

Section 291—Provision of Non-Assurance Services to an Assurance Client (Mark-Up from Extant Paragraphs 291.140-150)

- 291.140 Firms have traditionally provided to their assurance clients a range of non-assurance services that are consistent with their skills and expertise. Providing non-assurance services may, however, create threats to the independence of the firm or members of the assurance team. The threats created are most often self-review, self-interest and advocacy threats.
- 291.141 When specific guidance on a particular non-assurance service is not included in this section, the conceptual framework shall be applied when evaluating the particular circumstances.
- 291.142 Before the firm accepts an engagement to provide a non-assurance service to an assurance client, a determination shall be made as to whether providing such a service would create a threat to independence. In evaluating the significance of any threat created by a particular non-assurance service, consideration shall be given to any threat that the assurance team has reason to believe is created by providing other related non-assurance services. If a threat is created that cannot be reduced to an acceptable level by the application of safeguards the non-assurance service shall not be provided.

Management Responsibilities

- 291.143 ~~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.
- 291.144 ~~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:~~
- Setting the client's policies and strategic direction;
 - Directing, supervising and taking responsibility for the actions of the client entity's employees;
 - Authorizing 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; and
 - Taking responsibility for designing, implementing and maintaining the client's internal control.

Providing advice and recommendations to assist management in discharging its responsibilities is not assuming a management responsibility subject to compliance with paragraph 291.146.

291.145 In providing assurance services to an assurance client, a firm shall not assume a management responsibility as part of the assurance service. If a firm were to assume a management responsibility as part of the assurance service, the threats created would be so significant that no safeguards could reduce the threats to an acceptable level.

If the firm assumes a management responsibility as part of any other services provided to the assurance client, it shall ensure that the responsibility is not related to the subject matter and subject matter information of an assurance engagement provided by the firm.

291.145 ~~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 assurance 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.~~

291.146 ~~Assuming a management responsibility for an assurance client may create threats to independence. If a firm were to assume a management responsibility as part of the assurance service, the threats created would be so significant that no safeguards could reduce the threats to an acceptable level. Accordingly, in providing assurance services to an assurance client, a firm shall not assume a management responsibility as part of the assurance service. If the firm assumes a management responsibility as part of any other services provided to the assurance client, it shall ensure that the responsibility is not related to the subject matter and subject matter information of an assurance engagement provided by the firm.~~

291.1467 ~~To avoid the risk of assuming a management responsibility related to the subject matter or subject matter information of the assurance engagement, When providing services that are related to the subject matter and subject matter information of an assurance engagement provided by the firm, the firm shall be satisfied that a member of client management is responsible for making the significant all judgments and decisions relating to the subject matter or subject matter information of the assurance engagement 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; 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. This 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.~~
- ~~• Accepts responsibility for the actions to be taken arising from the results of the service; and~~
- ~~• 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.~~

Other Considerations

- 291.14~~78~~⁷⁹ Threats to independence may be created when a firm provides a nonassurance service related to the subject matter information of an assurance engagement. In such cases, an evaluation of the significance of the firm's involvement with the subject matter information of the engagement shall be made, and a determination shall be made of whether any self-review threats that are not at an acceptable level can be reduced to an acceptable level by the application of safeguards.
- 291.14~~89~~⁹⁰ A self-review threat may be created if the firm is involved in the preparation of subject matter information which is subsequently the subject matter information of an assurance engagement. For example, a self-review threat would be created if the firm developed and prepared prospective financial information and subsequently provided assurance on this information. Consequently, the firm shall evaluate the significance of any self-review threat created by the provision of such services and apply safeguards when necessary to eliminate the threat or reduce it to an acceptable level.
- 291.14~~95~~⁹⁰ When a firm performs a valuation that forms part of the subject matter information of an assurance engagement, the firm shall evaluate the significance of any self-review threat and apply safeguards when necessary to eliminate the threat or reduce it to an acceptable level.
- 291.150 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, sending notices for client meetings, monitoring statutory filing dates, and advising an audit client of those dates. Administrative services also include assisting in executing insignificant transactions that have been authorized by management. Accordingly, providing such services would not generally create a threat to independence.