

Amendments to the Non-Assurance Services provisions of APES 110 Code of Ethics for Professional Accountants (including Independence Standards)

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CODE OF ETHICS FOR PROFESSIONAL ACCOUNTANTS (INCLUDING INDEPENDENCE STANDARDS)

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SCOPE AND APPLICATION

- 1.1 Accounting Professional & Ethical Standards Board Limited (APESB) issues APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (**this Code**). This **Code** is operative from 1 January 2020 and supersedes APES 110 *Code of Ethics for Professional Accountants* (issued in December 2010 and subsequently amended in December 2011, May 2013, November 2013, May 2017 and April 2018). Earlier adoption of this **Code** is permitted. Transitional provisions relating to **Key Audit Partner** rotation, revisions to Part 4B, the role and mindset of **Members** provisions, the objectivity of **Engagement Quality Reviewers** and other appropriate reviewers, the fee-related provisions, the quality management-related conforming amendments and the non-assurance services provisions apply as specified in the respective transitional provisions on page 52.

PART 4A – INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS

SECTION 400

APPLYING THE CONCEPTUAL FRAMEWORK TO INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS

Introduction

[Paragraphs 400.1 to 400.10 of extant Section 400 remain unchanged.]

Requirements and Application Material

General

R400.11 A **Firm** performing an **Audit Engagement** shall be independent.

R400.12 A **Firm** shall apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to **Independence** in relation to an **Audit Engagement**.

AUST R400.12.1 Where a **Member in Public Practice** identified multiple threats to **Independence**, which individually might not be significant, the **Member** shall evaluate the significance of those threats in aggregate and the safeguards applied or in place to eliminate some or all of the threats or reduce them to an **Acceptable Level** in aggregate.

Prohibition on Assuming Management Responsibilities

R400.13 A **Firm** or a **Network Firm** shall not assume a management responsibility for an **Audit Client**.

400.13 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.

400.13 A2 When a **Firm** or a **Network Firm** assumes a management responsibility for an **Audit Client**, self-review, self-interest and familiarity threats are created. Assuming a management responsibility might also create an advocacy threat because the **Firm** or **Network Firm** becomes too closely aligned with the views and interests of management.

400.13 A3 Determining whether an activity is a management responsibility depends on the circumstances and requires the exercise of professional judgement. 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.
- Authorising transactions.
- Controlling or managing bank accounts or investments.
- Deciding which recommendations of the **Firm** or **Network 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.
 - Designing, implementing, monitoring or maintaining internal control.

400.13 A4 Subject to compliance with paragraph R400.14, providing advice and recommendations to assist the management of an **Audit Client** in discharging its responsibilities is not assuming a management responsibility. The provision of advice and recommendations to an **Audit Client** might create a self-review threat and is addressed in Section 600.

R400.14 When performing a **Professional Activity** for an **Audit Client**, the **Firm** shall be satisfied that client management makes all judgements and decisions that are the proper responsibility of management. This includes ensuring that the client's management:

(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** or **Network 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 activities performed for the client's purpose.

(c) Accepts responsibility for the actions, if any, to be taken arising from the results of the activities.

[Paragraphs 400.15 to 400.19 are intentionally left blank]

Related Entities

[Paragraph R400.20 of extant Section 400 remains unchanged.]

[Paragraphs 400.21 to 400.29 are intentionally left blank]

Period During which Independence is Required

All Audit Clients

[Paragraphs R400.30 to 400.30 A1 of extant Section 400 remain unchanged.]

R400.31 If an entity becomes an **Audit Client** during or after the period covered by the **Financial Statements on which the Firm will express an Opinion**, the **Firm** shall determine whether any threats to **Independence** are created by:

- (a) Financial or business relationships with the **Audit Client** during or after the period covered by the **Financial Statements** but before accepting the **Audit Engagement**; or
- (b) Services provided to the **Audit Client** by the **Firm** or a **Network Firm** in prior **Financial Statement** periods.

- 400.31 A1 Threats to **Independence** are created if a non-assurance service was provided to an **Audit Client** during, or after the period covered by the **Financial Statements**, but before the **Audit Team** begins to perform the audit, and the service would not be permitted during the **Engagement Period**.
- 400.31 A2 A factor to be considered in such circumstances is whether the results of the service provided might form part of or affect the accounting records, the internal controls over financial reporting, or the **Financial Statements on which the Firm will express an Opinion**.
- 400.31 A3 Examples of actions that might be safeguards to address threats to **Independence** include:
- Not assigning professionals who performed the non-assurance service to be members of the **Engagement Team**.
 - Having an appropriate reviewer review the audit work or non-assurance service as appropriate.
 - Engaging another **Firm** outside of the **Network** to evaluate the results of the non-assurance service or having another **Firm** outside of the **Network** re-perform the non-assurance service to the extent necessary to enable the other **Firm** to take responsibility for the service.
- 400.31 A4 A threat to **Independence** created by the provision of a non-assurance service by a **Firm** or a **Network Firm** prior to the **Audit Engagement Period** or prior to the period covered by the **Financial Statements on which the Firm will express an Opinion** is eliminated or reduced to an **Acceptable Level** if the results of such a service have been used or implemented in a period audited by another **Firm**.

Audit Clients that are Public Interest Entities

- R400.32 A Firm shall not accept an appointment as auditor of a Public Interest Entity to which the Firm or the Network Firm has provided a non-assurance service prior to such appointment that might create a self-review threat in relation to the Financial Statements on which the Firm will express an Opinion unless:**
- (a) The provision of such a service ceases before the commencement of the Audit Engagement Period;**
 - (b) The Firm takes action to address any threats to its Independence; and**
 - (c) The Firm determines that, in the view of a reasonable and informed third party, any threats to the Firm's Independence have been or will be eliminated or reduced to an Acceptable Level.**
- 400.32 A1 Actions that might be regarded by a reasonable and informed third party as eliminating or reducing to an **Acceptable Level** any threats to **Independence** created by the provision of non-assurance services to a **Public Interest Entity** prior to appointment as auditor of that entity include:
- The results of the service had been subject to auditing procedures in the course of the audit of the prior year's **Financial Statements** by a predecessor **Firm**.
 - The **Firm** engages a **Member**, who is not a member of the **Firm** expressing the opinion on the **Financial Statements**, to perform a review of the first **Audit Engagement** affected by the self-review threat consistent with the objective of an **Engagement Quality Review**.

- The **Public Interest Entity** engages another **Firm** outside of the **Network** to:
 - (i) Evaluate the results of the non-assurance service; or
 - (ii) Re-perform the service,to the extent necessary to enable the other **Firm** to take responsibility for the result of the service.

[Paragraphs 400.33 to 400.39 are intentionally left blank]

[Paragraphs 400.40 A1 to R400.89 of extant Section 400 remain unchanged.]

SECTION 600

PROVISION OF NON-ASSURANCE SERVICES TO AN AUDIT CLIENT

Introduction

- 600.1 **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**.
- 600.2 **Firms** and **Network Firms** might provide a range of non-assurance services to their **Audit Clients**, consistent with their skills and expertise. Providing non-assurance services to **Audit Clients** might create threats to compliance with the fundamental principles and threats to **Independence**.
- 600.3 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 **Audit Clients**. The subsections that follow set out specific requirements and application material that are relevant when a **Firm** or a **Network Firm** provides certain types of non-assurance services to **Audit Clients** and indicate the types of threats that might be created as a result.
- 600.4 Some subsections include requirements that expressly prohibit a **Firm** or a **Network Firm** from providing certain services to an **Audit Client** because the threats created cannot be eliminated and safeguards are not capable of being applied to reduce the threats to an **Acceptable Level**.
- 600.5 New business practices, the evolution of financial markets and changes in technology are some developments that make it impossible to draw up an all-inclusive list of non-assurance services that **Firms** and **Network Firms** might provide to an **Audit Client**. The conceptual framework and the general provisions in this section apply when a **Firm** proposes to a client to provide a non-assurance service for which there are no specific requirements and application material.

Requirements and Application Material

General

Non-Assurance Services Provisions in Laws or Regulations

- 600.6 A1 Paragraphs R100.6 to 100.7 A1 set out requirements and application material relating to compliance with the **Code**. If there are laws and regulations in a jurisdiction relating to the provision of non-assurance services to **Audit Clients** that differ from or go beyond those set out in this section, **Firms** providing non-assurance services to which such provisions apply need to be aware of those differences and comply with the more stringent provisions.

Risk of Assuming Management Responsibilities when Providing a Non-Assurance Service

- 600.7 A1 When a **Firm** or a **Network Firm** provides a non-assurance service to an **Audit Client**, there is a risk that the **Firm** or **Network Firm** will assume a management responsibility unless the **Firm** or **Network Firm** is satisfied that the requirements in paragraph R400.14 have been complied with.

Accepting an Engagement to Provide a Non-Assurance Service

R600.8 Before a **Firm** or a **Network Firm** accepts an engagement to provide a non-assurance service to an **Audit 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.

Identifying and Evaluating Threats

All Audit Clients

600.9 A1 A description of the categories of threats that might arise when a **Firm** or a **Network Firm** provides a non-assurance service to an **Audit Client** is set out in paragraph 120.6 A3.

600.9 A2 Factors that are relevant in identifying the different threats that might be created by providing a non-assurance service to an **Audit Client**, and evaluating the level of such threats include:

- The nature, scope, intended use and purpose of the service.
- The manner in which the service will be provided, such as the personnel to be involved and their location.
- 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 extent to which the client determines significant matters of judgement. (Ref: Para. R400.13 to R400.14).
- Whether the outcome of the service will affect the accounting records or matters reflected in the **Financial Statements on which the Firm will express an Opinion**, and, if so:
 - The extent to which the outcome of the service will have a material effect on the **Financial Statements**.
 - The degree of subjectivity involved in determining the appropriate amounts or treatment for those matters reflected in the **Financial Statements**.
- The nature and extent of the impact of the service, if any, on the systems that generate information that forms a significant part of the client's:
 - Accounting records or **Financial Statements on which the Firm will express an Opinion**.
 - Internal controls over financial reporting.
- The degree of reliance that will be placed on the outcome of the service as part of the audit.
- The fee relating to the provision of the non-assurance service.

600.9 A3 Subsections 601 to 610 include examples of additional factors that are relevant in identifying threats to **Independence** created by providing certain non-assurance services, and evaluating the level of such threats.

Materiality in Relation to Financial Statements

600.10 A1 Materiality is a factor that is relevant in evaluating threats created by providing a non-assurance service to an **Audit Client**. Subsections 601 to 610 refer to materiality in relation to an **Audit Client's Financial Statements**. The concept of materiality in relation to an audit is addressed in **Auditing and Assurance Standard ASA 320 Materiality in Planning and Performing an Audit (Compiled)**, and in relation to a review in **ASRE 2400 Review of a Financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity** and **ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity**. The determination of materiality involves the exercise of professional judgement and is impacted by both quantitative and qualitative factors. It is also affected by perceptions of the financial information needs of users.

600.10 A2 Where the **Code** expressly prohibits the provision of a non-assurance service to an **Audit Client**, a **Firm** or a **Network Firm** is not permitted to provide that service, regardless of the materiality of the outcome or results of the non-assurance service on the **Financial Statements on which the Firm will express an Opinion**.

Providing advice and recommendations

600.11 A1 Providing advice and recommendations might create a self-review threat. Whether providing advice and recommendations creates a self-review threat involves making the determination set out in paragraph R600.14. Where the **Audit Client** is not a **Public Interest Entity** and a self-review threat is identified, the **Firm** is required to apply the conceptual framework to evaluate and address the threat. If the **Audit Client** is a **Public Interest Entity**, paragraphs R600.16 and R600.17 apply.

Multiple non-assurance services provided to the same audit client

R600.12 When a Firm or a Network Firm provides multiple non-assurance services to an Audit Client, the Firm shall consider whether, in addition to the threats created by each service individually, the combined effect of such services creates or impacts threats to Independence.

600.12 A1 In addition to paragraph 600.9 A2, factors that are relevant in a **Firm's** evaluation of the level of threats to **Independence** created where multiple non-assurance services are provided to an **Audit Client** might include whether:

- The combined effect of providing multiple services increases the level of threat created by each service assessed individually.
- The combined effect of providing multiple services increases the level of any threat arising from the overall relationship with the **Audit Client**.

Self-review threats

600.13 A1 When a **Firm** or a **Network Firm** provides a non-assurance service to an **Audit Client**, there might be a risk of the **Firm** auditing its own or the **Network Firm's** work, thereby giving rise to a self-review threat. A self-review threat is the threat that a **Firm** or a **Network Firm** will not appropriately evaluate the results of a previous judgement made or an activity performed by an individual within the **Firm** or **Network Firm** as part of a non-assurance service on which the **Audit Team** will rely when forming a judgement as part of an audit.

R600.14 Before providing a non-assurance service to an **Audit Client**, a **Firm** or a **Network Firm** shall determine whether the provision of that service might create a self-review threat by evaluating whether there is a risk that:

- (a) The results of the service will form part of or affect the accounting records, the internal controls over financial reporting, or the **Financial Statements on which the Firm will express an opinion**; and
- (b) In the course of the audit of those **Financial Statements on which the Firm will express an opinion**, the **Audit Team** will evaluate or rely on any judgements made or activities performed by the **Firm** or **Network Firm** when providing the service.

Audit Clients that are Public Interest Entities

600.15 A1 When the **Audit Client** is a **Public Interest Entity**, stakeholders have heightened expectations regarding the **Firm's Independence**. These heightened expectations are relevant to the reasonable and informed third party test used to evaluate a self-review threat created by providing a non-assurance service to an **Audit Client** that is a **Public Interest Entity**.

600.15 A2 Where the provision of a non-assurance service to an **Audit Client** that is a **Public Interest Entity** creates a self-review threat, that threat cannot be eliminated, and safeguards are not capable of being applied to reduce that threat to an **Acceptable Level**.

Self-review threats

R600.16 A **Firm** or a **Network Firm** shall not provide a non-assurance service to an **Audit Client** that is a **Public Interest Entity** if the provision of that service might create a self-review threat in relation to the audit of the **Financial Statements on which the Firm will express an opinion**. (Ref: Para. 600.13 A1 and R600.14).

Providing advice and recommendations

R600.17 As an exception to paragraph R600.16, a **Firm** or a **Network Firm** may provide advice and recommendations to an **Audit Client** that is a **Public Interest Entity** in relation to information or matters arising in the course of an audit provided that the **Firm**:

- (a) Does not assume a management responsibility (Ref: Para. R400.13 and R400.14); and
- (b) Applies the conceptual framework to identify, evaluate and address threats, other than self-review threats, to **Independence** that might be created by the provision of that advice.

600.17 A1 Examples of advice and recommendations that might be provided in relation to information or matters arising in the course of an audit include:

- Advising on accounting and financial reporting standards or policies and financial statement disclosure requirements.
- Advising on the appropriateness of financial and accounting controls and the methods used in determining the stated amounts in the **Financial Statements** and related disclosures.
- Proposing adjusting journal entries arising from audit findings.

- Discussing findings on internal controls over financial reporting and processes and recommending improvements.
- Discussing how to resolve account reconciliation problems.
- Advising on compliance with group accounting policies.

Addressing Threats

All Audit Clients

600.18 A1 Paragraphs R120.10 to 120.10 A2 include a requirement and application material that are relevant when addressing threats to **Independence**, including a description of safeguards.

600.18 A2 Threats to **Independence** created by providing a non-assurance service or multiple services to an **Audit Client** vary depending on the facts and circumstances of the **Audit Engagement** and the nature of the service. Such threats might be addressed by applying safeguards or by adjusting the scope of the proposed service.

600.18 A3 Examples of actions that might be safeguards to address such threats include:

- Using professionals who are not **Audit Team** members to perform the service.
- Having an appropriate reviewer who was not involved in providing the service review the audit work or service performed.
- Obtaining pre-clearance of the outcome of the service from an appropriate authority (for example, a tax authority).

600.18 A4 Safeguards might not be available to reduce the threats created by providing a non-assurance service to an **Audit Client** to an **Acceptable Level**. In such a situation, the application of the conceptual framework requires the **Firm** or **Network Firm** to:

- Adjust the scope of the proposed service to eliminate the circumstances that are creating the threats;
- Decline or end the service that creates the threats that cannot be eliminated or reduced to an **Acceptable Level**; or
- End the **Audit Engagement**.

Communication with Those Charged With Governance Regarding Non-Assurance Services

All Audit Clients

600.19 A1 Paragraphs 400.40 A1 and 400.40 A2 are relevant to a **Firm's** communication with **Those Charged with Governance** in relation to the provision of non-assurance services.

Audit Clients that are Public Interest Entities

600.20 A1 Paragraphs R600.21 to R600.23 require a **Firm** to communicate with **Those Charged with Governance** of a **Public Interest Entity** before the **Firm** or **Network Firm** provides non-assurance services to entities within the corporate structure of which the **Public Interest Entity** forms part that might create threats to the **Firm's Independence** from the **Public Interest Entity**. The purpose of the communication is to enable **Those Charged with Governance** of the **Public Interest Entity** to have effective oversight of the **Independence** of the **Firm** that audits the **Financial Statements** of that **Public Interest Entity**.

600.20 A2 To facilitate compliance with such requirements, a Firm might agree with Those Charged with Governance of the Public Interest Entity a process that addresses when and with whom the Firm is to communicate. Such a process might:

- Establish the procedure for the provision of information about a proposed non-assurance service which might be on an individual engagement basis, under a general policy, or on any other agreed basis.
- Identify the entities to which the process would apply, which might include other Public Interest Entities within the corporate structure.
- Identify any services that can be provided to the entities identified in paragraph R600.21 without specific approval of Those Charged with Governance if they agree as a general policy that these services are not prohibited under this section and would not create threats to the Firm's Independence or, if any such threats are created, they would be at an Acceptable Level.
- Establish how Those Charged with Governance of multiple Public Interest Entities within the same corporate structure have determined that authority for approving services is to be allocated.
- Establish a procedure to be followed where the provision of information necessary for Those Charged with Governance to evaluate whether a proposed service might create a threat to the Firm's Independence is prohibited or limited by professional standards, laws or regulations, or might result in the disclosure of sensitive or confidential information.
- Specify how any issues not covered by the process might be resolved.

R600.21 Before a Firm that audits the Financial Statements of a Public Interest Entity, or a Network Firm accepts an engagement to provide a non-assurance service to:

- (A) That Public Interest Entity;**
 - (B) Any entity that controls, directly or indirectly, that Public Interest Entity; or**
 - (C) Any entity that is controlled directly or indirectly by that Public Interest Entity,**
- the Firm shall, unless already addressed when establishing a process agreed with Those Charged with Governance:**
- (a) Inform Those Charged with Governance of the Public Interest Entity that the Firm has determined that the provision of the service:**
 - (i) Is not prohibited; and**
 - (ii) Will not create a threat to the Firm's Independence as auditor of the Public Interest Entity or that any identified threat is at an Acceptable Level or, if not, will be eliminated or reduced to an Acceptable Level; and**
 - (b) Provide Those Charged with Governance of the Public Interest Entity with information to enable them to make an informed assessment about the impact of the provision of the service on the Firm's Independence.**

600.21 A1 Examples of information that might be provided to Those Charged with Governance of the Public Interest Entity in relation to a particular non-assurance service include:

- The nature and scope of the service to be provided.
- The basis and amount of the proposed fee.

- Where the Firm has identified any threats to Independence that might be created by the provision of the proposed service, the basis for the Firm's assessment that the threats are at an Acceptable Level or, if not, the actions the Firm or Network Firm will take to eliminate or reduce any threats to Independence to an Acceptable Level.
- Whether the combined effect of providing multiple services creates threats to Independence or changes the level of previously identified threats.

R600.22 A Firm or a Network Firm shall not provide a non-assurance service to any of the entities referred to in paragraph R600.21 unless Those Charged with Governance of the Public Interest Entity have concurred either under a process agreed with Those Charged with Governance or in relation to a specific service with:

- (a) The Firm's conclusion that the provision of the service will not create a threat to the Firm's Independence as auditor of the Public Interest Entity, or that any identified threat is at an Acceptable Level or, if not, will be eliminated, or reduced to an Acceptable Level; and
- (b) The provision of that service.

R600.23 As an exception to paragraphs R600.21 and R600.22, where a Firm is prohibited by applicable professional standards, laws or regulations from providing information about the proposed non-assurance service to Those Charged with Governance of the Public Interest Entity, or where the provision of such information would result in disclosure of sensitive or confidential information, the Firm may provide the proposed service provided that:

- (a) The Firm provides such information as it is able without breaching its legal or professional obligations;
- (b) The Firm informs Those Charged with Governance of the Public Interest Entity that the provision of the service will not create a threat to the Firm's Independence from the Public Interest Entity, or that any identified threat is at an Acceptable Level or, if not, will be eliminated or reduced to an Acceptable Level; and
- (c) Those Charged with Governance do not disagree with the Firm's conclusion in (b).

R600.24 The Firm or the Network Firm, having taken into account any matters raised by Those Charged with Governance of the Audit Client that is a Public Interest Entity or by the entity referred to in paragraph R600.21 that is the recipient of the proposed service, shall decline the non-assurance service or the Firm shall end the Audit Engagement if:

- (a) The Firm or the Network Firm is not permitted to provide any information to Those Charged with Governance of the Audit Client that is a Public Interest Entity, unless such a situation is addressed in a process agreed in advance with Those Charged with Governance; or
- (b) Those Charged with Governance of an Audit Client that is a Public Interest Entity disagree with the Firm's conclusion that the provision of the service will not create a threat to the Firm's Independence from the client or that any identified threat is at an Acceptable Level or, if not, will be eliminated or reduced to an Acceptable Level.

Audit Client that Later Becomes a Public Interest Entity

R600.25 A non-assurance service provided, either currently or previously, by a **Firm** or a **Network Firm** to an **Audit Client** compromises the **Firm's Independence** when the client becomes a **Public Interest Entity** unless:

- (a) The previous non-assurance service complies with the provisions of this section that relate to **Audit Clients** that are not **Public Interest Entities**;
- (b) Non-assurance services currently in progress that are not permitted under this section for **Audit Clients** that are **Public Interest Entities** are ended before or, if that is not possible, as soon as practicable after, the client becomes a **Public Interest Entity**; and
- (c) The **Firm** and **Those Charged with Governance** of the client that becomes a **Public Interest Entity** agree and take further actions to address any threats to **Independence** that are not at an **Acceptable Level**.

600.25 A1 Examples of actions that the **Firm** might recommend to the **Audit Client** include engaging another **Firm** to:

- Review or re-perform the affected audit work to the extent necessary.
- Evaluate the results of the non-assurance service or re-perform the non-assurance service to the extent necessary to enable the other **Firm** to take responsibility for the service.

Considerations for Certain Related Entities

R600.26 This section includes requirements that prohibit **Firms** and **Network Firms** from providing certain non-assurance services to **Audit Clients**. As an exception to those requirements and the requirement in paragraph R400.13, a **Firm** or a **Network Firm** may assume management responsibilities or provide certain non-assurance services that would otherwise be prohibited to the following **Related Entities** of the client on whose **Financial Statements** the **Firm** will express an opinion:

- (a) An entity that has direct or indirect control over the client;
- (b) An entity with a **Direct Financial Interest** in the client if that entity has significant influence over the client and the interest in the client is material to such entity; or
- (c) An entity which is under common control with the client,

provided that all of the following conditions are met:

- (i) The **Firm** or a **Network Firm** does not express an opinion on the **Financial Statements** of the **Related Entity**;
- (ii) The **Firm** or a **Network Firm** does not assume a management responsibility, directly or indirectly, for the entity on whose **Financial Statements** the **Firm** will express an opinion;
- (iii) The services do not create a self-review threat; and
- (iv) The **Firm** addresses other threats created by providing such services that are not at an **Acceptable Level**.

Documentation

600.27 A1 Documentation of the Firm's conclusions regarding compliance with this section in accordance with paragraphs R400.60 and 400.60 A1 might include:

- Key elements of the Firm's understanding of the nature of the non-assurance service to be provided and whether and how the service might impact the Financial Statements on which the Firm will express an Opinion.
- The nature of any threat to Independence that is created by providing the service to the Audit Client, including whether the results of the service will be subject to audit procedures.
- The extent of management's involvement in the provision and oversight of the proposed non-assurance service.
- Any safeguards that are applied, or other actions taken to address a threat to Independence.
- The Firm's rationale for determining that the service is not prohibited and that any identified threat to Independence is at an Acceptable Level.
- In relation to the provision of a proposed non-assurance service to the entities referred to in paragraph R600.21, the steps taken to comply with paragraphs R600.21 to R600.23.

SUBSECTION 601 – ACCOUNTING AND BOOKKEEPING SERVICES

Introduction

601.1 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to 600.27 A1 are relevant to applying the conceptual framework when providing accounting and bookkeeping services to an Audit Client.

Requirements and Application Material

General

601.2 A1 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 in accordance with those policies.
- Preparing or changing source documents or originating data, in electronic or other form, evidencing the occurrence of a transaction. Examples include:
 - Purchase orders.
 - Payroll time records.
 - Customer orders.
- Originating or changing journal entries.
- Determining or approving the account classifications of transactions.

Description of Service

- 601.3 A1 Accounting and bookkeeping services comprise a broad range of services including:
- Preparing accounting records or **Financial Statements**.
 - Recording transactions.
 - Providing payroll services.
 - Resolving account reconciliation problems.
 - Converting existing **Financial Statements** from one financial reporting framework to another.

Potential Threats Arising from the Provision of Accounting and Bookkeeping Services

All Audit Clients

- 601.4 A1 Providing accounting and bookkeeping services to an **Audit Client** creates a self-review threat when there is a risk that the results of the services will affect the accounting records or the **Financial Statements on which the Firm will express an Opinion**.

Audit Clients that are Not Public Interest Entities

R601.5 A Firm or a Network Firm shall not provide to an Audit Client that is not a Public Interest Entity accounting and bookkeeping services, including preparing Financial Statements on which the Firm will express an Opinion or financial information which forms the basis of such Financial Statements, unless:

- (a) **The services are of a routine or mechanical nature; and**
- (b) **The Firm addresses any threats that are not at an Acceptable Level.**

- 601.5 A1 Accounting and bookkeeping services that are routine or mechanical:
- (a) Involve information, data or material in relation to which the client has made any judgements or decisions that might be necessary; and
 - (b) Require little or no professional judgement.

- 601.5 A2 Examples of services that might be regarded as routine or mechanical include:
- 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.
 - Calculating depreciation on fixed assets when the client determines the accounting policy and estimates of useful life and residual values.
 - Posting transactions coded by the client to the general ledger.
 - Posting client-approved entries to the trial balance.
 - Preparing **Financial Statements** based on information in the client-approved trial balance and preparing related notes based on client-approved records.

The Firm or a Network Firm may provide such services to Audit Clients that are not Public Interest Entities provided that the Firm or Network Firm complies with the requirements of paragraph R400.14 to ensure that it does not assume a management responsibility in connection with the service and with the requirement in subparagraph R601.5 (b).

- 601.5 A3 Examples of actions that might be safeguards to address a self-review threat created when providing accounting and bookkeeping services of a routine or mechanical nature to an Audit Client that is not a Public Interest Entity include:
- Using professionals who are not Audit Team members to perform the service.
 - Having an appropriate reviewer who was not involved in providing the service review the audit work or service performed.

Audit Clients that are Public Interest Entities

R601.6 A Firm or a Network Firm shall not provide accounting and bookkeeping services to an Audit Client that is a Public Interest Entity.

R601.7 As an exception to paragraph R601.6, a Firm or a Network Firm may prepare statutory Financial Statements for a Related Entity of a Public Interest Entity Audit Client included in subparagraph (c) or (d) of the definition of Related Entity provided that:

- (a) The audit report on the group Financial Statements of the Public Interest Entity has been issued;**
- (b) The Firm or Network Firm does not assume management responsibility and applies the conceptual framework to identify, evaluate and address threats to Independence;**
- (c) The Firm or Network Firm does not prepare the accounting records underlying the statutory Financial Statements of the Related Entity and those Financial Statements are based on client approved information; and**
- (d) The statutory Financial Statements of the Related Entity will not form the basis of future group Financial Statements of that Public Interest Entity.**

SUBSECTION 602 – ADMINISTRATIVE SERVICES

Introduction

602.1 In addition to the specific application material in this subsection, the requirements and application material in paragraphs 600.1 to 600.27 A1 are relevant to applying the conceptual framework when providing administrative services.

Application Material

Description of Service

602.2 A1 Administrative services involve assisting clients with their routine or mechanical tasks within the normal course of operations.

- 602.2 A2 Examples of administrative services include:
- Word processing or document formatting.
 - 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.

Potential Threats Arising from the Provision of Administrative Services

All Audit Clients

- 602.3 A1 Providing administrative services to an [Audit Client](#) does not usually create a threat when such services are clerical in nature and require little to no professional judgement.

SUBSECTION 603 – VALUATION SERVICES

Introduction

- 603.1 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to 600.27 A1 are relevant to applying the conceptual framework when providing valuation services to an [Audit Client](#).

Requirements and Application Material

Description of Service

- 603.2 A1 A valuation comprises the making of assumptions with regard to future developments, the application of appropriate methodologies and techniques and the combination of both to compute a certain value, or range of values, for an asset, a liability or for the whole or part of an entity.
- 603.2 A2 If a [Firm](#) or a [Network Firm](#) is requested to perform a valuation to assist an [Audit Client](#) with its tax reporting obligations or for tax planning purposes and the results of the valuation have no effect on the accounting records or the [Financial Statements](#) other than through accounting entries related to tax, the requirements and application material set out in paragraphs 604.17 A1 to 604.19 A1, relating to such services, apply.

Potential Threats Arising from the Provision of Valuation Services

All Audit Clients

- 603.3 A1 Providing a valuation service to an [Audit Client](#) might create a self-review threat when there is a risk that the results of the service will affect the accounting records or the [Financial Statements on which the Firm will express an Opinion](#). Such a service might also create an advocacy threat.
- 603.3 A2 Factors that are relevant in identifying self-review or advocacy threats created by providing valuation services to an [Audit Client](#), and evaluating the level of such threats include:
- The use and purpose of the valuation report.
 - Whether the valuation report will be made public.

- The extent to which the valuation methodology is supported by law or regulation, other precedent or established practice.
- The extent of the client's involvement in determining and approving the valuation methodology and other significant matters of judgement.
- The degree of subjectivity inherent in the item for valuations involving standard or established methodologies.
- Whether the valuation will have a material effect on the **Financial Statements**.
- The extent of the disclosures related to the valuation in the **Financial Statements**.
- The volatility of the amounts involved as a result of dependence on future events.

When a self-review threat for an **Audit Client** that is a **Public Interest Entity** has been identified, paragraph R603.5 applies.

Audit Clients that are Not Public Interest Entities

603.3 A3 Examples of actions that might be safeguards to address self-review or advocacy threats created by providing a valuation service to an **Audit Client** that is not a **Public Interest Entity** include:

- Using professionals who are not **Audit Team** members to perform the service might address self-review or advocacy threats.
- Having an appropriate reviewer who was not involved in providing the service review the audit work or service performed might address a self-review threat.

R603.4 A Firm or a Network Firm shall not provide a valuation service to an Audit Client that is not a Public Interest Entity if:

- The valuation involves a significant degree of subjectivity; and**
- The valuation will have a material effect on the Financial Statements on which the Firm will express an Opinion.**

603.4 A1 Certain valuations do not involve a significant degree of subjectivity. This is likely to be the case when the underlying assumptions are established by law or regulation or when the techniques and methodologies to be used are based on generally accepted standards or prescribed by law or regulation. In such circumstances, the results of a valuation performed by two or more parties are not likely to be materially different.

Audit Clients that are Public Interest Entities

Self-review Threats

R603.5 A Firm or a Network Firm shall not provide a valuation service to an Audit Client that is a Public Interest Entity if the provision of such a valuation service might create a self-review threat. (Ref: Para. R600.14 and R600.16).

Advocacy Threats

603.5 A1 An example of an action that might be a safeguard to address an advocacy threat created by providing a valuation service to an **Audit Client** that is a **Public Interest Entity** is using professionals who are not **Audit Team** members to perform the service.

SUBSECTION 604 – TAX SERVICES

Introduction

604.1 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to 600.27 A1 are relevant to applying the conceptual framework when providing a tax service to an [Audit Client](#).

Requirements and Application Material

Description of Service

604.2 A1 Tax services comprise a broad range of services. This subsection deals specifically with:

- Tax return preparation.
- Tax calculations for the purpose of preparing accounting entries.
- Tax advisory services.
- Tax planning services.
- Tax services involving valuations.
- Assistance in the resolution of tax disputes.

604.2 A2 It is possible to consider tax services under broad headings, such as tax planning or compliance. However, such services are often interrelated in practice and might be combined with other types of non-assurance services provided by the [Firm](#) such as corporate finance services. It is, therefore, impracticable to categorise generically the threats to which specific tax services give rise.

Potential Threats Arising from the Provision of Tax Services

604.3 A1 Providing tax services to an [Audit Client](#) might create a self-review threat when there is a risk that the results of the services will affect the accounting records or the [Financial Statements on which the Firm will express an Opinion](#). Such services might also create an advocacy threat.

604.3 A2 Factors that are relevant in identifying self-review or advocacy threats created by providing any tax service to an [Audit Client](#), and evaluating the level of such threats include:

- The particular characteristics of the engagement.
- The level of tax expertise of the client's employees.
- The system by which the tax authorities assess and administer the tax in question and the role of the [Firm](#) or [Network Firm](#) in that process.
- The complexity of the relevant tax regime and the degree of judgement necessary in applying it.

All Audit Clients

AUST R604.4 A **Firm** or a **Network Firm** shall not provide a tax service or recommend a transaction to an **Audit Client** if the service or transaction relates to marketing, planning, or opining in favour of a tax treatment that was initially recommended, directly or indirectly, by the **Firm** or **Network Firm**, unless the **Firm** is confident that the proposed treatment has a basis in applicable tax law or regulation that is likely to prevail.

604.4 A1 Unless the tax treatment has a basis in applicable tax law or regulation that the **Firm** is confident is likely to prevail, providing the non-assurance service described in paragraph AUST R604.4 creates self-interest, self-review and advocacy threats that cannot be eliminated and safeguards are not capable of being applied to reduce such threats to an **Acceptable Level**.

AUST 604.4 A1.1 The **Firm** will need a high level of confidence that the tax treatment has a basis in tax law that is likely to prevail to satisfy paragraph AUST R604.4. The **Firm** will gain that confidence if there is a high probability, if viewed objectively by applying the reasonable and informed third party test, that the tax treatment will be likely to prevail.

AUST R604.4.1 The **Firm** shall document the factors considered and conclusions reached in determining that the tax treatment satisfies the conditions described in paragraph **AUST R604.4**.

A. Tax Return Preparation

Description of Service

604.5 A1 Tax return preparation services include:

- Assisting clients with their tax reporting obligations by drafting and compiling information, including the amount of tax due (usually on standardised forms) required to be submitted to the applicable tax authorities.
- Advising on the tax return treatment of past transactions.
- Responding on behalf of the **Audit Client** to the tax authorities' requests for additional information and analysis (for example, providing explanations of and technical support for the approach being taken).

Potential Threats Arising from the Provision of Tax Return Preparation Services

All Audit Clients

604.6 A1 Providing tax return preparation services does not usually create a threat because:

- (a) Tax return preparation services are based on historical information and principally involve analysis and presentation of such historical information under existing tax law, including precedents and established practice; and
- (b) Tax returns are subject to whatever review or approval process the tax authority considers appropriate.

B. Tax Calculations for the Purpose of Preparing Accounting Entries

Description of Service

604.7 A1 Tax calculation services involve the preparation of calculations of current and deferred tax liabilities or assets for the purpose of preparing accounting entries supporting tax assets or liabilities in the [Financial Statements](#) of the [Audit Client](#).

Potential Threats Arising from the Provision of Tax Calculation Services

All Audit Clients

604.8 A1 Preparing tax calculations of current and deferred tax liabilities (or assets) for an [Audit Client](#) for the purpose of preparing accounting entries that support such balances creates a self-review threat.

Audit Clients that are Not Public Interest Entities

604.9 A1 In addition to the factors in paragraph 604.3 A2, a factor that is relevant in evaluating the level of self-review threat created when preparing such calculations for an [Audit Client](#) is whether the calculation might have a material effect on the [Financial Statements on which the Firm will express an Opinion](#).

604.9 A2 Examples of actions that might be safeguards to address such a self-review threat when the [Audit Client](#) is not a [Public Interest Entity](#) include:

- Using professionals who are not [Audit Team](#) members to perform the service.
- Having an appropriate reviewer who was not involved in providing the service review the audit work or service performed.

Audit Clients that are Public Interest Entities

R604.10 A Firm or a Network Firm shall not prepare tax calculations of current and deferred tax liabilities (or assets) for an [Audit Client](#) that is a [Public Interest Entity](#). (Ref: Para. R600.14 and R600.16).

C. Tax Advisory and Tax Planning Services

Description of Service

604.11 A1 Tax advisory and tax planning services comprise a broad range of services, such as advising the [Audit Client](#) how to structure its affairs in a tax efficient manner or advising on the application of a tax law or regulation.

Potential Threats Arising from the Provision of Tax Advisory and Tax Planning Services

All Audit clients

604.12 A1 Providing tax advisory and tax planning services to an [Audit Client](#) might create a self-review threat when there is a risk that the results of the services will affect the accounting records or the [Financial Statements on which the Firm will express an Opinion](#). Such services might also create an advocacy threat.

604.12 A2 Providing tax advisory and tax planning services will not create a self-review threat if such services:

- (a) Are supported by a tax authority or other precedent;
- (b) Are based on an established practice (being a practice that has been commonly used and has not been challenged by the relevant tax authority); or
- (c) Have a basis in tax law that the Firm is confident is likely to prevail.

AUST 604.12 A2.1 The Firm will need a high level of confidence that the tax advisory and tax planning services have a basis in tax law that is likely to prevail to satisfy subparagraph 604.12 A2(c). The Firm will gain that confidence if there is a high probability, if viewed objectively by applying the reasonable and informed third party test, that the tax advisory and tax planning services will be likely to prevail.

AUST R604.12.1 The Firm shall document the factors considered and conclusions reached in determining that the tax advisory and tax planning service satisfies one or more of the conditions described in paragraph 604.12 A2.

604.12 A3 In addition to paragraph 604.3 A2, factors that are relevant in identifying self-review or advocacy threats created by providing tax advisory and tax planning services to Audit Clients, and evaluating the level of such threats include:

- The degree of subjectivity involved in determining the appropriate treatment for the tax advice in the Financial Statements.
- Whether the tax treatment is supported by a ruling or has otherwise been cleared by the tax authority before the preparation of the Financial Statements.
- The extent to which the outcome of the tax advice might have a material effect on the Financial Statements.

When a self-review threat for an Audit Client that is a Public Interest Entity has been identified, paragraph R604.15 applies.

When Effectiveness of Tax Advice Is Dependent on a Particular Accounting Treatment or Presentation

R604.13 A Firm or a Network Firm shall not provide tax advisory and tax planning services to an Audit Client when:

- (a) the effectiveness of the tax advice depends on a particular accounting treatment or presentation in the Financial Statements; and
- (b) the Audit Team has doubt as to the appropriateness of the related accounting treatment or presentation under the relevant financial reporting framework.

Audit Clients that are Not Public Interest Entities

604.14 A1 Examples of actions that might be safeguards to address self-review or advocacy threats created by providing tax advisory and tax planning services to an Audit Client that is not a Public Interest Entity include:

- Using professionals who are not Audit Team members to perform the service might address self-review or advocacy threats.
- Having an appropriate reviewer, who was not involved in providing the service, review the audit work or service performed might address a self-review threat.

- Obtaining pre-clearance from the tax authorities might address self-review or advocacy threats.

Audit Clients that are Public Interest Entities

Self-review Threats

R604.15 A Firm or a Network Firm shall not provide tax advisory and tax planning services to an Audit Client that is a Public Interest Entity if the provision of such services might create a self-review threat. (Ref: Para. R600.14, R600.16, 604.12 A2).

Advocacy Threats

604.15 A1 Examples of actions that might be safeguards to address an advocacy threat created by providing tax advisory and tax planning services to an Audit Client that is a Public Interest Entity include:

- Using professionals who are not Audit Team members to perform the service.
- Obtaining pre-clearance from the tax authorities.

D. Tax Services Involving Valuations

Description of Service

604.16 A1 The provision of tax services involving valuations might arise in a range of circumstances including:

- Merger and acquisition transactions.
- Group restructurings and corporate reorganisations.
- Transfer pricing studies.
- Stock-based compensation arrangements.

Potential Threats Arising from the Provision of Tax Services involving Valuations

All Audit Clients

604.17 A1 Providing a valuation for tax purposes to an Audit Client might create a self-review threat when there is a risk that the results of the service will affect the accounting records or the Financial Statements on which the Firm will express an Opinion. Such a service might also create an advocacy threat.

604.17 A2 When a Firm or a Network Firm performs a valuation for tax purposes to assist an Audit Client with its tax reporting obligations or for tax planning purposes, the result of the valuation might:

- (a) Have no effect on the accounting records or the Financial Statements other than through accounting entries related to tax. In such situations, the requirements and application material set out in this subsection apply.
- (b) Affect the accounting records or the Financial Statements in ways not limited to accounting entries related to tax, for example, if the valuation leads to a revaluation of assets. In such situations, the requirements and application material set out in subsection 603 relating to valuation services apply.

- 604.17 A3 Performing a valuation for tax purposes for an **Audit Client** will not create a self-review threat if:
- (a) The underlying assumptions are either established by law or regulation, or are widely accepted; or
 - (b) The techniques and methodologies to be used are based on generally accepted standards or prescribed by law or regulation, and the valuation is subject to external review by a tax authority or similar regulatory authority.

Audit Clients that are Not Public Interest Entities

604.18 A1 A **Firm** or a **Network Firm** might perform a valuation for tax purposes for an **Audit Client** that is not a **Public Interest Entity** where the result of the valuation only affects the accounting records or the **Financial Statements** through accounting entries related to tax. This would not usually create threats if the effect on the **Financial Statements** is immaterial or the valuation, as incorporated in a tax return or other filing, is subject to external review by a tax authority or similar regulatory authority.

604.18 A2 If the valuation that is performed for tax purposes is not subject to an external review and the effect is material to the **Financial Statements**, in addition to paragraph 604.3 A2, the following factors are relevant in identifying self-review or advocacy threats created by providing those services to an **Audit Client** that is not a **Public Interest Entity**, and evaluating the level of such threats:

- The extent to which the valuation methodology is supported by tax law or regulation, other precedent or established practice.
- The degree of subjectivity inherent in the valuation.
- The reliability and extent of the underlying data.

604.18 A3 Examples of actions that might be safeguards to address such threats for an **Audit Client** that is not a **Public Interest Entity** include:

- Using professionals who are not **Audit Team** members to perform the service might address self-review or advocacy threats.
- Having an appropriate reviewer who was not involved in providing the service review the audit work or service performed might address a self-review threat.
- Obtaining pre-clearance from the tax authorities might address self-review or advocacy threats.

Audit Clients that are Public Interest Entities

Self-review Threats

R604.19 A Firm or a Network Firm shall not perform a valuation for tax purposes for an Audit Client that is a Public Interest Entity if the provision of that service might create a self-review threat. (Ref: Para. R600.14, R600.16, 604.17 A3).

Advocacy Threats

604.19 A1 Examples of actions that might be safeguards to address an advocacy threat created by providing a valuation for tax purposes for an **Audit Client** that is a **Public Interest Entity** include:

- Using professionals who are not **Audit Team** members to perform the service.
- Obtaining pre-clearance from the tax authorities.

E. Assistance in the Resolution of Tax Disputes

Description of Service

604.20 A1 A non-assurance service to provide assistance to an **Audit Client** in the resolution of tax disputes might arise from a tax authority's consideration of tax calculations and treatments. Such a service might include, for example, providing assistance when the tax authorities have notified the client that arguments on a particular issue have been rejected and either the tax authority or the client refers the matter for determination in a formal proceeding before a tribunal or court.

Potential Threats Arising from the Provision of Assistance in the Resolution of Tax Disputes

All Audit Clients

604.21 A1 Providing assistance in the resolution of a tax dispute to an **Audit Client** might create a self-review threat when there is a risk that the results of the service will affect the accounting records or the **Financial Statements on which the Firm will express an Opinion**. Such a service might also create an advocacy threat.

604.22 A1 In addition to those identified in paragraph 604.3 A2, factors that are relevant in identifying self-review or advocacy threats created by assisting an **Audit Client** in the resolution of tax disputes, and evaluating the level of such threats include:

- The role management plays in the resolution of the dispute.
- The extent to which the outcome of the dispute will have a material effect on the **Financial Statements on which the Firm will express an Opinion**.
- Whether the **Firm** or **Network Firm** provided the advice that is the subject of the tax dispute.
- The extent to which the matter is supported by tax law or regulation, other precedent, or established practice.
- Whether the proceedings are conducted in public.

When a self-review threat for an **Audit Client** that is a **Public Interest Entity** has been identified, paragraph R604.24 applies.

Audit Clients that are Not Public Interest Entities

604.23 A1 Examples of actions that might be safeguards to address self-review or advocacy threats created by assisting an **Audit Client** that is not a **Public Interest Entity** in the resolution of tax disputes include:

- Using professionals who are not **Audit Team** members to perform the service might address self-review or advocacy threats.

- Having an appropriate reviewer who was not involved in providing the service review the audit work or the service performed might address a self-review threat.

Audit Clients that are Public Interest Entities

Self-review Threats

R604.24 A **Firm** or a **Network Firm** shall not provide assistance in the resolution of tax disputes to an **Audit Client** that is a **Public Interest Entity** if the provision of that assistance might create a self-review threat. (Ref: Para. R600.14 and R600.16).

Advocacy Threats

604.24 A1 An example of an action that might be a safeguard to address an advocacy threat for an **Audit Client** that is a **Public Interest Entity** is using professionals who are not **Audit Team** members to perform the service.

Resolution of Tax Matters Including Acting as an Advocate Before a Tribunal or Court

Audit Clients that are Not Public Interest Entities

R604.25 A **Firm** or a **Network Firm** shall not provide tax services that involve assisting in the resolution of tax disputes to an **Audit Client** that is not a **Public Interest Entity** if:

- (a) The services involve acting as an advocate for the **Audit Client** before a tribunal or court in the resolution of a tax matter; and
- (b) The amounts involved are material to the **Financial Statements on which the Firm will express an Opinion**.

Audit Clients that are Public Interest Entities

R604.26 A **Firm** or a **Network Firm** shall not provide tax services that involve assisting in the resolution of tax disputes to an **Audit Client** that is a **Public Interest Entity** if the services involve acting as an advocate for the **Audit Client** before a tribunal or court.

All Audit Clients

604.27 A1 Paragraphs R604.25 and R604.26 do not preclude a **Firm** or a **Network Firm** from having a continuing advisory role in relation to the matter that is being heard before a tribunal or court, for example:

- Responding to specific requests for information.
- Providing factual accounts or testimony about the work performed.
- Assisting the client in analysing the tax issues related to the matter.

604.27 A2 What constitutes a “tribunal or court” depends on how tax proceedings are heard in the particular jurisdiction.

SUBSECTION 605 – INTERNAL AUDIT SERVICES

Introduction

605.1 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to 600.27 A1 are relevant to applying the conceptual framework when providing an internal audit service to an **Audit Client**.⁴⁰

Requirements and Application Material

Description of Service

605.2 A1 Internal audit services comprise a broad range of activities and might involve assisting the **Audit Client** in the performance of one or more aspects of its internal audit activities. Internal audit activities might include:

- Monitoring of internal control – reviewing controls, monitoring their operation and recommending improvements to them.
- Examining financial and operating information by:
 - Reviewing the means used to identify, measure, classify and report financial and operating information.
 - Inquiring specifically into individual items including detailed testing of transactions, balances and procedures.
- Reviewing the economy, efficiency and effectiveness of operating activities including non-financial activities of an entity.
- Reviewing compliance with:
 - Laws, regulations and other external requirements.
 - Management policies, directives and other internal requirements.

605.2 A2 The scope and objectives of internal audit activities vary widely and depend on the size and structure of the entity and the requirements of **Those Charged with Governance** as well as the needs and expectations of management. As they might involve matters that are operational in nature, they do not necessarily relate to matters that will be subject to consideration in relation to the audit of the **Financial Statements**.

Risk of Assuming Management Responsibility When Providing an Internal Audit Service

R605.3 Paragraph R400.13 precludes a Firm or a Network Firm from assuming a management responsibility. When providing an internal audit service to an Audit Client, the Firm shall be satisfied that:

- (a) The client designates an appropriate and competent resource, who reports to Those Charged with Governance to:**
 - (i) Be responsible at all times for internal audit activities; and**
 - (ii) Acknowledge responsibility for designing, implementing, monitoring and maintaining internal control;**

40 The **AUASB** has prohibited the use of direct assistance from individuals within the client's internal audit function in **Auditing and Assurance Standard ASA 610 Using the Work of Internal Auditors (Compiled)** (December 2021).

- (b) The client reviews, assesses and approves the scope, risk and frequency of the internal audit services;
- (c) The client evaluates the adequacy of the internal audit services and the findings resulting from their performance;
- (d) The client evaluates and determines which recommendations resulting from internal audit services to implement and manages the implementation process; and
- (e) The client reports to **Those Charged with Governance** the significant findings and recommendations resulting from the internal audit services.

605.3 A1 Performing part of the client's internal audit activities increases the possibility that individuals within the **Firm** or the **Network Firm** providing internal audit services will assume a management responsibility.

605.3 A2 Examples of internal audit services that involve assuming management responsibilities include:

- Setting internal audit policies or the strategic direction of internal audit activities.
- Directing and taking responsibility for the actions of the entity's internal audit employees.
- Deciding which recommendations resulting from internal audit activities to implement.
- Reporting the results of the internal audit activities to **Those Charged with Governance** on behalf of management.
- Performing procedures that form part of the internal control, such as reviewing and approving changes to employee data access privileges.
- Taking responsibility for designing, implementing, monitoring and maintaining internal control.
- Performing outsourced internal audit services, comprising all or a substantial portion of the internal audit function, where the **Firm** or **Network Firm** is responsible for determining the scope of the internal audit work; and might have responsibility for one or more of the matters noted above.

Potential Threats Arising from the Provision of Internal Audit Services

All Audit Clients

605.4 A1 Providing internal audit services to an **Audit Client** might create a self-review threat when there is a risk that the results of the services impact the audit of the **Financial Statements on which the Firm will express an Opinion**.

605.4 A2 When a **Firm** uses the work of an internal audit function in an **Audit Engagement, Auditing and Assurance Standards** require the performance of procedures to evaluate the adequacy of that work. Similarly, when a **Firm** or a **Network Firm** accepts an engagement to provide internal audit services to an **Audit Client**, the results of those services might be used in conducting the external audit. This might create a self-review threat because it is possible that the **Audit Team** will use the results of the internal audit service for purposes of the **Audit Engagement** without:

- (a) Appropriately evaluating those results; or

- (b) Exercising the same level of professional scepticism as would be exercised when the internal audit work is performed by individuals who are not members of the [Firm](#).

605.4 A3 Factors that are relevant in identifying a self-review threat created by providing internal audit services to an [Audit Client](#), and evaluating the level of such a threat include:

- The materiality of the related [Financial Statements](#) amounts.
- The risk of misstatement of the assertions related to those [Financial Statement](#) amounts.
- The degree of reliance that the [Audit Team](#) will place on the work of the internal audit service.

When a self-review threat for an [Audit Client](#) that is a [Public Interest Entity](#) has been identified, paragraph R605.6 applies.

Audit Clients that are Not Public Interest Entities

605.5 A1 An example of an action that might be a safeguard to address a self-review threat created by the provision of an internal audit service to an [Audit Client](#) that is not a [Public Interest Entity](#) is using professionals who are not [Audit Team](#) members to perform the service.

Audit Clients that are Public Interest Entities

R605.6 A [Firm](#) or a [Network Firm](#) shall not provide internal audit services to an [Audit Client](#) that is a [Public Interest Entity](#) if the provision of such services might create a self-review threat. (Ref: Para. R600.14 and R600.16).

605.6 A1 Examples of the services that are prohibited under paragraph R605.6 include internal audit services that relate to:

- The internal controls over financial reporting.
- Financial accounting systems that generate information for the client's accounting records or [Financial Statements on which the Firm will express an Opinion](#).
- Amounts or disclosures that relate to the [Financial Statements on which the Firm will express an Opinion](#).

SUBSECTION 606 – INFORMATION TECHNOLOGY SYSTEMS SERVICES

Introduction

606.1 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to 600.27 A1 are relevant to applying the conceptual framework when providing an information technology (IT) systems service to an [Audit Client](#).

Requirements and Application Material

Description of Service

606.2 A1 Services related to IT systems include the design or implementation of hardware or software systems. The IT systems might:

- (a) Aggregate source data;

- (b) Form part of the internal control over financial reporting; or
- (c) Generate information that affects the accounting records or [Financial Statements](#), including related disclosures.

However, the IT systems might also involve matters that are unrelated to the [Audit Client's](#) accounting records or the internal control over financial reporting or [Financial Statements](#).

Risk of Assuming Management Responsibility When Providing an IT Systems Service

R606.3 Paragraph R400.13 precludes a [Firm](#) or a [Network Firm](#) from assuming a management responsibility. When providing IT systems services to an [Audit Client](#), the [Firm](#) or [Network Firm](#) shall be satisfied that:

- (a) The client acknowledges its responsibility for establishing and monitoring a system of internal controls;
- (b) The client assigns the responsibility to make all management decisions with respect to the design and implementation of the hardware or software system to a competent employee, preferably within senior management;
- (c) The client makes all management decisions with respect to the design and implementation process;
- (d) The client evaluates the adequacy and results of the design and implementation of the system; and
- (e) The client is responsible for operating the system (hardware or software) and for the data it uses or generates.

Potential Threats Arising from the Provision of IT Systems Services

All Audit Clients

606.4 A1 Providing IT systems services to an [Audit Client](#) might create a self-review threat when there is a risk that the results of the services will affect the audit of the [Financial Statements on which the Firm will express an Opinion](#).

606.4 A2 Providing the following IT systems services to an [Audit Client](#) does not usually create a threat as long as individuals within the [Firm](#) or [Network Firm](#) do not assume a management responsibility:

- (a) Designing or implementing IT systems that are unrelated to internal control over financial reporting;
- (b) Designing or implementing IT systems that do not generate information forming part of the accounting records or [Financial Statements](#); and
- (c) Implementing “off-the-shelf” accounting or financial information reporting software that was not developed by the [Firm](#) or [Network Firm](#), if the customisation required to meet the client’s needs is not significant.

606.4 A3 Factors that are relevant in identifying a self-review threat created by providing an IT systems service to an [Audit Client](#), and evaluating the level of such a threat include:

- The nature of the service.
- The nature of the client’s IT systems and the extent to which the IT systems service impacts or interacts with the client’s accounting records, internal controls over financial reporting or [Financial Statements](#).

- The degree of reliance that will be placed on the particular IT systems as part of the audit.

When a self-review threat for an **Audit Client** that is a **Public Interest Entity** has been identified, paragraph R606.6 applies.

Audit Clients that are Not Public Interest Entities

606.5 A1 An example of an action that might be a safeguard to address a self-review threat created by the provision of an IT systems service to an **Audit Client** that is not a **Public Interest Entity** is using professionals who are not **Audit Team** members to perform the service.

Audit Clients that are Public Interest Entities

R606.6 A Firm or a Network Firm shall not provide IT systems services to an Audit Client that is a Public Interest Entity if the provision of such services might create a self-review threat. (Ref: Para. R600.14 and R600.16).

606.6 A1 Examples of services that are prohibited because they give rise to a self-review threat include those involving designing or implementing IT systems that:

- (a) Form part of the internal control over financial reporting; or
- (b) Generate information for the client's accounting records or **Financial Statements on which the Firm will express an Opinion**.

SUBSECTION 607 – LITIGATION SUPPORT SERVICES

Introduction

607.1 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to 600.27 A1 are relevant to applying the conceptual framework when providing a litigation support service to an **Audit Client**.

Requirements and Application Material

Description of Service

607.2 A1 Litigation support services might include activities such as:

- Assisting with document management and retrieval.
- Acting as a witness, including an expert witness.
- Calculating estimated damages or other amounts that might become receivable or payable as the result of litigation or other legal dispute.
- Forensic or investigative services.

Potential Threats Arising from the Provision of Litigation Support Services

All Audit Clients

607.3 A1 Providing litigation support services to an **Audit Client** might create a self-review threat when there is a risk that the results of the services will affect the accounting records or the **Financial Statements on which the Firm will express an Opinion**. Such services might also create an advocacy threat.

607.4 A1 Factors that are relevant in identifying self-review or advocacy threats created by providing litigation support services to an **Audit Client**, and evaluating the level of such threats include:

- The legal and regulatory environment in which the service is provided.
- The nature and characteristics of the service.
- The extent to which the outcome of the litigation support service might involve estimating, or might affect the estimation of, damages or other amounts that might have a material effect on the **Financial Statements on which the Firm will express an Opinion**.

When a self-review threat for an **Audit Client** that is a **Public Interest Entity** has been identified, paragraph R607.6 applies.

607.4 A2 If a **Firm** or a **Network Firm** provides a litigation support service to an **Audit Client** and the service might involve estimating, or might affect the estimation of, damages or other amounts that affect the **Financial Statements on which the Firm will express an Opinion**, the requirements and application material set out in Subsection 603 related to valuation services apply.

Audit Clients that are Not Public Interest Entities

607.5 A1 An example of an action that might be a safeguard to address a self-review or advocacy threat created by providing a litigation support service to an **Audit Client** that is not a **Public Interest Entity** is using a professional who was not an **Audit Team** member to perform the service.

Audit Clients that are Public Interest Entities

Self-review Threats

R607.6 A **Firm** or a **Network Firm** shall not provide litigation support services to an **Audit Client** that is a **Public Interest Entity** if the provision of such services might create a self-review threat. (Ref: Para. R600.14 and R600.16).

607.6 A1 An example of a service that is prohibited because it might create a self-review threat is providing advice in connection with a legal proceeding where there is a risk that the outcome of the service affects the quantification of any provision or other amount in the **Financial Statements on which the Firm will express an Opinion**.

Advocacy Threats

607.6 A2 An example of an action that might be a safeguard to address an advocacy threat created by providing a litigation support service to an **Audit Client** that is a **Public Interest Entity** is using a professional who was not an **Audit Team** member to perform the service.

Acting as a Witness

All Audit Clients

- 607.7 A1 A professional within the **Firm** or the **Network Firm** might give evidence to a tribunal or court as a witness of fact or as an expert witness.
- (a) A witness of fact is an individual who gives evidence to a tribunal or court based on his or her direct knowledge of facts or events.
 - (b) An expert witness is an individual who gives evidence, including opinions on matters, to a tribunal or court based on that individual's expertise.
- 607.7 A2 A threat to **Independence** is not created when an individual, in relation to a matter that involves an **Audit Client**, acts as a witness of fact and in the course of doing so provides an opinion within the individual's area of expertise in response to a question asked in the course of giving factual evidence.
- 607.7 A3 The advocacy threat created when acting as an expert witness on behalf of an **Audit Client** is at an **Acceptable Level** if a **Firm** or a **Network Firm** is:
- (a) Appointed by a tribunal or court to act as an expert witness in a matter involving a client; or
 - (b) Engaged to advise or act as an expert witness in relation to a class action (or an equivalent group representative action) provided that:
 - (i) The **Firm's Audit Clients** constitute less than 20% of the members of the class or group (in number and in value);
 - (ii) No **Audit Client** is designated to lead the class or group; and
 - (iii) No **Audit Client** is authorised by the class or group to determine the nature and scope of the services to be provided by the **Firm** or the terms on which such services are to be provided.

Audit Clients that are Not Public Interest Entities

- 607.8 A1 An example of an action that might be a safeguard to address an advocacy threat for an **Audit Client** that is not a **Public Interest Entity** is using a professional to perform the service who is not, and has not been, an **Audit Team** member.

Audit Clients that are Public Interest Entities

- R607.9** A **Firm** or a **Network Firm**, or an individual within a **Firm** or a **Network Firm**, shall not act for an **Audit Client** that is a **Public Interest Entity** as an expert witness in a matter unless the circumstances set out in paragraph 607.7 A3 apply.

SUBSECTION 608 – LEGAL SERVICES

Introduction

- 608.1 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to 600.27 A1 are relevant to applying the conceptual framework when providing a legal service to an **Audit Client**.

Requirements and Application Material

Description of Service

608.2 A1 Legal services are defined as any services for which the individual providing the services must either:

- (a) Have the required legal training to practice law; or
- (b) Be admitted to practice law before the courts of the jurisdiction in which such services are to be provided.

608.2 A2 This subsection deals specifically with:

- Providing legal advice.
- Acting as general counsel.
- Acting in an advocacy role.

Potential Threats Arising from Providing Legal Services

All Audit Clients

608.3 A1 Providing legal services to an [Audit Client](#) might create a self-review threat when there is a risk that the results of the services will affect the accounting records or the [Financial Statements on which the Firm will express an Opinion](#). Such services might also create an advocacy threat.

A. Providing Legal Advice

Description of Service

608.4 A1 Depending on the jurisdiction, providing legal advice might include a wide and diversified range of service areas including both corporate and commercial services to [Audit Clients](#), such as:

- Contract support.
- Supporting an [Audit Client](#) in executing a transaction.
- Mergers and acquisitions.
- Supporting and assisting an [Audit Client's](#) internal legal department.
- Legal due diligence and restructuring.

Potential Threats Arising from Providing Legal Advice

All Audit Clients

608.5 A1 Factors that are relevant in identifying self-review or advocacy threats created by providing legal advice to an [Audit Client](#), and evaluating the level of such threats include:

- The materiality of the specific matter in relation to the client's [Financial Statements](#).
- The complexity of the legal matter and the degree of judgement necessary to provide the service.

When a self-review threat for an [Audit Client](#) that is a [Public Interest Entity](#) has been identified, paragraph R608.7 applies.

- 608.5 A2 Examples of legal advice that might create a self-review threat include:
- Estimating a potential loss arising from a lawsuit for the purpose of recording a provision in the client's **Financial Statements**.
 - Interpreting provisions in contracts that might give rise to liabilities reflected in the client's **Financial Statements**.
- 608.5 A3 Negotiating on behalf of an **Audit Client** might create an advocacy threat or might result in the **Firm** or **Network Firm** assuming a management responsibility.

Audit Clients that are Not Public Interest Entities

- 608.6 A1 Examples of actions that might be safeguards to address self-review or advocacy threats created by providing legal advice to an **Audit Client** that is not a **Public Interest Entity** include:
- Using professionals who are not **Audit Team** members to perform the service might address a self-review or advocacy threat.
 - Having an appropriate reviewer who was not involved in providing the service review the audit work or the service performed might address a self-review threat.

Audit Clients that are Public Interest Entities

Self-review Threats

- R608.7** A **Firm** or a **Network Firm** shall not provide legal advice to an **Audit Client** that is a **Public Interest Entity** if the provision of such a service might create a self-review threat. (Ref: Para. R600.14 and R600.16).

Advocacy Threats

- 608.8 A1 The considerations in paragraphs 608.5 A1 and 608.5 A3 to 608.6 A1 are also relevant to evaluating and addressing advocacy threats that might be created by providing legal advice to an **Audit Client** that is a **Public Interest Entity**.

B. Acting as General Counsel

All Audit Clients

- R608.9** A partner or employee of the **Firm** or the **Network Firm** shall not serve as general counsel of an **Audit Client**.
- 608.9 A1 The position of general counsel is usually a senior management position with broad responsibility for the legal affairs of a company.

C. Acting in an Advocacy Role

Potential Threats Arising from Acting in an Advocacy Role Before a Tribunal or Court

Audit Clients that are Not Public Interest Entities

R608.10 A Firm or a Network Firm shall not act in an advocacy role for an Audit Client that is not a Public Interest Entity in resolving a dispute or litigation before a tribunal or court when the amounts involved are material to the Financial Statements on which the Firm will express an Opinion.

608.10 A1 Examples of actions that might be safeguards to address a self-review or advocacy threat created when acting in an advocacy role for an Audit Client that is not a Public Interest Entity include:

- Using professionals who are not Audit Team members to perform the service.
- Having an appropriate reviewer who was not involved in providing the service review the audit work or the service performed.

Audit Clients that are Public Interest Entities

R608.11 A Firm or a Network Firm shall not act in an advocacy role for an Audit Client that is a Public Interest Entity in resolving a dispute or litigation before a tribunal or court.

SUBSECTION 609 – RECRUITING SERVICES

Introduction

609.1 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to 600.27 A1 are relevant to applying the conceptual framework when providing a recruiting service to an Audit Client.

Requirements and Application Material

Description of Service

609.2 A1 Recruiting services might include activities such as:

- Developing a job description.
- Developing a process for identifying and selecting potential candidates.
- Searching for or seeking out candidates.
- Screening potential candidates for the role by:
 - Reviewing the professional qualifications or competence of applicants and determining their suitability for the position.
 - Undertaking reference checks of prospective candidates.
 - Interviewing and selecting suitable candidates and advising on candidates' competence.
- Determining employment terms and negotiating details, such as salary, hours and other compensation.

Risk of Assuming Management Responsibility When Providing a Recruiting Service

R609.3 Paragraph R400.13 precludes a **Firm** or a **Network Firm** from assuming a management responsibility. When providing a recruiting service to an **Audit Client**, the **Firm** shall be satisfied that:

- (a) The client assigns the responsibility to make all management decisions with respect to hiring the candidate for the position to a competent employee, preferably within senior management; and
- (b) The client makes all management decisions with respect to the hiring process, including:
 - Determining the suitability of prospective candidates and selecting suitable candidates for the position.
 - Determining employment terms and negotiating details, such as salary, hours and other compensation.

Potential Threats Arising from Providing Recruiting Services

All Audit Clients

609.4 A1 Providing recruiting services to an **Audit Client** might create a self-interest, familiarity, or intimidation threat.

609.4 A2 Providing the following services does not usually create a threat as long as individuals within the **Firm** or the **Network Firm** do not assume a management responsibility:

- Reviewing the professional qualifications of a number of applicants and providing advice on their suitability for the position.
- Interviewing candidates and advising on a candidate's competence for financial accounting, administrative or control positions.

609.4 A3 Factors that are relevant in identifying self-interest, familiarity or intimidation threats created by providing recruiting services to an **Audit Client**, and evaluating the level of such threats include:

- The nature of the requested assistance.
- The role of the individual to be recruited.
- Any conflicts of interest or relationships that might exist between the candidates and the **Firm** providing the advice or service.

609.4 A4 An example of an action that might be a safeguard to address such a self-interest, familiarity or intimidation threat is using professionals who are not **Audit Team** members to perform the service.

Recruiting Services that are Prohibited

R609.5 When providing recruiting services to an **Audit Client**, the **Firm** or the **Network Firm** shall not act as a negotiator on the client's behalf.

R609.6 A **Firm** or a **Network Firm** shall not provide a recruiting service to an **Audit Client** if the service relates to:

- (a) Searching for or seeking out candidates;

- (b) Undertaking reference checks of prospective candidates;
- (c) Recommending the person to be appointed; or
- (d) Advising on the terms of employment, remuneration or related benefits of a particular candidate,

with respect to the following positions:

- (i) A **Director** or **Officer** of the entity; or
- (ii) A member of senior management in a position to exert significant influence over the preparation of the client's accounting records or the **Financial Statements on which the Firm will express an Opinion**.

SUBSECTION 610 – CORPORATE FINANCE SERVICES

Introduction

610.1 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to 600.27 A1 are relevant to applying the conceptual framework when providing a corporate finance service to an **Audit Client**.

Requirements and Application Material

Description of Service

610.2 A1 Examples of corporate finance services include:

- Assisting an **Audit Client** in developing corporate strategies.
- Identifying possible targets for the **Audit Client** to acquire.
- Advising on the potential purchase or disposal price of an asset.
- Assisting in finance raising transactions.
- Providing structuring advice.
- Providing advice on the structuring of a corporate finance transaction or on financing arrangements.

Potential Threats Arising from the Provision of Corporate Finance Services

All Audit Clients

610.3 A1 Providing corporate finance services to an **Audit Client** might create a self-review threat when there is a risk that the results of the services will affect the accounting records or the **Financial Statements on which the Firm will express an Opinion**. Such services might also create an advocacy threat.

610.4 A1 Factors that are relevant in identifying self-review or advocacy threats created by providing corporate finance services to an **Audit Client**, and evaluating the level of such threats include:

- The degree of subjectivity involved in determining the appropriate treatment for the outcome or consequences of the corporate finance advice in the **Financial Statements**.

- The extent to which:
 - The outcome of the corporate finance advice will directly affect amounts recorded in the [Financial Statements](#).
 - The outcome of the corporate finance service might have a material effect on the [Financial Statements](#).

When a self-review threat for an [Audit Client](#) that is a [Public Interest Entity](#) has been identified, paragraph R610.8 applies.

Corporate Finance Services that are Prohibited

R610.5 A [Firm](#) or a [Network Firm](#) shall not provide corporate finance services that involve promoting, dealing in, or underwriting the shares, debt or other financial instruments issued by the [Audit Client](#) or providing advice on investment in such shares, debt or other financial instruments.

R610.6 A [Firm](#) or a [Network Firm](#) shall not provide advice in relation to corporate finance services to an [Audit Client](#) where:

- (a) The effectiveness of such advice depends on a particular accounting treatment or presentation in the [Financial Statements on which the Firm will express an Opinion](#); and
- (b) The [Audit Team](#) has doubt as to the appropriateness of the related accounting treatment or presentation under the relevant financial reporting framework.

Audit Clients that are Not Public Interest Entities

610.7 A1 Examples of actions that might be safeguards to address self-review or advocacy threats created by providing corporate finance services to an [Audit Client](#) that is not a [Public Interest Entity](#) include:

- Using professionals who are not [Audit Team](#) members to perform the service might address self-review or advocacy threats.
- Having an appropriate reviewer who was not involved in providing the service review the audit work or service performed might address a self-review threat.

Audit Clients that are Public Interest Entities

Self-review Threats

R610.8 A [Firm](#) or a [Network Firm](#) shall not provide corporate finance services to an [Audit Client](#) that is a [Public Interest Entity](#) if the provision of such services might create a self-review threat. (Ref: Para. R600.14 and R600.16).

Advocacy Threats

610.8 A1 An example of an action that might be a safeguard to address advocacy threats created by providing corporate finance services to an [Audit Client](#) that is a [Public Interest Entity](#) is using professionals who are not [Audit Team](#) members to perform the service.

PART 4B – INDEPENDENCE FOR ASSURANCE ENGAGEMENTS OTHER THAN AUDIT AND REVIEW ENGAGEMENTS

SECTION 900

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

Introduction

[Paragraphs 900.1 to 900.10 of extant Section 900 remain unchanged.]

Requirements and Application Material

General

[Paragraphs R900.11 to AUST R900.12.1 of extant Section 900 remain unchanged.]

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.

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.

900.13 A2 When a Firm assumes a management responsibility related to the **Underlying Subject Matter** and, in an **Attestation Engagement**, the **Subject Matter Information** of an **Assurance Engagement**, self-review, self-interest and familiarity threats are created. Assuming a management responsibility might create an advocacy threat because the Firm becomes too closely aligned with the views and interests of management.

900.13 A3 Determining whether an activity is a management responsibility depends on the circumstances and requires the exercise of professional judgement. 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.
- Authorising 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 a management responsibility.

R900.14 When performing a **Professional Activity** for an **Assurance Client** that is 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 judgements and decisions that are the proper responsibility of management. This includes ensuring that the client's management:

- (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 900.13 A1 to R900.15 of extant Section 900 remain unchanged but renumbered as paragraphs 900.14 A1 to R900.16.]

[Paragraphs 900.17 to 900.29 are intentionally left blank]

Period During which Independence is Required

[Paragraphs R900.30 to R900.32 of extant Section 900 remain unchanged.]

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 or non-assurance work as appropriate.

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:

- (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 the party engaging the Firm or Those Charged with Governance of the Assurance Client.

Communication with Those Charged With Governance

900.34 A1 Paragraphs R300.9 to 300.9 A2 set out requirements and application material that is relevant to communications with a party engaging the Firm or Those Charged with Governance of the Assurance Client.

900.34 A2 Communication with a party engaging the Firm or Those Charged with Governance of the Assurance Client might be appropriate when significant judgements 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.

[Paragraphs 900.35 to 900.39 are intentionally left blank]

General Documentation of Independence for Assurance Engagements

[Paragraphs R900.40 to 900.40 A1 of extant Section 900 remain unchanged.]

[Paragraphs 900.41 to 900.49 are intentionally left blank]

Breach of Independence Provision for Assurance Engagements

[Paragraphs R900.50 to R900.55 of extant Section 900 remain unchanged.]

SECTION 950

PROVISION OF NON-ASSURANCE SERVICES TO ASSURANCE CLIENTS

Introduction

[Paragraph 950.1 of extant Section 950 remains unchanged.]

- 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**.
- 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**.
- 950.4 New business practices, the evolution of financial markets and changes in technology are some developments that make it impossible to draw up an all-inclusive list of non-assurance services that **Firms** might provide to an **Assurance Client**. The conceptual framework and the general provisions in this section apply when a **Firm** proposes to a client to provide a non-assurance service for which there are no specific requirements and application material.

Requirements and Application Material

General

[Paragraph R950.3 of extant Section 950 has been amended and relocated to paragraph R950.6]

Risk of Assuming Management Responsibilities When Providing a Non-Assurance Service

- 950.5 A1 When a **Firm** provides a non-assurance service to an **Assurance Client**, there is a risk that a **Firm** will assume a management responsibility in relation to the **Underlying Subject Matter** and, in an **Attestation Engagement**, the **Subject Matter Information** of the **Assurance Engagement** unless the **Firm** is satisfied that the requirements in paragraphs R900.13 and R900.14 have been complied with.

Accepting an Engagement to Provide a Non-Assurance Service

- R950.6** 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.

[Paragraphs 950.3 A1 and 950.3 A2 of extant Section 950 have been deleted.]

Identifying and Evaluating Threats

- 950.7 A1 A description of the categories of threats that might arise when a **Firm** provides a non-assurance service to an **Assurance Client** is set out in paragraph 120.6 A3.

950.7 A2 Factors that are relevant in identifying and evaluating the different threats that might be created by providing a non-assurance service to an [Assurance Client](#) include:

- The nature, scope, intended use and purpose of the service.
- The manner in which the service will be provided, such as the personnel to be involved and their location.
- 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.
- 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 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](#) determines significant matters of judgement. (Ref: Para. R900.13 to R900.14).
- The degree of reliance that will be placed on the outcome of the service as part of the [Assurance Engagement](#).
- The fee relating to the provision of the non-assurance service.

Materiality in Relation to an Assurance Client's Information

950.8 A1 Materiality is a factor that is relevant in evaluating threats created by providing a non-assurance service to an [Assurance Client](#). The concept of materiality in relation to an [Assurance Client's Subject Matter Information](#) is addressed in *Standard on Assurance Engagements (ASAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. The determination of materiality involves the exercise of professional judgement and is impacted by both quantitative and qualitative factors. It is also affected by perceptions of the financial or other information needs of users.

Multiple Non-Assurance Services Provided to the Same Assurance Client

[Paragraph 950.4 A3 of extant Section 950 remains unchanged but renumbered as paragraph 950.9 A1.]

Self-Review Threats

[Paragraph 950.8 A1 of extant Section 950 remains unchanged but relocated and renumbered as paragraph 950.10 A1.]

Assurance Clients that are Public Interest Entities

950.11 A1 Expectations about a [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:

- (a) Made available publicly, including to shareholders and other stakeholders; or

- (b) Provided to an entity or organisation established by law or regulation to oversee the operation of a business sector or activity.

Consideration of these expectations forms part of the reasonable and informed third party test applied when determining whether to provide a non-assurance service to an **Assurance Client**.

950.11 A2 If a self-review threat exists in relation to an engagement undertaken in the circumstances described in paragraph 950.11 A1 (b), the **Firm** is encouraged to disclose the existence of that self-review threat and the steps taken to address it to the party engaging the **Firm** or **Those Charged with Governance** of the **Assurance Client** and to the entity or organisation established by law or regulation to oversee the operation of a business sector or activity to which the results of the engagement will be provided.

Addressing Threats

950.12 A1 Paragraphs R120.10 to 120.10 A2 include a requirement and application material that are relevant when addressing threats to **Independence**, including a description of safeguards.

950.12 A2 Threats to **Independence** created by providing a non-assurance service or multiple services to an **Assurance Client** vary depending on facts and circumstances of the **Assurance Engagement** and the nature of the service. Such threats might be addressed by applying safeguards or by adjusting the scope of the proposed service.

950.12 A3 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 who was not involved in providing the service review the assurance work or service performed.

950.12 A4 Safeguards might not be available to reduce the threat created by providing a non-assurance service to an **Assurance Client** to an **Acceptable Level**. In such a situation, the application of the conceptual framework requires the **Firm** to:

- (a) Adjust the scope of the proposed service to eliminate the circumstances that are creating the threat;
- (b) Decline or end the service that creates the threat that cannot be eliminated or reduced to an **Acceptable Level**; or
- (c) End the **Assurance Engagement**.

[Paragraphs R950.6 to R950.7 of extant Section 950 have been deleted from Section 950 and relocated to paragraphs R900.13 to R900.14 in Section 900.]

OTHER CONSEQUENTIAL AND CONFORMING AMENDMENTS

SECTION 525

TEMPORARY PERSONNEL ASSIGNMENTS

Introduction

[Paragraphs 525.1 to 525.2 of extant Section 525 remain unchanged.]

Requirements and Application Material

General

[Paragraphs 525.3 A1 to 525.3 A2 of extant Section 525 remain unchanged.]

- R525.4** A **Firm** or a **Network Firm** shall not loan personnel to an **Audit Client** unless the **Firm** or **Network Firm** is satisfied that:
- (a) Such assistance is provided only for a short period of time;
 - (b) Such personnel will not assume management responsibilities and the **Audit Client** will be responsible for directing and supervising the activities of such personnel;
 - (c) Any threat to the **Independence** of the **Firm** or **Network Firm** arising from the **Professional Services** undertaken by such personnel is eliminated or safeguards are applied to reduce such threat to an **Acceptable Level**; and
 - (d) Such personnel will not undertake or be involved in **Professional Services** that the **Firm** or **Network Firm** is prohibited from performing by the **Code**.

OTHER EDITORIAL AMENDMENTS

SECTION 360

RESPONDING TO NON-COMPLIANCE WITH LAWS AND REGULATIONS

Introduction

[Paragraphs 360.1 to 360.4 of extant Section 360 remain unchanged.]

Requirements and Application Material

General

[Paragraphs 360.5 A1 to 360.7 A3 of extant Section 360 remain unchanged.]

Responsibilities of Management and Those Charged with Governance

[Paragraph 360.8 A1 of extant Section 360 remains unchanged.]

Responsibilities of All Members in Public Practice

[Paragraph R360.9 of extant Section 360 remains unchanged.]

Audits of Financial Statements

Obtaining an Understanding of the Matter

[Paragraphs R360.10 to R360.12 of extant Section 360 remain unchanged.]

Addressing the Matter

[Paragraphs R360.13 to 360.18 A1 of extant Section 360 remain unchanged.]

Determining Whether Further Action is Needed

[Paragraphs R360.19 to R360.21 of extant Section 360 remain unchanged.]

360.21 A1 Further action that the [Member in Public Practice](#) might take includes:

- Disclosing the matter to an appropriate authority even when there is no legal or regulatory requirement to do so.⁷
- Withdrawing from the engagement and the professional relationship where permitted by law or regulation.

[Paragraphs 360.21 A2 to 360.40 A1 of extant Section 360 remain unchanged.]

⁷ In Australia, whistleblower protection is addressed in the *Corporations Act 2001* and the *Taxation Administration Act 1953* (for the private sector) and in other legislation in place federally and in states and territories (for the public sector). All public companies, large proprietary companies, and public companies and proprietary companies that are trustees of registrable superannuation entities are required under legislation to have a whistleblower policy. Charities or not-for-profits structured as public companies limited by guarantee with annual (consolidated) revenue of \$1 million or more are also required to have a whistleblower policy.

SECTION 510

FINANCIAL INTERESTS

Introduction

[Paragraphs 510.1 to 510.2 of extant Section 510 remain unchanged.]

Requirements and Application Material

General

[Paragraphs 510.3 A1 to 510.3 A3 of extant Section 510 remain unchanged.]

Financial Interests Held by the Firm, a Network Firm, Audit Team Members and Others

[Paragraphs R510.4 to R510.5 of extant Section 510 remain unchanged.]

Financial Interests in an Entity Controlling an Audit Client

[Paragraph R510.6 of extant Section 510 remains unchanged.]

Financial Interests Held as Trustee

[Paragraph R510.7 of extant Section 510 remains unchanged.]

Financial Interests in Common with the Audit Client

[Paragraph R510.8 of extant Section 510 remains unchanged.]

Financial Interests Received Unintentionally

[Paragraph R510.9 of extant Section 510 remains unchanged.]

Financial Interests – Other Circumstances

Immediate Family

[Paragraphs 510.10 A1 to 510.10 A4 of extant Section 510 remain unchanged.]

Close Family

[Paragraphs 510.10 A5 to 510.10 A8 of extant Section 510 remain unchanged.]

Other Individuals

[Paragraphs 510.10 A9 to 510.10 A12 of extant Section 510 remain unchanged.]

Retirement Benefit Plan of a Firm or Network Firm

510.10 A13 A self-interest threat might be created if a retirement benefit plan of a **Firm** or a **Network Firm** holds a **Direct** or material **Indirect Financial Interest** in an **Audit Client**.¹⁸

¹⁸ Refer to s324CH(1) Items 10-12 of the *Corporations Act 2001* which prohibits this arrangement in respect of audits performed in accordance with the Act.

SECTION 540

LONG ASSOCIATION OF PERSONNEL (INCLUDING PARTNER ROTATION) WITH AN AUDIT CLIENT

Introduction

[Paragraphs 540.1 to 540.2 of extant Section 540 remain unchanged.]

Requirements and Application Material

All Audit Clients

[Paragraphs 540.3 A1 to R540.4 of extant Section 540 remain unchanged.]

Audit Clients that are Public Interest Entities

[Paragraphs R540.5 to R540.8 of extant Section 540 remain unchanged.]

R540.9 When a **Firm** has only a few people with the necessary knowledge and experience to serve as a **Key Audit Partner** on the audit of a **Public Interest Entity**, rotation of **Key Audit Partners** might not be possible. As an exception to paragraph R540.5, if an independent regulatory body³³ in the relevant jurisdiction has provided an exemption from partner rotation in such circumstances, an individual may remain a **Key Audit Partner** for more than seven years, in accordance with such exemption. This is provided that the independent regulatory body has specified other requirements which are to be applied, such as the length of time that the **Key Audit Partner** may be exempted from rotation or a regular independent external review.

[Paragraphs R540.10 to 540.21 A1 of extant Section 540 remain unchanged.]

33 Refer to s342A of the *Corporations Act 2001* which specifies that the Australian Securities and Investments Commission may grant extensions.

TRANSITIONAL PROVISIONS

[Paragraphs 1 to 6 of the transitional provisions in the extant Code and amending standards remain unchanged.]

Revisions to the Non-Assurance Services provisions of the Code.

7. Revised Section 600 and other amendments to Part 4A will be effective for audits and reviews of **Financial Statements** for periods beginning on or after 1 July 2023. The amendments to Sections 900 and 950 in relation to **Assurance Engagements** with respect to **Underlying Subject Matters** covering periods of time will be effective for periods beginning on or after 1 July 2023; otherwise, these amendments will be effective as of 1 July 2023.

Early adoption will be permitted.

For non-assurance services engagements a **Firm** or **Network Firm** has entered into with an **Audit Client**, or for non-assurance services engagements a **Firm** has entered into with an **Assurance Client**, before 1 July 2023 and for which work has already commenced, the **Firm** or **Network Firm** may continue such engagements under the extant provisions of the **Code** until completed in accordance with the original engagement terms.

CONFORMITY WITH INTERNATIONAL PRONOUNCEMENTS

APES 110 and the IESBA Code

APES 110 incorporates the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) issued by the International Ethics Standards Board for Accountants (IESBA) in April 2018 and incorporating amendments up to April 2022.

Compliance with the IESBA Code

- Subsection 604 of APES 110 mandates the documentation of factors considered and conclusions reached in determining that a tax service (including a tax advisory and tax planning service) provided by the **Firm** that performs the **Audit Engagement** is permissible (paragraphs AUST R604.4.1 and AUST R604.12.1) and provides guidance that the **Firm** will need a high level of confidence that the tax treatment has a basis in tax law that is likely to prevail (paragraphs AUST 604.4 A1.1 and AUST 604.12 A2.1).

[All other items on the extant list of compliance with the IESBA Code in the extant Code and amending standards remain unchanged.]