

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

In this KLiP, we will cover the sub-topic:

e. Internal Audit Services

Providing internal audit services to an audit client might create a self-review threat.

Examples of Internal Audit services include:

- ❖ Monitoring of internal control - reviewing controls, monitoring their operation and recommending improvements to them.
- ❖ Examining financial and operating information by inquiring specifically into individual items including detailed testing of transactions, balances and procedures.

i. All Audit Clients	ii. Audit Clients that are Public Interest Entity (PIE)
<p>Factors that are relevant in evaluating the level of such a threat include:</p> <ul style="list-style-type: none">• The materiality of the related financial statement amounts.• The risk of misstatement of the assertions, related to those financial statement amounts.• The degree of reliance that the audit team will place on the work of the internal audit service, including in the course of an external audit. <p>An example of an action that might be a safeguard to address the threat is, using professionals who are not audit team members to perform the service.</p>	<p>A firm or a network firm shall not provide internal audit services to an audit client that is a PIE, if the services relate to:</p> <ul style="list-style-type: none">a. A significant part of the internal controls over financial reporting;b. Financial accounting systems that generate information that is, individually or in the aggregate, material to the client's accounting records or financial statements on which the firm will express an opinion; orc. Amounts or disclosures that are, individually or in the aggregate, material to the financial statements on which the firm will express an opinion.

f. Information Technology Systems Services

Providing information technology (IT) systems services to an audit client might create a self-review threat.

Examples of services include:

Designing or implementing IT systems that are unrelated to internal control over financial reporting;

Evaluating and making recommendations with respect to an IT system, etc.

i. All Audit Clients	ii. Audit Clients that are Public Interest Entity (PIE)
<p>Factors that are relevant in evaluating the level of threat, include:</p> <ul style="list-style-type: none">• The nature of the service.• The nature of IT systems and the extent to which they impact the client's accounting records or financial statements.• The degree of reliance that will be placed on the particular IT systems as part of the audit. <p>An example of an action that might be a safeguard to address such a threat is using professionals who are not audit team members to perform the service.</p>	<p>A firm or a network firm shall not provide IT systems services to an audit client that is a PIE, if the services involve designing or implementing IT systems that:</p> <ul style="list-style-type: none">a. Form a significant part of the internal control over financial reporting; orb. Generate information that is significant to the client's accounting records or financial statements on which the firm will express an opinion.

With this we come to the end of the KLiP.

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