

Management Responsibilities

(Mark-Up from Extant 290.162-166)

Management Responsibilities

290.162 ~~Management of an entity performs many activities in managing the entity in the best interests of stakeholders of the entity. It is not possible to specify every activity that is a management responsibility. However, M~~management responsibilities involve controlling, planning, leading and directing an entity, including making significant decisions regarding the acquisition, deployment and control of human, financial, physical, technological and intangible resources.

290.163 A firm shall not assume a management responsibility for an audit client. The threats created would be so significant that no safeguards could reduce the threats to an acceptable level. For example, deciding which recommendations of the firm to implement will create self-review and self-interest threats. Further, assuming a management responsibility creates a familiarity threat because the firm becomes too closely aligned with the views and interests of management.

290.164~~3~~ ~~Whether an activity is a management responsibility depends on the circumstances and requires the exercise of judgment. Examples of activities, if performed by the firm, that would generally be considered a management responsibility include:~~

- Setting the client's policies and strategic direction;
- Hiring or terminating the client's employees;
- Directing, supervising and taking responsibility for the actions of the client's employees;
- Authorizing, executing or consummating transactions or otherwise exercising authority on behalf of the client;
- Supervising client activities for the purpose of management oversight;
- Control or management of client's bank accounts and investments;
- Deciding which recommendations of the firm or other third parties to implement;
- Reporting to those charged with governance on behalf of management;
- Taking responsibility for the preparation and fair presentation of the client's financial statements in accordance with the applicable financial reporting framework; and
- Taking responsibility for designing, implementing and maintaining the client's internal control.

Subject to compliance with paragraph 290.1656, providing advice and recommendations to assist management in discharging its responsibilities is not assuming a management responsibility.

290.164 ~~Activities that are routine and administrative, or involve matters that are insignificant, generally are deemed not to be a management responsibility. For example, executing an insignificant transaction that has been authorized by management or monitoring the dates for filing statutory~~

~~returns and advising an audit client of those dates is deemed not to be a management responsibility. Further, providing advice and recommendations to assist management in discharging its responsibilities is not assuming a management responsibility.~~

~~290.165 If a firm were to assume a management responsibility for an audit client, the threats created would be so significant that no safeguards could reduce the threats to an acceptable level. For example, deciding which recommendations of the firm to implement will create self-review and self-interest threats. Further, assuming a management responsibility creates a familiarity threat because the firm becomes too closely aligned with the views and interests of management. Therefore, the firm shall not assume a management responsibility for an audit client.~~

~~290.1656 To avoid the risk of assuming a management responsibility w~~When providing non-assurance services to an audit client, the firm shall be satisfied that a member of client management makes all judgments and decisions that are the proper responsibility of management. This includes ensuring that the client's management:

- ~~• Provides oversight of the service, and evaluates the adequacy and results of the services performed; - is responsible for making the significant judgments and decisions that are the proper responsibility of management, evaluating the results of the service and a~~
- ~~• Accepts responsibility for the actions to be taken arising from the results of the service; and. 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.~~
- ~~• Designates an individual, preferably within senior management who possesses suitable skill, knowledge and experience to be responsible at all times for the client's decisions and to oversee and acknowledge responsibility for the services. A suitable individual should understand the objectives, nature and results of the services and the respective client and firm responsibilities. However, the individual is not required to possess the expertise to perform or re-perform the services.~~

Administrative Services

~~290.166 Administrative services involve assisting clients with their routine and organizational tasks within the normal course of operations. Such services require little to no professional judgment and are clerical in nature. Examples of administrative services include preparing administrative or statutory forms for client approval, submitting such forms as instructed by the client, sending notices for client meetings, monitoring statutory filing dates, and advising an audit client of those dates. Providing such services does not generally create a threat to independence. The significance of any threat created shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.~~