Meeting: IESBA  
Meeting Location: New York  
Meeting Date: December 3-5, 2018

**Non-assurance Services (NAS)**

Objective  
1. To discuss issues and preliminary Task Force proposals related to the Non-assurance Services project.

Task Force  
2. Members:  
   - Richard Fleck, Chair and IESBA Deputy Chair  
   - David Clark, IESBA Technical Advisor  
   - Kim Gibson, IESBA Member  
   - Gary Hannaford, former IESBA Member  
   - Jens Poll, IESBA Member

Background  
3. Having duly considered the proposals presented and the advice from its Consultative Advisory Group (CAG), the IESBA approved a [Project Proposal](#) on the topic of NAS in September 2018. The objective of the NAS project is to ensure that all the NAS provisions in the Code are robust and of high quality for global application, thereby increasing confidence in the independence of audit firms. The project scope will encompass the International Independence Standards related to the provision of NAS to audit clients.

4. The NAS Project Proposal was informed by an analysis of the feedback on the Briefing Paper, [Non-Assurance Services – Exploring Issues to Determine a Way Forward](#) that was discussed at the four IESBA global roundtables. The IESBA also considered the input from the AG as well as preliminary benchmarking of key NAS provisions (see Agenda Items 9C and 9D to the September 2018 IESBA meeting).

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1. NAS in this paper refers to the term “non-assurance services” as used in the Code. In some jurisdictions the term “non-audit services” is used in referring to matters similar to those being considered under this project. For example, the term “non-audit services” is used in the UK to cover any service that does not form part of the audit engagement (i.e., both “non-assurance” and “assurance services” other than an audit). The terms “non-audit services” and “non-assurance services” are not defined terms in the Code.

2. The NAS roundtables were held in Washington DC, USA (June 11, 2018); Paris, France (June 15, 2018); Tokyo, Japan (July 12, 2018) and Melbourne, Australia (July 16, 2018).
5. The IESBA Project Timetable anticipates a September 2019 approval date for the NAS Exposure Draft. Agenda Item 10-A provides additional information about the project timeline and key milestones.

Activities since Last IESBA Discussion

6. The Task Force Chair presented an update on the topic to the Forum of Firms and the IFAC SMP Committee at their October meetings, which were held in New York and London respectively. The Task Force Chair will brief the Board on the outcome of those discussions.

7. The Task Force met once in person and once via teleconference to develop the agenda materials for this meeting.

Format for the Session

8. Agenda Item 10-A summarizes the various issues and the Task Force’s views and preliminary proposals. The Task Force undertook a full review of the NAS provisions in the Code to:

   • Determine which category of threat(s) is created by each type of NAS and to assess the likelihood of occurrence for such threat(s).
   • Form a preliminary view about which types of NAS should be prohibited in the Code, and whether the prohibition should:
     o Apply to PIEs or non-PIEs.
     o Be triggered by a “materiality threshold.”
     o Not apply in certain circumstances.

Appendices

9. The material in Appendices 1 and 2 of Agenda Item 10-A (slides 59-74) summarizes the Task Force’s current thinking based on its analysis of the current provisions in the Code. The material also takes into account the Task Force’s proposals and illustrates the effects of preliminary proposals that respond to specific NAS issues, including:

   • Whether having different NAS provisions for audit clients that are that are PIEs and non-PIEs remains appropriate;
   • Whether certain types of NAS should be prohibited in all circumstances by the Code (i.e., without a materiality qualifier);
   • Whether the Code should prohibit the provision of NAS to audit clients when self-review threats are created;
   • Whether to retain, clarify and/or replace the concept of materiality in the NAS provisions of the Code; and
   • Whether the Code should require firms and network firms to obtain pre-approval from TCWG in order to provide NAS to audit clients that are PIEs.

10. The outcome of the Task Force’s analysis helped in the development of preliminary proposals and recommendations, including proposed decisions trees to clarify how firms should determine whether it would be permissible to provide NAS to (i) audit clients that are PIEs, and (ii) audit clients that are non-PIEs.
11. The Appendices are provided for information purposes only. Comments and suggestions are welcome via email and will inform the Task Force’s future deliberations and conclusions. Appendix 1 includes the summary for audit clients that are PIEs, and Appendix 2 includes the summary for audit clients that are non-PIEs.

Proposed Decisions Trees

12. The proposed decisions trees are set out in slides 44 and 45 of Agenda Item 10-A. The Task Force welcomes views about whether Board Members find the proposed decision trees helpful and appropriate for inclusion in the Code.

Matters for Consideration

13. During the meeting, IESBA members will be asked for their views about the various NAS issues presented and on the Task Force’s views and preliminary proposals, in particular, the proposed decisions trees that should apply to (i) audit clients that are PIEs, and (ii) audit clients that are non-PIEs (see slides 44 and 45 of Agenda Item 10-A).

14. The Task Force welcomes input on its approach, analysis and proposals in advance of the meeting. Please email them to SzilviaSramko@ethicsboard.org.

Coordination with the Fees Working Group

15. The Task Force Chair and Staff have liaised with the Chair and Staff of the Fees Task Force as appropriate in progressing the work on this project.

Materials Presented

For Discussion

Agenda Item 10-A  NAS Issues and Task Force Proposals

For Reference [Only links are provided]

- NAS Issues Paper, Summary of Significant Matters Raised in Global Roundtables, Working Group Assessments and Proposals
- Approved NAS Project Proposal

Actions Requested

16. As noted above, IESBA members are asked to consider the various NAS issues as well as the Task Force’s analysis, views and preliminary proposals set out in Agenda Item 10-A and respond to the Matters for IESBA Consideration at slides 21, 46 and 52.