

Management Responsibilities—Comparative Table

Proposed Guidance	Extant Guidance	Edit Summary
<p>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, Management responsibilities involve <u>controlling, planning,</u> leading and directing an entity, including making significant decisions regarding the acquisition, deployment and control of human, financial, physical, <u>technological</u> and intangible resources.</p>	<p>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, management responsibilities involve leading and directing an entity, including making significant decisions regarding the acquisition, deployment and control of human, financial, physical and intangible resources.</p>	<p>Clarifying and streamlining edits:</p> <ol style="list-style-type: none"> 1. Deletion of first sentence to streamline the guidance and clarify by simplifying 2. Addition of clarifying terms to description of management responsibilities 3. Removal of the term “significant” to clarify that client management must make decisions concerning acquisition deployment and control of resources
<p>290.1635: If a firm shall notwere 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.</p>	<p>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.</p>	<p>Clarifying and streamlining edits:</p> <ol style="list-style-type: none"> 1. Extant paragraph 290.165 was reordered to streamline the guidance and make it more consistent with other sections of the Code 2. Prohibition was moved to the first sentence of the paragraph to clarify that assuming a management responsibility would create threats that would be so significant that no safeguards could reduce the threats to an acceptable level

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<p>290.1643: 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:</p> <ul style="list-style-type: none"> • <u>Setting the client's</u> policies and strategic direction; • <u>Hiring or terminating the client's employees;</u> • Directing, <u>supervising</u> and taking responsibility for the actions of the <u>client</u>entity's employees; • <u>Authorizing, executing or consummating transactions or otherwise exercising authority on behalf of the client;</u> • <u>Supervising client activities for the purpose of management oversight;</u> • <u>Control or management of client's bank accounts and investments;</u> • <u>Deciding which recommendations of the firm or other third parties to implement;</u> • <u>Reporting to those charged with governance on behalf of management;</u> • Taking responsibility for the 	<p>290.163: Whether an activity is a management responsibility depends on the circumstances and requires the exercise of judgment. Examples of activities that would generally be considered a management responsibility include:</p> <ul style="list-style-type: none"> • Setting policies and strategic direction; • Directing and taking responsibility for the actions of the entity's employees; • Authorizing transactions; • Deciding which recommendations of the firm or other third parties to implement; • Taking responsibility for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework; and • Taking responsibility for designing, implementing and maintaining internal control. 	<p>Clarifying and streamlining edits:</p> <ol style="list-style-type: none"> 1. Deletion of first sentence to streamline the guidance and clarify by simplifying 2. The term "generally" was removed, as, the examples provided are all examples of management responsibilities 3. Addition of examples to clarify what services that would be generally considered to be a management service 4. Sentence stating that providing advice and recommendations is not assuming a management responsibility was moved from the guidance addressing administrative services to the paragraph of examples to streamline and clarify the guidance. It also contains a reference to the requirements of proposed paragraph 290.165, as, providing recommendations and advice pertaining to the list of examples would require the accountant to ensure management accepts responsibility for the recommendation.

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<p>preparation and fair presentation of the <u>client's</u> financial statements in accordance with the applicable financial reporting framework; and</p> <ul style="list-style-type: none"> • Taking responsibility for designing, implementing and maintaining <u>the client's</u> internal control. <p><u>Subject to compliance with paragraph 290.165, providing advice and recommendations to assist management in discharging its responsibilities is not assuming a management responsibility.</u></p>		
<p>290.1656 To avoid the risk of assuming a management responsibility wWhen providing non-assurance services to an audit client, the firm shall be satisfied that a member of client management is responsible for making the significant all judgments and decisions that are the proper responsibility of management. <u>This includes ensuring that the client's management:</u></p> <ul style="list-style-type: none"> • <u>Provides oversight of the service, and evaluatesing the adequacy and results of the services performed.</u> • and accepting <u>Accepts</u> responsibility for the actions to be taken arising from the results of the service; and- • <u>Designates an individual, preferably</u> 	<p>290.166 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.</p>	<p>Clarifying and streamlining edits:</p> <ol style="list-style-type: none"> 1. Deletion of a portion of first sentence to streamline the guidance and clarify by simplifying 2. Clarify the extant requirement of informed management by adding steps to the requirement to make it more robust

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<p><u>within senior management who possesses suitable skill, knowledge and experience to be responsible at all times for the client's decisions and 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. 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.</u></p>		
<p><u>Administrative Services</u></p> <p>290.1664 <u>Administrative services involve assisting clients with their</u>Activities that are 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, or involve matters that are insignificant, generally are deemed not to be a management</p>	<p>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</p>	<p>Clarifying and streamlining edits</p> <ol style="list-style-type: none"> 1. Create a separate subsection of the NAS guidance to ensure clarity between a management responsibility and an administrative service 2. Reorder of the paragraph to streamline guidance 3. Replace phrase "executing an insignificant transaction" with another

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<p>responsibility. For example, executing an insignificant transaction that has been authorized by management or monitoring the dates for filing administrative or statutory forms returns 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 to an acceptable level. 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.</p>	<p>recommendations to assist management in discharging its responsibilities is not assuming a management responsibility.</p>	<p>example – the submission of a statutory form, as the phrase executing an insignificant transaction could be misinterpreted to include such transactions as sales made on behalf of the client by the auditor</p> <p>4. Paragraph now requires the professional accountant to evaluate any threats created and apply safeguards</p>