

**Proposed Revisions to the Non-Assurance Services Provisions of the Code**

As you might know, our local standards at Saudi Arabia, have a complete prohibition on providing consulting services to audit clients, which might be as you mentioned in R600.6 A1 of the ED more stringent provision. Still, I enjoyed reading the ED, and while reading it, I had the following comments/observations:

- For R600.11 A2, I would suggest providing examples or explanatory material that can help in further explaining the proposed criteria (i.e. how the result of the service would **affect** the accounting records, controls, or financial reporting).
- For R400.32, I suggest considering adding a phrase of the following nature *“unless such prior year’s financial statement had been restated”* at the end of bullet (a). Financial statements that had been audited by a predecessor firm in the prior year still can be restated during the current year in order to comply with an accounting advice that had been given by the newly appointed firm in the current year. In such a scenario, independence might be highly impacted.
- For R600.21.iv, I suggest adding a reference or further explanation to the other threats that can be created by providing such services, and to what extent such services will be acceptable.
- For R601.2 A2, it is mentioned that “The audit process necessitates dialogue between the firm and the management of the audit client, which might involve.. Responding to questions relating to financial reporting...These activities do not usually create threats as...”. I would like to highlight that in some circumstances when questions are raised around the financial statements, the auditor services might be used to help answering those questions. In such a case the auditor will try to help justify the current accounting treatments in the financial statements that had been audited by him/her, which might create some conflict.
- For the majority of the NAS addressed through the ED, it is proposed that a firm or a network firm shall not provide NAS to an audit client that is a PIE if the provision of such NAS will create a self-review threat in relation to the audit of the financial statements on which the firm will express an opinion. Although this might help in reducing impacts on independency, still considering the nature of the PIEs and the amount of risk involved in the audit of such entities, I would recommend considering a complete prohibition on the provision of NAS to PIEs in order to safeguard independency from actual and perceptual threats.
- Generally speaking, I would suggest introducing a concept of “substance over form” nature into the definition of NAS in the ED as some NAS might in some cases be provided under the format of an assurance service (i.e. accounting, internal audit, or IT system service can be provided under the format of an agreed-upon-procedures engagement.)