

# Proposed Amendments to the Non-Assurance Services 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**      **04/22**  
**ISSUED:**                      **July 2022**

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APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* is based on the *International Code of Ethics for Professional Accountants (including International Independence Standards)* of the International Ethics Standards Board for Accountants (IESBA), published by the International Federation of Accountants (IFAC) in September 2021 and as amended. *International Code of Ethics for Professional Accountants (including International Independence Standards)* © September 2021 by the International Federation of Accountants.

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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 7 October 2022.**

Comments should be addressed to:

Chief Executive Officer  
Accounting Professional & Ethical Standards Board Limited  
Level 11  
99 William Street  
Melbourne Victoria 3000  
Australia

E-mail: [sub@apesb.org.au](mailto:sub@apesb.org.au)

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.

APESB also invites comments regarding these proposed amendments from small and medium-sized firms.

## Request for Specific Comments

APESB is seeking respondents' specific comments and feedback on the questions set out in the section below on the reasons for issuing this Exposure Draft.

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. While APESB prefers formal submissions, we also encourage opinions and comments to be sent via email to [sub@apesb.org.au](mailto:sub@apesb.org.au).

## 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).

Accounting Professional & Ethical Standards Board Limited

Level 11  
99 William Street  
Melbourne Victoria 3000  
Australia

E-mail: [enquiries@apesb.org.au](mailto:enquiries@apesb.org.au)

Phone: (03) 9670 8911

Fax: (03) 9670 5611

## Reasons for issuing Exposure Draft 04/22

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 Non-Assurance Services (NAS) provisions of the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the IESBA Code). The NAS revisions to the IESBA Code (IESBA NAS Revisions) were issued in April 2021, and globally effective from 15 December 2022.

The proposed revisions to the Code clarify the circumstances in which firms and network firms may or may not provide a NAS to an audit or assurance client. Since March 2021, APESB has undertaken substantial work and stakeholder engagement in relation to the proposed revisions to the NAS provisions of the Code, and in particular the proposed tax services provisions, including:

- consideration at the March 2021 Board meeting of a preliminary draft exposure draft to incorporate the IESBA NAS Revisions;
- an update from the New Zealand Auditing and Assurance Standards Board (NZAuASB) at the June 2021 Board meeting and consideration of proposed revisions to the Code to address the recommendations from the Parliamentary Joint Committee on Corporations and Financial Services Inquiry into the Regulation of Auditing in Australia;
- consideration at the September 2021 Board meeting of a high-level benchmarking analysis of NAS provisions relating to tax services in New Zealand, the United Kingdom and the United States of America;
- an update at the March 2022 Board meeting on the results of a stakeholder survey on auditor independence and NAS, engagement with the Australian Taxation Office (ATO) and Australian Securities and Investments Commission (ASIC), and NZAuASB developments; and
- consideration at the June 2022 Board meeting of a public submission from ASIC on tax services, a further update from the NZAuASB and possible options to address concerns relating to tax services.

## IESBA NAS Revisions on Tax Services

The IESBA NAS Revisions include various prohibitions on providing NAS to Public Interest Entity (PIE) audit clients where it 'might create' a self-review threat, such as paragraph R604.15, which prohibits tax advisory and tax planning services in such circumstances. However, the IESBA intentionally 'carved out' certain tax advisory and tax planning services from creating a self-review threat where the services (paragraph 604.12 A2 of the IESBA NAS Revisions):

- are supported by tax authority or precedent;
- are based on established practice (commonly used and not challenged by a tax authority); or
- have a basis in tax law that the firm is confident is likely to prevail.

Paragraphs R604.4 and 604.4 A1 of the IESBA NAS Revisions also use the terminology that 'the firm is confident' that the tax treatment is 'likely to prevail'. Paragraph R604.4 prohibits firms from providing tax services or recommending transactions related to marketing, planning, or opining in favour of a tax treatment initially recommended (directly or indirectly) by the firm where a significant purpose is tax avoidance unless the firm is confident the treatment has a basis in applicable tax law or regulation that is likely to prevail.

The IESBA considered its threshold expectations of 'likely to prevail' and "*IESBA members generally agreed that the audit firm should have a high level of confidence but had varied views about how to best describe that desired threshold*".<sup>1</sup> The IESBA also considered respondents' views on the use of 'likely to prevail' versus 'more likely than not' and concluded on the former, which IESBA believes preserves

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<sup>1</sup> IESBA September/October 2020 Board meeting minutes.

extant language that is well understood and included 'the firm is confident' to clarify IESBA's threshold expectations.<sup>2</sup>

However, APESB remains concerned that 'likely to prevail' in paragraphs R604.4, 604.4 A1 and 604.12 A2 of the IESBA NAS Revisions could be interpreted as not a sufficiently high threshold. These paragraphs also include a subjective assessment by the firm, that the 'firm is confident' rather than an objective assessment by a reasonably informed third party, which is generally used in the Code.

APESB received a public submission from ASIC on 22 May 2022<sup>3</sup> recommending that the Code be amended to prohibit auditors from providing tax advisory and tax planning services to PIE audit clients, or if the APESB determines not to prohibit such services, that the Code should be amended to:

- prohibit an auditor of a PIE audit client from acting as an advocate on a taxation issue with the ATO or in a tribunal or court; and
- replace the criterion for an auditor to provide advice from their view of having "*a basis in law that is likely to prevail*" with "*a basis in law that is almost certain to prevail*".

ASIC believes their recommendations will help ensure that auditors remain independent and objective and an independent audit is important for the confidence of informed markets and investors. ASIC is also of the view that this will outweigh the cost for PIEs and auditors resulting from the loss of any synergistic cost benefits from providing both tax advisory and audit services and the process of PIEs changing their tax advisors or auditors.

The ATO highlighted its observations and concerns to the APESB at the private session of the November 2021 Board meeting and in a confidential submission in February 2022, relating to firms providing tax advisory services to large audit clients and the new tax provisions in Subsection 604 of the IESBA NAS Revisions.

At this stage, APESB believes that insufficient evidence has been provided by the regulators to support a complete prohibition of tax advisory and tax planning services to PIE audit clients. Such a prohibition would not be consistent with IESBA's intention to enable limited services involving minimal judgement, and it may not be in the public interest to ban such services to PIE audit clients. Further, if Australia adopted this approach, it would result in Trans-Tasman divergence based on the approach taken by NZAuASB discussed below.

To address regulatory concerns in respect of tax services, APESB is proposing two separate options for Australia in Exposure Draft 04/22, as set out below.

#### Tax Services Option 1 – Amend the Threshold to 'Almost Certain to Prevail'

Option 1 proposes to amend paragraphs R604.4, 604.4 A1 and 604.12 A2 of the IESBA NAS Revisions to change the threshold to having a basis in tax law that is 'almost certain to prevail'. This approach deviates from the IESBA's terminology resulting in these proposed paragraphs becoming Australian specific paragraphs AUST R604.4, AUST 604.4 A1 and AUST 604.12 A2.

This option is consistent with ASIC's second preferred recommendation and addresses the concern that 'likely to prevail' could be interpreted as not a sufficiently high threshold. By not including 'the firm is confident', it removes the subjective assessment by the firm as to whether it will prevail. The approach is different from that taken by NZAuASB (refer Option 2) but would likely result in substantively the same effect and a harmonised, although not identical, Trans-Tasman approach.

***Request for Specific Comment 1 – Do you support APESB's proposed Option 1 to address concerns relating to tax services by amending the threshold to 'almost certain to prevail'? Please provide reasons and justification for your response.***

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<sup>2</sup> Paragraphs 109-112 of the *IESBA Basis for Conclusions Revisions to the Non-Assurance Services Provisions of the Code*.

<sup>3</sup> ASIC\_Submission\_APES\_110\_Taxation\_Advisory\_Planning\_Services.pdf (apesb.org.au).

## Tax Services Option 2 – Add Guidance on the Meaning of ‘Likely to Prevail’

Option 2 proposes to maintain paragraphs R604.4, 604.4 A1 and 604.12 A2 as per the IESBA NAS Revisions but to include additional proposed Australian specific guidance paragraphs AUST 604.4 A1.1 and AUST 604.12 A2.1 to clarify and establish "*the firm is confident is likely to prevail*" as a high threshold.

This option is consistent with the IESBA's intent that to reach the threshold "*the firm is confident is likely to prevail*" the firm would need a high level of confidence. This approach would also result in consistent Trans-Tasman methodologies as the NZAuASB has adopted a similar approach.

Although Option 2 does not directly adopt ASIC's recommendations, APESB is of the view that this option, together with the proposed documentation requirement discussed below, might address concerns expressed by the regulators to some extent.

***Request for Specific Comment 2 – Do you support APESB's proposed Option 2 to address concerns relating to tax services by including guidance to clarify and establish the "firm is confident is likely to prevail" as a high threshold? Please provide reasons and justification for your response.***

## Tax Services – Documentation Requirement

APESB propose Australian specific paragraphs AUST R604.4.1 and AUST R604.12.1 that require firms to document the factors considered and conclusions reached in determining that the firm has satisfied the conditions in paragraphs AUST R604.4 and AUST 604.12 A2 (if Option 1 is adopted) or R604.4 and 604.12 A2 (if Option 2 is adopted).

Paragraph 600.27 A1 of the IESBA NAS Revisions provides guidance to firms on what documentation might include of the firm's conclusions regarding compliance with Section 600 in accordance with paragraphs R400.60 and 400.60 A1 (General Documentation of Independence for Audit and Review Engagements). However, paragraphs R400.60 and 400.60 A1 focus on threats and safeguards, whereas paragraph R604.4 creates a prohibition threshold and paragraph 604.12 A2 deems no self-review threat exists if one or more of the conditions is met.

As such, APESB believes specific requirements for documentation of how the firm has assessed that it has satisfied the relevant paragraphs is required. The IESBA notes that firms may choose to document the factors considered in determining the firm's confidence it is likely to prevail.<sup>4</sup> However, APESB believes that requiring this documentation is in the public interest and will increase the veracity of the firm's decision that certain tax treatments are not prohibited or that they meet one or more of the specified conditions to qualify for the 'carve out' from the self-review threat for tax advisory and tax planning services.

This approach is consistent with the NZAuASB which has adopted a similar requirement relating to paragraph 604.12 A2.

***Request for Specific Comment 3 – Do you foresee any practical challenges in implementing the documentation requirements in proposed paragraphs AUST R604.4.1 and AUST R604.12.1? Please provide reasons and justification for your response.***

## Tax Services – Use of ‘Tax Avoidance’

Paragraph R604.4 of the IESBA NAS Revisions prohibits the provision of tax services that involve advocating a particular tax treatment that the firm originally developed for which the significant purpose is tax avoidance.<sup>5</sup> Some respondents, including APESB, to the IESBA's Exposure Draft on the NAS provisions raised concerns with the use of the term 'tax avoidance'. The IESBA was of the view that local regulators, professional bodies or national standard setters were best placed to provide guidance to avoid any misunderstanding resulting from the use of 'tax avoidance' and decided to retain this term.<sup>6</sup>

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<sup>4</sup> Para. 113 of *IESBA Basis for Conclusions Revisions to the Non-Assurance Services Provisions of the Code*.

<sup>5</sup> Para. 114 of *IESBA Basis for Conclusions Revisions to the Non-Assurance Services Provisions of the Code*.

<sup>6</sup> Para. 116 of *IESBA Basis for Conclusions Revisions to the Non-Assurance Services Provisions of the Code*.

From an Australian perspective, 'tax avoidance' is generally associated with being outside the intent of tax law and if a professional accountant were promoting such transactions or schemes, they may be breaching the law and various sections of the Code, including paragraph R115.1. The ATO's position is that taxpayers can arrange their financial affairs to keep tax to a minimum, referred to as tax planning or tax-effective investing, if done within the intent of the law.<sup>7</sup> However, the ATO refers to tax minimisation schemes that are outside the spirit of the law as tax avoidance schemes or arrangements, which involve deliberate exploitation of the tax and superannuation systems.<sup>8</sup>

APESB is concerned that the use of the term 'tax avoidance' may be inappropriate in proposed paragraphs AUST R604.4 (Option 1) or R604.4 (Option 2) in Australia, as tax treatments with a significant purpose of tax avoidance should not be promoted. APESB seeks stakeholder feedback on whether more appropriate terminology could be used instead of 'tax avoidance'.

***Request for Specific Comment 4 – Do you agree that the term 'tax avoidance' is inappropriate to use in proposed paragraphs AUST R604.4 (Option 1) or R604.4 (Option 2)? What alternative terminology could APESB use instead? Please provide reasons and justification for your response.***

### **Key requirements and guidance in Exposure Draft 04/22**

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 *Applying the Conceptual Framework to Independence for Audit and Review Engagements* 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) to a Public Interest Entity (PIE) audit client that creates a self-review threat to the independence.
- New requirements to strengthen communications with those charged with governance (TCWG) about NAS matters provided to 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 are provided to the same audit client.
- Enhanced clarity about the relevance of materiality in applying NAS provisions remains 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.
- Providing certain NAS to PIE audit clients are now prohibited if it might create a self-review threat, including valuation services, internal audit services and designing or implementing IT systems services.
- Several new prohibitions relating to tax advisory and tax planning services, valuation for tax purposes, providing assistance in the resolution of a tax dispute, litigation support services, legal advice, or corporate finance services provided to PIE audit clients that might create a self-review threat.
- Outright prohibitions on acting as an advocate on a tax dispute or acting as an advocate for a dispute or litigation for a PIE audit client.
- 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 circumstances in which a self-review threat may not be created.

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<sup>7</sup> Tax planning | Australian Taxation Office (ato.gov.au).

<sup>8</sup> Tax planning | Australian Taxation Office (ato.gov.au).

- Consequential and conforming amendments to Section 525 and Part 4B, Section 900 *Applying the Conceptual Framework to Independence for Assurance Engagements other than Audit and Review Engagements* and Section 950 *Provision of Non-Assurance Services to Assurance Clients*.

In addition, the Exposure Draft contains proposals to address tax services as discussed above.

Stakeholders should not rely on this summary in the Exposure Draft to determine what changes, if any, are required to their current practices, policies or methodologies. Stakeholders should read the entire Exposure Draft to determine the significance of its proposals.

### **Proposed operative date**

It is intended that the proposed amendments will be effective for engagements beginning on or after 1 July 2023. Early adoption will be permitted (refer to transitional provisions).

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

ISSUED: XXX 2022

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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, the role and mindset of **Members** provisions, the objectivity of **Engagement Quality Reviewers** and other appropriate reviewers, the fee-related provisions, the quality management-related conforming amendments and the non-assurance services provisions apply as specified in the respective transitional provisions on page 50.

# 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 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.
- 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.

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 400.15 to 400.19 are intentionally left blank]*

#### **Related Entities**

*[Paragraph R400.20 of extant Section 400 remains unchanged.]*

*[Paragraphs 400.21 to 400.29 are intentionally left blank]*

#### **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) 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 Examples of actions that might be safeguards to address threats to **Independence** include:
- Not assigning professionals who performed the non-assurance service to be members of the **Engagement Team**.
  - Having an appropriate reviewer review the audit work or non-assurance 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 a 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 a 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**.

- 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 400.33 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.
- 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*

**R600.8** 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 providing that service.

### *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.

600.9 A2 Factors that are relevant in identifying the different 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 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 the client determines 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 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.
- The fee relating to the provision of the non-assurance service.



- 600.9 A3 Subsections 601 to 610 include examples of additional factors that are relevant in identifying threats to **Independence** created by providing certain non-assurance services, and evaluating the level of such threats.

#### Materiality in Relation to Financial Statements

- 600.10 A1 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* and ASRE 2410 *Review of a Financial Report Performed by the Independent 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

- 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 judgement 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 judgement 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:**

- (a) **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**
- (b) **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 judgements 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 controls 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

600.18 A1 Paragraphs R120.10 to 120.10 A2 include a requirement and application material that are relevant when addressing threats to [Independence](#), including a description of safeguards.

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](#).

## *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:

- (a) 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
- (b) 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:

- (a) The **Firm** provides such information as it is able without breaching its legal or professional obligations;
- (b) 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
- (c) **Those Charged with Governance** do not disagree with the **Firm's** conclusion in (b).

**R600.24** The **Firm** or the **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:

- (a) The **Firm** or the **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
- (b) **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**.

*Audit Client that Later Becomes a Public Interest Entity*

**R600.25** 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** and **Those Charged with Governance** of the client that becomes a **Public Interest Entity** agree and take further actions to address any threats 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*

**R600.26** This section includes requirements that prohibit **Firms** and **Network Firms** from 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; 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:
- 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.
  - 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.
  - The extent of management's involvement in the provision and oversight of the proposed non-assurance service.
  - Any safeguards that are applied, or other actions taken to address a threat to Independence.
  - The Firm's rationale for determining that the service is not prohibited and that any identified threat to Independence is at an Acceptable Level.
  - 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 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to 600.27 A1 are relevant to applying the conceptual framework when providing accounting and bookkeeping services to an Audit Client.

### **Requirements and Application Material**

#### **General**

- 601.2 A1 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.

### Description of Service

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

- Preparing accounting records or [Financial Statements](#).
- Recording transactions.
- Providing payroll services.
- Resolving account reconciliation problems.
- Converting existing financial statements from one financial reporting framework to another.

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

#### *All Audit Clients*

601.4 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*

**R601.5** 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:

- The services are of a routine or mechanical nature; and
- The [Firm](#) addresses any threats that are not at an [Acceptable Level](#).

601.5 A1 Accounting and bookkeeping services that are routine or mechanical:

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



601.5 A2 Examples of services that might be regarded as routine or mechanical include:

- 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 subparagraph R601.5 (b).

601.5 A3 Examples of actions that might be safeguards to address a self-review threat created when providing accounting and bookkeeping services of a routine 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*

**R601.6** A **Firm** or a **Network Firm** shall not provide accounting and bookkeeping services to an **Audit Client** that is a **Public Interest Entity**.

**R601.7** As an exception to paragraph R601.6, a **Firm** or a **Network Firm** may prepare statutory **Financial Statements** for a **Related Entity** of a **Public Interest Entity Audit Client** included in subparagraph (c) or (d) of the definition of **Related Entity** provided that:

- (a) The audit report on the group **Financial Statements** of the **Public Interest Entity** has been issued;
- (b) The **Firm** or **Network Firm** does not assume management responsibility and applies the conceptual framework to identify, evaluate and address threats to **Independence**;
- (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 In addition to the specific application material in this subsection, the requirements and application material in paragraphs 600.1 to 600.27 A1 are relevant to applying the conceptual framework when providing administrative services.

### Application Material

#### Description of Service

602.2 A1 Administrative services involve assisting clients with their routine or mechanical tasks within the normal course of operations.

602.2 A2 Examples of administrative services include:

- Word processing or document formatting.
- 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 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to 600.27 A1 are relevant to applying the conceptual framework when providing valuation services to an [Audit Client](#).

### Requirements and Application Material

#### Description of Service

603.2 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 whole or part of an entity.

603.2 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 have 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 604.17 A1 to 604.19 A1, relating to such services, apply.

## 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 A2 Factors that are relevant in 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 of the disclosures related to the valuation in the **Financial Statements**.
- The volatility of the amounts involved as a result of dependence on future events.

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 A3 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.

**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 established by law or regulation or 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.

#### 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 a valuation service might create a self-review threat. (Ref: Para. R600.14 and R600.16).

#### 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 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to 600.27 A1 are relevant to applying the conceptual framework when providing a tax service to an **Audit Client**.

### **Requirements and Application Material**

#### **Description of Service**

604.2 A1 Tax services comprise a broad range of services. This subsection deals specifically with:

- Tax return preparation.
- Tax calculations for the purpose of preparing accounting entries.
- Tax advisory services.
- Tax planning services.
- Tax services involving valuations.
- Assistance in the resolution of tax disputes.

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 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.

**[Relevant for Option 1]**

*All Audit Clients*

**AUST 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 favour 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 proposed treatment has a basis in applicable tax law or regulation that is almost certain to prevail.

**AUST 604.4 A1** Unless the tax treatment has a basis in applicable tax law or regulation that is almost certain to prevail, providing the non-assurance service described in paragraph AUST 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**.

**[Relevant for Option 2]**

*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 favour 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**.

**AUST 604.4 A1.1** The **Firm** will need a high level of confidence that the tax treatment has a basis in tax law that is likely to prevail to satisfy paragraph R604.4. The **Firm** will gain that confidence if there is a high probability, if viewed objectively by applying the reasonable and informed third party test, that the tax treatment will prevail.

**[Applicable for either option that is adopted]**

**AUST R604.4.1** The **Firm** shall document the factors considered and conclusions reached in determining that the tax treatment satisfies the conditions described in paragraph [Option 1 – AUST R604.4] [Option 2 – R604.4].

## **A. Tax Return Preparation**

### **Description of Service**

604.5 A1 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.
- 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*

604.6 A1 Providing tax return preparation services does not usually create a threat because:

- (a) Tax return preparation services are 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) 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 involve 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*

604.8 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 creates a self-review threat.

*Audit Clients that are Not Public Interest Entities*

604.9 A1 In addition to the factors in paragraph 604.3 A2, a factor that is relevant in evaluating the level of 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](#).

- 604.9 A2 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 providing the service review the audit work or service performed.

*Audit Clients that are Public Interest Entities*

**R604.10 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. (Ref: Para. R600.14 and R600.16).**

## C. Tax Advisory and Tax Planning Services

### Description of Service

- 604.11 A1 Tax advisory and tax planning services comprise a broad range of services, such as advising the **Audit Client** how to structure its affairs in a tax efficient manner or advising on the application of a 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.

#### [Relevant for Option 1]

- AUST 604.12 A2 Providing tax advisory and tax planning services will not create a self-review threat if such services:
- (a) Are supported by a tax authority or other precedent;
  - (b) 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
  - (c) Have a basis in tax law that is almost certain to prevail.

#### [Relevant for Option 2]

- 604.12 A2 Providing tax advisory and tax planning services will not create a self-review threat if such services:
- (a) Are supported by a tax authority or other precedent;
  - (b) 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
  - (c) Have a basis in tax law that the **Firm** is confident is likely to prevail.

- AUST 604.12 A2.1 The **Firm** will need a high level of confidence that the tax advisory and tax planning services have a basis in tax law that is likely to prevail to satisfy subparagraph 604.12 A2(c). The **Firm** will gain that confidence if there is a high probability, if viewed objectively by applying the reasonable and informed third party test, that the tax advisory and tax planning services will prevail.

[Applicable for either option that is adopted]

**AUST R604.12.1** The **Firm** shall document the factors considered and conclusions reached in determining that the tax advisory and tax planning service satisfies one or more of the conditions described in paragraph [Option 1 – AUST 604.12 A2] [Option 2 – 604.12 A2].

604.12 A3 In addition to paragraph 604.3 A2, factors that are relevant in identifying self-review or advocacy threats created by providing tax advisory and tax planning 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 ruling or has otherwise been cleared by the tax authority before the preparation of the **Financial Statements**.
- The extent to which the outcome of the tax advice might have a material effect on the **Financial Statements**.

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

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

**R604.13** A **Firm** or a **Network Firm** shall not provide tax advisory and tax planning 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
- (b) the **Audit Team** has doubt as to the appropriateness of the related accounting treatment or presentation under the relevant financial reporting framework.

*Audit Clients that are Not Public Interest Entities*

604.14 A1 Examples of actions that might be safeguards to address 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*

604.17 A1 Providing a valuation for tax purposes 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.

604.17 A2 When a **Firm** or a **Network Firm** performs a valuation for tax purposes to assist an **Audit Client** with its tax reporting obligations or for tax planning purposes, the result of the valuation might:

- (a) Have no 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*

- 604.18 A1 A **Firm** or a **Network Firm** might perform a valuation for tax purposes for an **Audit Client** that is not a **Public Interest Entity** where the result of the valuation only affects the accounting records or the **Financial Statements** 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.
- 604.18 A2 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 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.
- 604.18 A3 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.

### *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**

604.20 A1 A non-assurance service to provide assistance to an **Audit Client** in the resolution of tax disputes might 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 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 before a tribunal or court.

### **Potential Threats Arising from the Provision of Assistance in the Resolution of Tax Disputes**

#### *All Audit Clients*

604.21 A1 Providing assistance in the resolution of a tax dispute 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.

604.22 A1 In addition to those identified in paragraph 604.3 A2, factors that are relevant in 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 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 A1 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 Including Acting as an Advocate Before a Tribunal or Court**

*Audit Clients that are Not Public Interest Entities*

**R604.25** 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 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.

*All Audit Clients*

604.27 A1 Paragraphs R604.25 and R604.26 do 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 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.

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

## SUBSECTION 605 – INTERNAL AUDIT SERVICES

### Introduction

605.1 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to 600.27 A1 are relevant to applying the conceptual framework when providing an internal audit service to an [Audit Client](#).<sup>9</sup>

### Requirements and Application Material

#### Description of Service

605.2 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.

605.2 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. 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

R605.3 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, 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;

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<sup>9</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 (Compiled)* (December 2021).

- (b) The client reviews, assesses and approves the scope, risk and frequency of the internal audit services;
- (c) The client evaluates the adequacy of the internal audit services and the findings resulting from their performance;
- (d) The client evaluates and determines which recommendations resulting from internal audit services to implement and manages the implementation process; and
- (e) The client reports to **Those Charged with Governance** the significant findings and recommendations resulting from the internal audit services.

605.3 A1 Performing part of the client's internal audit activities increases the possibility that individuals within the **Firm** or **Network Firm** providing internal audit services will assume a management responsibility.

605.3 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 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 Factors that are relevant in 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.

When a self-review threat for an [Audit Client](#) that is a [Public Interest Entity](#) has been identified, paragraph R605.6 applies.

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

605.5 A1 An example of an action that might be a safeguard to address 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 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).**

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 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to 600.27 A1 are relevant to applying the conceptual framework when providing an information technology (IT) systems service to an [Audit Client](#).

### **Requirements and Application Material**

#### **Description of Service**

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

- (a) Aggregate source data;

- (b) Form part of the internal control over financial reporting; or
- (c) 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](#).

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

**R606.3** 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 A3 Factors that are relevant in identifying a self-review threat created by providing an IT systems service 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 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.

When a self-review threat for an audit client that is a [Public Interest Entity](#) has been identified, paragraph R606.6 applies.

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

606.5 A1 An example of an action that might be a safeguard to address 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*

**R606.6 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).**

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 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to 600.27 A1 are relevant to applying the conceptual framework when providing a litigation support service to an [Audit Client](#).

### **Requirements and Application Material**

#### **Description of Service**

607.2 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.

607.4 A1 Factors that are relevant in 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.
- The nature and characteristics of the service.
- The extent to which the outcome of the litigation support service 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.

607.4 A2 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*

607.5 A1 An example of an action that might be a safeguard to address 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 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to 600.27 A1 are relevant to applying the conceptual framework when providing a legal service to an **Audit Client**.

## Requirements and Application Material

### Description of Service

- 608.2 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

- 608.4 A1 Depending on the jurisdiction, providing legal 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.

### Potential Threats Arising from Providing Legal Advice

#### *All Audit Clients*

- 608.5 A1 Factors that are relevant in identifying self-review or advocacy threats created by providing legal advice to an [Audit Client](#), and evaluating the level of such threats 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.

When a self-review threat for an [Audit Client](#) that is a [Public Interest Entity](#) has been identified, paragraph R608.7 applies.

- 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*

- 608.6 A1 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*

- R608.9** A partner or employee of the [Firm](#) or the [Network Firm](#) shall not serve as general counsel of an [Audit Client](#).
- 608.9 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*

- R608.10** 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](#).

608.10 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** 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 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to 600.27 A1 are relevant to applying the conceptual framework when providing a recruiting service to an **Audit Client**.

### **Requirements and Application Material**

#### **Description of Service**

609.2 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.

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

**R609.3 Paragraph R400.13 precludes a Firm or a Network Firm from assuming a management responsibility. When providing a recruiting service 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.
- 609.4 A2 Providing the following services does not usually create a threat as long as individuals within the **Firm** or the **Network Firm** do 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.
- 609.4 A3 Factors that are relevant in 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.
- 609.4 A4 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**

- R609.5 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.**
- R609.6 A **Firm** or a **Network Firm** shall not provide a recruiting service to an **Audit Client** if the service relates to:**
- Searching for or seeking out candidates;**
  - Undertaking reference checks of prospective candidates;**
  - Recommending the person to be appointed; or**
  - Advising on the terms of employment, remuneration or related benefits of a particular candidate,**
- with respect to the following positions:**
- A **Director** or **Officer** of the entity; or**
  - 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 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to 600.27 A1 are relevant to applying the conceptual framework when providing a corporate finance service to an [Audit Client](#).

### Requirements and Application Material

#### Description of Service

610.2 A1 Examples of corporate finance services 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 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.

#### 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.

610.4 A1 Factors that are relevant in 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 outcome of the corporate finance service might have a material effect on the [Financial Statements](#).

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



## Corporate Finance Services that are Prohibited

- R610.5** A **Firm** or a **Network Firm** shall not provide corporate finance services that involve promoting, dealing in, or underwriting the shares, debt or other financial instruments issued by the **Audit Client** or providing advice on investment in such shares, debt or other financial instruments.
- R610.6** A **Firm** or a **Network Firm** shall not provide advice in relation to corporate finance 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
  - (b) The **Audit Team** has doubt as to the appropriateness of the related accounting treatment or presentation under the relevant financial reporting framework.

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

- 610.7 A1 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 AUST R900.12.1 of extant Section 900 remain unchanged.]*

##### Prohibition on Assuming Management Responsibilities

**R900.13** 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 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.
- 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.

- 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 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** 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 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 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 judgements 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 to 900.39 are intentionally left blank]*

#### **General Documentation of Independence for Assurance Engagements**

*[Paragraphs R900.40 to 900.40 A1 of extant Section 900 remain unchanged.]*

*[Paragraphs 900.41 to 900.49 are intentionally left blank]*

#### **Breach of Independence Provision for Assurance Engagements**

*[Paragraphs R900.50 to R900.55 of extant Section 900 remain unchanged.]*

## SECTION 950

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

#### 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 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**.
- 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

*[Paragraph R950.3 of extant Section 950 has been amended and relocated to paragraph R950.6]*

##### 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 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.

950.7 A2 Factors that are relevant in identifying and evaluating the different 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 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 effect on the [Underlying Subject Matter](#) and, in an [Attestation Engagement](#), the [Subject Matter Information](#) of the [Assurance Engagement](#).
  - The extent to which the [Assurance Client](#) determines 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 fee relating to the provision of the non-assurance service.

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

950.8 A1 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*

- 950.12 A1 Paragraphs 120.10 to 120.10 A2 include a requirement and application material that are relevant when addressing threats to [Independence](#), including a description of safeguards.

- 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](#).

*[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 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 a **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) Such personnel will not assume management responsibilities and the **Audit Client** will be responsible for directing and supervising the activities of such personnel;
  - (c) Any threat to the **Independence** of the **Firm** or **Network Firm** arising from the **Professional Services** undertaken by such personnel is eliminated or safeguards are applied to reduce such threat to an **Acceptable Level**; and
  - (d) Such personnel will not undertake or be involved in **Professional Services** that the **Firm** or **Network Firm** is prohibited from performing by the **Code**.



## TRANSITIONAL PROVISIONS

*[Paragraphs 1 to 6 of the transitional provisions in the extant Code remain unchanged.]*

*Revisions to the Non-Assurance Services provisions of the Code.*

7. Revised Section 600 and other amendments to Part 4A will be effective for audits and reviews of [Financial Statements](#) for periods beginning on or after 1 July 2023. The amendments to Sections 900 and 950 in relation to [Assurance Engagements](#) with respect to [Underlying Subject Matters](#) covering periods of time will be effective for periods beginning on or after 1 July 2023; otherwise, these amendments will be effective as of 1 July 2023.

Early adoption will be permitted.

For non-assurance services engagements a [Firm](#) or [Network Firm](#) has entered into with an [Audit Client](#), or for non-assurance services engagements a [Firm](#) has entered into with an [Assurance Client](#), before 1 July 2023 and for which work has already commenced, the [Firm](#) or [Network Firm](#) may continue such engagements under the extant provisions of the [Code](#) until completed in accordance with the original engagement terms.

## 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 April 2022.

*[The list of compliance with the IESBA Code in the extant Code to be updated based on the final standard for the Non-Assurance Services provisions of the Code.]*