

**Meeting:** IESBA CAG  
**Meeting Location:** New York, USA  
**Meeting Date:** September 9, 2019

## Agenda Item

# C

### Non-assurance Services Cover Note and Issues

#### I. Objectives

1. To obtain Representatives' views on the key issues identified by the Task Force in relation to the proposed revisions to the non-assurance services (NAS) provisions in the International Independence Standards and related conforming amendments.
2. To report back on the CAG's March 2019 discussions about the IESBA's [NAS project](#).

#### II. Project Status and Timeline

3. In response to concerns from regulatory stakeholders and the Public Interest Oversight Board (PIOB), the IESBA included the NAS topic as a pre-commitment in its Strategy and Work Plan, 2019-2023 and approved the NAS project proposal in September 2018.
4. The NAS project proposal was informed by [feedback](#) on a Briefing Paper, [Non-Assurance Services – Exploring Issues to Determine a Way Forward](#) that was discussed at [four global roundtables](#) and advice from its Consultative Advisory Group (CAG).<sup>1</sup> The [IESBA Project Timetable](#) anticipates a September 2019 approval date for the NAS Exposure Draft.

#### III. Report Back on March 2019 CAG Discussions

5. **Agenda Item C-2** includes extracts from the draft minutes of the March 2019 CAG meeting<sup>2</sup> and an indication of how the Task Force/IESBA has responded to CAG Representatives' comments. **Appendix 1** to this paper includes a NAS project history.

#### IV. Activities Since Last CAG Meeting

6. Since the March 2019 CAG meeting, the IESBA considered a first-read draft of proposed revisions to Section 600, including the subsections, taking into account the input from the CAG. Among other matters, the IESBA deliberated:
  - The proposed provisions that would prohibit firms and network firms from providing NAS to audit clients that are public interest entities (PIEs) when those NAS might create self-review threats.
  - The proposed provisions addressing communication with those charged with governance (TCWG) about specific NAS engagements, including pre-approval of NAS by TCWG for audit clients that are PIEs.

<sup>1</sup> The CAG provided input on the NAS project proposal in September 2018.

<sup>2</sup> The March 2019 CAG minutes will be approved during the September 2019 IESBA CAG meeting.

- The ordering and flow of the material in the subsections.
  - Proposed refinements and other clarifications to subsection 604 relating to tax.
7. The Task Force held a physical meeting in mid-July to develop a revised set of proposals. The Task Force sought input on the revised draft via email from IESBA members and Technical Advisors. The key revisions in the July 2019 draft were to:
- Refine the proposed requirement and application material relating to the self-review threat prohibition, including revisions to the related requirements in the subsections.
  - Present new application material relating to providing advice and recommendations, in light of the introduction of the self-review threat prohibition.
  - Address the implications of moving the provisions relating to assuming management responsibility to Section 400.
  - Introduce revisions to the general provisions relating to tax in Subsection 604.
  - Develop a preliminary draft for a new Subsection 611 in response to calls for new material relating to new and emerging NAS arising from advancing technologies (e.g., hosting and cybersecurity).
  - Minimize repetition of material that is already covered in the conceptual framework and align to the new structure and drafting conventions for the Code.
8. In addition to various interactions via email, the Task Force met via teleconference in August to consider additional revisions and refinements based on the feedback received from Board members, and to agree to the agenda materials for this meeting.
9. A clean version of the draft proposed revisions to the NAS provision that will apply to audit and review engagements is set out in **Agenda Item C-1**. Among other matters, the key issues to be discussed include:
- The proposed wording to emphasize the importance of the [reasonable and informed third party \(RITP\) test](#) when considering the potential threats to independence when providing a NAS to audit clients that are PIEs versus concerns about threats to independence for audit clients that are not PIEs (i.e., non-PIEs).
  - The change from “might create” to “will create” in the proposed requirement prohibiting the provision of NAS that create a self-review threat.
  - The implications of establishing the self-review threat prohibition to the provision of advice and recommendations while providing a NAS engagement.
  - The proposed revisions to the Code relating to improved firm communication with TCWG.
  - A consideration of whether the proposed revisions to Section 600 should include a new section titled “Technology-enabled Services”.
  - Whether the proposed enhancements, such as the proposed self-review threat prohibition in Part A, Section 600 of the Code should also apply to assurance engagements other than audit and review engagements in Part 4B, Section 950 of the Code.

**V. Matters for CAG Consideration**

**A. Distinction for PIEs and non-PIEs**

10. The proposed text reflects the Task Force's view that concerns about a firm's independence are heightened in the case of audits of PIEs, and that the use of the reasonable and informed third party test is especially important when deciding whether to provide a NAS to an audit client that is a PIE (see paragraph 600.10 A1). Most of Task Force's proposals apply only to audit clients that are PIEs.
11. The Explanatory Memorandum to the NAS ED will signal the Board's plan to accelerate the timeline for its strategic commitment to review the definition of listed entity and PIE in the Code with a view to coordinating the effective dates of any changes to those definitions with the changes arising from the NAS and Fees projects. The Board's decision to accelerate this project was made in March 2019 and was based on the advice of the CAG.

**Matter for CAG Consideration**

1. Do Representatives agree with the Task Force's proposed wording in 600.10 A1 to emphasize the importance of the RITP test for audit clients that are PIEs as compared with those that are non-PIEs?

**B. Self-review Threat Prohibition (for PIEs)**

12. At its June 2019 meeting, the Board deliberated whether the proposed text appropriately conveyed the Board's intent with respect to the general prohibition that firms should not provide NAS that might create self-review threats to audit clients that are PIEs (i.e., the self-review threat prohibition).
13. There was general agreement by the Board that in the case of audit clients that are PIEs, self-review threats cannot be eliminated and safeguards are not capable of being applied to reduce them to an acceptable level (see paragraph 600.15 A1). There remained an open question as to how best to articulate the proposed requirement. IESBA members' views varied about whether the proposed text should include the phrases "...NAS that is subject to audit...", "...NAS that might create a self-review threat...", or "...NAS that will create a self-review threat...".
14. Based on input from IESBA members on the July 2019 revised draft of the Task Force's proposals, the proposed requirement has been revised to refer to "NAS that will create a self-review threat" (see paragraph R600.15). The requirements within the subsections for specific types of NAS have also been to ensure consistency with the general requirement.
15. New application material has been added to help firms and network firms determine whether a NAS creates a self-review threat (see paragraph 600.15 A2).

**C. Providing Advice and Recommendations**

16. At its June meeting, the Board asked the Task Force to:
  - Explain the interaction between the existing prohibition relating to assuming management responsibility for an audit client and providing advice and recommendations to assist management.
  - Clarify whether the self-review threat prohibition would apply in circumstances when firms provide advice and recommendations to audit clients that are PIEs during a NAS engagement.

17. In arriving at its proposals, the Task Force considered the view held by some IESBA members that providing advice and recommendations generally “does not create self-review threats if management accepts responsibility for implementing that advice.”
18. The Task Force notes that the nature of, and facts and circumstances relating to the provision of, advice and recommendations by a firm to an audit client varies enormously, and is appropriately dealt with in different ways in the Code. For instance, the Code notes that advice and recommendations might be provided:
- *As part of the dialogue between the firm and the management* of the audit client about the audit process (see paragraph 601.2 A2).
  - *As an extension of the audit, to assist management* in the resolution of accounting and bookkeeping matters such as addressing account reconciliation problems or analyzing or accumulating information for financial or regulatory reporting (see paragraph 601.2 A4).
  - *As part of a stand-alone NAS engagement* (e.g., tax advice in subsection 604, litigation support in subsection 607, legal advice in subsection 608, and corporate finance advisory service in subsection 610).
19. The Task Force’s revised proposals:
- Give more prominence and emphasis to the requirement that prohibits firms and network firms from assuming a management responsibility for an audit client through the transfer of the material to Section 400. Section 400 sets out the general provisions relating to the application of the conceptual framework to independence for audit and review engagements (see para. R400.13).
  - Retain the position that providing advice and recommendations to assist the management of an audit client in discharging its responsibilities is not assuming a management responsibility (see paragraph 400.13 A4). Except for its new location, this provision is unchanged from the extant Code. The provisions also continue to require the firm to be satisfied that client management makes all judgments and decisions that are the proper responsibility of management (see para. R400.14).
  - Indicate that providing advice and recommendation when performing a NAS engagement for an audit client: (see paragraph 600.16 A1)
    - (a) Might constitute assuming management responsibility unless client management takes responsibility for the implementation of the advice and recommendations as required in paragraph R400.14; and
    - (b) Might create a self-review threat. The approaches differ depending on whether an audit client is a PIE or a non-PIE.
      - For audit clients that are non-PIEs, if a self-review threat is created, firms apply the conceptual framework to address it.
      - In the case of audit clients that are PIEs, if a self-review threat is created, the proposed self-review threat prohibition in paragraph R600.15 applies.

**Matter for CAG Consideration**

2. Representatives are asked for views about public interest merits of, and any unforeseen practical implications that may arise from:
  - (a) The Task Force's approach and proposed wording in relation to the self-review threat prohibition.
  - (b) The Task Force's proposals relating to providing advice and recommendations.

**C. Improved Firm Communication with TCWG About NAS Matters**

**Audit Clients that are PIEs**

20. The Task Force has revised its proposals relating to improved firm communication with TCWG about NAS matters for audit clients that are PIEs to deal with specific questions about implementation (see R600.17 A1 to 600.19 A1). For example:

- With respect to pre-approval of NAS by TCWG, the Task Force has considered the feedback from some jurisdictions where, within the corporate governance structure, TCWG may not have the authority to pre-approve NAS. The Task Force therefore proposes to revise the text by replacing "...obtain approval..." with "...obtain concurrence...".
- With respect to questions about the process for pre-approval, and how the pre-approval should be evidenced (e.g., whether using an automated process that leverages technology or via manual means), the Task Force proposes to revise the text to explain that the firm and TCWG will agree on the process by which concurrence for providing the NAS to the audit client is obtained.
- In response to questions about how the proposal will be applied in a group audit context or where a firm provides a NAS to a related entity, the requirement in R600.18 now specifically states that it shall apply only to related entities over which the audit client has direct or indirect control.

**Audit Clients that are not PIEs**

21. For audit clients that are non-PIEs, the proposed new application material explains that communication with TCWG might be appropriate when significant judgments are made and conclusions reached regarding how the firm addresses threats to independence created by providing NAS to audit clients (see paragraph 600.17 A1).

**Matter for CAG Consideration**

3. Representatives are asked for views about the Task Force's proposals relating to communication with TCWG with respect to audit and review engagements in 600.17 A1 to 600.19 A1.

**D. New and Emerging NAS Arising from Advances in Technology**

22. The Task Force was asked to revisit and/or modernize the examples of NAS that are dealt with in the Code and update the relevant provisions. This was so that the Code provides guidance about how firms and network firms are to apply the Code when providing new and emerging services arising

from advances in technology or new business practices (e.g. hosting, cyber security and outsourcing).

23. The Task Force believes that firms should apply the conceptual framework and the general NAS provisions in the Code in paragraphs 600.1 to 600.22 when deciding whether to provide a type of NAS that is not expressly dealt with in the subsections of the Code.
24. Nevertheless, the Task Force accepted a suggestion from a June 2019 IESBA meeting participant and leveraged the material in the AICPA's Interpretation Publication [Information System Services](#) to:
- Revise the description of services and the existing terminology and examples in Subsection 606 (e.g., paragraph 606.2 A1).
  - Change the term "information technology systems services" to "information systems services" in most instances within the subsections.
  - Establish a new subsection titled "Technology-enabled Services" as subsection 611. The preliminary feedback from the Board was mixed. While some IESBA members welcomed having dedicated material in the Code for new and emerging NAS arising from technology in Code, others cautioned against inclusion of the new material. In addition to the many drafting refinements and editorial suggestions, Board members commented as follows:
    - The material in the proposed Technology-enabled Services subsection paraphrased and, in some cases, duplicated the provisions in the conceptual framework and subsection 606.
    - The material in the proposed Technology-enabled Services subsection is outside of the NAS project scope and would be best dealt with as part of the IESBA's Technology initiative.
    - The proposed Technology-enabled Services subsection should expressly deal with specific types of technologies (e.g., artificial intelligence).
    - The proposed Technology-enabled Services subsection would be better positioned in a separate publication outside of the Code. It was noted that with the pace of change in technologies and business practices, there was a risk that any new material introduced in the Code might need to be updated by the time the provisions are finalized and come into effect.
25. Having duly considered the feedback from some Board members on a July 2019 draft, the Task Force is proposing not to proceed with the proposed Technology-enabled Services subsection. The Task Force believes that, beyond its proposed refinements to subsection 606, any further revisions to modernize the Code in relation to technology should be developed as part of the IESBA's Technology initiative.

E. *Matters Relevant to Non-PIEs*

26. In December 2018, the IESBA generally agreed to Task Force's proposal to clarify the relevance of the concept of materiality in applying the NAS provisions. With respect to audits of PIEs, it was agreed that the concept of materiality would only be used as an example of a "factor in evaluating the level of threats that are created by providing NAS to audit clients." It was agreed that it would no longer be a "threshold" or "qualifier" for determining whether a firm can or cannot provide a NAS to an audit client.

27. Based on this position, the reference to “materiality” in the prohibitions for specific types of NAS that apply to audits of PIEs was removed (see the subsections of Section 600).
28. Some of the NAS prohibitions in the extant Code that include a materiality qualifier apply to all audit clients. These relate to:
  - Tax planning and tax advisory when the effectiveness of the tax advice is dependent on a particular accounting treatment or presentation (see [R604.8 of the extant Code](#)).
  - Tax services that involve assisting in the resolution of tax disputes when the services involve acting as an advocate for the client before a public tribunal or court (see [R604.11 of the extant Code](#)).
  - Providing corporate finance services to an audit client when the effectiveness of such advice depends on a particular accounting treatment or presentation (see [R610.5 of the extant Code](#)).

#### Task Force Considerations

29. The Task Force is proposing that the reference to materiality should be withdrawn for all audit clients (see R604.4, R604.13 and R608.9). The implication of this proposal is that for non-PIEs, the revised provisions relating to the specific types of NAS listed in paragraph 29 of this paper would be more restrictive than in the extant Code.
30. The Task Force noted that in the extant Code there are no safeguards that will be effective to reduce to an acceptable level actual or perceived threats to independence created by providing the services described in paragraph 28, and that the permissibility of such services was conditioned on the outcome of the NAS being immaterial to the financial statements. As a result of removing references to materiality, and given the nature of the NAS described in paragraph 28, the Task Force believes that the provision of such NAS to non-PIEs should be prohibited.
31. A commenter on the July draft suggested withdrawing the materiality qualifier for situations in which a firm or a network firm acts in an advisory role for an audit client in resolving a dispute or litigation (see [R608.6 of the extant Code](#)). The Task Force plans to seek the CAG and the Board’s input with respect to this suggestion.

#### **Matters for CAG Consideration**

4. Representatives are asked to share reactions about the Task Force’s proposed response to calls for guidance in the Code for new material to deal with new and emerging NAS arising from advances in technology.
5. Representatives are asked for views on the Task Force’s proposals set out in the “Matters Relevant to Non-PIEs” section of this paper, including whether there is agreement to withdraw the materiality qualifier for following types of NAS:
  - (a) Tax planning and tax advisory when the effectiveness of the tax advice is dependent on a particular accounting treatment or presentation.
  - (b) Tax services that involve assisting in the resolution of tax disputes when the services involve acting as an advocate for the client before a tribunal or court.
  - (c) Providing corporate finance services to an audit client when the effectiveness of such advice depends on a particular accounting treatment or presentation.

(d) Acting in an advisory role for an audit client in resolving a dispute or litigation.

F. *Matters Relevant to Assurance Engagements Other than Audits and Reviews*

32. The Task Force believes it is necessary to extend some of the NAS enhancements to assurance engagements other than audits and reviews in Sections 950 and 900 in order to preserve the existing alignment between Part 4A and Part 4B of the Code.

Self-review Threats

33. With respect to the proposed self-review threat prohibition, the Task Force will seek the Board's input on its proposals. In particular, the Task Force seeks views on its proposed text (relevant extracts of which is set out Appendix 2 to this paper) to supplement the existing application material in the Code relating self-review threat in the context of other assurance engagements (i.e., [paragraph 950.8 A1 of the extant Code](#)). The Task Force's proposal:
- Prohibits a firm from accepting a NAS if a self-review threat would arise in relation to an assurance engagement to be undertaken by the firm unless it has been addressed in accordance with the requirements of the conceptual framework (see paragraph R950.12 in **Appendix 2** to this paper).
  - Prohibits firms from undertaking an assurance engagement that is of public interest nature (i.e., a public interest assurance engagement), if the firm was previously involved in the preparation of subject matter information of that assurance engagement (see paragraph R950.13 in **Appendix 2** to this paper).
34. In this regard, the Task Force notes that some members of the Alignment to Part 4B/ ISAE 3000 Task Force have questioned the need to introduce the concept of a "public interest engagement" to the Code and the related prohibition (see paragraphs R950.13 to 950.13 A1 in **Appendix 2** to this paper).

Communication with TCWG in the Case of Assurance Engagements Other than Audits and Reviews

35. The Task Force believes that it is in the public interest to enhance communication with TCWG about independence matters with respect all assurance engagements. Therefore, the Task Force is proposing to include new application material in Section 900 that mirrors application material in [paragraph 400.40 A1 of the extant Code](#) (see paragraph 900.34 A1 in **Appendix 2** to this paper).
36. Paragraph 900.34 A2 includes new application material to encourage firms to communicate with TCWG about significant judgments made and conclusions reached to address threats to independence in relation to other assurance engagements created by providing NAS.
37. The Task Force is of the view that the proposed requirements and application material regarding obtaining the concurrence from TCWG before providing the NAS should not be extended to other assurance engagements.

**Matter for CAG Consideration**

6. Do Representatives agree with the Task Force's proposed revisions in relation to assurance engagements other than audits and reviews, in particular, in relation to self-review threats and communication with TCWG?



## VI. Matters Requiring Coordination with Other Task Forces and the IAASB

### A. Fees

38. The Task Force believes that the NAS Explanatory Memo should include a discussion of the IESBA's planned way forward with respect to NAS fee-related issues. In doing so, it will be important to set out a persuasive rationale to support the IESBA's rejection of the recurring suggestion from some European regulators for a fee-cap in the Code.

### B. Alignment to Part 4B/ISAE 3000 (Revised)

39. The Task Force has obtained input on its proposed revisions to Sections 950 and 900 from the Chair and some of the members of the Alignment to Part 4B/ISAE 3000 Task Force in advance of the September 2019 meeting.
40. The Task Force's proposals have been developed in relation to the Part 4B ED text. As part of a separate session during the September 2019 meeting, the Board will consider the Part 4B/ISAE 3000 Task Force's analysis and summary of responses to the feedback to the Part 4B ED and related revisions to the proposed text.

### C. IAASB

41. The IESBA suggested that the Task Force should liaise with representatives of the IAASB to explore whether any actions might need to be taken by the IAASB to preserve the existing alignment between the Code and ISA 260 (Revised)<sup>3</sup> as a result of the Task Force's proposals to enhance transparency through improved firm communications with TCWG about NAS-related matters.
42. The Task Force's proposals include proposed text which requires firms to:
- Communicate with TCWG of audit clients that are PIEs about certain NAS-related information, including the nature of the NAS, and the actions that are taken to address the threats to independence that might be created.
  - Obtain the concurrence of TCWG for the provision of a NAS to an audit client. This aspect of the proposal is intended to respond to calls for the Code to require TCWG to pre-approve NAS. Proposed new application material:
    - Explains that the firm and TCWG of the PIE might agree on a process for the firm to obtain the concurrence of TCWG.
    - Illustrates that the concurrence of TCWG for each NAS might be obtained either on an individual engagement basis, under a general policy, or via other means, provided that the process to be used is approved by TCWG.
43. The communication requirement in the IAASB's ISA 260 (Revised) applies to listed entities only. It requires auditors to communicate with TCWG about independence matters that may reasonably be thought to bear on independence.<sup>4</sup>
44. Coordination of overlapping issues related to enhanced firm communications with TCWG about NAS is being progressed as part of an ongoing discussion with IAASB representatives that is being facilitated by the Fees Working Group. As further discussed in the Fees agenda materials, a Joint

---

<sup>3</sup> International Standard on Auditing (ISA), 260 (Revised), *Communication with Those Charged with Governance*

<sup>4</sup> ISA 260 (Revised), paragraph 17

Working Group (JWG) of the two Boards has been established to coordinate efforts on enhancing transparency about independence matters (specifically fees) and improving firm communications with TCWG.

45. The IAASB plans to consider the issues, views and suggestions from the JWG at its September 2019 meeting. The agenda material will include a discussion about the relevant proposals being explored by both the Fees and NAS Task Forces.

**Matter for CAG Consideration**

7. Representatives are asked to provide any other comments that might be relevant to the revision of the NAS provisions in the Code.

**Materials Presented**

Agenda Item C-1 Proposed Changes to Section 600 and Section 400

Agenda Item C-2 Report-back on the March 2019 CAG Discussions in Relation to the IESBA's NAS Project

**Material Presented – FOR IESBA CAG REFERENCE PURPOSES ONLY**

The following documents will be considered by the IESBA at its September 2019 meeting, and are available to Representatives of the CAG for reference and for additional information.

- Agenda Item 2, [NAS-Cover-Note-and-Issues](#)
- Agenda Item 2A, [NAS-Proposed-Revisions-to-Section-600-Markup-from-Extant-and-Notes](#)
- Agenda Item 2B, [NAS-Proposed-Conforming Amendments-to-S400-Markup-from-Extant-and-Notes](#)
- Agenda Item 2C, [NAS-Proposed-Conforming Amendments-to-S950-and-S900-Markup-from-Part-4B-ED-and-Notes](#)

## Project History

**Project: NAS**

### Summary

	<b>CAG Meeting</b>	<b>IESBA Meeting</b>
Information gathering/ Discussion	<u>March 2018</u>	<u>March 2018</u>
Project commencement, including: <ul style="list-style-type: none"> <li>• Consideration of feedback from roundtables</li> <li>• Approval of project proposal</li> </ul>	<u>September 2018</u>	<u>June 2018</u> <u>September 2018</u>
Development of proposed international pronouncement (up to exposure)	<u>March 2019</u> <u>September 2019</u>	<u>December 2018</u> <u>March 2019</u> <u>June 2019</u> <u>September 2019</u>

## Relevant Extracts of Proposed Revisions Relating to Assurance Engagements Other than Audit and Review Engagements

- This document includes certain relevant extracts of the Task Force's proposed changes to the March 2019 Part 4B Exposure Draft (i.e., Sections 950 and 900).
- The mark-ups that are shaded in gray relate to the Alignment Part 4B/ISAE 3000 project and were included in March 2019 ED.
- Respondents' feedback on the Part 4B ED and the Alignment Part 4B/ISAE 3000 Task Force's suggested revisions will be presented as part of Session D to the CAG meeting.

### A. Proposed Conforming Amendments to Section 950

#### SECTION 950

#### PROVISION OF NON-ASSURANCE SERVICES TO ASSURANCE CLIENTS ~~OTHER THAN AUDIT AND REVIEW ENGAGEMENT CLIENTS~~

#### Requirements and Application Material

##### General

##### Self-review Threats ~~Other Considerations Related to Providing Specific Non-Assurance Services~~

**R950.12** The firm shall not accept a non-assurance service engagement for an assurance client when the non-assurance engagement might create a self-review threat unless the firm has eliminated that threat or reduced it to an acceptable level by applying safeguards.

950.128 A1 A self-review threat might be created if, ~~in an attestation engagement,~~ the firm is involved in the preparation of subject matter information which ~~is~~ subsequently ~~becomes~~ the subject matter information of an assurance engagement. Examples of non-assurance services that might create such self-review threats when providing services related to the subject matter information of an assurance engagement include:

- (a) Developing and preparing prospective information and subsequently ~~providing~~ ~~issuing an~~ assurance ~~report~~ on this information.
- (b) ~~Performing~~ ~~In an attestation engagement, performing~~ a valuation that ~~is related to or~~ forms part of the subject matter information of an assurance engagement.

**950.12 A2** A self-review threat is created when a firm provides a non-assurance service to an assurance client and there is a possibility that the firm will not appropriately evaluate the results of a judgment made or an activity performed by another individual within the firm as part of that service and on which the assurance team will rely when forming a judgment as part of an assurance engagement.

## Public Interest Assurance Engagements

**R950.13** A firm shall not accept a public interest assurance engagement that is an attestation engagement if the firm was previously involved in the preparation of the subject matter information unless:

(a) The intended user of the assurance engagement has approved the provision of the assurance engagement; or

(b) The provider of the non-assurance service is designated by law and regulation.

950.13 A1 A public interest assurance engagement is an engagement that provides an assurance conclusion to an organisation established by law to oversee the operation of a business sector or activity in the public interest. An example of a public interest assurance engagement includes reports provided to regulators of financial and capital markets.

## B. Proposed Conforming Amendments to Section 900

### SECTION 900

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

#### Requirements and Application Material

##### General

**R900.14** A firm performing an assurance engagement shall be independent of the assurance client.

900.14 A1 For the purposes of this Part, the assurance client in an assurance engagement is the responsible party and also, in an attestation engagement, the party taking responsibility for the subject matter information (who might be the same as the responsible party).

900.14 A2 The roles of the parties involved in an assurance engagement might differ and affect the application of the independence provisions in this Part. In the majority of attestation engagements, the responsible party and the party taking responsibility for the subject matter information are the same. This includes those circumstances where the responsible party involves another party to measure or evaluate the underlying subject matter against the criteria (the measurer or evaluator) where the responsible party takes responsibility for the subject matter information as well as the underlying subject matter. However, the responsible party or the engaging party might appoint another party to prepare the subject matter information on the basis that this party is to take responsibility for the subject matter information. In this circumstance, the responsible party and the party responsible for the subject matter information are both assurance clients for the purposes of this Part.

**R900.15** A firm shall apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence in relation to an assurance engagement.

#### Communication with Those Charged With Governance

900.34 A1 Paragraphs R300.9 to 300.9 A2 set out requirements and application material for communicating with those charged with governance.

900.34 A2 Communication with those charged with governance might be appropriate when significant judgments are made, and conclusions reached to address threats to independence in relation to a public interest assurance engagement because the subject matter information of that engagement is the outcome of a previously performed non-assurance service.