

We will continue with,

15. Provision of Non-Assurance Services to an Audit Client

In this KLIP, we will cover a few areas of non-assurance services:

a. Accounting and Bookkeeping Services

Providing accounting and bookkeeping services to an audit client might create a self-review threat.

For all audit clients	For audit clients that are Public Interest Entities (PIE)
<p>As long as management is responsible for preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework and if the audit process is followed, no threats are usually created.</p> <p>A firm or a network firm shall not provide to audit clients, accounting and bookkeeping services including preparing financial statements on which the firm will express an opinion or financial information which forms the basis of such financial statements, unless:</p> <ul style="list-style-type: none">a) The services are of a routine or mechanical nature; andb) The firm addresses any threats that are created by providing such services that are not at an acceptable level.	<p>The firm or network firm shall not provide accounting and bookkeeping services to an audit client that is a PIE. An exception to this is, if the personnel providing the services are not audit team members and:</p> <ul style="list-style-type: none">❖ The division or related entity for which the service is provided is immaterial to the financial statements on which the firm will express an opinion; or❖ The service relates to matters that are collectively immaterial to the financial statements of the division or related entity.

b. Administrative services

Providing administrative services to an audit client does not usually create a threat as it involves routine or mechanical tasks within the normal course of operations and requires little to no professional judgement and are clerical in nature.

c. Valuation Services

Providing valuation services to an audit client might create a self-review or advocacy threat.

For all audit clients	For audit clients that are Public Interest Entities (PIE)
<p>A firm or a network firm shall not provide a valuation service if:</p> <ul style="list-style-type: none">i. The valuation involves a significant degree of subjectivity; andii. The valuation will have a material effect on the financial statements on which the firm will express an opinion. <p>Relevant factors, include:</p> <ul style="list-style-type: none">➤ The use and purpose of the valuation report.➤ Whether the valuation report will be made public.➤ The extent of the client's involvement in determining and approving the valuation methodology and other significant matters of judgment.➤ The degree of subjectivity inherent in the item for valuations involving standard or established methodologies.➤ Whether the valuation will have a material effect on the financial statements.➤ The extent and clarity of the disclosures related to the valuation in the financial statements.➤ The degree of dependence on future events of a nature that might create significant volatility inherent in the amounts involved.	<p>A firm or a network firm shall not provide a valuation service to an audit client that is a PIE, if the valuation service would have a material effect, individually or in aggregate, on the financial statements on which the firm will express an opinion.</p>

Examples of safeguards include:	
---------------------------------	--

- | | |
|--|--|
| <ul style="list-style-type: none">❖ Using professionals who are not audit team members to perform the service.❖ Having an appropriate reviewer who was not involved in providing the service, review the audit work or service performed. | |
|--|--|

With this we come to the end of the KLiP. We will continue the discussion, in our next KLiP.

-END-