

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

1. At its October 2014 meeting, the Board agreed in principle with the final enhancements proposed to the provisions addressing the performance of non-assurance services (NAS) in Section 290<sup>1</sup> of the Code, in particular, as they pertain to:

- Withdrawal of the emergency exception provisions for bookkeeping and taxation services provided to audit clients that are public interest entities (PIEs);
- Provisions addressing management responsibilities; and
- Clarifications regarding the concept of “routine or mechanical” services relating to the preparation of accounting records and financial statements.

The Board also agreed in principle to conforming changes in Section 291.<sup>2</sup>

2. Board approval of the final changes to the Code was subject to:

- Consultation with the CAG; and
- Finalization of the provisions pertaining to administrative services. .

**B. Overview of the CAG Conference Call**

3. The Task Force conducted a conference call on November 18, 2014 with the CAG to obtain the CAG’s feedback concerning:

- The conclusions the Board had reached regarding the significant comments received on the exposure draft and the related proposed changes to the Code; and
- Whether the performance of administrative services for an audit client should be subject to the prerequisites of paragraph 290.165 regarding management responsibility.

4. Overall, the CAG expressed support for the proposed changes to the Code post-exposure and generally agreed that they were in the public interest. The Task Force has considered and responded to the CAG’s feedback (see Agenda Item 2-B for the proposed final changes from the previous Board meeting and Agenda Item 2-D for the Task Force’s report-back on the CAG feedback).

**C. Proposed Further Changes Since the Previous Board Meeting**

5. The Task Force is proposing two further changes to the text from the previous Board meeting in relation to:

- The example of a management responsibility concerning internal controls; and
- The cross reference to paragraph 290.165 as noted in the subsections addressing administrative services and bookkeeping services for non-PIEs.

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<sup>1</sup> Section 100, *Introduction and Fundamental Principles*

<sup>2</sup> Section 291, *Independence – Other Assurance Engagements*

6. These are discussed below.

*Examples of Management Responsibilities*

7. At its October 2014 meeting, the Board agreed in principle with the content of paragraph 290.163 subject to the feedback of the CAG.
8. Six representatives of the CAG expressed support for the inclusion of the term “monitoring” in the last bullet of paragraph 290.163, which states: *Taking responsibility for designing, implementing or maintaining internal controls.*
9. The Task Force noted that it had previously considered the term “monitoring” and determined that the monitoring of controls was already addressed in detail in the provisions of the Code pertaining to internal audit services. However, the Task Force did agree that the overall responsibility for monitoring internal controls was a management responsibility. Given that the bullet point begins by stating “Taking responsibility for...”, the Task Force agreed to include “monitoring” as follows:

“Taking responsibility for designing, implementing, monitoring or maintaining internal controls.”

10. The Task Force further proposes a conforming edit to paragraph 291.144.

**Matter for Consideration**

Does the Board agree with the Task Force’s proposal?

*Administrative Services*

11. At the October 2014 Board meeting, some Board members expressed a view that the provision of administrative services, as addressed in paragraph 290.166, should not be subject to the prerequisites of paragraph 290.165. They therefore believed that the final sentence of paragraph 290.166 should be deleted: *In addition, the firm shall be satisfied that the services would not result in assuming a management responsibility for the client and the requirements set forth in paragraph 290.165 is met.*
12. The Task Force sought the CAG’s views as to whether the performance of administrative services should be subject to the prerequisites of paragraph 290.165. Ten CAG Representatives expressed support for the notion that administrative services are a separate NAS and should be subject to the prerequisites of paragraph 290.165. One CAG Representative noted that if a service is performed outside of the assurance service engagement, it must be a non-assurance service.
13. The Task Force continues to support the notion that administrative services are NAS subject to the requirements of paragraph 290.163 of the extant Code and should be subject to the requirements of proposed paragraph 290.165. The Task Force supports this assertion based on:
- The fact that any service performed outside of the assurance function is by definition a non-assurance service thus requiring client management to accept responsibility;
  - The supportive feedback of the CAG; and
  - The support noted in the comment letters to the exposure draft which stated that “The IESBA believes that the Code would be clearer if the guidance addressing administrative services,

which are an example of non-assurance services, were located in a separate subsection as opposed to being included in the guidance addressing management responsibilities.”

**Matter for Consideration**

Does the Board agree with the conclusions of the Task Force?

14. The Task Force nevertheless reconsidered the last sentence of paragraph 290.166, which was proposed post-exposure in order to clarify that administrative services were NAS subject to the prerequisites in paragraph 290.165. After further deliberation, the Task Force concluded that although administrative services are subject to the said prerequisites, it is inconsistent with the other provisions of the Code concerning NAS which do not include this cross reference.
15. The Task Force thus proposes removal of the last sentence of paragraph of 290.166 and the second sentence in 290.171, which contains a similar cross reference concerning routine or mechanical services in the preparation of accounting records and financial statements.

**Matter for Consideration**

Does the Board agree with the Task Force's proposals?