

Agenda Item 4-C

NON-ASSURANCE SERVICES – CONFORMING AMENDMENTS TO PART 4B, SECTION 950

(Mark-up from October 2019 Draft)

Note: Given the extent of revisions, the Task Force has agreed to use the approach that was used for the Structure of the Code project to illustrate the changes being proposed to Part 4B (Revised) which was approved in September 2019.

- At each paragraph number, Staff will add comment tags that correspond to the respective paragraph number in Part 4B (Revised) as applicable. New paragraphs are tagged as such.
- A mapping table is prepared to assist readers compare Part 4B (Revised) to the Task Force's proposed revisions to Section 950 in **Agenda Item 4-C.1**.
- Certain paragraphs (shaded in grey) are provided for context only and are unchanged from Part 4B (Revised).

SECTION 950

PROVISION OF NON-ASSURANCE SERVICES TO ASSURANCE CLIENTS

Introduction

950.1 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.

Commented [A1]: 950.1

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. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

Commented [A2]: 950.2

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. [Supplement 3, row 1]

Commented [A3]: 950.3 A1

Requirements and Application Material

General

950.3 A1 The requirements and application material in this section assist firms in analyzing certain types of non-assurance services and the related threats that might be created when a firm accepts or provides non-assurance services to an assurance client.

950.43 A12 New business practices, the evolution of financial markets and changes in technology are among the developments that make it impossible to draw up an all-inclusive list of non-assurance services that firms might be provided to an assurance client. As a result, the Code does not include an exhaustive listing of all non-assurance services that might be provided to an assurance client.

Commented [A4]: 950.3 A2

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Before Accepting an Engagement to Provide a Non-Assurance Service

R950.54 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.

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Identifying and Evaluating Threats

950.65 A1 A description of the categories of threats that might arise when a firm ~~or network firm~~ provides a non-assurance service to an assurance client is set out in 120.6 A3. [Supplement 3, row 3]

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950.65 A2 Factors that are relevant in identifying and evaluating threats created by providing a non-assurance service to an assurance client include: [Supplement 3, row # 4, 5, 6, 7, 8 and 9]

Commented [A7]: 950.4 A1

- The nature, scope, intended use and ~~anticipated~~ purpose of the service.
- The manner in which the service will be provided (for example, the extent to which the service relates to providing a technology-based solution ~~developed by the firm or is provided on a digital platform~~).
- 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 degree of reliance that will be placed on the outcome of the service as part of the assurance engagement.
- Whether the outcome of the service will affect the underlying subject matter and, in an attestation engagement, matters reflected in the subject matter information of the assurance engagement, and, if so:
 - The extent to which the outcome of the service will have a material or significant effect on the underlying subject matter and, in an attestation engagement, the subject matter information of the assurance engagement.
 - The extent to which the assurance client's management determines significant matters of judgment.
- The fees relating to the provision of the non-assurance services. [This bullet has been repositioned]

Multiple Non-assurance Services Provided to the Same Assurance Client

950.79 A1 A firm might provide multiple non-assurance services to an assurance client. In these circumstances the combined effect of threats created by providing those services is relevant to the firm's evaluation of threats.

Commented [A8]: 950.4 A3

Self-Review Threats

950.86 A1 A self-review threat might be created if, in a non-assurance attestation engagement, the firm is involved in the preparation of subject matter information which 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: [Supplement 3, row # 10]

Commented [A9]: 950.8 A1

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

Assurance clients that are public interest entities

950.97 A1 Concerns about a firm's or network 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: [Supplement 3, row # 11, 12, 13, 14, and 15]

Commented [A10]: New paragraph

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

950.9 A2 Therefore, when the assurance client is a public interest entity, stakeholders have heightened expectations regarding the firm's independence applying the conceptual framework to identify and evaluate any threats to independence, including any self-review threat arising from a non-assurance service undertaken in relation to the subject matter information of the assurance engagement, the use of these expectations forms part of the reasonable and informed third party test applied when determining when deciding whether to provide a non-assurance service to a client is especially important.

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950.97 A32 When the results of the engagement are to be provided in the circumstances described in paragraph 950.84 A12 (b), the firm or network firm is encouraged to disclose to the recipient the existence of a self-review threat to independence and the steps taken to address that threat to the requesting entity or organization. [Supplement 3, row # 17, 18, 16]

Commented [A12]: New paragraph

Materiality in Relation to an Assurance Client's Information

950.118 A1 The concept of materiality in relation to an assurance client's subject matter information is addressed in *International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information*. The determination of materiality involves the exercise of professional judgment and is impacted by both quantitative and qualitative factors. It is also affected by perceptions of the financial or other information needs of users.

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Addressing Threats

950.1240 A1 Paragraphs 120.10 to 120.10 A2 includes a requirement and application that are relevant when addressing threats to independence, including a description of safeguards.

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950.12 A2 In relation to providing non-assurance services to assurance clients, safeguards may not be available to reduce any threat created by providing a non-assurance service to an assurance client to an acceptable level, are actions, individually or in combination, that the firm takes that effectively reduce threats to independence to an acceptable level. In such a some situations, when a threat is created by providing a service to an assurance client, safeguards might not be available. In such situations, the application of the conceptual framework set out in Section 120 requires the firm to:

- (a) Adjust the scope of the proposed service to eliminate to the circumstance that are creating the threat; [Supplement 3, row #20]
- (b) Decline or end the non-assurance service that creates the threat that cannot be eliminated or reduced to an acceptable level; or
- (c) End the assurance engagement.