

Safeguards Phase 2 – Mapping Table, Section 950

| Provision of Non-assurance Services to an Assurance Client | | | | |
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| Extant Code | | Section 950 | | Notes |
| 291.138 | <p>Firms have traditionally provided to their assurance clients a range of non-assurance services that are consistent with their skills and expertise. Providing non-assurance services may, however, create threats to the independence of the firm or members of the assurance team. The threats created are most often self-review, self-interest and advocacy threats.</p> | <p>Introduction</p> <p>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.</p> <p>950.2 Firms might provide a range of non-assurance services to their assurance clients, consistent with their skills and expertise. Providing non-assurance services to assurance clients might create self-review, self-interest and advocacy threats.</p> <p>950.3 Section 950 sets out specific requirements and application material relevant to applying the conceptual framework when providing non-assurance services to assurance clients.</p> | | |
| 291.139 | <p>When specific guidance on a particular non-assurance service is not included in this section, the conceptual framework shall be applied when evaluating the particular circumstances.</p> | <p><i>General</i></p> <p>950.3 A1 The requirements and application material in Section 950 assist firms in analyzing certain types of non-assurance services and the related</p> | | <p>Overarching requirement is set out in Sections 120 and 900 with reference set out in introduction to Section 950.</p> |

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| | <p>threats that might be created when a firm accepts or provides non-assurance services to an audit client.</p> <p>950.3 A2 New business practices, the evolution of financial markets and changes in information technology are amongst the developments that make it impossible to draw up an all-inclusive list of non-assurance services that 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.</p> | |
| 291.140 | <p>Before the firm accepts an engagement to provide a non-assurance service to an assurance client, a determination shall be made as to whether providing such a service would create a threat to independence. In evaluating the significance of any threat created by a particular non-assurance service, consideration shall be given to any threat that the assurance team has reason to believe is created by providing other related non-assurance services. If a</p> | |

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| | threat is created that cannot be reduced to an acceptable level by the application of safeguards the non-assurance service shall not be provided. | | |
| | | 950.4 A3 Factors that are relevant in evaluating the level of any threats created by providing a non-assurance service to an assurance client include: <ul style="list-style-type: none"> • The nature of the service, and the degree of reliance that will be placed on the outcome of that service as part of the assurance engagement. • Whether the outcome of the service will affect matters reflected in the subject matter or subject matter information of the assurance engagement, and, if so: <ul style="list-style-type: none"> ○ The extent to which the outcome of the service will have a material effect on the subject matter of the assurance engagement. ○ The extent of the assurance client's | New application material |

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| | <p>involvement in determining and accepting its responsibilities for those matters where they involve significant professional judgment.</p> <ul style="list-style-type: none"> ○ The extent of the assurance client's involvement in determining significant matters of judgment. ● The level of expertise of the client's employees with respect to the type of service provided. | |
| | <p><i>Materiality In Relation to an Assurance Client's Information</i></p> <p>950.4 A4 Materiality in relation to an assurance client's information is addressed in <i>International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information</i>. The determination of materiality involves the exercise of professional judgement and is impacted by both quantitative and</p> | New application material |

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| | | qualitative factors. It is also affected by perceptions of the financial or other information needs of users. | |
| 291.141 (new NAS) | <i>Management Responsibilities</i> 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. | 950.5 A2 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. | |
| 291.142 (new NAS) | Determining whether an activity is a management responsibility depends on the circumstances and requires the exercise of judgment. Examples of activities that would be considered a management responsibility include: <ul style="list-style-type: none"> • 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. • Control or management of bank accounts or investments. | 950.5 A3 Determining whether an activity is a management responsibility depends on the circumstances and requires the exercise of judgment. Examples of activities that would be considered a management responsibility include: <ul style="list-style-type: none"> • 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. | |

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| | <ul style="list-style-type: none"> 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 or maintaining internal controls. | <ul style="list-style-type: none"> Authorizing transactions Controlling or managing of 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. | |
| 291.143 (new NAS) | <p>In providing assurance services to an assurance client, a firm shall not assume a management responsibility as part of the assurance service. If the firm were to assume a management responsibility as part of the assurance service, <u>the threats created would be so significant that no safeguards could reduce the threats to an acceptable level</u>. If the firm assumes a management responsibility as part of any other services provided to the assurance client, the firm shall ensure that the responsibility is not related to the subject</p> | <p><i>Avoiding Management Responsibilities</i> R950.5 A firm shall not assume a management responsibility as part of an assurance service. If the firm assumes a management responsibility as part of any other services provided to the assurance client, the firm shall ensure that the responsibility is not related to the subject matter or subject matter information of the assurance engagement provided by the firm.</p> | |

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| | matter or subject matter information of the assurance engagement provided by the firm. | | |
| | | 950.5 A1 Assuming a management responsibility as part of an assurance service creates self-review, self-interests and familiarity threat. | New application material |
| | | 950.5 A4 Providing advice and recommendations to assist the management of an assurance client in discharging its responsibilities is not assuming a management responsibility (see paragraphs R950.4–950.4 A2). | New application material |
| 291.144 (new NAS) | When providing services that are related to the subject matter or subject matter information of an assurance engagement provided by the firm, the firm shall be satisfied that client management makes all judgments and decisions relating to the subject matter or subject matter information of the assurance engagement that are the responsibility of management. This includes ensuring that the client's management: | R950.6 When providing services that are related to the subject matter or subject matter information of an assurance engagement, the firm shall be satisfied that client management makes all related judgments and decisions. This includes ensuring that the client's management: (a) Designates an individual who possesses suitable skill, knowledge and experience to | |

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| | <ul style="list-style-type: none"> 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 services. Such an individual, preferably within senior management, 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 reperform the services; Provides oversight of the services and evaluates the adequacy of the results of the services performed for the client's purpose; and Accepts responsibility for the actions, if any, to be taken arising from the results of the services. | <p>be responsible at all times for the client's decisions and to oversee the services. Such an individual, preferably within senior management, would understand:</p> <ul style="list-style-type: none"> (i) The objectives, nature and results of the services. (ii) The respective client and firm responsibilities. However, the individual is not required to possess the expertise to perform or re-perform the services. <p>(b) Provides oversight of the services and evaluates the adequacy of the results of the service performed for the client's purpose.</p> <p>(c) Accepts responsibility for the actions, if any, to be taken arising from the results of the services.</p> | |
| 291.145 | To avoid the risk of assuming a management responsibility related to the subject matter or subject matter | | Deleted by the Non-assurance Services revisions which became effective from April 2016. |

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| (new NAS) | <p>information of the assurance engagement, the firm shall be satisfied that a member of management is responsible for making the significant judgments and decisions that are the proper responsibility of management, evaluating the results of the service and accepting responsibility for the actions to be taken arising from the results of the service. This reduces the risk of the firm inadvertently making any significant judgments or decisions on behalf of management. This risk is further reduced when the firm gives the client the opportunity to make judgments and decisions based on an objective and transparent analysis and presentation of the issues.</p> | | |
| | | <p><i>Multiple Non-assurance Services to an Audit Client</i></p> <p>950.7 A1 A firm might provide multiple non-assurance services to an assurance client. When providing a non-assurance service to an assurance client, applying the conceptual framework requires the firm to consider any combined effect of threats created by other non-</p> | |

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| | | assurance services provided to the assurance client. | |
| 291.146 | <p><i>Other Considerations</i></p> <p>Threats to independence may be created when a firm provides a non-assurance service related to the subject matter information of an assurance engagement. In such cases, an evaluation of the significance of the firm's involvement with the subject matter information of the engagement shall be made, and a determination shall be made of <u>whether any self-review threats that are not at an acceptable level can be reduced to an acceptable level by the application of safeguards.</u></p> | <p><i>Other Considerations Related to Providing Specific Non-Assurance Services</i></p> <p>950.8 A1 A self-review threat might be created if the firm is involved in the preparation of subject matter information which is subsequently the subject matter information of an assurance engagement. For example a self-review threat is created:</p> <p>(a) When a firm provides a non-assurance service related to the subject matter information of an assurance engagement.</p> <p>(b) If the firm is involved in the preparation of subject matter information which is subsequently the subject matter information of an assurance engagement, such as, if the firm developed and prepared prospective information and subsequently provided assurance on this information.</p> <p>(c) When a firm performs a</p> | Underlined text covered by overarching requirements set out in Sections 120 and 900 with reference set out in introduction to Section 950 |
| 291.147 | A self-review threat may be created if the firm is involved in the preparation of subject matter information which is subsequently the subject matter information of an assurance engagement. | | |

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| | | valuation that forms part of the subject matter information of an assurance engagement. | |
| | For example, a self-review threat would be created if the firm developed and prepared prospective financial information and subsequently provided assurance on this information. <u>Consequently, the firm shall evaluate the significance of any self-review threat created by the provision of such services and apply safeguards when necessary to eliminate the threat or reduce it to an acceptable level.</u> | 950.8 A1 For example, a self-review threat would be created if the firm developed and prepared prospective financial information and subsequently provided assurance on this information, and therefore this type of non-assurance service would be precluded by paragraph R950.9951.6 A1. | |
| 291.148 | When a firm performs a valuation that forms part of the subject matter information of an assurance engagement, <u>the firm shall evaluate the significance of any self-review threat and apply safeguards when necessary to eliminate the threat or reduce it to an acceptable level.</u> | 950.8 A1 A self-review threat might be created if the firm is involved in the preparation of subject matter information which is subsequently the subject matter information of an assurance engagement. For example a self-review threat is created: (c) When a firm performs a valuation that forms part of the subject matter information of an assurance engagement. | Underlined text covered by overarching requirements set out in Sections 120 and 900 with reference set out in introduction to Section 950 |