

In this KLIP, we will cover:

### **13. Provision of Non-assurance Services to Assurance Clients Other than Audit and Review Engagement Clients**

Firms might provide a range of non-assurance services to their assurance clients, consistent with their skills and expertise.

Providing non-assurance services to assurance clients might create threats to compliance with the fundamental principles and threats to independence. Hence, before accepting a non-assurance engagement, the firm shall determine whether it might create any threats to independence.

#### **EVALUATING THREATS**

Multiple non-assurance services might be provided to an assurance client. However, the combined effect of threats created by providing those services is relevant to the firm's evaluation of threats.

Factors to consider in evaluating the threats include:

- i. The nature, scope and purpose of the service.
- ii. The degree of reliance that will be placed on the outcome of the service as part of the assurance engagement.
- iii. The legal and regulatory environment in which the service is provided.
- iv. Whether the outcome of the service will affect the underlying subject matter; and, in an attestation engagement, matters reflected in the subject matter information of the assurance engagement, and, if so:
  - The extent to which the outcome of the service will have a material or significant effect on it.
  - The extent of the assurance client's involvement in determining significant matters of judgment.
- v. The level of expertise of the client's management and employees with respect to the type of service provided.

#### **ADDRESSING THREATS**

Safeguards are actions (individually or in combination), that the firm takes that effectively reduce threats to independence to an acceptable level.

In circumstances where safeguards might not be available for the threats created by providing a non-assurance service, the Code requires the firm to apply the conceptual framework, and thereby decline or end the non-assurance service or the assurance engagement.

#### **Prohibition on assuming management responsibilities**

A firm shall not assume a management responsibility relating to the underlying subject matter and, in an attestation engagement, the subject matter information of an assurance engagement provided by the firm. However, if the firm assumes a management responsibility as part of any other service provided to the assurance client, the firm shall ensure that the responsibility is not related to the underlying subject matter and, in an attestation engagement, the subject matter information of the assurance engagement.

Providing a non-assurance service to an assurance client, creates self-review and self-interest threats. It also creates familiarity and advocacy threats because the firm becomes too closely aligned with the views and interests of the management.

Determining whether an activity is a management responsibility depends on the circumstances and requires the exercise of professional judgement. To avoid assuming a management responsibility, the firm shall be satisfied that the client management makes all related judgements and decisions that are deemed appropriate.

With this we come to the end of the KLiP. We will discuss the last topic, in our next KLiP.

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