

Non-Assurance Services – Issues Paper**A. Background**

1. At its April 2014 meeting, the Board approved for exposure proposed enhancements to the subsections entitled *Management Responsibilities*, *Preparing Accounting Records and Financial Statements* and *Taxation Services* of Section 290¹ of the Code. The proposed enhancements also included corresponding changes to Section 291² of the Code.
2. While awaiting responses to the Exposure Draft, the Task Force has turned its attention to developing the position paper contemplated in the project proposal. The Task Force has in particular:
 - Considered the type of publication the NAS position paper will be; and
 - Developed a first draft of the paper.

B. Publication Type

3. In considering the type of publication to which the proposed NAS position paper belongs, the Task Force took into account the different types of publication (other than standards) issued by the various standard-setting boards (SSBs) supported by IFAC and by the staff of the SSBs. A chart detailing these types of papers is provided in Agenda Item 7-C for information.
4. The Task Force agreed to the following points:
 - The paper should be issued by the Board due to the nature and topic of the material, as the paper explains key principles concerning the standard-setting process and the conceptual framework by using the NAS standards as an example of how the Code is set;
 - The paper should be used as a communication vehicle to explain key principles and the position of the Board related to the setting of robust, global standards, including those addressing NAS;
 - The paper will not be authoritative. It will not go through the due process required when setting a standard. However, it should be Board-approved;
 - The paper should not be exposed for public comment. However, it should be used to generate dialogue with the Board's stakeholders, including regulators, firms, standard setters and IFAC member bodies;
 - The paper should be written for all stakeholders, including all professional accountants in public practice, IFAC member bodies, and any other party interested in the Board's position or seeking guidance on application of the Code;
 - The paper most likely would not need to be updated in the future based on the topic. However, if there is a change in the subject material referred to in the paper, the Board may consider the need for an update; and

¹ Section 290, *Independence – Audit and Review Engagements*

² Section 291, *Independence – Other Assurance Engagements*

- The paper should be located on the IESBA website and not in the handbook since it will not be a standard. However, it may be beneficial to place a link to the paper in the Code should the Code be electronic in the future.
5. Based on these conclusions, the Task Force agreed that the paper should be a policy position paper under the category “Board Publication,” as:
- It will be a Board-approved document, yet not authoritative; and
 - The paper has been drafted to explain the position of the Board concerning the standard-setting process and the conceptual framework using the NAS standards as the example.

Matter for Consideration

1. IESBA members are asked whether they agree that the paper should be a policy position paper for the reasons noted above.

C. Draft Paper

6. An outline of the proposed paper was presented at the September 2013 IESBA meeting. Based on the Board’s feedback, the Task Force has agreed that the paper should be concise (no more than five pages) in order to assist its readability. As a communication vehicle, the Task Force also agreed:
- That the paper should be efficient and effective in explaining the Board’s position; and
 - That it should have an overarching message conveying the Board’s robust process for setting global standards and the conceptual framework approach while using NAS as the vehicle to demonstrate the details of the broad message.
7. The paper begins with a brief introduction stating its purpose. Through a section on independence, it then establishes the importance of independence by linking the term to the fundamental principles of integrity and objectivity, and thus establishing the relationship between independence and serving the public interest. The section also links independence via an unbiased evaluation of audit evidence to the quality of an audit, and displays to the reader the level of significance to which the Board considers independence.
8. The paper next discusses the mandate and operation of the Board so that the reader understands the various factors, processes and mechanisms that contribute to the creation of global standards. Such highlighted items include board diversity, oversight and transparency. The Task Force agreed that in order to support the position of the Board concerning NAS standards, it is important that the reader understand the rigorous process and extensive oversight involved during the setting of standards.
9. The next section describes the conceptual framework as it applies to NAS. The Task Force agreed it is very important to clearly state that when using the conceptual framework approach, if safeguards are not available and threats are not at an acceptable level, the professional accountant would be obliged to terminate the audit engagement. This statement makes clear to the reader that not every threat to independence can be addressed, thus removing any perception that the conceptual framework approach is permissive. This section also discusses the global applicability of this approach, noting that any professional accountant can use this approach regardless of the

jurisdiction in which he or she is based, and whether or not a particular NAS is addressed in the Code.

10. The section of the paper subtitled “Non-Assurance Services Addressed in the Code” describes how NAS are addressed, noting the threats and safeguards approach with consideration of the type of entity (public interest entity (PIE)/non-PIE) and materiality. The section then describes, as an example, the application of the approach to bookkeeping services. The Task Force considered using internal audit, taxation or valuation services as the example to describe how NAS are addressed in the Code. However, the Task Force agreed that bookkeeping services are an appropriate example because the related provisions in the Code contain various considerations as to how the Code addresses NAS, including differences for PIEs and non-PIEs, prohibitions, mandatory safeguards and materiality. The Task Force also agreed that a communication tool should contain an example that is more commonly encountered. The section does state that this robust approach applies to all NAS, thus the logic can be applied by the reader to services such as internal audit, taxation and valuation.
11. While not specifically addressed as originally planned, the Task Force agreed that the paper could be used as a communication vehicle to specifically address internal audit services, taxation services and valuation services.
12. The paper concludes with a section noting the various projects in the Strategy and Work Plan to inform the reader that the Code evolves constantly.

Matter for Consideration

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| <ol style="list-style-type: none">2. IESBA members are asked for comments on the paper. |
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D. Way Forward

13. In terms of next steps, the Task Force anticipates presenting:
 - An analysis of comment letters concerning the Exposure Draft at the October 2014 IESBA meeting; and
 - The final NAS position paper for approval at the January 2015 IESBA meeting.