

## **Management Responsibilities (Clean)**

### *Management Responsibilities*

- 290.162 Management responsibilities involve controlling, planning, leading and directing an entity, including making decisions regarding the acquisition, deployment and control of human, financial, physical, technological and intangible resources.
- 290.163 A firm shall not assume a management responsibility for an audit client. The threats created would be so significant that no safeguards could reduce the threats to an acceptable level. For example, deciding which recommendations of the firm to implement will create self-review and self-interest threats. Further, assuming a management responsibility creates a familiarity threat because the firm becomes too closely aligned with the views and interests of management.
- 290.164 Examples of activities, if performed by the firm, that would generally be considered a management responsibility include:
- Setting the client's policies and strategic direction;
  - Hiring or terminating the client's employees;
  - Directing, supervising and taking responsibility for the actions of the client's employees;
  - Authorizing transactions or otherwise exercising authority on behalf of the client;
  - Supervising client activities for the purpose of management oversight;
  - Control or management of client's bank accounts and 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 the preparation and fair presentation of the client's financial statements in accordance with the applicable financial reporting framework; and
  - Taking responsibility for designing, implementing and maintaining the client's internal control.

However, providing advice and recommendations to assist management in discharging its responsibilities is not assuming a management responsibility.

- 290.165 When providing non-assurance services to an audit client, the firm shall be satisfied that client management makes all judgments and decisions that are the proper responsibility of management. This includes ensuring that the client's management:
- Provides oversight of the service, and evaluates the adequacy and results of the services performed;
  - Accepts responsibility for the actions to be taken arising from the results of the service; and,
  - Designates an individual, preferably within senior management who possesses suitable skill, knowledge and experience to be responsible at all times for the client's decisions

and to oversee and acknowledge responsibility for the services. A suitable individual would understand the objectives, nature and results of the services and the respective client and firm responsibilities. However, the individual is not required to possess the expertise to perform or re-perform the services.

*Administrative Services*

290.166 Administrative services involve assisting clients with their routine and organizational tasks within the normal course of operations. Such services require little to no professional judgment and are clerical in nature. Examples of administrative services include preparing administrative or statutory forms for client approval, sending notices for client meetings, monitoring statutory filing dates, and advising an audit client of those dates. Administrative services also include assisting in executing insignificant transactions that have been authorized by management. Accordingly, providing such services would not generally create a threat to independence.