

# Agenda Item 4-D

## NON-ASSURANCE SERVICES – CONFORMING AMENDMENTS TO EXTRACTS OF PART 4B, SECTION 900

(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 900 in **Agenda Item 4-D.1**.
- Certain paragraphs (shaded in grey) are provided for context only and are unchanged from Part 4B (Revised).

### SECTION 900

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

...

#### Requirements and Application Material

##### General

**R900.11** A firm performing an assurance engagement shall be independent of the assurance client.

Commented [A1]: R900.11

900.11 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).

Commented [A2]: 900.11A1

900.11 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.

Commented [A3]: 900.11 A2

900.11 A3 In addition to the responsible party and, in an attestation engagement, the party taking responsibility for the subject matter information, there might be other parties in relation to the engagement. For example, there might be a separate engaging party or a party who is a

Commented [A4]: 900.11 A3

measurer or evaluator other than the party taking responsibility for the subject matter information. In these circumstances, applying the conceptual framework requires the professional accountant to identify and evaluate threats to the fundamental principles created by any interests or relationships with such parties, including whether any conflicts of interest might exist as described in Section 310.

**R900.12** A firm shall apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence in relation to an assurance engagement.

Commented [A5]: R900.12

#### 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.

Commented [A6]: R950.6

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.

Commented [A7]: 950.6 A1

900.13 A2 When a firm assumes a management responsibility for an assurance client, self-review, and self-interest and familiarity threats are created. In relation to providing a service related to the underlying subject matter and, in an attestation engagement, the subject matter information of an assurance engagement provided by the firm, assuming a management responsibility might also create a familiarity threat and might create an advocacy threat because the firm becomes too closely aligned with the views and interests of management. [Supplement 4, row 1]

Commented [A8]: 950.6 A2

900.13 A3 Determining whether an activity is a management responsibility depends on the circumstances and requires the exercise of professional judgment. Examples of activities that would be considered a management responsibility include:

Commented [A9]: 950.6 A3

- 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.
- Authorizing 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

Commented [A10]: 950.6 A4

NON-ASSURANCE SERVICES – CONFORMING AMENDMENTS TO PART 4B, SECTION 900

(Mark-up from **October 2019 Draft**)

IESBA Meeting (December 2019)

a management responsibility.

**R900.14** When performing providing non-assurance activities services to for an assurance client that are 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 judgments and decisions that are the proper responsibility of management. This includes ensuring that the client's management: **[Supplement 4, row 2]**

**Commented [A11]:** R950.7

(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 900.16 to 900.29 are intentionally left blank] [Supplement 4, row 3]**

**Period During which Independence is Required**

**R900.30** Independence, as required by this Part, shall be maintained during both:

**Commented [A12]:** R900.30

- (a) The engagement period; and
- (b) The period covered by the subject matter information.

900.30 A1 The engagement period starts when the assurance team begins to perform assurance services with respect to the particular engagement. The engagement period ends when the assurance report is issued. When the engagement is of a recurring nature, it ends at the later of the notification by either party that the professional relationship has ended or the issuance of the final assurance report.

**Commented [A13]:** 900.30 A1

**R900.31** If an entity becomes an assurance client during or after the period covered by the subject matter information on which the firm will express a conclusion, the firm shall determine whether any threats to independence are created by:

**Commented [A14]:** R900.31

- (a) Financial or business relationships with the assurance client during or after the period covered by the subject matter information but before accepting the assurance engagement; or
- (b) Previous services provided to the assurance client.

**R900.32** Threats to independence are created if a non-assurance service was provided to the assurance client during, or after the period covered by the subject matter information, but before the assurance team begins to perform assurance services, and the service would not be permitted

**Commented [A15]:** R900.32

NON-ASSURANCE SERVICES – CONFORMING AMENDMENTS TO PART 4B, SECTION 900

(Mark-up from **October 2019 Draft**)

IESBA Meeting (December 2019)

during the engagement period. In such circumstances, the firm shall evaluate and address any threat to independence created by the service. If the threats are not at an acceptable level, the firm shall only accept the assurance engagement if the threats are reduced to an acceptable level.

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 and non-assurance work as appropriate.

Commented [A16]: 900.32 A1

**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:

Commented [A17]: R900.33

(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 those charged with governance.

**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. [Supplement 4, row 4,5]

Commented [A18]: New paragraph

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 an assurance engagement because the subject matter information of that engagement is the outcome of a previously performed non-assurance service. [Supplement 4, row 6]

Commented [A19]: New paragraph

[Paragraphs 900.35 to 900.39 are intentionally left blank]