

**Non-Assurance Services****Introduction**

1. Surveys requesting information concerning national ethical requirements pertaining to non-assurance services (NAS) were sent to 26 jurisdictions in March 2013. Twenty-four responses have been received. See Appendix 1 for a list of the jurisdictions and responses received. See Agenda Item 5-B for a copy of the survey sent.
2. The survey requested information encompassing both public interest entities (PIEs) and non-PIEs. The analysis of the information received was considered by the Task Force and used as the basis for the Task Force's recommendations to the Board.
3. The survey included inquiries concerning NAS, specifically whether national ethical requirements are more restrictive than the provisions in the IESBA *Code of Ethics for Professional Accountants* (the Code). Overall, it was noted that most jurisdictions have similar provisions. However, where more restrictive provisions were noted, it was mostly due to local laws and regulations concerning certain NAS. The Task Force examined the areas where national ethical requirements were more restrictive and the reasons thereto in consideration of providing a recommendation to the Board.

**Regulatory and Other Feedback on NAS****European Commission's (EC) Proposed Regulation on Statutory Audits**

4. With regard to recent developments in Europe, it should be noted that on April 25, 2013, the Committee on Legal Affairs (JURI) in the European Parliament voted on the auditing proposals in the European Parliament. The major modifications made relating to NAS in the EC Proposed Regulation on Statutory Audits as follows:

*Article 9: Audit fees*

- The limitation introduced by the EC of provision of NAS to 10% of the total audit fees received from statutory audit has been removed.

*Article 10: Prohibition of the Provision of Non-Audit Services*

- The concept of pure audit firms (reference is made to Article 10, paragraph 5, of the EC proposed Regulation), has been removed.
- The adopted list of prohibited NAS is comparable to the Code's, in some aspects more demanding, especially on the prohibition of 'services related to the internal audit function'. Competent authorities can add further services to the list.
- A new article 10(a) has been added requesting audit committee approval of NAS, according to a policy prepared by the audit committee.
- This audit committee policy should include considerations with regard to the nature of the NAS and the extent to which they are to be subject to an open and transparent tendering procedure designed by the audit committee, and the delegation of authority for certain levels of approval. The policy will need to be communicated to the competent authority and will be reviewed on an annual basis by the audit committee.

#### *Article 22: Audit Report*

- Reporting of a list of NAS provided by the statutory auditor – specifically, the auditor should ‘indicate the assurance services, tax advisory services and other non-audit services referred to in Article 10(2) provided to the audited public-interest entity, as approved by the audit committee.’
5. This vote does not represent a final decision on the audit proposals. The next step will be to reach an agreement in Parliament and the member states. A final decision is not expected before the end of the third quarter of this year.

#### **IOSCO Committee 1**

6. On May 2, 2013, IOSCO’s Committee on Issuer Accounting, Audit and Disclosure (Committee 1) sent a letter to the IESBA Chair providing comments on the IESBA’s 2014-2016 Strategic Review Survey. Within the letter were specific comments related to NAS as discussed further below. In general, Committee 1 commented that the IESBA should review the types of NAS that an auditor may provide to PIEs in the Code and reconsider whether the auditor’s performance of such services has an inappropriate influence on objectivity and independence. Committee 1 also stated in the letter that in order to improve the Code, the IESBA may consider the regulatory requirements of large jurisdictions, as Committee 1 believes that the Code appears to reflect a number of compromises to address perceived practical issues in some, particularly smaller, jurisdictions. The Task Force considered the comments of Committee 1 in its deliberations.

#### *Bookkeeping and Emergency Situations*

7. Committee 1 recommends that the IESBA should consider removing the exemption for providing accounting and bookkeeping services and preparation of tax calculations in emergency or other unusual situations. Committee 1 believes this exemption creates a self-review threat that undermines independence and is unnecessary given that there are a large number of accountants in most jurisdictions who can provide such services other than the auditor.

#### *Internal Audit Services*

8. Committee 1 recommends that the IESBA should further consider how external auditors use internal auditors as part of the external audit. Committee 1 believes the Code should prohibit the auditor from providing internal audit services where there is any self-review threat, not only when management functions are assumed. Specifically, Committee 1 recommends consideration should be given to prohibiting internal audit services despite the provisions in paragraph 290.198.<sup>1</sup>

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<sup>1</sup> Paragraph 290.198 states: “To avoid assuming a management responsibility, the firm shall only provide internal audit services to an audit client if it is satisfied that:

- (a) The client designates an appropriate and competent resource, preferably within senior management, to be responsible at all times for internal audit activities and to acknowledge responsibility for designing, implementing, and maintaining internal control;
- (b) The client’s management or those charged with governance reviews, assesses and approves the scope, risk and frequency of the internal audit services;
- (c) The client’s management evaluates the adequacy of the internal audit services and the findings resulting from their performance;

Committee 1 also believes further distinction is needed on what constitutes “internal audit” and other similar services (paragraph 290.195<sup>2</sup>) and such similar services should be treated in a similar manner.

### **Fédération des Experts Comptables Européens (FEE)**

9. In February 2013, FEE released a paper entitled “A Comparison of EC Recommendation on Statutory Auditor’s Independence in the EU and Statutory Audit Directive with the Independence Sections of the IESBA *Code of Ethics for Professional Accountants*” (Paper). This comparison focuses on the independence provisions that are required by the extant Statutory Audit Directive of May 17, 2006 (SAD) and the provisions recommended by the EC in its recommendation of May 16, 2002, *Statutory Auditor’s Independence in the European Union (EU): A Set of Fundamental Principles* (ECR).
10. The SAD does not contain any independence provisions with the exception of Article 22 (2) that requires Member States to ensure “that a statutory auditor or an audit firm shall not carry out a statutory audit if there is any...business...relationship or other relationship – including the provision of additional non-audit services – between the statutory auditor, audit firm or network and the audited entity from which an objective, reasonable and informed third party would conclude that the statutory auditor’s or audit firm’s independence is compromised.” The SAD also requires disclosure of NAS services to the audit committee of a PIE audit client.
11. The Paper compares certain NAS provisions of the ECR and the Code. In terms of preparing accounting records and financial statements, the Paper states that the two sets of provisions are similar. However, the ECR’s emergency bookkeeping provision does not require the emergency services to be performed by individuals who are not members of the audit team.
12. The Paper states that:
  - The Code is more restrictive in terms of the design and implementation of financial information technology systems in the case of PIE audit clients. This is because the Code provides “a clearer and more restrictive approach than the ECR as it prohibits ‘services involving the design or implementation of IT systems that (a) form a significant part of the

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(d) The client’s management evaluates and determines which recommendations resulting from internal audit services to implement and manages the implementation process; and

(e) The client’s management reports to those charged with governance the significant findings and recommendations resulting from the internal audit services.”

<sup>2</sup> Paragraph 290.195 states: “The scope and objectives of internal audit activities vary widely and depend on the size and structure of the entity and the requirements of management and those charged with governance. Internal audit activities may include:

- Monitoring of internal control – reviewing controls, monitoring their operation and recommending improvements thereto;
- Examination of financial and operating information – reviewing the means used to identify, measure, classify and report financial and operating information, and specific inquiry into individual items including detailed testing of transactions, balances and procedures;
- Review of the economy, efficiency and effectiveness of operating activities including non-financial activities of an entity; and
- Review of compliance with laws, regulations and other external requirements, and with management policies and directives and other internal requirements.”

internal control over financial reporting or (b) generate information that is significant to the client's accounting records or financial statements', without exception."

- The ECR prohibits the audit firm from providing valuation services if the service has a material effect on the financial statements and the valuation involves a significant degree of subjectivity. That is the same as the Code for non-PIEs. However, for PIEs, the Code is more restrictive because the only test for PIEs is materiality.
  - The Code is more restrictive in terms of acting for the audit client in the resolution of litigation in that the Code does not consider the degree of subjectivity inherent to the case as does the ECR.
  - The Code is more restrictive in terms of recruiting senior management in that the ECR only prohibits the statutory auditor from providing a short-list of candidates for key financial administrative posts. The Code contains further restrictions.
  - The ECR does not provide provisions for taxation services save for representation of an audit client in a tax dispute, nor does it provide provisions for legal services or corporate finance services.
13. In summarizing the Paper in a document entitled "Promoting Further Harmonization of European Auditor Independence Requirements," FEE states that "[t]he Study reveals that the IESBA Code is more robust with respect to audits of PIEs. It includes strict provisions for those non-audit services that are incompatible with the provision of audit services..."

## **Overall Approach to NAS**

14. The Task Force considered the state of NAS in the profession today and the overall approach of the Code concerning NAS. The Task Force agreed that there should be separate provisions concerning NAS for PIEs and non-PIEs. Less restrictive provisions for non-PIEs are beneficial due to the fact that some NAS can be performed by the auditor in a way that is efficient and cost effective, given the auditor's knowledge and experience, thus benefitting stakeholders. The public interest is protected in that the provisions are such that the threats to objectivity must be eliminated or reduced to an acceptable level by the application of safeguards. The Task Force also noted when reviewing the survey responses that most jurisdictions, while not always identifying "PIEs," do have more restrictive provisions for entities of significant public interest.
15. The Task Force believes that the conceptual framework approach is appropriate as it relates to NAS. This is the approach that underlies the Code as a whole. In addition, it is impossible to identify every threat to compliance with the fundamental principles in relation to NAS due to the vast number of services that can be performed, the nature of these services and the specificity of the local environment or jurisdiction. However, the threats and safeguard approach may not always be understood by external stakeholders, and it is clear that alternative approaches are being considered in some jurisdictions.

16. The Task Force therefore agreed that it would be helpful to develop a paper to provide a comprehensive basis for proceeding forward in addressing NAS, with considerations that extend beyond those in the survey, including the expectations of key stakeholders. The paper may also serve as a tool used to address the concerns of regulators by specifically listing and explaining mechanisms in which the Code addresses protection of the public interest.
17. The paper would address:
- (a) The overall approach of the Code concerning NAS;
  - (b) Supplementary approaches to enhance the threats and safeguards approach aimed at reinforcing the analysis before performing NAS (i.e. “blacklists,” audit-related NAS, NAS fees, audit committee approval, firewalls, etc.);
  - (c) The services addressed within the provisions;
  - (d) The identification of the key stakeholders, and their expectations;
  - (e) A comparison of the expectations of the key stakeholders and the provisions provided in the Code;
  - (f) Ways in which the Task Force will address any concerns in relation to any potential “expectation gaps;”
  - (g) Potential additional safeguards concerning NAS;
  - (h) Further implementation guidance for SMEs and SMPs; and
  - (i) Discussion of materiality, exceptions and those charged with governance (TCWG) (as discussed further below).
18. The Task Force proposes a draft of the paper to be completed before the September 2013 IESBA meeting.

**Matter for Consideration**

1. Does the Board agree with the proposed approach to addressing NAS by creating a discussion paper to be used to not only consider NAS but also address the issues with key stakeholders?

## **Analysis of NAS Survey Responses**

### **Part I – General**

#### **Extent of Adoption of the Code**

Has your jurisdiction adopted the Code? If not, please indicate in broad terms the extent to which your national ethical requirements are based on, or converged with, the Code.

19. Most of the jurisdictions (15) have either adopted the Code, adopted the Code with minor differences or have converged with the Code. However, it should be noted that in many of these jurisdictions, there are local laws or regulations that may supersede the provisions of the local Code.

20. Adoption of the Code with minor differences or differences in convergence were attributed to such factors as inclusion of provisions pertaining to local environment, addressing local laws or other modifications due to local customary practices.
21. Seven of the jurisdictions reported specifically that they did not include emergency provisions for bookkeeping services.
22. Jurisdictions that have not adopted the Code mostly note local laws or regulations that provide the ethical standards for the profession.
23. The Task Force was mindful of the more restrictive regulations when considering the survey responses, especially in light of Committee 1's request that such restrictions be considered as noted above. Such laws and regulations are somewhat localized and it would be impossible to ensure all laws of all jurisdictions are covered by the Code.

### Definition of Public Interest Entity

Do your national ethical requirements define the concept of a PIE in a way that differs from the definition in the Code? If yes, please provide details. In addition, if guidelines or interpretations have been issued in your jurisdiction to facilitate understanding or application of the concept, please provide details.

24. The majority of jurisdictions (17) responding to the survey do not define companies as "PIEs" or have a definition that differs from that of the IESBA. However, rather than defining a "PIE," a reporting issuer or some type of entity of significance is usually identified by law or a regulator. A common trend among the differences includes additional language to identify PIEs or specifically note certain PIEs. It appears that many jurisdictions do consider listed entities to be PIEs. Only one jurisdiction noted no differences between any entities.
25. In its letter to the IESBA Chair, Committee 1 stated that the IESBA should set a minimum definition of PIE and should consider aligning the term "public interest entity" with the term "public accountability" in the International Financial Report Standards ("IFRS"). Public accountability concerns entities filing financial reports with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market, or holding assets in a fiduciary capacity for a broad group of outsiders. Committee 1 considers this appropriate to ensure consistency between standards.
26. According to the results of the survey, many of the regulations in the various jurisdictions define listed entities or PIEs as those that trade securities on a market or issue public debt. While Committee 1 suggests that many regulators do not have the power to set requirements in many jurisdictions, this does not appear to be the case with respect to a number of those jurisdictions that have been surveyed.
27. The Task Force notes that a consideration of whether to re-open the definition of a PIE for review is outside the scope of this project. The Task Force also notes that the Planning Committee is considering the matter in the context of the future strategy and work plan. The Task Force therefore refers the matter to the Board for consideration under Agenda Item 6.

**Matter for Noting**

2. The Board is asked to note the findings from the survey with respect to the definition of a PIE as context for the discussion of Agenda Item 6.

**Part II – Comparative Analysis of the Code vs. National Requirements in Select Areas**

**Assuming Management Responsibility**

The Code contains certain prohibitions with respect to a firm assuming "management responsibility" for an audit client.

In relation to this area are your national ethical requirements more restrictive than the Code? If so, please provide details and, if possible, the rationale for the more stringent national requirements.

Paragraph 290.166 of the Code indicates that the risk of assuming a management responsibility when providing NAS to an audit client is further reduced when the firm gives the client the opportunity to make judgments and decisions based on an objective and transparent analysis and presentation of the issues (this is sometimes referred to as the concept of "informed management"). Do your national requirements establish a similar provision? If so, in which specific circumstances does the provision apply?

28. Most of the responses that noted more restrictions concerning "assuming management responsibility" were due to the fact that laws and regulations do not allow NAS or any assumption of management responsibility.
29. One jurisdiction allows NAS and has established slightly more restrictive provisions concerning management responsibility. Specifically, the jurisdiction does not permit activities relating to "insignificant" matters, but rather permits only those that are "routine and administrative." The extant Code permits both. While the definition of the terms "routine and administrative" can vary, they may not conjure the extent of variations of the term "insignificant," thus narrowing the scope.
30. The Task Force agreed that if the Code is to include provisions addressing NAS, guidance concerning management responsibilities is essential. Specifically, paragraph 290.166<sup>3</sup> contains an essential safeguard within the first sentence of the paragraph in that the professional accountant shall ensure that the client is responsible for significant judgments and decisions. However, the last sentence of the paragraph undermines the urgency of the first sentence. Specifically the phrase "...the firm gives the client the opportunity to make judgments and decisions..." may seem as if there is a choice in whether the client has such opportunity.
31. The Task Force also noted that there are distinctions between management activities and management responsibilities that may need greater distinction within the Section.

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<sup>3</sup> Paragraph 290.166 states the following: "To avoid the risk of assuming a management responsibility when providing non-assurance services to an audit client, the firm shall be satisfied that a member of management is responsible for making the significant judgments and decisions that are the proper responsibility of management, evaluating the results of the service and accepting responsibility for the actions to be taken arising from the results of the service. This reduces the risk of the firm inadvertently making any significant judgments or decisions on behalf of management. The risk is further reduced when the firm gives the client the opportunity to make judgments and decisions based on an objective and transparent analysis and presentation of the issues."

32. Based on the analysis above, the Task Force recommends that Management Responsibilities be included within the scope of the project. Specifically, the Task Force proposes examination of the terms “management responsibilities” versus “management activities” and paragraph 290.166.

#### **Matters for Consideration**

3. Does the Board believe that:
- (a) The project should explore the continuing appropriateness of any specific provisions in the “management responsibility” area? For example, does the Board believe there is a basis to reconsider the language concerning management responsibilities and activities; and
  - (b) Paragraph 290.166 should be reconsidered, specifically the last sentence?

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

The Code contains prohibitions with respect to a firm providing accounting and bookkeeping services to an audit client.

In relation to this area, are your national ethical requirements more restrictive than the Code? If so, please provide details and, if possible, the rationale for the more stringent national requirements?

33. The majority of the jurisdictions (17) noted more restrictive provisions for providing accounting and bookkeeping services to an audit client.
34. The Task Force agreed on the overall approach of the provisions for bookkeeping services in the Code, in that some services were permitted for non-PIEs with the application of safeguards and not permitted for PIEs. However, the phrase “routine and mechanical” may not capture the essence of the nature of permitted services that could possibly be performed. The Task Force therefore agreed that the term “routine and mechanical” should be further examined for possible alternative language to provide greater clarity.
35. A significant number of jurisdictions noted that their rules do not provide for an emergency bookkeeping provision for PIEs as does the Code. It should also be noted that Committee 1 requested that the Board consider removing the exemption due to the self-review threat. Committee 1 notes that the exemption is unnecessary given that there are relatively large numbers of qualified accountants in most jurisdictions who could be engaged to provide such services. The Board may therefore wish to consider whether it is still appropriate to maintain the emergency bookkeeping provision in the Code or whether it may be perceived as “weakening” the Code. However, it would be useful to understand further the frequency of the use of the emergency provisions in jurisdictions that allow it and how many jurisdictions use such provision.
36. It is the Task Force’s understanding that the emergency bookkeeping provision was added to the Code as a result of the U.S. SEC having a similar emergency provision at the time. However, it should be noted that in 2003, the SEC revised its non-audit services rules (as a result of the Sarbanes-Oxley Act) and specifically deleted the emergency provision from its bookkeeping rules. The rationale provided by the SEC is as follows:

*“Currently, an auditor’s independence is impaired if the auditor provides bookkeeping services to an audit client except in limited situations, such as in an emergency or where*



*the services are provided in a foreign jurisdiction and certain conditions are met. Proposed Rule 2-01(c) (4) (i) continues the prohibition on bookkeeping, but we propose to eliminate the limited situations where bookkeeping services may be provided under the current rules. As noted earlier, the proposed rules are predicated on three basic principles. One of those principles is that an auditor cannot audit his or her own work and maintain his or her independence. When an auditor performs bookkeeping services for a client, he or she is placed in a situation of auditing his or her own work. Accordingly, we are proposing that all bookkeeping services would cause the auditor to lack independence.”*

37. Based on the analysis above, Task Force agreed that the examination of the current “emergency provision” should be included in the scope of the project.

#### **Matters for Consideration**

4. Taking into account that the topic of “preparing accounting records and financial statements” has been flagged for consideration by the Board in the context of the future strategy and work plan (Agenda Item 6), does the Board agree that the project scope should include the examination of:
- (a) The phrase “routine and mechanical” as it applies to permitted bookkeeping services; and
  - (b) The emergency book-keeping provision?

#### **Valuation Services**

The Code contains prohibitions with respect to a firm providing valuation services to an audit client.

In relation to this area, are your national ethical requirements more restrictive than the Code? If so, please provide details and, if possible, the rationale for the more stringent national requirements?

38. Eleven jurisdictions reported more restrictive provisions pertaining to valuation services, six of those noting a prohibition on all valuation services due to local laws or regulations. Most of these prohibitions and more restrictive provisions are applicable to PIEs. Twelve jurisdictions reported provisions that are not more restrictive. Thus, the results were almost evenly split.
39. The Task Force agreed that there may be a benefit in the auditor performing valuation services assuming the threats are at an acceptable level, given the knowledge and experience the auditor possesses. Thus, it may be that such services are in the public interest. However, the Task Force also noted that valuations that are deemed to be immaterial at a point in time may become material at another point in time depending on changes to the underlying inputs and assumptions, and accordingly threats to objectivity that are not foreseen at a point in time may become real at a different time.

#### **Taxation Services**

The Code contains prohibitions with respect to a firm providing taxation services to an audit client.

In relation to this area, are your national ethical requirements more restrictive than the Code? If so, please provide details and, if possible, the rationale for the more stringent national requirements?

40. Twelve jurisdictions reported more restrictive provision pertaining to taxation services. Most of these more restrictive provisions pertain to PIEs and are due to local laws and regulations. The actual additional restrictions vary greatly in nature. Eleven jurisdictions reported provisions that are not more restrictive. Thus, the results were almost evenly split.
41. There are many services in relation to taxation services and each jurisdiction has specific requirements. The knowledge and experience of the auditor may be beneficial in the performance of certain taxation services and thus, such performance may be in the public interest. The Task Force also noted that the current guidance is extensive and the Code may benefit from a restructuring of the section to simplify the guidance and ensure concentration of the threats and safeguards approach.

### Internal Audit Services

The Code contains prohibitions with respect to a firm providing internal audit services to an audit client.

In relation to this area, are your national ethical requirements more restrictive than the Code? If so, please provide details and, if possible, the rationale for the more stringent national requirements.

42. Thirteen jurisdictions reported more restrictive prohibitions related to internal audit services. Most responses did not indicate how their rules are more restrictive. In some cases, however, it appears that the rules would prohibit internal audit services regardless of materiality or significance due to laws and regulations for PIEs. Ten jurisdictions reported that their provisions are not more restrictive.
43. As noted above, Committee 1 recommended that the Code should prohibit the auditor from providing internal audit services where there is any self-review threat, not only when management functions are assumed. Committee 1 also believes further distinction is needed on what constitutes “internal audit” and other similar services such as those listed in paragraph 290.195 of the Code and such similar services should be treated in a similar manner.
44. The Task Force noted that in May 2008, the IESBA issued a re-exposure draft (i.e., after exposing proposals relating to independence in its July 2007 exposure draft) requesting comment on the proposed restriction on providing internal audit services to PIE audit clients. The re-exposure draft specifically asked respondents whether there should be an exception for immaterial internal audit services. The majority of respondents (21 out of 37) were of the view that an exception should be made for immaterial internal audit services. Respondents commented that this would be consistent with:
  - (a) The framework because immaterial services do not create an unacceptable self-review threat; and
  - (b) Positions taken in the Code on other services (e.g. bookkeeping, IT systems and valuation services).
45. At its December 2008 meeting, the IESBA agreed that the restriction should be aligned with the restriction on IT systems services. The IESBA linked the prohibition to significance/materiality to be consistent with the IT services prohibition. The revised standard was issued in the July 2009 Code, which became effective January 1, 2011.

### **Task Force Recommendation on Valuation, Taxation and Internal Audit Services**

46. The Task Force considered all of the survey responses and Committee 1's request in its deliberations of valuation services, taxation services and internal audit services. The answers from the surveys did not provide clear cut directions or majority views on how jurisdictions address these services.
47. The Task Force also discussed the balance between the benefits and risks to audit quality and the public interest concerning valuation, taxation and internal audit services. The provisions addressing these services do not require immediate changes to wording or inclusion of greater restrictions. Rather, the provisions addressing these services require greater deliberation as to the overall approach. Thus, the Task Force will consider how the provisions address these services in a broader scope in future meetings of the Task Force.

#### **Matter for Consideration**

5. Does the Board agree that the Task Force should consider further the provisions of the Code in relation to valuation, taxation and internal audit services?

### **Parts III through IV: Areas Addressed by the National Requirements but Not by the Code, National Initiatives, and Other Matters**

48. The Task Force examined the responses of the surveys with respect to information concerning areas addressed by jurisdictions concerning NAS that are not addressed by the Code, ongoing national initiatives concerning NAS, and other matters such as materiality, exceptions and approval by those charged with governance as these pertain to local provisions addressing NAS.
49. Most of the responses concerning other services or restrictions concerning NAS pertained to restrictions or topics addressed in local Codes that are outside of the scope of NAS.
50. The Task Force agreed that the topics of materiality, exceptions and TCWG as pertaining to NAS would be addressed in the discussion paper that the Task Force proposes to develop given that the paper's aim will be to address NAS in a broad sense and the overall approach of the Code.

#### **Matter for Consideration**

6. To facilitate the Task Force's development of the discussion paper, the Board is asked:
  - (a) Whether there are any relevant NAS services or additional restrictions that the Task Force should consider; and
  - (b) For views on any relevant matters concerning materiality, exceptions or TCWG that the Task Force should consider.

### **Next Steps**

51. The Task Force proposes the following next steps:
  - (a) Evolve and refine the December 2012 project proposal to address the following areas as identified in this paper:
    - Clarification within the provisions of management responsibility;

- Examination of the phrase “routine and mechanical” as it pertains to bookkeeping services; and
  - Examination of the “emergency exception” to bookkeeping services.
- (b) Develop a paper addressing the broad approach to NAS, including the identification of key stakeholders and their expectations, the expectations gap, the threats and safeguards approach, the appropriateness of the safeguards provided, and the prohibitions commonly provided for by regulators; and
- (c) Further consideration of valuation services, taxation services and internal audit services.

## Appendix 1

### List of Jurisdictions

Argentina  
Australia  
Brazil  
Canada  
China  
European Union\*\*  
France  
Germany  
Hong Kong  
India  
Indonesia  
Israel  
Italy\*  
Japan  
Korea  
Mexico  
Morocco  
Netherlands  
Norway  
Russia\*  
Saudi Arabia\*\*\*  
South Africa  
Tunisia  
Turkey  
UK  
US (AICPA)  
US (SEC/PCAOB)

\* Did not submit a response.

\*\* Not specifically surveyed; latest EU developments indicate EU parliamentary committees are proposing to align NAS provisions in the EU with those in the Code.

\*\*\* Response not received in time for consideration by the Task Force.