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 Sustainability Assurance Clients
602.3 A1 Providing administrative services to an audit sustainability client does not usually create a threat when such services are clerical in nature and require little to no professional judgment.

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 sustainability assurance 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 sustainability assurance client with its tax reporting obligations or for tax planning purposes and the results
Potential Threats Arising from the Provision of Valuation Services

All Audit-Sustainability Assurance Clients

603.3 A1 Providing a valuation service to an audit client, sustainability assurance 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 records underlying the sustainability information or the sustainability information 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 sustainability assurance 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 judgment.
- 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 sustainability information.
- The extent of the disclosures related to the valuation in the financial statements sustainability information.
- The volatility of the amounts involved as a result of dependence on future events.

When a self-review threat for an audit sustainability assurance client that is a public interest entity has been identified, paragraph R603.5 applies.

Audit-Sustainability Assurance 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 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 might address self-review or advocacy threats.
- Having an appropriate reviewer who was not involved in providing the service review the audit sustainability assurance 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 sustainability assurance client that is not a public interest entity if:
(a) The valuation involves a significant degree of subjectivity; and
(b) The valuation will have a material effect on the financial statements—sustainability information 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 Sustainability Assurance 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 sustainability assurance client that is a public interest entity if the provision of such 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 sustainability assurance client that is a public interest entity is using professionals who are not audit sustainability assurance 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 sustainability assurance 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 categorize 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 sustainability assurance 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 records underlying the sustainability information or the sustainability information 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 sustainability assurance 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 judgment necessary in applying it.

All Audit Sustainability Assurance Clients

R604.4 A firm or a network firm shall not provide a tax service or recommend a transaction to an audit sustainability assurance client if the service or transaction relates to marketing, planning, or opining in favor of a tax treatment that was initially recommended, directly or indirectly, by the firm or network firm, and a significant purpose of the tax treatment or transaction is tax avoidance, 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 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.

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 standardized 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 sustainability assurance 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 Sustainability Assurance 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 or Sustainability Information

Description of Service

604.7 A1 Tax calculation services involves 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. In some cases those services might also affect the sustainability information of the client.

Potential Threats Arising from the Provision of Tax Calculation Services

All Audit Sustainability Assurance Clients

604.8 A1 Preparing tax calculations of current and deferred tax liabilities (or assets) for an audit sustainability assurance client for the purpose of preparing accounting entries that support such balances creates a self-review threat where the results of those calculations affect the sustainability information.

Audit Sustainability Assurance 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 sustainability assurance client is whether the calculation might have a material effect on the financial statements sustainability information on which the firm will express an opinion.

Examples of actions that might be safeguards to address such a self-review threat when the audit sustainability assurance client 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

R604.10 A firm or a network firm shall not prepare tax calculations of current and deferred tax liabilities (or assets) for an audit sustainability assurance client that is a public interest entity if the results of the services will affect the sustainability information on which the firm will express an opinion. (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 sustainability assurance 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 Sustainability Assurance Clients

604.12 A1 Providing tax advisory and tax planning services to an audit sustainability assurance 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 records underlying the sustainability information or the sustainability information 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.

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 sustainability assurance 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 sustainability information on which the firm will express an opinion.
- 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 sustainability information on which the firm will express an opinion.
- The extent to which the outcome of the tax advice might have a material effect on the financial statement sustainability information on which the firm will express an opinion.

When a self-review threat for an audit sustainability assurance 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 sustainability assurance client when:

(a) The effectiveness of the tax advice depends on a particular accounting treatment or presentation in the financial statements sustainability information on which the firm will express an opinion; and
(b) The audit sustainability assurance team has doubt as to the appropriateness of the related accounting treatment or presentation under the relevant financial reporting framework sustainability information reporting framework.

Audit Sustainability Assurance 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 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 might address self-review or advocacy threats.
- Having an appropriate reviewer, who was not involved in providing the service, review the
audit-sustainability assurance 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 Sustainability Assurance 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 sustainability assurance 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 sustainability assurance client that is a public interest entity include:

- Using professionals who are not audit sustainability assurance 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 reorganizations.
- Transfer pricing studies.
- Stock-based compensation arrangements.

**Potential Threats Arising from the Provision of Tax Services involving Valuations**

**All Audit-Sustainability Assurance Clients**

604.17 A1 Providing a valuation for tax purposes to an audit sustainability assurance 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 records underlying the sustainability information or the sustainability information 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 sustainability assurance 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 records underlying the sustainability information or the sustainability information on which the firm will express an opinion 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 records underlying the sustainability information or the sustainability information on which the firm will express an opinion 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 sustainability assurance 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 Sustainability Assurance 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 sustainability assurance client that is not a public interest entity where the result of the valuation only affects the accounting records or the financial statements records underlying the sustainability information or the sustainability information on which the firm will express an opinion, through accounting entries related to tax. This would not usually create threats if the effect on the financial statements-sustainability information 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-sustainability information, 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 sustainability assurance 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 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 might address self-review or advocacy threats.
- Having an appropriate reviewer who was not involved in providing the service review the audit sustainability assurance 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 Sustainability Assurance 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 sustainability assurance 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 sustainability assurance client that is a public interest entity include:

Using professionals who are not audit sustainability assurance 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 sustainability assurance 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 Sustainability Assurance Clients

604.21 A1 Providing assistance in the resolution of a tax dispute to an audit sustainability assurance 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, records underlying the sustainability information or the sustainability information 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 sustainability assurance 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, sustainability information 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 sustainability assurance client that is a public interest entity has been identified, paragraph R604.24 applies.

Audit Sustainability Assurance 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 sustainability assurance client that is not a public interest entity in the resolution of tax disputes include:

- Using professionals who are not audit sustainability assurance 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
sustainability assurance work or the service performed might address a self-review threat.

Audit Sustainability Assurance 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 sustainability assurance 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 sustainability assurance client that is a public interest entity is using professionals who are not audit or sustainability assurance team members to perform the service.

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

Audit Sustainability Assurance 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 sustainability assurance client that is not a public interest entity if:

(a) The services involve acting as an advocate for the audit sustainability assurance client before a tribunal or court in the resolution of a tax matter; and

(b) The amounts involved are material to the financial statements sustainability information on which the firm will express an opinion.

Audit Sustainability Assurance 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 sustainability assurance client that is a public interest entity if the services involve acting as an advocate for the audit sustainability assurance client before a tribunal or court.

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 analyzing the tax issues related to the matter.

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 sustainability assurance client.

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-sustainability assurance 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 relevant to sustainability by:
  - Reviewing the means used to identify, measure, classify and report that 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 relevant to sustainability 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 assurance of sustainability information.

Risk of Assuming Management Responsibility When Providing an Internal Audit Service

R605.3 Paragraph R400.15 precludes a firm or a network firm from assuming a management responsibility. When providing an internal audit service to an audit-sustainability assurance client, the firm shall be satisfied that:

- The client designates an appropriate and competent resource, who reports to those charged with governance to:
  - Be responsible at all times for internal audit activities; and
  - Acknowledge responsibility for designing, implementing, monitoring and maintaining internal control;
- The client reviews, assesses and approves the scope, risk and frequency of the internal audit services;
- The client evaluates the adequacy of the internal audit services and the findings resulting from their performance;
- The client evaluates and determines which recommendations resulting from internal audit services to implement and manages the implementation process; and
- 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
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 Sustainability Assurance Clients

605.4 A1 Providing internal audit services to an audit sustainability assurance 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 assurance of the sustainability information 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 sustainability assurance engagement, ISAs ISSA 5000 requires 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 sustainability assurance client, the results of those services might be used in conducting the external audit assurance of sustainability information. This might create a self-review threat because it is possible that the engagement sustainability assurance team will use the results of the internal audit service for purposes of the audit sustainability assurance engagement without:

(a) Appropriately evaluating those results; or

(b) Exercising the same level of professional skepticism 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 sustainability assurance 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 materiality of the related sustainability information.
- The risk of misstatement of the assertions related to that sustainability information.
• The degree of reliance that the engagement or sustainability assurance team will place on the work of the internal audit service.

When a self-review threat for an audit sustainability assurance client that is a public interest entity has been identified, paragraph R605.6 applies.

Audit Sustainability Assurance 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 sustainability assurance client that is not a public interest entity is using professionals who are not audit sustainability assurance team members to perform the service.

Audit Sustainability Assurance Clients that are Public Interest Entities

R605.6 A firm or a network firm shall not provide internal audit services to an audit sustainability assurance 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.

• The internal controls over sustainability reporting.

• Sustainability information systems that generate information for the client’s records underlying the sustainability information or the sustainability information on which the firm will express an opinion.

• Amounts or disclosures that relate to the financial statements sustainability information 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 sustainability assurance client.

Requirements and Application Material

Description of Service

606.2 A1 IT systems services comprise a broad range of services including:

• Designing or developing hardware or software IT systems.

• Implementing IT systems, including installation, configuration, interfacing, or customization.

• Operating, maintaining, monitoring, updating or upgrading IT systems.

• Collecting or storing data or managing (directly or indirectly) the hosting of data.
606.2 A2 The IT systems might:
(a) Aggregate source data;
(b) Form part of the internal control over financial-sustainability reporting; or
(c) Generate information that affects the accounting records or financial statements, sustainability information records or sustainability information reported, including related disclosures.

However, the IT systems might also involve matters that are unrelated to the audit sustainability assurance client’s accounting records or the internal control over financial reporting or financial statements records underlying the sustainability information or the internal control over sustainability reporting.

Risk of Assuming Management Responsibility When Providing an IT Systems Service

R606.3 Paragraph R400.15 precludes a firm or a network firm from assuming a management responsibility. When providing IT systems services to an audit sustainability assurance 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, through a competent individual (or individuals), preferably within senior management, makes all management decisions that are the proper responsibility of management with respect to the design, development, implementation, operation, maintenance, monitoring, updating or upgrading of the IT systems;
(c) The client evaluates the adequacy and results of the design, development, implementation, operation, maintenance, monitoring, updating or upgrading of the IT system; and
(d) The client is responsible for operating the IT system and for the data it generates and uses.

606.3 A1 Examples of IT systems services that result in the assumption of a management responsibility include where a firm or a network firm:
• Stores data or manages (directly or indirectly) the hosting of data on behalf of the audit sustainability assurance client. Such services include:
  ○ Acting as the only access to a financial or non-financial information system of the audit sustainability assurance client.
  ○ Taking custody of or storing the auditsustainability assurance client’s data or records such that the audit-sustainability assurance client’s data or records are otherwise incomplete.
  ○ Providing electronic security or back-up services, such as business continuity or a disaster recovery function, for the audit-sustainability assurance client’s data or records.
• Operates, maintains, or monitors the audit-sustainability assurance client’s IT systems, network or website.

606.3 A2 The collection, receipt, transmission and retention of data provided by an audit sustainability assurance client in the course of an audit sustainability assurance engagement or to enable
the provision of a permissible service to that client does not result in an assumption of management responsibility.

Potential Threats Arising from the Provision of IT Systems Services

**All Audit-Sustainability Assurance Clients**

606.4 A1 Providing IT systems services to an audit-sustainability assurance 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-assurance of the sustainability information on which the firm will express an opinion.

606.4 A2 Factors that are relevant in identifying a self-review threat created by providing an IT systems service to an audit-sustainability assurance 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-sustainability information records, internal controls over financial-sustainability reporting or financial statements-sustainability information on which the firm will express an opinion.
- The degree of reliance that will be placed on the particular IT systems as part of the audit-sustainability assurance engagement.

When a self-review threat for an audit-sustainability assurance client that is a public interest entity has been identified, paragraph R606.6 applies.

606.4 A3 Examples of IT systems services that create a self-review threat when they form part of or affect an audit-sustainability assurance client’s accounting-sustainability information records or system of internal control over financial-sustainability reporting include:

- Designing, developing, implementing, operating, maintaining, monitoring, updating or upgrading IT systems, including those related to cybersecurity.
- Supporting an audit-sustainability assurance client’s IT systems, including network and software applications.
- Implementing sustainability information management systems or sustainability-accounting or financial information reporting software, whether or not it was developed by the firm or a network firm.

**Audit-Sustainability Assurance 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-sustainability assurance client that is not a public interest entity is using professionals who are not audit-sustainability assurance team members to perform the service.

**Audit-Sustainability Assurance Clients that are Public Interest Entities**

R606.6 A firm or a network firm shall not provide IT systems services to an audit-sustainability assurance 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).
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 sustainability assurance 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 Sustainability Assurance Clients

607.3 A1 Providing litigation support services to an audit sustainability assurance 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 records underlying the sustainability information or the sustainability information 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 sustainability assurance 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 sustainability information on which the firm will express an opinion.

When a self-review threat for an audit sustainability assurance 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 sustainability assurance client and the service might involve estimating, or might affect the estimation of, damages or other amounts that affect the financial statements sustainability information on which the firm will express an opinion, the requirements and application material set out in Subsection 603 related to valuation services apply.

Audit Sustainability Assurance 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 sustainability assurance client
that is not a public interest entity is using a professional who was not an audit sustainability assurance team member to perform the service.

Audit Sustainability Assurance 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 sustainability assurance 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 sustainability information 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 sustainability assurance client that is a public interest entity is using a professional who was not an audit sustainability assurance team member to perform the service.

Acting as a Witness

All Audit Sustainability Assurance 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 sustainability assurance 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 sustainability assurance 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 sustainability assurance clients constitute less than 20% of the members of the class or group (in number and in value);

(ii) No audit sustainability assurance client is designated to lead the class or group; and

(iii) No audit sustainability assurance client is authorized 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 Sustainability Assurance Clients that are Not Public Interest Entities

606.8 A1 An example of an action that might be a safeguard to address an advocacy threat for an audit sustainability assurance 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 sustainability assurance team member.

Audit Sustainability Assurance 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 sustainability assurance 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 sustainability assurance 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 Sustainability Assurance Clients

608.3 A1 Providing legal services to an audit sustainability assurance 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, records underlying the sustainability information or the sustainability information 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 sustainability assurance clients, such as:

- Contract support.
- Supporting an audit sustainability assurance client in executing a transaction.
- Mergers and acquisitions.
- Supporting and assisting an audit sustainability assurance client’s internal legal department.
- Legal due diligence and restructuring.

Potential Threats Arising from Providing Legal Advice

All Audit Sustainability Assurance Clients

608.5 A1 Factors that are relevant in identifying self-review or advocacy threats created by providing legal advice to an audit sustainability assurance client, and evaluating the level of such threats include:

- The materiality of the specific matter in relation to the client’s financial statements sustainability information reported.
- The complexity of the legal matter and the degree of judgment necessary to provide the service.

When a self-review threat for an audit sustainability assurance 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 that will be disclosed in the sustainability information on which the firm will express an opinion.
- Interpreting provisions in contracts that might give rise to liabilities reflected in the client’s financial statements affect information disclosed in the sustainability information on which the firm will express an opinion.

608.5 A3 Negotiating on behalf of an audit sustainability assurance client might create an advocacy threat or might result in the firm or network firm assuming a management responsibility.

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

Audit Sustainability Assurance 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-sustainability assurance 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-sustainability assurance client that is a public interest entity.

B. Acting as General Counsel

All Audit-Sustainability Assurance Clients

R608.9 An engagement leader, partner, or employee of the firm or the network firm shall not serve as General Counsel of an audit-sustainability assurance 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-Sustainability Assurance 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-sustainability assurance 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—sustainability information 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-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 the service performed.

Audit-Sustainability Assurance Clients that are Public Interest Entities

R608.11 A firm or a network firm shall not act in an advocacy role for an audit-sustainability assurance 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 sustainability assurance 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 R400.15 precludes a firm or a network firm from assuming a management responsibility. When providing a recruiting service to an audit sustainability assurance 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 Sustainability Assurance Clients

609.4 A1 Providing recruiting services to an audit sustainability assurance 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 sustainability reporting, 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 sustainability assurance 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 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-sustainability assurance team members to perform the service.

Recruiting Services that are Prohibited

R609.5 When providing recruiting services to an audit-sustainability assurance 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-sustainability assurance 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 underlying the sustainability information or the sustainability information 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 sustainability assurance client.

Requirements and Application Material

Description of Service

610.2 Examples of corporate finance services include:

• Assisting an audit-sustainability assurance client in developing corporate strategies.
• Identifying possible targets for the audit-sustainability assurance 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-Sustainability Assurance Clients

610.3 A1 Providing corporate finance services to an audit-sustainability assurance 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 underlying the sustainability information or the sustainability information 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-sustainability assurance 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 sustainability information on which the firm will express an opinion.

• The extent to which:
  o The outcome of the corporate finance advice will directly affect amounts recorded in the financial statements sustainability information on which the firm will express an opinion.
  o The outcome of the corporate finance service might have a material effect on the financial statements sustainability information on which the firm will express an opinion.

When a self-review threat for an audit-sustainability assurance 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-sustainability assurance 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-sustainability assurance client where:

(a) The effectiveness of such advice depends on a particular accounting treatment method of measurement or presentation in the financial statements sustainability information on which the firm will express an opinion; and

(b) The audit-sustainability assurance team has doubt as to the appropriateness of the related accounting treatment method of measurement or presentation under the relevant financial or sustainability reporting framework.

Audit-Sustainability Assurance 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-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 might address self-review or advocacy threats.
• Having an appropriate reviewer who was not involved in providing the service review the audit-sustainability assurance work or service performed might address a self-review threat.

*Audit Sustainability Assurance 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 sustainability assurance 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 sustainability assurance client that is a public interest entity is using professionals who are not audit-sustainability assurance team members to perform the service.