Part 5 - SUBSECTION 601 – ACCOUNTING AND BOOKKEEPING SUSTAINABILITY DATA AND INFORMATION SERVICES

Matters for Consideration

The Task Force discussed that the provision of accounting and bookkeeping services to a sustainability assurance client would only create a self-review threat if there is a risk that the results of the services affect the sustainability records or sustainability information, which would not occur frequently.

Therefore, the Task Force proposes that instead of accounting and bookkeeping services, subsection 601 in Part 5 focuses on the threats created by providing sustainability data and information services to a sustainability assurance client as those services might affect the sustainability information on which the firm expresses an opinion.

The provision of accounting and bookkeeping services to a sustainability assurance client will be addressed as one type of sustainability data and information services if they meet the criteria set out in subsection 601 below. (See paragraph 601.3 A1.)

Do the IESBA members agree with the proposed subsection on sustainability data and information 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 sustainability data and information services for the preparation or maintenance of sustainability data, records or information to an audit sustainability assurance client.

Requirements and Application Material

General

601.2 A1 Management is responsible for the preparation and fair presentation of the financial statements sustainability information in accordance with the applicable financial applicable sustainability reporting framework. These responsibilities include:

- Determining accounting sustainability reporting policies and the accounting reporting 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 or other matter included in the sustainability information. Examples include:
  - Purchase orders.
  - Payroll time records.
  - Customer orders.
- Originating or changing journal sustainability data entries or records.
- Determining or approving account sustainability information classifications of
Description of Service

601.3 A1 Accounting and bookkeeping sustainability data and information services comprise a broad range of services including:

- Preparing accounting sustainability data records or financial statements sustainability information that is reported.
- Recording transactions, events or other matters included in the sustainability information.
- Providing payroll services.
- Resolving account sustainability information reconciliation problems.
- Converting existing financial statements sustainability information from one financial sustainability reporting framework to another.
- Accounting and bookkeeping services that might affect the sustainability information on which the firm expresses an opinion.

Potential Threats Arising from the Provision of Accounting and Bookkeeping Sustainability Data and Information Services

All Audit Sustainability Assurance Clients

601.4 A1 Providing sustainability data and information accounting and bookkeeping services to an audit sustainability assurance client creates a self-review threat when there is a risk that the results of the services will affect the accounting sustainability data or information records or the financial statements sustainability information on which the firm will express an opinion.

Audit Sustainability Assurance Clients that are Not Public Interest Entities

R601.5 A firm or a network firm shall not provide to an audit sustainability assurance client that is not a public interest entity accounting and bookkeeping sustainability data and information services, including preparing financial statements sustainability information on which the firm will express an opinion or financial information which forms the basis of such financial statements sustainability information, 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 Sustainability data and information Accounting and bookkeeping services that are routine or mechanical:

(a) Involve information, data or material in relation to which the client has made any judgments or decisions that might be necessary; and
(b) Require little or no professional judgment.

601.5 A2 Accounting and bookkeeping sustainability data and information services can either be manual or automated. In determining whether an automated service is routine or mechanical, factors to be considered include the activities performed by, and the output of, the technology, and whether the technology provides an automated service that is based on or requires the expertise or judgment of the firm or network firm.
601.5 A3 Examples of services, whether manual or automated, 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 data 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 data coded by the client to the general ledger sustainability information records.
- Posting client-approved entries to the trial balance.
- Preparing financial statements sustainability information to be reported based on information in the client-approved trial balance records and preparing related notes based on client-approved records.

The firm or a network firm may provide such services to audit sustainability assurance clients that are not public interest entities provided that the firm or network firm complies with the requirements of paragraph R400.16 to ensure that it does not assume a management responsibility in connection with the service and with the requirement in paragraph R601.5 (b).

601.5 A3 Examples of actions that might be safeguards to address a self-review threat created when providing sustainability data and information accounting and bookkeeping services of a routine or mechanical nature to an audit sustainability assurance client that is not a public interest entity include:

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

Audit Sustainability Assurance Clients that are Public Interest Entities

R601.6 A firm or a network firm shall not provide sustainability data and information accounting and bookkeeping services to an audit sustainability assurance 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 sustainability information for a related entity of a public interest entity audit sustainability assurance client included in subparagraph (c) or (d) of the definition of a related entity provided that:

(a) The audit sustainability assurance report on the group financial statements sustainability information 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 sustainability information records underlying the statutory financial statements sustainability information of the
related entity and those financial statements that sustainability information is based on client approved information; and

(d) The statutory financial statements sustainability information of the related entity will not form the basis of future group financial statements sustainability information of that public interest entity.