

Meeting: IESBA
Meeting Location: New York, USA
Meeting Date: December 3-6, 2019

Agenda Item

4

Non-assurance Services Cover Note

Objective

1. To consider and approve for exposure proposed revisions to the non-assurance services (NAS) provisions and related conforming amendments in the International Independence Standards.

Comments and drafting suggestions are requested in advance of the Board meeting. Please email dianejules@ethicsboard.org by **December 1, 2019**.

Matters for Board Consideration

2. During the December 2019 meeting, the Board will be asked to consider and react to a presentation from the Task Force¹ Chair that will among other matters:
 - Highlight the changes that have been made to the Task Force's proposals in response to the Board September 2019 deliberations.
 - Brief the Board on the significant revisions made to the October 2019 draft that was circulated to the Board via email.
 - Brief the Board on the key issues that will be included in the NAS explanatory memorandum, including the specific areas where the public's input will be sought (i.e., draft questions).
 - Walk-through the drafts of the proposed texts – i.e., proposed revisions to Section 600,² and proposed conforming amendments to Sections 400,³ 950⁴ and 900.
3. The vote to approve the NAS ED is planned for Day 3 of the meeting. Task Force meetings are scheduled during the week of the meeting to consider and agree to refinements that may be necessary.

¹ Task Force Members comprise:

- Richard Fleck, Chair and IESBA Deputy Chair
- David Clark, IESBA Technical Advisor
- Kim Gibson, IESBA Member
- Jens Poll, IESBA Member

² Part 4A – Independence for Audits and Reviews, Section 600, *Provision of Non-assurance Services to an Audit Client*

³ Part 4A, Section 400, *Applying the Conceptual Framework to Independence for Audit and Review Engagements*

⁴ The Task Force's proposed conforming amendments to Section 950, *Provision of Non-Assurance Services to Assurance Clients Other than Audit and Review Engagement Clients* and Section 900, *Applying the Conceptual Framework to Independence for Assurance Engagements Other than Audit and Review Engagements* are to the revised version of Part 4B – Independence for Assurance Engagements Other than Audit and Review Engagements that was approved in September 2019.

4. Reading time is scheduled during the week of the meeting to allow Board members the opportunity to consider any revisions made to the proposed texts in advance of the vote.

Remaining Board Discussion Items

5. The nature of the revisions made to the proposed texts since the September 2019 meeting is discussed under the subheading titled, *Development of Revised Drafts*. During the December meeting, the Chair of the Task Force will explain the key changes that have been made to the proposals in response to the Board's September 2019 deliberations, some of which were reflected in the October 2019 drafts and have been refined based on feedback received.
6. As part this presentation the Chair of the Task Force will highlight:
 - The rationale for re-ordering certain provisions within the general provisions in Section 600, including those that relating to the prohibition on assuming management responsibility; providing advice and recommendations; and multiple NAS provided to the same audit client.
 - The significant drafting revisions that have been made to the proposed text to enhance clarity, including:
 - The change from "impact the financial statements" to "affect the accounting records or the financial statements."
 - The change from "direct effect on the financial statements" to "affect only the accounting records or the financial statements"
 - The Board will be asked for a view on whether term "clerical in nature" which was used in the second sentence of extant 602.3 A1, should be used to describe routine and mechanical accounting and bookkeeping services in proposed paragraph 601.4 A1.
 - The change from "more likely than not" to "that is likely to prevail in the new general tax requirement in R604.4.
 - The reversal of all technology-related revisions in response to the Technology Working Group's suggestion, including to reinstate the extant title of subsection 606 as "information technology systems services."
 - The new provisions for acting as an expert witness as part of the litigation support services subsection in 607.

Activities since Last Board Discussion

Development of Revised Drafts

7. The Task Force held a physical meeting to develop a revised set of proposals to incorporate input from the September 2019 Board deliberations in mid-October. Shortly after this Task Force meeting, the Board members were given the opportunity to provide input on a set of revised drafts via email.
8. In addition to various interactions via email, the Task Force met via teleconference in November to agree to revisions in response to the feedback on the October 2019 drafts. A list of the various comments on the October 2019 draft and the Task Force's response is provided as supplements 1 to 4 to the NAS agenda materials. The proposed texts also reflect suggestions from the Technology Working Group having regard to their technology-related recommendations in **Agenda Item 5A**.

Comparison to Extant Code and Draft Explanatory Memo

9. The proposed texts for discussion are set out in **Agenda Items 4A, 4B, 4C and 4B**. Mapping tables of comparison illustrate are provided as reference material to help review the proposals alongside the extant Code and are provided in Agenda Items 4A.1, 4B.1, 4C.1 and 4D.1.
10. **Agenda Item 4E** includes a preliminary draft explanatory memo (EM) which is intended to help summarize previous Board/ Task Force rationale for the NAS changes being proposed to the extant Code. The document is based on the Board/ Task Force discussions to-date and will be updated after the December Board meeting. Meeting participants, including drafting suggestions on the draft EM are welcome.

Stakeholder Engagement

11. Since the September 2019 meeting, IESBA representatives briefed the Forum of Firms, the IFAC Small and Medium Practices Committee (SMPC) and the Committee of European Auditing Oversight Bodies the progress of key issues in relation to the NAS proposals. In addition, the Chair and Staff of the project met with representatives of the SMPC Ethics Committee via teleconference in November.
12. At the December meeting, the Chair of the Task Force will brief the Board on the significant matters discussed during those meetings.

Actions Requested

13. The IESBA is asked to:
 - (a) Consider and react to the matters for consideration, including the Chair's presentation and approve the NAS ED for public comment.
 - (b) Provide feedback on the draft explanatory memorandum.

Suggested Comment Period and Forward Timeline

14. The Task Force's recommendation is that the comment period for the NAS ED should be 90 days. A Task Force meeting is tentatively scheduled for May 7-8, 2020 to consider respondents' feedback on the ED. The Board will be briefed on key themes and observations based on the issues raised by respondents in June and will consider the Task Force revisions to the ED in September and December 2020.
15. The Task Force plans to discuss the feedback from respondents and related revisions with the IESBA Consultative Group in September 2020. The Board approval of the final revisions to the NAS provisions is anticipated in December 2020.

Materials Presented

For Discussion

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|----------------|---|
| Agenda Item 4A | Proposed Revisions to Section 600 (Markup from October 2019 draft) |
| Agenda Item 4B | Proposed Conf. Amendments to Section 400 (Markup from October 2019 draft) |
| Agenda Item 4C | Proposed Conf. Amendments to Section 950 (Markup from October 2019 draft) |

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Agenda Item 4D Proposed Conf. Amendments to Section 900 (Markup from October 2019 draft)

Agenda Item 4E Draft Explanatory Memo

For Reference

Agenda Item 4A.1 Mapping Table of Comparison, Extant Code to Proposed Revisions to Section 600

Agenda Item 4B.1 Mapping Table of Comparison, Extant Code to Proposed Conforming Amendments to Section 400

Agenda Item 4C.1 Mapping Table of Comparison, Extant Code to Proposed Conforming Amendments to Section 950

Agenda Item 4D.1 Mapping Table of Comparison, Extant Code to Proposed Conforming Amendments to Section 900

Agenda Item 4F Compilation of Proposed NAS Texts (Clean versions of Sections 600, 400, 950 and 900)

Supplements (Log in is required to access)

Supplement 1 to Agenda Item 4 Advance feedback on Section 600 and Task Force Response

Supplement 2 to Agenda Item 4 Advance feedback on Section 400 and Task Force Response

Supplement 3 to Agenda Item 4 Advance feedback on Section 950 and Task Force Response

Supplement 4 to Agenda Item 4 Advance feedback on Section 900 and Task Force Response

Project History

Project: NAS

Summary

	CAG Meeting	IESBA Meeting
Information gathering/ Discussion	<u>March 2018</u>	<u>March 2018</u>
Project commencement, including: <ul style="list-style-type: none"> • Consideration of feedback from roundtables • Approval of project proposal 	<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> <u>December 2019</u>