

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

In this KLIP, we will cover the last two sub-topics:

i. Recruiting Services

Providing recruiting services to an audit client might create a self-interest, familiarity or intimidation threat.

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

- The nature of the requested assistance.
- The role of the individual to be recruited.
- Any conflicts of interest or relationships that might exist between the candidates and the firm providing the advice or service.

An example of an action that might be a safeguard to address the threats is using professionals who are not audit team members to perform the service.

Recruiting Services that are Prohibited

When providing recruiting services to an audit client, the firm or the network firm shall not act as a negotiator on the client's behalf.

A firm or a network firm shall not provide a recruiting service to an audit client if the service relates to:

- a. Searching for or seeking out candidates; or
- b. Undertaking reference checks of prospective candidates,

with respect to the following positions:

- i. A director or officer of the entity; or
- ii. A member of senior management in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion.

j. Corporate Finance services

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

Examples of corporate finance services include:

- Advising on disposal transactions
- Assisting in finance raising transactions etc.

Factors relevant in evaluating the level of threats include:

- i. The degree of subjectivity involved in determining the appropriate treatment for the outcome or consequences of the corporate finance advice in the financial statements.
- ii. The extent to which:
 - a. The outcome of the corporate finance advice will directly affect amounts recorded in the financial statements.

- b. The amounts are material to the financial statements.
- iii. Whether the effectiveness of the corporate finance advice depends on a particular accounting treatment or presentation in the financial statements and there is doubt as to the appropriateness of the related accounting treatment or presentation under the relevant financial reporting framework.

Examples of actions that might be safeguards to address the threats 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 service performed.

Corporate Finance Services that are Prohibited

A firm or a network firm shall not provide corporate financial services to an audit client that involve promoting, dealing in, or underwriting the audit client's shares.

They shall also not provide where the effectiveness of such advice depends on a particular accounting treatment or presentation in the financial statements on which the firm will express an opinion and:

- a. The audit team has reasonable doubt as to the appropriateness of the related accounting treatment or presentation under the relevant financial reporting framework; and
- b. The outcome or consequences of the corporate finance advice will have a material effect on the financial statements on which the firm will express an opinion.

With this we come to the end of the KLiP. We will discuss the last topic, Reports on Special Purpose Financial Statements in our next KLiP.

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