~ are relevant to applying the conceptual framework when providing administrative services.

### Application Material

#### Description of Service All Audit Clients

602.23 A1 Administrative services involve assisting clients with their routine or mechanical tasks within the normal course of operations. ~~Such services require little to no professional judgement and are clerical in nature.~~

602.23 A2 Examples of administrative services include:

- Word processing or document formatting ~~services.~~
- Preparing administrative or statutory forms for client approval.
- Submitting such forms as instructed by the client.
- Monitoring statutory filing dates; and advising an Audit Client of those dates.

#### Potential Threats Arising from the Provision of Administrative Services

##### All Audit Clients

602.3 A1 Providing administrative services to an Audit Client does not usually create a threat when such services are clerical in nature and require little to no professional judgement.

## SUBSECTION 603 – VALUATION SERVICES

### Introduction

~~603.1 — Providing valuation services to an Audit Client might create a self review or advocacy threat.~~

603.12 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to ~~R600.2740 A1~~ are relevant to applying the conceptual framework when providing valuation services to an Audit Client. ~~This subsection includes requirements that prohibit Firms and Network Firms from providing certain valuation services to Audit Clients in some circumstances because the threats created cannot be addressed by applying safeguards.~~

### Requirements and Application Material

#### Description of Service All Audit Clients

603.23 A1 A valuation comprises the making of assumptions with regard to future developments, the application of appropriate methodologies and techniques, and the combination of both to

compute a certain value, or range of values, for an asset, a liability or for ~~the a-business as-a-whole~~ or part of an entity.

603.3 A2 If a Firm or a Network Firm is requested to perform a valuation to assist an Audit Client with its tax reporting obligations or for tax planning purposes and the results of the valuation ~~will not have a direct~~ no effect on the accounting records or the Financial Statements other than through accounting entries related to tax, the requirements and application material set out in paragraphs 604.179 A1 to 604.19 A15, relating to such services, applies.

### Potential Threats Arising from the Provision of Valuation Services

#### All Audit Clients

603.3 A1 Providing a valuation service to an Audit Client might create a self-review threat when there is a risk that the results of the service will affect the accounting records or the Financial Statements on which the Firm will express an Opinion. Such a service might also create an advocacy threat.

603.3 A23 Factors that are relevant in ~~evaluating the level of identifying~~ self-review or advocacy threats created by providing valuation services to an Audit Client, and evaluating the level of such threats include:

- The use and purpose of the valuation report.
- Whether the valuation report will be made public.
- The extent to which the valuation methodology is supported by law or regulation, other precedent or established practice.
- The extent of the client's involvement in determining and approving the valuation methodology and other significant matters of judgement.
- The degree of subjectivity inherent in the item for valuations involving standard or established methodologies.
- Whether the valuation will have a material effect on the Financial Statements.
- The extent ~~and clarity~~ of the disclosures related to the valuation in the Financial Statements.
- The volatility of the amounts involved as a result ~~degree~~ of dependence on future events ~~of a nature that might create significant volatility inherent in the amounts involved~~.

When a self-review threat for an Audit Client that is a Public Interest Entity has been identified, paragraph R603.5 applies.

#### Audit Clients that are Not Public Interest Entities

603.3 A34 Examples of actions that might be safeguards to address self-review or advocacy threats created by providing a valuation service to an Audit Client that is not a Public Interest Entity include:

- Using professionals who are not Audit Team members to perform the service might address self-review or advocacy threats.
- Having an appropriate reviewer who was not involved in providing the service review the audit work or service performed might address a self-review threat.

*Audit Clients that are Not Public Interest Entities*

**R603.4** A Firm or a Network Firm shall not provide a valuation service to an Audit Client that is not a Public Interest Entity if:

- (a) The valuation involves a significant degree of subjectivity; and
- (b) The valuation will have a material effect on the Financial Statements on which the Firm will express an Opinion.

603.4 A1 Certain valuations do not involve a significant degree of subjectivity. This is likely to be the case when the underlying assumptions are either established by law or regulation, or are widely accepted and when the techniques and methodologies to be used are based on generally accepted standards or prescribed by law or regulation. In such circumstances, the results of a valuation performed by two or more parties are not likely to be materially different.

*Audit Clients that are Public Interest Entities*

Self-review Threats

**R603.5** A Firm or a Network Firm shall not provide a valuation service to an Audit Client that is a Public Interest Entity if the provision of such valuation service might create a self-review threat (Ref: Para. R600.14 and R600.16) ~~would have a material effect, individually or in the aggregate, on the Financial Statements on which the Firm will express an Opinion.~~

Advocacy Threats

603.5 A1 An example of an action that might be a safeguard to address an advocacy threat created by providing a valuation service to an Audit Client that is a Public Interest Entity is using professionals who are not Audit Team members to perform the service.

## SUBSECTION 604 – TAX SERVICES

### Introduction

~~604.1 — Providing tax services to an Audit Client might create a self-review or advocacy threat.~~

604.12 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to R600.2740 A1 are relevant to applying the conceptual framework when providing a tax service to an Audit Client. ~~This subsection includes requirements that prohibit Firms and Network Firms from providing certain tax services to Audit Clients in some circumstances because the threats created cannot be addressed by applying safeguards.~~

### Requirements and Application Material

Description of Service All Audit Clients

604.23 A1 Tax services comprise a broad range of services, ~~including activities such as.~~ This subsection deals specifically with:

- Tax return preparation.
- Tax calculations for the purpose of preparing accounting entries.

- Tax ~~planning and other tax~~ advisory services.
- Tax planning services.
- Tax services involving valuations.
- Assistance in the resolution of tax disputes.

~~While this subsection deals with each type of tax service listed above under separate headings, in practice, the activities involved in providing tax services are often inter-related.~~

604.2 A2 It is possible to consider tax services under broad headings, such as tax planning or compliance. However, such services are often interrelated in practice and might be combined with other types of non-assurance services provided by the Firm such as corporate finance services. It is, therefore, impracticable to categorise generically the threats to which specific tax services give rise.

#### Potential Threats Arising from the Provision of Tax Services

604.3 A1 Providing tax services to an Audit Client might create a self-review threat when there is a risk that the results of the services will affect the accounting records or the Financial Statements on which the Firm will express an Opinion. Such services might also create an advocacy threat.

604.3 A2 Factors that are relevant in ~~evaluating the level of~~ identifying self-review or advocacy threats created by providing any tax service to an Audit Client, and evaluating the level of such threats include:

- The particular characteristics of the engagement.
- The level of tax expertise of the client's employees.
- The system by which the tax authorities assess and administer the tax in question and the role of the Firm or Network Firm in that process.
- The complexity of the relevant tax regime and the degree of judgement necessary in applying it.

#### All Audit Clients

R604.4 A Firm or a Network Firm shall not provide a tax service or recommend a transaction to an Audit Client if the service or transaction relates to marketing, planning, or opining in favor of a tax treatment that was initially recommended, directly or indirectly, by the Firm or Network Firm, and a significant purpose of the tax treatment or transaction is tax avoidance, unless the Firm is confident that the proposed treatment has a basis in applicable tax law or regulation that is likely to prevail.

604.4 A1 Unless the tax treatment has a basis in applicable tax law or regulation that the Firm is confident is likely to prevail, providing the non-assurance service described in paragraph R604.4 creates self-interest, self-review and advocacy threats that cannot be eliminated and safeguards are not capable of being applied to reduce such threats to an Acceptable Level.

## A. Tax Return Preparation

### Description of Service All Audit Clients

~~604.4 A1—Providing tax return preparation services does not usually create a threat.~~

604.54 A12 Tax return preparation services include:

- Assisting clients with their tax reporting obligations by drafting and compiling information, including the amount of tax due (usually on standardised forms) required to be submitted to the applicable tax authorities.
- Advising on the tax return treatment of past transactions.
- ~~and~~ Responding on behalf of the Audit Client to the tax authorities' requests for additional information and analysis (for example, providing explanations of and technical support for the approach being taken).

### Potential Threats Arising from the Provision of Tax Return Preparation Services

#### All Audit Clients

604.64 A13 Providing tax return preparation services does not usually create a threat because:

(a) Tax return preparation services are ~~usually~~ based on historical information and principally involve analysis and presentation of such historical information under existing tax law, including precedents and established practice; and

(b) ~~Further, the~~ tax returns are subject to whatever review or approval process the tax authority considers appropriate.

## B. Tax Calculations for the Purpose of Preparing Accounting Entries

### Description of Service

604.7 A1 Tax calculation services involves the preparation of calculations of current and deferred tax liabilities or assets for the purpose of preparing accounting entries supporting tax assets or liabilities in the Financial Statements of the Audit Client.

### Potential Threats Arising from the Provision of Tax Calculation Services

#### *All Audit Clients*

604.85 A1 Preparing tax calculations of current and deferred tax liabilities (or assets) for an Audit Client for the purpose of preparing accounting entries that support such balances ~~will be subsequently audited by the Firm~~ creates a self-review threat.

#### Audit Clients that are Not Public Interest Entities

604.95 A12 In addition to the factors in paragraph 604.3 A2, a factor that is relevant in evaluating the level of ~~the~~ self-review threat created when preparing such calculations for an Audit Client is whether the calculation might have a material effect on the Financial Statements on which the Firm will express an Opinion.

~~Audit Clients that are Not Public Interest Entities~~

604.95 A23 Examples of actions that might be safeguards to address such a self-review threat when the Audit Client is not a Public Interest Entity include:

- Using professionals who are not Audit Team members to perform the service.
- Having an appropriate reviewer who was not involved in the providing the service review the audit work or service performed.

*Audit Clients that are Public Interest Entities*

**R604.106** A Firm or a Network Firm shall not prepare tax calculations of current and deferred tax liabilities (or assets) for an Audit Client that is a Public Interest Entity ~~for the purpose of preparing accounting entries that are material to the Financial Statements on which the Firm will express an Opinion. (Ref: Para. R600.14 and R600.16).~~

~~604.6 A1—The examples of actions that might be safeguards in paragraph 604.5 A3 to address self-review threats are also applicable when preparing tax calculations of current and deferred tax liabilities (or assets) to an Audit Client that is a Public Interest Entity that are immaterial to the Financial Statements on which the Firm will express an Opinion.~~

**C. Tax Advisory and Tax Planning ~~and Other Tax Advisory Services~~**

Description of Service ~~All Audit Clients~~

~~604.7 A1—Providing tax planning and other tax advisory services might create a self-review or advocacy threat.~~

604.117 A12 Tax advisory and tax planning ~~or other tax advisory~~ services comprise a broad range of services, such as advising the Audit eClient how to structure its affairs in a tax efficient manner or advising on the application of a new tax law or regulation.

Potential Threats Arising from the Provision of Tax Advisory and Tax Planning Services

All Audit clients

604.12 A1 Providing tax advisory and tax planning services to an Audit Client might create a self-review threat when there is a risk that the results of the services will affect the accounting records or the Financial Statements on which the Firm will express an Opinion. Such services might also create an advocacy threat.

604.12 A2 Providing tax advisory and tax planning services will not create a self-review threat if such services:

- Are supported by a tax authority or other precedent;
- Are based on an established practice (being a practice that has been commonly used and has not been challenged by the relevant tax authority); or
- Have a basis in tax law that the Firm is confident is likely to prevail.

604.127 A3 In addition to paragraph 604.3 A2, factors that are relevant in ~~identifying evaluating the level of~~ self-review or advocacy threats created by providing tax ~~advisory and tax planning and other tax advisory~~ services to Audit Clients, and evaluating the level of such threats include:

- The degree of subjectivity involved in determining the appropriate treatment for the tax advice in the Financial Statements.
- Whether the tax treatment is supported by a ~~private~~-ruling or has otherwise been cleared by the tax authority before the preparation of the Financial Statements.  
~~For example, whether the advice provided as a result of the tax planning and other tax advisory services:~~
  - ~~Is clearly supported by a tax authority or other precedent.~~
  - ~~Is an established practice.~~
  - ~~Has a basis in tax law that is likely to prevail.~~
- The extent to which the outcome of the tax advice ~~will~~ might have a material effect on the Financial Statements.
- ~~Whether the effectiveness of the tax advice depends on the accounting treatment or presentation in the Financial Statements and there is doubt as to the appropriateness of the accounting treatment or presentation under the relevant financial reporting framework.~~

When a self-review threat for an Audit Client that is a Public Interest Entity has been identified, paragraph R604.15 applies.

~~604.7 A4~~ Examples of actions that might be safeguards to address such threats include:

- ~~Using professionals who are not Audit Team members to perform the service might address self-review or advocacy threats.~~
- ~~Having an appropriate reviewer, who was not involved in providing the service review the audit work or service performed might address a self-review threat.~~
- ~~Obtaining pre-clearance from the tax authorities might address self-review or advocacy threats.~~

When Effectiveness of Tax Advice Is Dependent on a Particular Accounting Treatment or Presentation

**R604.138** A Firm or a Network Firm shall not provide tax advisory and tax planning ~~and other tax advisory~~ services to an Audit Client when:

- (a) the effectiveness of the tax advice depends on a particular accounting treatment or presentation in the Financial Statements; and:
- (a)(b) The Audit Team has reasonable doubt as to the appropriateness of the related accounting treatment or presentation under the relevant financial reporting framework; and
- (b) ~~The outcome or consequences of the tax advice will have a material effect on the Financial Statements on which the Firm will express an Opinion.~~

Audit Clients that are Not Public Interest Entities

604.147 A14 Examples of actions that might be safeguards to address such self-review or advocacy threats created by providing tax advisory and tax planning services to an Audit Client that is not a Public Interest Entity include:

- Using professionals who are not Audit Team members to perform the service might address self-review or advocacy threats.
- Having an appropriate reviewer, who was not involved in providing the service review the audit work or service performed might address a self-review threat.
- Obtaining pre-clearance from the tax authorities might address self-review or advocacy threats.

#### Audit Clients that are Public Interest Entities

##### Self-review Threats

**R604.15 A Firm or a Network Firm shall not provide tax advisory and tax planning services to an Audit Client that is a Public Interest Entity if the provision of such services might create a self-review threat. (Ref: Para. R600.14, R600.16, 604.12 A2).**

##### Advocacy Threats

604.15 A1 Examples of actions that might be safeguards to address an advocacy threat created by providing tax advisory and tax planning services to an Audit Client that is a Public Interest Entity include:

- Using professionals who are not Audit Team members to perform the service.
- Obtaining pre-clearance from the tax authorities.

## **D. Tax Services Involving Valuations**

### Description of Service

604.16 A1 The provision of tax services involving valuations might arise in a range of circumstances including:

- Merger and acquisition transactions.
- Group restructurings and corporate reorganisations.
- Transfer pricing studies.
- Stock-based compensation arrangements.

### Potential Threats Arising from the Provision of Tax Services involving Valuations

#### All Audit Clients

604.179 A1 Providing a tax-valuation for tax purposes services to an Audit Client might create a self-review threat when there is a risk that the results of the services will affect the accounting records or the Financial Statements on which the Firm will express an Opinion. Such a service might also create an or-advocacy threat.

604.179 A25 When a Firm or Network Firm might also performs a tax-valuation for tax purposes to assist an Audit Client with its tax reporting obligations or for tax planning purposes, where the result of the valuation might will

- (a) ~~h~~Have no a direct effect on the accounting records or the Financial Statements other than through accounting entries related to tax. In such situations, the requirements and application material set out in this subsection apply.



(b) Affect the accounting records or the Financial Statements in ways not limited to accounting entries related to tax, for example, if the valuation leads to a revaluation of assets. In such situations, the requirements and application material set out in Subsection 603 relating to valuation services apply.

604.17 A3 Performing a valuation for tax purposes for an Audit Client will not create a self-review threat if:

- (a) The underlying assumptions are either established by law or regulation, or are widely accepted; or
- (b) The techniques and methodologies to be used are based on generally accepted standards or prescribed by law or regulation, and the valuation is subject to external review by a tax authority or similar regulatory authority.

*Audit Clients that are Not Public Interest Entities*

604.189 A12 A Firm or a Network Firm might perform a valuation for tax purposes for an Audit Client that is not a Public Interest Entity only, where the result of the valuation only will not have a direct effect on the accounting records or on the Financial Statements (that is, the Financial Statements are only affected through accounting entries related to tax). This would not usually create threats if the effect on the Financial Statements is immaterial or the valuation, as incorporated in a tax return or other filing, is subject to external review by a tax authority or similar regulatory authority.

604.189 A23 If the valuation that is performed for tax purposes is not subject to an external review and the effect is material to the Financial Statements, in addition to paragraph 604.3 A2, the following factors are relevant in evaluating the level of identifying self-review or advocacy threats created by providing those services to an Audit Client that is not a Public Interest Entity, and evaluating the level of such threats:

- The extent to which the valuation methodology is supported by tax law or regulation, other precedent or established practice.
- The degree of subjectivity inherent in the valuation.
- The reliability and extent of the underlying data.

604.189 A34 Examples of actions that might be safeguards to address such threats for an Audit Client that is not a Public Interest Entity include:

- Using professionals who are not Audit Team members to perform the service might address self-review or advocacy threats.
- Having an appropriate reviewer who was not involved in providing the service review the audit work or service performed might address a self-review threat.
- Obtaining pre-clearance from the tax authorities might address self-review or advocacy threats.

~~604.9 A5 A Firm or Network Firm might also perform a tax valuation to assist an Audit Client with its tax reporting obligations or for tax planning purposes where the result of the valuation will have a direct effect on the Financial Statements. In such situations, the requirements and application material set out in Subsection 603 relating to valuation services apply.~~

[Audit Clients that are Public Interest Entities](#)

[Self-review Threats](#)

**R604.19** [A Firm or a Network Firm shall not perform a valuation for tax purposes for an Audit Client that is a Public Interest Entity if the provision of that service might create a self-review threat. \(Ref: Para. R600.14, R600.16, 604.17 A3\).](#)

[Advocacy Threats](#)

[604.19 A1](#) [Examples of actions that might be safeguards to address an advocacy threat created by providing a valuation for tax purposes for an Audit Client that is a Public Interest Entity include:](#)

- [Using professionals who are not Audit Team members to perform the service.](#)
- [Obtaining pre-clearance from the tax authorities.](#)

**E. Assistance in the Resolution of Tax Disputes**

[Description of Service](#) ~~All Audit Clients~~

~~604.10 A1~~ ~~Providing assistance in the resolution of tax disputes to an Audit Client might create a self-review or advocacy threat.~~

604.210 A12 A [non-assurance service to provide assistance to an Audit Client in the resolution of tax disputes](#) might ~~reach a point~~ [arise from a tax authority's consideration of tax calculations and treatments. Such a service might include, for example, providing assistance](#) when the tax authorities have notified ~~the an Audit Client~~ [that arguments on a particular issue have been rejected and either the tax authority or the client refers the matter for determination in a formal proceeding, for example, before a public tribunal or court.](#)

[Potential Threats Arising from the Provision of Assistance in the Resolution of Tax Disputes](#)

[All Audit Clients](#)

~~604.210 A1~~ [Providing assistance in the resolution of a tax disputes to an Audit Client might create a self-review threat when there is a risk that the results of the service will affect the accounting records or the Financial Statements on which the Firm will express an Opinion. Such a service might also create or an advocacy threat.](#)

**Commented [JH7]:** APESB Technical Staff added the word threat. Editorial matter for IESBA to consider

604.2210 A13 In addition to [those identified in](#) paragraph 604.3 A2, factors that are relevant in [evaluating the level of identifying](#) self-review or advocacy threats created by assisting an [Audit Client](#) in the resolution of tax disputes, [and evaluating the level of such threats](#) include:

- The role management plays in the resolution of the dispute.
- The extent to which the outcome of the dispute will have a material effect on the [Financial Statements on which the Firm will express an Opinion.](#)
- Whether the [Firm or Network Firm provided the](#) advice that ~~was provided~~ is the subject of the tax dispute.
- The extent to which the matter is supported by tax law or regulation, other precedent, or established practice.
- Whether the proceedings are conducted in public.

When a self-review threat for an Audit Client that is a Public Interest Entity has been identified, paragraph R604.24 applies.

Audit Clients that are Not Public Interest Entities

604.23~~40~~ A14 Examples of actions that might be safeguards to address self-review or advocacy threats created by assisting an Audit Client that is not a Public Interest Entity in the resolution of tax disputes include:

- Using professionals who are not **Audit Team** members to perform the service might address self-review or advocacy threats.
- Having an appropriate reviewer who was not involved in providing the service review the audit work or the service performed might address a self-review threat.

Audit Clients that are Public Interest Entities

Self-review Threats

**R604.24** A Firm or a Network Firm shall not provide assistance in the resolution of tax disputes to an Audit Client that is a Public Interest Entity if the provision of that assistance might create a self-review threat. (Ref: Para. R600.14 and R600.16).

Advocacy Threats

604.24 A1 An example of an action that might be a safeguard to address an advocacy threat for an Audit Client that is a Public Interest Entity is using professionals who are not Audit Team members to perform the service.

**Resolution of Tax Matters ~~Involving~~Including Acting as ~~A~~n Advocate Before a Tribunal or Court**

Audit Clients that are Not Public Interest Entities

**R604.25~~44~~** A Firm or a Network Firm shall not provide tax services that involve assisting in the resolution of tax disputes to an Audit Client that is not a Public Interest Entity if:

- (a) The services involve acting as an advocate for the **Audit Client** before a **public** tribunal or court in the resolution of a tax matter; and
- (b) The amounts involved are material to the **Financial Statements on which the Firm will express an Opinion**.

Audit Clients that are Public Interest Entities

**R604.26** A Firm or a Network Firm shall not provide tax services that involve assisting in the resolution of tax disputes to an Audit Client that is a Public Interest Entity if the services involve acting as an advocate for the Audit Client before a tribunal or court.

604.27~~44~~ A1 Paragraphs R604.25~~44~~ and R604.26 ~~does~~ not preclude a Firm or a Network Firm from having a continuing advisory role in relation to the matter that is being heard before a **public** tribunal or court, for example:

- Responding to specific requests for information.
- Providing factual accounts or testimony about the work performed.
- Assisting the client in analysing the tax issues related to the matter.

604.2744 A2 What constitutes a “public tribunal or court” depends on how tax proceedings are heard in the particular jurisdiction.

## SUBSECTION 605 – INTERNAL AUDIT SERVICES

### Introduction

~~605.1 — Providing internal audit services to an Audit Client might create a self-review threat.~~

605.12 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to ~~R600.2740 A1~~ are relevant to applying the conceptual framework when providing an internal audit service to an Audit Client. ~~This subsection includes requirements that prohibit Firms and Network Firms from providing certain internal audit services to Audit Clients in some circumstances because the threats created cannot be addressed by applying safeguards.~~<sup>1</sup>

### Requirements and Application Material

#### Description of Service

605.23 A1 Internal audit services comprise a broad range of activities and might involve assisting the Audit Client in the performance of one or more aspects of its internal audit activities. Internal audit activities might include:

- Monitoring of internal control – reviewing controls, monitoring their operation and recommending improvements to them.
- Examining financial and operating information by:
  - Reviewing the means used to identify, measure, classify and report financial and operating information.
  - Inquiring specifically into individual items including detailed testing of transactions, balances and procedures.
- Reviewing the economy, efficiency and effectiveness of operating activities including non-financial activities of an entity.
- Reviewing compliance with:
  - Laws, regulations and other external requirements.
  - Management policies, directives and other internal requirements.

605.23 A2 The scope and objectives of internal audit activities vary widely and depend on the size and structure of the entity and the requirements of Those Charged with Governance as well as the needs and expectations of management ~~and Those Charged with Governance~~. As they might involve matters that are operational in nature, they do not necessarily relate to matters that will be subject to consideration in relation to the audit of the Financial Statements.

#### Risk of Assuming Management Responsibility When Providing an Internal Audit Service

<sup>1</sup> The AUASB has prohibited the use of direct assistance from individuals within the client’s internal audit function in Auditing and Assurance Standard ASA 610 Using the Work of Internal Auditors (November 2013).

**R605.34** [Paragraph R400.13 precludes a Firm or a Network Firm from assuming a management responsibility.](#) When providing an internal audit service to an Audit Client, the Firm shall be satisfied that:

- (a) The client designates an appropriate and competent resource, ~~preferably within senior management~~ [who reports to Those Charged with Governance](#) to:
  - (i) Be responsible at all times for internal audit activities; and
  - (ii) Acknowledge responsibility for designing, implementing, monitoring and maintaining internal control;
- (b) ~~The client's management or Those Charged with Governance~~ reviews, assesses and approves the scope, risk and frequency of the internal audit services;
- (c) ~~The client's management~~ evaluates the adequacy of the internal audit services and the findings resulting from their performance;
- (d) ~~The client's management~~ evaluates and determines which recommendations resulting from internal audit services to implement and manages the implementation process; and
- (e) ~~The client's management~~ reports to [Those Charged with Governance](#) the significant findings and recommendations resulting from the internal audit services.

605.34 A1 ~~Paragraph R600.7 precludes a Firm or a Network Firm from assuming a management responsibility.~~ Performing a significant part of the client's internal audit activities increases the possibility that [individuals within the Firm or Network Firm personnel](#) providing internal audit services will assume a management responsibility.

605.34 A2 Examples of internal audit services that involve assuming management responsibilities include:

- Setting internal audit policies or the strategic direction of internal audit activities.
- Directing and taking responsibility for the actions of the entity's internal audit employees.
- Deciding which recommendations resulting from internal audit activities to implement.
- Reporting the results of the internal audit activities to [Those Charged with Governance](#) on behalf of management.
- Performing procedures that form part of the internal control, such as reviewing and approving changes to employee data access privileges.
- Taking responsibility for designing, implementing, monitoring and maintaining internal control.
- Performing outsourced internal audit services, comprising all or a substantial portion of the internal audit function, where the [Firm or Network Firm](#) is responsible for determining the scope of the internal audit work; and might have responsibility for one or more of the matters noted above.

## Potential Threats Arising from the Provision of Internal Audit Services

### All Audit Clients

605.4 A1 Providing internal audit services to an Audit Client might create a self-review threat when there is a risk that the results of the services impact the audit of the Financial Statements on which the Firm will express an Opinion.

605.4 A2<sup>3</sup> When a Firm uses the work of an internal audit function in an Audit Engagement, Auditing and Assurance Standards require the performance of procedures to evaluate the adequacy of that work. Similarly, when a Firm or a Network Firm accepts an engagement to provide internal audit services to an Audit Client, the results of those services might be used in conducting the external audit. This might create a self-review threat because it is possible that the Audit Team will use the results of the internal audit service for purposes of the Audit Engagement without:

- (a) Appropriately evaluating those results; or
- (b) Exercising the same level of professional scepticism as would be exercised when the internal audit work is performed by individuals who are not members of the Firm.

605.4 A3<sup>4</sup> Factors that are relevant in ~~evaluating the level of such~~ identifying a self-review threat created by providing internal audit services to an Audit Client, and evaluating the level of such a threat include:

- The materiality of the related Financial Statements amounts.
- The risk of misstatement of the assertions related to those Financial Statement amounts.
- The degree of reliance that the Audit Team will place on the work of the internal audit service, ~~including in the course of an external audit.~~

### Audit Clients that are Not Public Interest Entities

605.5<sup>4</sup> A1<sup>5</sup> An example of an action that might be a safeguard to address ~~such~~ a self-review threat created by the provision of an internal audit service to an Audit Client that is not a Public Interest Entity is using professionals who are not Audit Team members to perform the service.

### Audit Clients that are Public Interest Entities

**R605.6<sup>5</sup>** **A Firm or a Network Firm shall not provide internal audit services to an Audit Client that is a Public Interest Entity, if the provision of such services might create a self-review threat. (Ref: Para. R600.14 and R600.16).** ~~relate to:~~

- ~~(a) A significant part of the internal controls over financial reporting;~~
- ~~(b) Financial accounting systems that generate information that is, individually or in the aggregate, material to the client's accounting records or Financial Statements on which the Firm will express an Opinion; or~~
- ~~(c) Amounts or disclosures that are, individually or in the aggregate, material to the Financial Statements on which the Firm will express an Opinion.~~

605.6 A1 Examples of the services that are prohibited under paragraph R605.6 include internal audit services that relate to:

- [The internal controls over financial reporting.](#)
- [Financial accounting systems that generate information for the client's accounting records or Financial Statements on which the Firm will express an Opinion.](#)
- [Amounts or disclosures that relate to the Financial Statements on which the Firm will express an Opinion.](#)

## SUBSECTION 606 – INFORMATION TECHNOLOGY SYSTEMS SERVICES

### Introduction

~~606.1 — Providing information technology (IT) systems services to an Audit Client might create a self-review threat.~~

606.12 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to ~~R600.27-40~~ [A1](#) are relevant to applying the conceptual framework when providing an [information technology \(IT\) systems service](#) to an [Audit Client](#). ~~This subsection includes requirements that prohibit Firms and Network Firms from providing certain IT systems services to Audit Clients in some circumstances because the threats created cannot be addressed by applying safeguards.~~

### Requirements and Application Material

#### [Description of Service](#) **All Audit Clients**

606.23 A1 Services related to IT systems include the design or implementation of hardware or software systems. The IT systems might:

- Aggregate source data;
- Form part of the internal control over financial reporting; or
- Generate information that affects the accounting records or [Financial Statements](#), including related disclosures.

However, the IT systems might also involve matters that are unrelated to the [Audit Client's](#) accounting records or the internal control over financial reporting or [Financial Statements](#).

~~606.3 A2 — Paragraph R600.7 precludes a Firm or a Network Firm from assuming a management responsibility. Providing the following IT systems services to an Audit Client does not usually create a threat as long as personnel of the Firm or Network Firm do not assume a management responsibility:~~

- ~~Designing or implementing IT systems that are unrelated to internal control over financial reporting;~~
- ~~Designing or implementing IT systems that do not generate information forming a significant part of the accounting records or Financial Statements;~~
- ~~Implementing “off-the-shelf” accounting or financial information reporting software that was not developed by the Firm or Network Firm, if the customisation required to meet the client's needs is not significant; and~~
- ~~Evaluating and making recommendations with respect to an IT system designed, implemented or operated by another service provider or the client.~~

### Risk of Assuming Management Responsibility When Providing an IT Systems Service

**R606.34** Paragraph R400.13 precludes a Firm or a Network Firm from assuming a management responsibility. When providing IT systems services to an Audit Client, the Firm or Network Firm shall be satisfied that:

- (a) The client acknowledges its responsibility for establishing and monitoring a system of internal controls;
- (b) The client assigns the responsibility to make all management decisions with respect to the design and implementation of the hardware or software system to a competent employee, preferably within senior management;
- (c) The client makes all management decisions with respect to the design and implementation process;
- (d) The client evaluates the adequacy and results of the design and implementation of the system; and
- (e) The client is responsible for operating the system (hardware or software) and for the data it uses or generates.

### Potential Threats Arising from the Provision of IT Systems Services

#### All Audit Clients

606.4 A1 Providing IT systems services to an Audit Client might create a self-review threat when there is a risk that the results of the services will affect the audit of the Financial Statements on which the Firm will express an Opinion.

606.4 A2 Providing the following IT systems services to an Audit Client does not usually create a threat as long as individuals within the Firm or Network Firm do not assume a management responsibility:

- (a) Designing or implementing IT systems that are unrelated to internal control over financial reporting;
- (b) Designing or implementing IT systems that do not generate information forming part of the accounting records or Financial Statements; and
- (c) Implementing "off-the-shelf" accounting or financial information reporting software that was not developed by the Firm or Network Firm, if the customisation required to meet the client's needs is not significant.

**606.4 A34** Factors that are relevant in ~~evaluating the level of identifying~~ a self-review threat created by providing ~~an~~ IT systems services to an Audit Client, ~~and evaluating the level of such a threat~~ include:

- The nature of the service.
- The nature of the client's IT systems and the extent to which ~~they~~ the IT Systems service impacts or interacts with the client's accounting records, internal controls over financial reporting or Financial Statements.
- The degree of reliance that will be placed on the particular IT systems as part of the audit.



Audit Clients that are Not Public Interest Entities

606.54 A12 An example of an action that might be a safeguard to address ~~such~~ a self-review threat created by the provision of an IT systems service to an Audit Client that is not a Public Interest Entity is using professionals who are not Audit Team members to perform the service.

*Audit Clients that are Public Interest Entities*

**R606.65** A Firm or a Network Firm shall not provide IT systems services to an Audit Client that is a Public Interest Entity if the provision of such services might create a self-review threat. (Ref: Para. R600.14 and R600.16). ~~involve designing or implementing IT systems that:~~

- ~~(a) Form a significant part of the internal control over financial reporting; or~~
- ~~(b) Generate information that is significant to the client's accounting records or Financial Statements on which the Firm will express an Opinion.~~

606.6 A1 Examples of services that are prohibited because they give rise to a self-review threat include those involving designing or implementing IT systems that:

- (a) Form part of the internal control over financial reporting; or
- (b) Generate information for the client's accounting records or Financial Statements on which the Firm will express an Opinion.

## SUBSECTION 607 – LITIGATION SUPPORT SERVICES

### Introduction

~~607.1 Providing certain litigation support services to an Audit Client might create a self-review or advocacy threat.~~

607.12 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to ~~R600.2740~~ A1 are relevant to applying the conceptual framework when providing a litigation support service to an Audit Client.

### Requirements and Application Material

~~All Audit Clients~~ Description of Service

607.23 A1 Litigation support services might include activities such as:

- Assisting with document management and retrieval.
- Acting as a witness, including an expert witness.
- Calculating estimated damages or other amounts that might become receivable or payable as the result of litigation or other legal dispute.
- Forensic or investigative services.

## Potential Threats Arising from the Provision of Litigation Support Services

### All Audit Clients

~~607.3 A1~~ Providing litigation support services to an Audit Client might create a self-review threat when there is a risk that the results of the services will affect the accounting records or the Financial Statements on which the Firm will express an Opinion. Such services might also create an advocacy threat.

~~607.43 A12~~ Factors that are relevant in ~~evaluating the level of identifying~~ self-review or advocacy threats created by providing litigation support services to an Audit Client, and evaluating the level of such threats include:

- The legal and regulatory environment in which the service is provided, ~~for example, whether an expert witness is chosen and appointed by a court.~~
- The nature and characteristics of the service.
- The extent to which the outcome of the litigation support service ~~will~~ might involve estimating, or might affect the estimation of, damages or other amounts that might have a material effect on the Financial Statements on which the Firm will express an Opinion.

When a self-review threat for an Audit Client that is a Public Interest Entity has been identified, paragraph R607.6 applies.

~~607.3 A3~~ ~~An example of an action that might be a safeguard to address such a self-review or advocacy threat is using a professional who was not an Audit Team member to perform the service.~~

~~607.43 A24~~ If a Firm or a Network Firm provides a litigation support service to an Audit Client and the service ~~might involve~~ estimating, or might affect the estimation of, damages or other amounts that affect the Financial Statements on which the Firm will express an Opinion, the requirements and application material set out in Subsection 603 related to valuation services apply.

### Audit Clients that are Not Public Interest Entities

~~607.53 A13~~ An example of an action that might be a safeguard to address such a self-review or advocacy threat created by providing a litigation support service to an Audit Client that is not a Public Interest Entity is using a professional who was not an Audit Team member to perform the service.

### Audit Clients that are Public Interest Entities

#### Self-review Threats

**R607.6** A Firm or a Network Firm shall not provide litigation support services to an Audit Client that is a Public Interest Entity if the provision of such services might create a self-review threat. (Ref: Para. R600.14 and R600.16).

~~607.6 A1~~ An example of a service that is prohibited because it might create a self-review threat is providing advice in connection with a legal proceeding where there is a risk that the outcome of the service affects the quantification of any provision or other amount in the Financial Statements on which the Firm will express an Opinion.

## Advocacy Threats

607.6 A2 An example of an action that might be a safeguard to address an advocacy threat created by providing a litigation support service to an Audit Client that is a Public Interest Entity is using a professional who was not an Audit Team member to perform the service.

## Acting as a Witness

### All Audit Clients

607.7 A1 A professional within the Firm or the Network Firm might give evidence to a tribunal or court as a witness of fact or as an expert witness.

- (a) A witness of fact is an individual who gives evidence to a tribunal or court based on his or her direct knowledge of facts or events.
- (b) An expert witness is an individual who gives evidence, including opinions on matters, to a tribunal or court based on that individual's expertise.

607.7 A2 A threat to Independence is not created when an individual, in relation to a matter that involves an Audit Client, acts as a witness of fact and in the course of doing so provides an opinion within the individual's area of expertise in response to a question asked in the course of giving factual evidence.

607.7 A3 The advocacy threat created when acting as an expert witness on behalf of an Audit Client is at an Acceptable Level if a Firm or a Network Firm is:

- (a) Appointed by a tribunal or court to act as an expert witness in a matter involving a client; or
- (b) Engaged to advise or act as an expert witness in relation to a class action (or an equivalent group representative action) provided that:
  - (i) The Firm's Audit Clients constitute less than 20% of the members of the class or group (in number and in value);
  - (ii) No Audit Client is designated to lead the class or group; and
  - (iii) No Audit Client is authorised by the class or group to determine the nature and scope of the services to be provided by the Firm or the terms on which such services are to be provided.

### Audit Clients that are Not Public Interest Entities

607.8 A1 An example of an action that might be a safeguard to address an advocacy threat for an Audit Client that is not a Public Interest Entity is using a professional to perform the service who is not, and has not been, an Audit Team member.

### Audit Clients that are Public Interest Entities

**R607.9** A Firm or a Network Firm, or an individual within a Firm or a Network Firm, shall not act for an Audit Client that is a Public Interest Entity as an expert witness in a matter unless the circumstances set out in paragraph 607.7 A3 apply.

## SUBSECTION 608 – LEGAL SERVICES

### Introduction

~~608.1 — Providing legal services to an Audit Client might create a self-review or advocacy threat.~~

608.1~~2~~ In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to R600.2740 A1 are relevant to applying the conceptual framework when providing a legal service to an Audit Client. ~~This subsection includes requirements that prohibit Firms and Network Firms from providing certain legal services to Audit Clients in some circumstances because the threats cannot be addressed by applying safeguards.~~

### Requirements and Application Material

#### All Audit Clients Description of Service

608.2~~3~~ A1 Legal services are defined as any services for which the individual providing the services must either:

- (a) Have the required legal training to practice law; or
- (b) Be admitted to practice law before the courts of the jurisdiction in which such services are to be provided.

608.2 A2 This subsection deals specifically with:

- Providing legal advice.
- Acting as general counsel.
- Acting in an advocacy role.

#### Potential Threats Arising from Providing Legal Services

All Audit Clients

608.3 A1 Providing legal services to an Audit Client might create a self-review threat when there is a risk that the results of the services will affect the accounting records or the Financial Statements on which the Firm will express an Opinion. Such services might also create an advocacy threat.

#### A. Providing Legal Advice

##### Description of Service ~~Acting in an Advisory Role~~

608.4 A1 Depending on the jurisdiction, providing legal advisory services advice might include a wide and diversified range of service areas including both corporate and commercial services to Audit Clients, such as:

- Contract support.
- Supporting an Audit Client in executing a transaction.
- Mergers and acquisitions.
- Supporting and assisting an Audit Client's internal legal department.
- Legal due diligence and restructuring.

**Commented [JH8]:** IESBA has small 'c' which is an editorial

## Potential Threats Arising from Providing Legal Advice

### All Audit Clients

608.54 A12 Factors that are relevant in evaluating the level of self-review or advocacy threats created by providing legal ~~advisory services~~ advice to an Audit Client include:

- The materiality of the specific matter in relation to the client's Financial Statements.
- The complexity of the legal matter and the degree of judgement necessary to provide the service.

608.5 A2 Examples of legal advice that might create a self-review threat include:

- Estimating a potential loss arising from a lawsuit for the purpose of recording a provision in the client's Financial Statements.
- Interpreting provisions in contracts that might give rise to liabilities reflected in the client's Financial Statements.

608.5 A3 Negotiating on behalf of an Audit Client might create an advocacy threat or might result in the Firm or Network Firm assuming a management responsibility.

### Audit Clients that are Not Public Interest Entities

608.64 A13 Examples of actions that might be safeguards to address self-review or advocacy threats created by providing legal advice to an Audit Client that is not a Public Interest Entity include:

- Using professionals who are not Audit Team members to perform the service might address a self-review or advocacy threat.
- Having an appropriate reviewer who was not involved in providing the service review the audit work or the service performed might address a self-review threat.

### Audit Clients that are Public Interest Entities

#### Self-review Threats

**R608.7** A Firm or a Network Firm shall not provide legal advice to an Audit Client that is a Public Interest Entity if the provision of such a service might create a self-review threat. (Ref: Para. R600.14 and R600.16).

#### Advocacy Threats

608.8 A1 The considerations in paragraphs 608.5 A1 and 608.5 A3 to 608.6 A1 are also relevant to evaluating and addressing advocacy threats that might be created by providing legal advice to an Audit Client that is a Public Interest Entity.

## **B. Acting as General Counsel**

### All Audit Clients

**R608.95** A partner or employee of the Firm or the Network Firm shall not serve as general counsel ~~for legal affairs~~ of an Audit Client.

608.95 A1 The position of general counsel is usually a senior management position with broad responsibility for the legal affairs of a company.

## **C. Acting in an Advocacy Role**

### **Potential Threats Arising from Acting in an Advocacy Role Before a Tribunal or Court**

#### *Audit Clients that are Not Public Interest Entities*

**R608.106** A Firm or a Network Firm shall not act in an advocacy role for an Audit Client that is not a Public Interest Entity in resolving a dispute or litigation before a tribunal or court when the amounts involved are material to the Financial Statements on which the Firm will express an Opinion.

608.106 A1 Examples of actions that might be safeguards to address a self-review or advocacy threat created when acting in an advocacy role for an Audit Client that is not a Public Interest Entity ~~when the amounts involved are not material to the Financial Statements on which the Firm will express an Opinion~~ include:

- Using professionals who are not Audit Team members to perform the service.
- Having an appropriate reviewer who was not involved in providing the service review the audit work or the service performed.

#### *Audit Clients that are Public Interest Entities*

**R608.11** A Firm or a Network Firm shall not act in an advocacy role for an Audit Client that is a Public Interest Entity in resolving a dispute or litigation before a tribunal or court.

## **SUBSECTION 609 – RECRUITING SERVICES**

### **Introduction**

~~609.1 Providing recruiting services to an Audit Client might create a self-interest, familiarity or intimidation threat.~~

609.12 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to ~~R600.2740~~ **A1** are relevant to applying the conceptual framework when providing a recruiting service to an Audit Client. ~~This subsection includes requirements that prohibit Firms and Network Firms from providing certain types of recruiting services to Audit Clients in some circumstances because the threats created cannot be addressed by applying safeguards.~~

### **Requirements and Application Material**

#### ~~All Audit Clients~~ **Description of Service**

609.23 A1 Recruiting services might include activities such as:

- Developing a job description.
- Developing a process for identifying and selecting potential candidates.
- Searching for or seeking out candidates.
- Screening potential candidates for the role by:
  - Reviewing the professional qualifications or competence of applicants and determining their suitability for the position.
  - Undertaking reference checks of prospective candidates.

- Interviewing and selecting suitable candidates and advising on candidates' competence.
- Determining employment terms and negotiating details, such as salary, hours and other compensation.

~~609.3 A2 Paragraph R600.7 precludes a Firm or a Network Firm from assuming a management responsibility. Providing the following services does not usually create a threat as long as personnel of the Firm or Network Firm does not assume a management responsibility:~~

- ~~● Reviewing the professional qualifications of a number of applicants and providing advice on their suitability for the position.~~
- ~~● Interviewing candidates and advising on a candidate's competence for financial accounting, administrative or control positions.~~

#### Risk of Assuming Management Responsibility When Providing a Recruiting Service

**R609.34** Paragraph R400.13 precludes a Firm or a Network Firm from assuming a management responsibility. When a Firm or Network Firm provides a recruiting services to an Audit Client, the Firm shall be satisfied that:

- (a) The client assigns the responsibility to make all management decisions with respect to hiring the candidate for the position to a competent employee, preferably within senior management; and
- (b) The client makes all management decisions with respect to the hiring process, including:
  - Determining the suitability of prospective candidates and selecting suitable candidates for the position.
  - Determining employment terms and negotiating details, such as salary, hours and other compensation.

#### Potential Threats Arising from Providing Recruiting Services

##### All Audit Clients

609.4 A1 Providing recruiting services to an Audit Client might create a self-interest, familiarity, or intimidation threat.

~~609.43 A2 Paragraph R600.7 precludes a Firm or a Network Firm from assuming a management responsibility. Providing the following services does not usually create a threat as long as personnel of individuals within the Firm or the Network Firm does not assume a management responsibility:~~

- ~~● Reviewing the professional qualifications of a number of applicants and providing advice on their suitability for the position.~~
- ~~● Interviewing candidates and advising on a candidate's competence for financial accounting, administrative or control positions.~~

609.45 A34 Factors that are relevant in ~~evaluating the level of~~ identifying self-interest, familiarity or intimidation threats created by providing recruiting services to an **Audit Client, and evaluating the level of such threats** include:

- The nature of the requested assistance.
- The role of the individual to be recruited.
- Any conflicts of interest or relationships that might exist between the candidates and the **Firm** providing the advice or service.

609.45 A42 An example of an action that might be a safeguard to address such a self-interest, familiarity or intimidation threat is using professionals who are not **Audit Team** members to perform the service.

#### *Recruiting Services that are Prohibited*

**R609.56** When providing recruiting services to an **Audit Client**, the **Firm** or the **Network Firm** shall not act as a negotiator on the client's behalf.

**R609.67** A **Firm** or a **Network Firm** shall not provide a recruiting service to an **Audit Client** if the service relates to:

- (a) Searching for or seeking out candidates;
- (b) Undertaking reference checks of prospective candidates;
- (c) Recommending the person to be appointed; or
- (d) Advising on the terms of employment, remuneration or related benefits of a particular candidate.

with respect to the following positions:

- (i) A **Director** or **Officer** of the entity; or
- (ii) A member of senior management in a position to exert significant influence over the preparation of the client's accounting records or the **Financial Statements on which the Firm will express an Opinion**.

## **SUBSECTION 610 – CORPORATE FINANCE SERVICES**

### **Introduction**

~~610.1 — Providing corporate finance services to an Audit Client might create a self-review or advocacy threat.~~

610.12 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to ~~R600.2740 A1~~ are relevant to applying the conceptual framework when providing a corporate finance service to an **Audit Client**. ~~This subsection includes requirements that prohibit Firms and Network Firms from providing certain corporate finance services in some circumstances to Audit Clients because the threats created cannot be addressed by applying safeguards.~~



## Requirements and Application Material

### All Audit Clients Description of Service

- 610.23 A1 Examples of corporate finance services ~~that might create a self-review or advocacy threat~~ include:
- Assisting an Audit Client in developing corporate strategies.
  - Identifying possible targets for the Audit Client to acquire.
  - Advising on the potential purchase or disposal transactions price of an asset.
  - Assisting in finance raising transactions.
  - Providing structuring advice.
  - Providing advice on the structuring of a corporate finance transaction or on financing arrangements ~~that will directly affect amounts that will be reported in the Financial Statements on which the Firm will express an Opinion.~~

### Potential Threats Arising from the Provision of Corporate Finance Services

#### All Audit Clients

610.3 A1 Providing corporate finance services to an Audit Client might create a self-review threat when there is a risk that the results of the services will affect the accounting records or the Financial Statements on which the Firm will express an Opinion. Such services might also create an advocacy threat.

610.43 A12 Factors that are relevant in ~~evaluating the level of such~~ identifying self-review or advocacy threats created by providing corporate finance services to an Audit Client, and evaluating the level of such threats include:

- The degree of subjectivity involved in determining the appropriate treatment for the outcome or consequences of the corporate finance advice in the Financial Statements.
- The extent to which:
  - The outcome of the corporate finance advice will directly affect amounts recorded in the Financial Statements.
  - The ~~amounts are~~ outcome of the corporate finance service might have a material ~~to effect on~~ the Financial Statements.
- ~~Whether the effectiveness of the corporate finance advice depends on a particular accounting treatment or presentation in the Financial Statements and there is doubt as to the appropriateness of the related accounting treatment or presentation under the relevant financial reporting framework.~~

When a self-review threat for an Audit Client that is a Public Interest Entity has been identified, paragraph R610.8 applies.

~~610.3 A3 Examples of actions that might be safeguards to address threats include:~~

- ~~Using professionals who are not Audit Team members to perform the service might address self-review or advocacy threats.~~
- ~~Having an appropriate reviewer who was not involved in providing the service review the audit work or service performed might address a self-review threat.~~

Corporate Finance Services that are Prohibited

**R610.54** A Firm or a Network Firm shall not provide corporate finance services ~~to an Audit Client~~ that involve promoting, dealing in, or underwriting the ~~Audit Client's~~ shares, debt or other financial instruments issued by the Audit Client or providing advice on investment in such shares, debt or other financial instruments.

**R610.65** A Firm or a Network Firm shall not provide advice in relation to corporate finance ~~advice services~~ to an Audit Client where:

(a) ~~†~~ The effectiveness of such advice depends on a particular accounting treatment or presentation in the Financial Statements on which the Firm will express an Opinion; and:

(a)(b) ~~The Audit Team has reasonable~~ doubt as to the appropriateness of the related accounting treatment or presentation under the relevant financial reporting framework; ~~and~~

(b) ~~The outcome or consequences of the corporate finance advice will have a material effect on the Financial Statements on which the Firm will express an Opinion.~~

Audit Clients that are Not Public Interest Entities

610.73 A13 ~~Examples of actions that might be safeguards to address self-review or advocacy threats created by providing corporate finance services to an Audit Client that is not a Public Interest Entity include:~~

- Using professionals who are not Audit Team members to perform the service might address self-review or advocacy threats.
- Having an appropriate reviewer who was not involved in providing the service review the audit work or service performed might address a self-review threat.

Audit Clients that are Public Interest Entities

Self-review Threats

**R610.8** A Firm or a Network Firm shall not provide corporate finance services to an Audit Client that is a Public Interest Entity if the provision of such services might create a self-review threat. (Ref: Para. R600.14 and R600.16).

Advocacy Threats

610.8 A1 An example of an action that might be a safeguard to address advocacy threats created by providing corporate finance services to an Audit Client that is a Public Interest Entity is using professionals who are not Audit Team members to perform the service.

## PART 4B – INDEPENDENCE FOR ASSURANCE ENGAGEMENTS OTHER THAN AUDIT AND REVIEW ENGAGEMENTS

### SECTION 900

#### APPLYING THE CONCEPTUAL FRAMEWORK TO INDEPENDENCE FOR ASSURANCE ENGAGEMENTS OTHER THAN AUDIT AND REVIEW ENGAGEMENTS

##### Introduction

*[Paragraphs 900.1 to 900.10 of extant Section 900 remain unchanged.]*

##### Requirements and Application Material

###### General

*[Paragraphs R900.11 to R900.12 of extant Section 900 remain unchanged.]*

##### Prohibition on Assuming Management Responsibilities

**900.13** A Firm shall not assume a management responsibility related to the Underlying Subject Matter and, in an Attestation Engagement, the Subject Matter Information of an Assurance Engagement provided by the Firm. If the Firm assumes a management responsibility as part of any other service provided to the Assurance Client, the Firm shall ensure that the responsibility is not related to the Underlying Subject Matter and, in an Attestation Engagement, the Subject Matter Information of the Assurance Engagement provided by the Firm.

**900.13 A1** Management responsibilities involve controlling, leading and directing an entity, including making decisions regarding the acquisition, deployment and control of human, financial, technological, physical and intangible resources.

**900.13 A2** When a Firm assumes a management responsibility related to the Underlying Subject Matter and, in an Attestation Engagement, the Subject Matter Information of an Assurance Engagement, self-review, self-interest and familiarity threats are created. Assuming a management responsibility might create an advocacy threat because the Firm becomes too closely aligned with the views and interests of management.

**900.13 A3** Determining whether an activity is a management responsibility depends on the circumstances and requires the exercise of professional judgment. Examples of activities that would be considered a management responsibility include:

- Setting policies and strategic direction.
- Hiring or dismissing employees.
- Directing and taking responsibility for the actions of employees in relation to the employees' work for the entity.
- Authorising transactions.
- Controlling or managing bank accounts or investments.
- Deciding which recommendations of the Firm or other third parties to implement.
- Reporting to Those Charged with Governance on behalf of management.

**Commented [JH9]:** Amended by the Part 4B Amending Standard

**Commented [JH10]:** Relocation of the Assuming Management responsibilities paragraphs from Section 950 to Section 900

- Taking responsibility for designing, implementing, monitoring and maintaining internal control.

900.13 A4 Subject to compliance with paragraph R900.14, providing advice and recommendations to assist the management of an Assurance Client in discharging its responsibilities is not assuming a management responsibility.

**R900.14 When performing a Professional Activity for an Assurance Client that is related to the Underlying Subject Matter and, in an Attestation Engagement, the Subject Matter Information of the Assurance Engagement, the Firm shall be satisfied that client management makes all related judgments and decisions that are the proper responsibility of management. This includes ensuring that the client's management:**

**(a) Designates an individual who possesses suitable skill, knowledge and experience to be responsible at all times for the client's decisions and to oversee the activities. Such an individual, preferably within senior management, would understand:**

- (i) The objectives, nature and results of the activities; and**
- (ii) The respective client and Firm responsibilities.**

**However, the individual is not required to possess the expertise to perform or re-perform the activities.**

**(b) Provides oversight of the activities and evaluates the adequacy of the results of the activity performed for the client's purpose; and**

**(c) Accepts responsibility for the actions, if any, to be taken arising from the results of the activities.**

*[Paragraphs 900.13 A1 to R900.15 of extant Section 900 remain unchanged but renumbered as paragraphs 900.14 A1 to R900.16.]*

*[Paragraphs 900.17~~6~~ to 900.29 are intentionally left blank]*

#### **Period During which Independence is Required**

*[Paragraphs R900.30 to R900.32 of extant Section 900 remain unchanged.]*

900.32 A1 Examples of actions that might be safeguards to address such threats include:

- Using professionals who are not Assurance Team members to perform the service.
- Having an appropriate reviewer review the assurance ~~and~~or non-assurance work as appropriate.

**R900.33 If a non-assurance service that would not be permitted during the Engagement Period has not been completed and it is not practical to complete or end the service before the commencement of Professional Services in connection with the Assurance Engagement, the Firm shall only accept the Assurance Engagement if:**

**(a) The Firm is satisfied that:**

- (i) The non-assurance service will be completed within a short period of time; or**
- (ii) The client has arrangements in place to transition the service to another provider within a short period of time;**

- (b) The Firm applies safeguards when necessary during the service period; and
- (c) The Firm discusses the matter with the party engaging the Firm or Those Charged with Governance of the Assurance Client.

**Communication with Those Charged With Governance**

900.34 A1 Paragraphs R300.9 to 300.9 A2 set out requirements and application material that is relevant to communications with a party engaging the Firm or Those Charged with Governance of the Assurance Client.

900.34 A2 Communication with a party engaging the Firm or Those Charged with Governance of the Assurance Client might be appropriate when significant judgments are made, and conclusions reached, to address threats to Independence in relation to an Assurance Engagement because the Subject Matter Information of that engagement is the outcome of a previously performed non-assurance service.

*[Paragraphs 900.35~~4~~ to 900.39 are intentionally left blank]*

## SECTION 950

### PROVISION OF NON-ASSURANCE SERVICES TO ASSURANCE CLIENTS

Commented [JH11]: Note that heading changed in the Part 4B amending standard

#### Introduction

*[Paragraph 950.1 of extant Section 950 remains unchanged.]*

950.2 Firms might provide a range of non-assurance services to their Assurance Clients, consistent with their skills and expertise. Providing certain non-assurance services to Assurance Clients might create threats to compliance with the fundamental principles and threats to Independence.

950.3 This section sets out ~~specific~~ requirements and application material relevant to applying the conceptual framework to identify, evaluate and address threats to Independence when providing non-assurance services to Assurance Clients in such circumstances.

950.4 New business practices, the evolution of financial markets and changes in technology are some developments that make it impossible to draw up an all-inclusive list of non-assurance services that Firms might provide to an Assurance Client. The conceptual framework and the general provisions in this section apply when a Firm proposes to a client to provide a non-assurance service for which there are no specific requirements and application material.

#### Requirements and Application Material

##### General

##### Risk of Assuming Management Responsibilities When Providing a Non-Assurance Service

950.5 A1 When a Firm provides a non-assurance service to an Assurance Client, there is a risk that a Firm will assume a management responsibility in relation to the Underlying Subject Matter and, in an Attestation Engagement, the Subject Matter Information of the assurance engagement unless the Firm is satisfied that the requirements in paragraphs R900.13 and R900.14 have been complied with.

##### Accepting an Engagement to Provide a Non-Assurance Service

R950.6 Before a Firm accepts an engagement to provide a non-assurance service to an Assurance Client, the Firm shall apply the conceptual framework to identify, evaluate and address any ~~determine whether providing such a service might create a threat to Independence~~ that might be created by providing that service.

*[Paragraphs 950.3 A1 and 950.3 A2 of extant Section 950 have been deleted.]*

##### Identifying and Evaluating Threats

950.7 A1 A description of the categories of threats that might arise when a Firm provides a non-assurance service to an Assurance Client is set out in paragraph 120.6 A3.

950.74 A24 Factors that are relevant in [identifying and evaluating the level of threats that might be created by providing a non-assurance service to an Assurance Client](#) include:

- The nature, scope, [intended use](#) and purpose of the service.
- [The manner in which the service will be provided, such as the personnel to be involved and their location.](#)
- ~~• The degree of reliance that will be placed on the outcome of the service as part of the Assurance Engagement.~~
- The legal and regulatory environment in which the service is provided.
- [Whether the client is a Public Interest Entity.](#)
- ~~• The level of expertise of the client's management and employees with respect to the type of service provided.~~
- Whether the outcome of the service will affect the [Underlying Subject Matter](#) and, in an [Attestation Engagement](#), matters reflected in the [Subject Matter Information of the Assurance Engagement](#), and, if so:
  - The extent to which the outcome of the service will have a material ~~or significant~~ effect on the [Underlying Subject Matter](#) and, in an [Attestation Engagement](#), the [Subject Matter Information of the Assurance Engagement](#).
  - The extent [to which of the Assurance Client's involvement in determining significant matters of judgement \(Ref: Para. R900.13 to R900.14\).](#)
- ~~• The degree of reliance that will be placed on the outcome of the service as part of the Assurance Engagement.~~
- ~~• The level of expertise of the client's management and employees with respect to the type of service provided.~~
- [The fee relating to the provision of the non-assurance service.](#)

#### Materiality in Relation to an Assurance Client's Information

950.84 A12 [Materiality is a factor that is relevant in evaluating threats created by providing a non-assurance service to an Assurance Client.](#) The concept of materiality in relation to an [Assurance Client's Subject Matter Information](#) is addressed in *Standard on Assurance Engagements (ASAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. The determination of materiality involves the exercise of professional judgement and is impacted by both quantitative and qualitative factors. It is also affected by perceptions of the financial or other information needs of users.

#### Multiple Non-Assurance Services Provided to the Same Assurance Client

[Paragraph 950.4 A3 of extant Section 950 remains unchanged but renumbered as paragraph 950.9 A1.]

#### [Self-Review Threats](#)

[Paragraph 950.8 A1 of extant Section 950 remains unchanged but relocated and renumbered as paragraph 950.10 A1.]

Assurance Clients that are Public Interest Entities

950.11 A1 Expectations about a Firm's Independence are heightened when an Assurance Engagement is undertaken by a Firm for a Public Interest Entity and the results of that engagement will be:

- (a) Made available publicly, including to shareholders and other stakeholders; or
- (b) Provided to an entity or organisation established by law or regulation to oversee the operation of a business sector or activity.

Consideration of these expectations forms part of the reasonable and informed third party test applied when determining whether to provide a non-assurance service to an Assurance Client.

950.11 A2 If a self-review threat exists in relation to an engagement undertaken in the circumstances described in paragraph 950.11 A1 (b), the Firm is encouraged to disclose the existence of that self-review threat and the steps taken to address it to the party engaging the Firm or Those Charged with Governance of the Assurance Client and to the entity or organisation established by law or regulation to oversee the operation of a business sector or activity to which the results of the engagement will be provided.

**Addressing Threats**

~~950.125 A1 Paragraphs 120.10 to 120.10 A2 includes a requirement and application material that are relevant when addressing threats to Independence, including a description of safeguards. In relation to providing non-assurance services to Assurance Clients, safeguards are actions, individually or in combination, that the Firm takes that effectively reduce threats to Independence to an Acceptable Level. In some situations, when a threat is created by providing a service to an Assurance Client, safeguards might not be available. In such situations, the application of the conceptual framework set out in Section 120 requires the Firm to decline or end the non-assurance service or the Assurance Engagement.~~

950.12 A2 Threats to Independence created by providing a non-assurance service or multiple services to an Assurance Client vary depending on facts and circumstances of the Assurance Engagement and the nature of the service. Such threats might be addressed by applying safeguards or by adjusting the scope of the proposed service.

950.12 A3 Examples of actions that might be safeguards to address such threats include:

- Using professionals who are not Assurance Team members to perform the service.
- Having an appropriate reviewer who was not involved in providing the service review the assurance work or service performed.

950.12 A4 Safeguards might not be available to reduce the threat created by providing a non-assurance service to an Assurance Client to an Acceptable Level. In such a situation, the application of the conceptual framework requires the Firm to:

- (a) Adjust the scope of the proposed service to eliminate the circumstances that are creating the threat;
- (b) Decline or end the service that creates the threat that cannot be eliminated or reduced to an Acceptable Level; or
- (c) End the Assurance Engagement.



*~~Prohibition on Assuming Management Responsibilities~~*

*[Paragraphs R950.6 to R950.7 of extant Section 950 have been deleted from Section 950 and relocated to paragraphs R900.13 to R900.14 in Section 900.]*

*~~Other Considerations Related to Providing Specific Non-Assurance Services~~*

*[Paragraph 950.8 A1 of extant Section 950 remains unchanged but relocated and renumbered as paragraph 950.10 A1.]*

## OTHER CONSEQUENTIAL AND CONFORMING AMENDMENTS

### SECTION 525

#### TEMPORARY PERSONNEL ASSIGNMENTS

##### Introduction

*[Paragraphs 525.1 to 525.2 of extant Section 525 remain unchanged.]*

##### Requirements and Application Material

###### General

*[Paragraphs 525.3 A1 to 525.3 A2 of extant Section 525 remain unchanged.]*

**R525.4** A Firm or Network Firm shall not loan personnel to an Audit Client unless the Firm or Network Firm is satisfied that:

- (a) Such assistance is provided only for a short period of time;
- ~~(b)~~ The Such personnel do will not assume management responsibilities and the Audit Client will be is responsible for directing and supervising the activities of the such personnel.;
- ~~(c)~~ Any threat to the Independence of the Firm or the Network Firm arising from the Professional Services undertaken by such personnel is eliminated or safeguards are applied to reduce such threats to an Acceptable Level; and
- ~~(b)(d)~~ The Such personnel will are not undertake or be involved in providing non-assurance Professional sServices that the Firm or Network Firm is prohibited from performing by the Code.would not be permitted under Section 600 and its subsections; and
- ~~(c)(a)~~ The personnel do not assume management responsibilities and the Audit Client is responsible for directing and supervising the activities of the personnel.

## TRANSITIONAL PROVISIONS

*[Paragraphs 1 to 5 of the transitional provisions in the extant Code remain unchanged.]*

Revisions to the Non-Assurance Services [related](#) provisions of the Code.

6. Revisions to the Non-Assurance Services [related](#) provisions of the Code will be effective for engagements beginning or on or after 1 January 2023. Early adoption will be permitted.

## CONFORMITY WITH INTERNATIONAL PRONOUNCEMENTS

### **APES 110 and the IESBA Code**

APES 110 incorporates the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) issued by the International Ethics Standards Board for Accountants (IESBA) in April 2018 and incorporating amendments up to ~~October 2020~~ [April 2021](#).

*[The list of compliance with the IESBA Code in the extant Code to be updated based on ED.]*