

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

In this KLiP, we will discuss:

g. Litigation Support Services

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

Examples of litigation support services include:

Acting as an expert witness;

Calculating estimated damages that might be receivable or payable as a result of litigation or other legal disputes.

Factors that are relevant in evaluating the level of threats include:

- ✚ The legal and regulatory environment in which the service is provided.
- ✚ The nature and characteristics of the service.
- ✚ The extent to which the outcome of the litigation support service will have a material effect on the financial statements on which the firm will express an opinion.

Example of an action that might be a safeguard to address the threat is using a professional who was not an audit team member to perform the service.

If a firm or a network firm provides a litigation support service to an audit client and the service involves estimating damages or other amounts that affect the financial statements on which the firm will express an opinion, the Code for valuation services will apply.

h. Legal Services

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

Legal services provided to an audit client, includes:

1. *Acting in an Advisory Role*
2. *Acting as General Counsel*
3. *Acting in an Advocacy Role*

1. Acting in an Advisory Role

Ex: Mergers and acquisitions, legal due diligence or restructuring etc.

Factors that are relevant in evaluating the level of threats include:

- ✚ The materiality of the specific matter in relation to the client's financial statements.
- ✚ The complexity of the legal matter and the degree of judgment necessary to provide the service.

Examples of actions that might be safeguards to address threats include:

- ✓ Using professionals who are not audit team members to perform the service; or
- ✓ Having an appropriate reviewer who was not involved in providing the service review the audit work or the service performed.

2. Acting as General Counsel

A partner or employee of the firm or the network firm shall not serve as General Counsel for legal affairs of an audit client, as the position usually requires a senior management with broad responsibility for legal affairs.

3. Acting in an Advocacy Role

A firm or a network firm shall not act in an advocacy role for an audit client in resolving a dispute or litigation when the amounts involved are material to the financial statements on which the firm will express an opinion.

Examples of actions that might be safeguards to address the threat when the amounts involved are not material to the financial statements include:

- ✓ 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 the service performed.

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