

**Final Pronouncement**  
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*International Ethics Standards Board for  
Accountants®*

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**Changes to the Code  
Addressing Certain Non-  
Assurance Services  
Provisions for Audit and  
Assurance Clients**

**IESBA**

International  
Ethics Standards  
Board for Accountants®

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The objective of the IESBA is to serve the public interest by setting high-quality ethical standards for professional accountants and by facilitating the convergence of international and national ethical standards, including auditor independence requirements, through the development of a robust, internationally appropriate code of ethics.

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**CHANGES TO THE CODE ADDRESSING CERTAIN NON-ASSURANCE  
SERVICES PROVISIONS FOR AUDIT AND ASSURANCE CLIENTS**

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## SECTION 290 (CLEAN)

### Provision of Non-assurance Services to an Audit Client

#### *Management Responsibilities*

*[Paragraphs 290.159 – 290.163 will be deleted and replaced with the following paragraphs 290.159 – 290.162.]*

290.159 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.

290.160 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:

- 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 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 the preparation and fair presentation of financial statements in accordance with the applicable financial reporting framework.
- Taking responsibility for designing, implementing, monitoring or maintaining internal controls.

290.161 A firm shall not assume a management responsibility for an audit client. The threats created would be so significant that no safeguards could reduce the threats to an acceptable level. For example, deciding which recommendations of the firm to implement will create self-review and self-interest threats. Further, assuming a management responsibility creates a familiarity threat because the firm becomes too closely aligned with the views and interests of management. Subject to compliance with paragraph 290.162, providing advice and recommendations to assist management in discharging its responsibilities is not assuming a management responsibility.

290.162 To avoid the risk of assuming a management responsibility when providing non-assurance services to an audit client, the firm shall be satisfied that client management makes all judgments and decisions that are the responsibility of management. This includes ensuring that the client's management:

- 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 re-perform 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.

*[Paragraph 290.163 and its heading below will be inserted after paragraph 290.162.]*

#### *Administrative Services*

290.163 Administrative services involve assisting clients with their routine or mechanical tasks within the normal course of operations. Such services require little to no professional judgment and are clerical in nature. Examples of administrative services include word processing services, preparing administrative or statutory forms for client approval, submitting such forms as instructed by the client, monitoring statutory filing dates, and advising an audit client of those dates. Providing such services does not generally create a threat to independence. However, the significance of any threat created shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.

#### *Preparing Accounting Records and Financial Statements*

##### *General Provisions*

*[Paragraphs 290.164 – 290.170 will be deleted and replaced with the following paragraphs 290.164 – 290.170.]*

290.164 Management is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework. These responsibilities include:

- Determining accounting policies and the accounting treatment within those policies.
- Preparing or changing source documents or originating data, in electronic or other form, evidencing the occurrence of a transaction (for example, purchase orders, payroll time records, and customer orders).
- Originating or changing journal entries, or determining or approving the account classifications of transactions.

290.165 Providing an audit client with accounting and bookkeeping services, such as preparing accounting records or financial statements, creates a self-review threat when the firm subsequently audits the financial statements.

290.166 The audit process, however, necessitates dialogue between the firm and management of the audit client, which may involve:

- The application of accounting standards or policies and financial statement disclosure requirements;
- The appropriateness of financial and accounting control and the methods used in determining the stated amounts of assets and liabilities; or
- Proposing adjusting journal entries.

These activities are considered to be a normal part of the audit process and do not, generally, create threats to independence so long as the client is responsible for making decisions in the preparation of the accounting records and financial statements.

290.167 Similarly, the client may request technical assistance from the firm on matters such as resolving account reconciliation problems or analyzing and accumulating information for regulatory reporting. In addition, the client may request technical advice on accounting issues such as the conversion of existing financial statements from one financial reporting framework to another (for example, to comply with group accounting policies or to transition to a different financial reporting framework such as International Financial Reporting Standards). Such services do not, generally, create threats to independence provided the firm does not assume a management responsibility for the client.

#### Audit clients that are not public interest entities

290.168 The firm may provide services related to the preparation of accounting records and financial statements to an audit client that is not a public interest entity where the services are of a routine or mechanical nature, so long as any self-review threat created is reduced to an acceptable level. Services that are routine or mechanical in nature require little to no professional judgment from the professional accountant. Some examples of such services are:

- Preparing payroll calculations or reports based on client-originated data for approval and payment by the client.
- Recording recurring transactions for which amounts are easily determinable from source documents or originating data, such as a utility bill where the client has determined or approved the appropriate account classification.
- Recording a transaction for which the client has already determined the amount to be recorded, even though the transaction involves a significant degree of subjectivity.
- Calculating depreciation on fixed assets when the client determines the accounting policy and estimates of useful life and residual values.
- Posting client-approved entries to the trial balance.
- Preparing financial statements based on information in the client-approved trial balance and preparing the related notes based on client-approved records.

In all cases, the significance of any threat created shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. Examples of such safeguards include:

- Arranging for such services to be performed by an individual who is not a member of the audit team; or
- If such services are performed by a member of the audit team, using a partner or senior staff member with appropriate expertise who is not a member of the audit team to review the work performed.

#### Audit clients that are public interest entities

290.169 A firm shall not provide to an audit client that is a public interest entity accounting and bookkeeping services, including payroll services, or prepare financial statements on which the firm will express an opinion or financial information which forms the basis of the financial statements.

290.170 Despite paragraph 290.169, a firm may provide accounting and bookkeeping services, including payroll services and the preparation of financial statements or other financial information, of a routine or mechanical nature for divisions or related entities of an audit client that is a public interest entity if the personnel providing the services are not members of the audit team and:

- (a) The divisions or related entities for which the service is provided are collectively immaterial to the financial statements on which the firm will express an opinion; or
- (b) The services relate to matters that are collectively immaterial to the financial statements of the division or related entity.

*[Paragraph 290.171 and its heading "Emergency Situation" will be deleted.]*

*Taxation Services*

Tax Calculations for the Purpose of Preparing Accounting Entries

Audit clients that are public interest entities

*[Paragraph 290.182 will be deleted and replaced with the following paragraph 290.181.]*

290.181 In the case of an audit client that is a public interest entity, a firm shall not prepare tax calculations of current and deferred tax liabilities (or assets) for the purpose of preparing accounting entries that are material to the financial statements on which the firm will express an opinion.

*[Paragraph 290.183 will be deleted.]*

## SECTION 291 (CLEAN)

### Provision of Non-assurance Services to an Assurance Client

#### *Management Responsibilities*

*[Paragraphs 291.141 – 291.145 will be deleted and replaced with the following paragraph 291.141 – 291.144.]*

- 291.141 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 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:
- 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.
  - 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.
- 291.143 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, the threats created would be so significant that no safeguards could reduce the threats to an acceptable level. 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.
- 291.144 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:
- 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 re-perform 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.

### **Effective Date**

The changes will be effective on April 15, 2016, except for the changes to Section 290 which will be effective for audits of financial statements for periods commencing on or after April 15, 2016. Early adoption is permitted.

## SECTION 290 (MARK-UP)

### Provision of Non-assurance Services to an Audit Client

#### *Management Responsibilities*

290.159 ~~Management of an entity performs many activities in managing the entity in the best interests of stakeholders of the entity. It is not possible to specify every activity that is a management responsibility. However, management responsibilities involve~~ controlling, leading and directing an entity, including making ~~significant~~ decisions regarding the acquisition, deployment and control of human, financial, technological, physical and intangible resources.

290.160 Determining ~~Whether~~ an activity is a management responsibility depends on the circumstances and requires the exercise of judgment. Examples of activities that would ~~generally~~ be considered a management responsibility include:

- Setting policies and strategic direction.;
- Hiring or dismissing employees.;
- Directing and taking responsibility for the actions of employees in relation to the entity's employees' work for the entity.;
- 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 the preparation and fair presentation of ~~the~~ financial statements in accordance with the applicable financial reporting framework.;
- Taking responsibility for designing, implementing, monitoring and or maintaining internal controls.

290.161 ~~Activities that are routine and administrative, or involve matters that are insignificant, generally are deemed not to be a management responsibility. For example, executing an insignificant transaction that has been authorized by management or monitoring the dates for filing statutory returns and advising an audit client of those dates is deemed not to be a management responsibility. Further, providing advice and recommendations to assist management in discharging its responsibilities is not assuming a management responsibility.~~

290.1612 ~~If a firm shall not~~ Assuming a management responsibility for an audit client. ~~The threats created would be so significant that no safeguards could reduce the threats to an acceptable level. For example, deciding which recommendations of the firm to implement will create self-review and self-interest threats. Further, assuming a management responsibility creates a familiarity threat because the firm becomes too closely aligned with the views and interests of management. Therefore, the firm shall not assume a management responsibility for an audit client. Subject to compliance with paragraph 290.162, providing advice and recommendations to assist management in discharging its responsibilities is not assuming a management responsibility.~~

290.1623 To avoid the risk of assuming a management responsibility when providing non-assurance services to an audit client, the firm shall be satisfied that ~~a member of client management is~~

~~responsible for making the significant~~ makes all judgments and decisions that are the proper responsibility of management.~~;~~ This includes ensuring that the client's management:

- 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 re-perform the services;
- Provides oversight of the services and evaluates the adequacy of the results of the services performed for the client's purpose; and;
- ~~and Accepts~~ responsibility for the actions, if any, to be taken arising from the results of the services. ~~This reduces the risk of the firm inadvertently making any significant judgments or decisions on behalf of management. The 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.~~

### Administrative Services

290.163 Administrative services involve assisting clients with their routine or mechanical tasks within the normal course of operations. Such services require little to no professional judgment and are clerical in nature. Examples of administrative services include word processing services, preparing administrative or statutory forms for client approval, submitting such forms as instructed by the client, monitoring statutory filing dates, and advising an audit client of those dates. Providing such services does not generally create a threat to independence. However, the significance of any threat created shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.

### *Preparing Accounting Records and Financial Statements*

#### *General Provisions*

290.164 Management is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework. These responsibilities include:

- Determining accounting policies and the accounting treatment within those policies.~~Originating or changing journal entries, or determining the account classifications of transactions; and~~
- Preparing or changing source documents or originating data, in electronic or other form, evidencing the occurrence of a transaction (for example, purchase orders, payroll time records, and customer orders).
- Originating or changing journal entries, or determining or approving the account classifications of transactions.

290.165 Providing an audit client with accounting and bookkeeping services, such as preparing accounting records or financial statements, creates a self-review threat when the firm subsequently audits the financial statements.

290.166 The audit process, however, necessitates dialogue between the firm and management of the audit client, which may involve:

- The application of accounting standards or policies and financial statement disclosure requirements;
- The appropriateness of financial and accounting control and the methods used in determining the stated amounts of assets and liabilities; or
- Proposing adjusting journal entries.

These activities are considered to be a normal part of the audit process and do not, generally, create threats to independence so long as the client is responsible for making decisions in the preparation of the accounting records and financial statements.

290.167 Similarly, the client may request technical assistance from the firm on matters such as resolving account reconciliation problems or analyzing and accumulating information for regulatory reporting. In addition, the client may request technical advice on accounting issues such as the conversion of existing financial statements from one financial reporting framework to another (for example, to comply with group accounting policies or to transition to a different financial reporting framework such as International Financial Reporting Standards). Such services do not, generally, create threats to independence provided the firm does not assume a management responsibility for the client.

#### Audit clients that are not public interest entities

290.168 The firm may provide services related to the preparation of accounting records and financial statements to an audit client that is not a public interest entity where the services are of a routine or mechanical nature, so long as any self-review threat created is reduced to an acceptable level. Services that are routine or mechanical in nature require little to no professional judgment from the professional accountant. Some Examples of such services include are:

- Providing-Preparing payroll services calculations or reports based on client-originated data for approval and payment by the client.;
- Recording recurring transactions for which amounts are easily determinable from source documents or originating data, such as a utility bill where for which the client has determined or approved the appropriate account classification.;
- Recording a transaction for which the client has already determined the amount to be recorded, even though the transaction involves a significant degree of subjectivity. Posting transactions coded by the client to the general ledger;
- Calculating depreciation on fixed assets when the client determines the accounting policy and estimates of useful life and residual values.;
- Posting client-approved entries to the trial balance.; and
- Preparing financial statements based on information in the client-approved trial balance and preparing the related notes based on client-approved records.

In all cases, the significance of any threat created shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. Examples of such safeguards include:

- Arranging for such services to be performed by an individual who is not a member of the audit team; or

- If such services are performed by a member of the audit team, using a partner or senior staff member with appropriate expertise who is not a member of the audit team to review the work performed.

Audit clients that are public interest entities

290.169 ~~Except in emergency situations, a~~ A firm shall not provide to an audit client that is a public interest entity accounting and bookkeeping services, including payroll services, or prepare financial statements on which the firm will express an opinion or financial information which forms the basis of the financial statements.

290.170 Despite paragraph 290.169, a firm may provide accounting and bookkeeping services, including payroll services and the preparation of financial statements or other financial information, of a routine or mechanical nature for divisions or related entities of an audit client that is a public interest entity if the personnel providing the services are not members of the audit team and:

- The divisions or related entities for which the service is provided are collectively immaterial to the financial statements on which the firm will express an opinion; or
- The services relate to matters that are collectively immaterial to the financial statements of the division or related entity.

#### ~~Emergency Situations~~

~~290.171 Accounting and bookkeeping services, which would otherwise not be permitted under this section, may be provided to audit clients in emergency or other unusual situations, when it is impractical for the audit client to make other arrangements. This may be the case when (a) only the firm has the resources and necessary knowledge of the client's systems and procedures to assist the client in the timely preparation of its accounting records and financial statements, and (b) a restriction on the firm's ability to provide the services would result in significant difficulties for the client (for example, as might result from a failure to meet regulatory reporting requirements). In such situations, the following conditions shall be met:~~

- ~~Those who provide the services are not members of the audit team;~~
- ~~The services are provided for only a short period of time and are not expected to recur; and~~
- ~~The situation is discussed with those charged with governance.~~

#### *Taxation Services*

Tax Calculations for the Purpose of Preparing Accounting Entries

Audit clients that are public interest entities

290.181~~2~~ ~~Except in emergency situations, i~~n the case of an audit client that is a public interest entity, a firm shall not prepare tax calculations of current and deferred tax liabilities (or assets) for the purpose of preparing accounting entries that are material to the financial statements on which the firm will express an opinion.

- ~~290.183 The preparation of calculations of current and deferred tax liabilities (or assets) for an audit client for the purpose of the preparation of accounting entries, which would otherwise not be permitted under this section, may be provided to audit clients in emergency or other unusual situations when it is impractical for the audit client to make other arrangements. This may be the case when (a) only the firm has the resources and necessary knowledge of the client's business to assist the client in the timely preparation of its calculations of current and deferred tax liabilities (or assets), and (b) a restriction on the firm's ability to provide the services would result in significant difficulties for the client (for example, as might result from a failure to meet regulatory reporting requirements). In such situations, the following conditions shall be met:~~
- ~~(a) Those who provide the services are not members of the audit team;~~
  - ~~(b) The services are provided for only a short period of time and are not expected to recur; and~~
  - ~~(c) The situation is discussed with those charged with governance.~~

**SECTION 291 (MARK-UP)****Provision of Non-assurance Services to an Assurance Client***Management Responsibilities*

- 291.141 ~~Management of an entity performs many activities in managing the entity in the best interests of stakeholders of the entity. It is not possible to specify every activity that is a management responsibility. However, management responsibilities involve~~ controlling, leading and directing an entity, including making ~~significant~~ decisions regarding the acquisition, deployment and control of human, financial, technological, physical and intangible resources.
- 291.142 Determining ~~Whether~~ an activity is a management responsibility depends on the circumstances and requires the exercise of judgment. Examples of activities that would ~~generally~~ be considered a management responsibility include:
- Setting policies and strategic direction;
  - Hiring or dismissing employees.
  - Directing and taking responsibility for the actions of employees in relation to the entity's employees' work for the entity.
  - Authorizing transactions;
  - Control or management of bank accounts or investments.
  - Deciding which recommendations of the firm or other third parties to implement; ~~and~~
  - Reporting to those charged with governance on behalf of management.
  - Taking responsibility for designing, implementing, monitoring or ~~and~~ maintaining internal controls.
- 291.143 ~~Activities that are routine and administrative, or involve matters that are insignificant, generally are deemed not to be a management responsibility. For example, executing an insignificant transaction that has been authorized by management or monitoring the dates for filing statutory returns and advising an assurance client of those dates is deemed not to be a management responsibility. Further, providing advice and recommendations to assist management in discharging its responsibilities is not assuming a management responsibility.~~
- 291.1434 ~~Assuming a management responsibility for an assurance client may create threats to independence. If a firm were to assume a management responsibility as part of the assurance service, the threats created would be so significant that no safeguards could reduce the threats to an acceptable level. Accordingly, i~~n 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 assumes a management responsibility as part of the assurance service, the threats created would be so significant that no safeguards could reduce the threats to an acceptable level. If the firm assumes a management responsibility as part of any other services provided to the assurance client, it the firm shall ensure that the responsibility is not related to the subject matter and or subject matter information of an the assurance engagement provided by the firm.
- 291.1445 ~~To avoid the risk of assuming a management responsibility related to the subject matter or subject matter information of the assurance engagement, 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 ~~a member of client~~ management is responsible for making the significant all judgments and decisions relating to the subject matter or subject matter information of the assurance engagement that are the ~~proper~~ responsibility of management. This includes ensuring that the client's management:

- 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 re-perform the services;
- Provides oversight of the services and, evaluatesing the adequacy of the results of the services performed for the client's purpose; and
- ~~and a~~ Acceptsing responsibility for the actions, if any, to be taken arising from the results of the services. ~~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.~~



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**International  
Ethics Standards  
Board for Accountants®**

529 Fifth Avenue, New York, NY 10017  
T + 1 (212) 286-9344 F +1 (212) 286-9570  
[www.ethicsboard.org](http://www.ethicsboard.org)