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## No. S 952

### ACCOUNTANTS ACT 2004

#### ACCOUNTANTS (PUBLIC ACCOUNTANTS) (AMENDMENT) RULES 2022

In exercise of the powers conferred by section 64 of the Accountants Act 2004, the Accounting and Corporate Regulatory Authority, with the approval of the Minister for Finance, makes the following Rules:

#### **Citation and commencement**

1. These Rules are the Accountants (Public Accountants) (Amendment) Rules 2022 and come into operation on 15 December 2022.

#### **Amendment of Fourth Schedule**

2. In the Fourth Schedule to the Accountants (Public Accountants) Rules (R 1) —

- (a) in paragraph 120.14 A1, replace “Singapore Standard on Quality Management 1\*” with “Singapore Standard on Quality Management 1 (SSQM 1)”;
- (b) in paragraph 120.14 A1, delete “\* Systems of quality management in compliance with Singapore Standard on Quality Management 1 are required to be designed and implemented by 15 December 2022.”;
- (c) after paragraph 120.15 A2, insert —

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120.15 A3	<p>Conditions, policies and procedures described in paragraphs 120.6 A1 and 120.8 A2 that might assist in identifying and evaluating threats to compliance with the fundamental principles might also be factors relevant to identifying and evaluating threats to independence. In the context of audits, reviews and other assurance engagements, a system of quality management designed, implemented and operated by a firm in accordance with the quality management standards issued by the Institute of Singapore Chartered Accountants is an example of such conditions, policies and procedures.</p>
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- (d) in paragraph 300.6 A1(d)(ii), delete “and” at the end;
- (e) in paragraph 300.6 A1(d)(iii), insert “and” at the end;
- (f) in paragraph 300.6 A1(d), after sub-paragraph (iii), insert —

“(iv) An individual who is being considered to serve as an appropriate reviewer as a safeguard to address a threat, having a close relationship with the individual who performed the work;”;

- (g) in paragraph 300.7 A5(e), after “including”, insert “any”;
- (h) in paragraph 320.3 A4(c), delete “and” at the end;
- (i) in paragraph 320.3 A4, replace sub-paragraph (d) with —

“(d) Policies and procedures that the firm has implemented, as part of a system of quality management in accordance with quality management standards such as SSQM 1, that respond to quality risks relating to the firm’s ability to perform the engagement in accordance with professional standards and applicable legal and regulatory requirements; and

- (e) The level of fees and the extent to which they have regard to the resources required, taking into account the public accountant’s commercial and market priorities.”;

(j) after paragraph **R321.4**, insert —

<b>SECTION 325</b>	
<b>OBJECTIVITY OF AN ENGAGEMENT QUALITY REVIEWER AND OTHER APPROPRIATE REVIEWERS</b>	
<b>Introduction</b>	
325.1	Public accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.
325.2	Appointing an engagement quality reviewer who has involvement in the work being reviewed or close relationships with those responsible for performing that work might create threats to compliance with the principle of objectivity.
325.3	This section sets out specific application material relevant to applying the conceptual framework in relation to the objectivity of an engagement quality reviewer.
325.4	An engagement quality reviewer is also an example of an appropriate reviewer as described in paragraph 300.8 A4. Therefore, the application material in this section might apply in circumstances where a public accountant appoints an appropriate reviewer to review work performed as a safeguard to address identified threats.

<b>Application Material</b>	
<b>General</b>	
325.5 A1	Quality engagements are achieved through planning and performing engagements and reporting on them in accordance with professional standards and applicable legal and regulatory requirements. SSQM 1 establishes the firm's responsibilities for its system of quality management and requires the firm to design and implement responses to address quality risks related to engagement performance. Such responses include establishing policies or procedures addressing engagement quality reviews in accordance with Singapore Standard on Quality Management 2 (SSQM 2).
325.5 A2	An engagement quality reviewer is a partner, other individual in the firm, or an external individual, appointed by the firm to perform the engagement quality review.
<b>Identifying Threats</b>	
325.6 A1	<p>The following are examples of circumstances where threats to the objectivity of a professional accountant appointed as an engagement quality reviewer might be created:</p> <p>(a) Self-interest threat — Two engagement partners each serving as an engagement quality reviewer for the other's engagement;</p> <p>(b) Self-review threat — A professional accountant serving as an engagement quality reviewer on an audit engagement after previously serving as the engagement partner;</p>

	<p>(c) Familiarity threat — A professional accountant serving as an engagement quality reviewer has a close relationship with or is an immediate family member of another individual who is involved in the engagement; and</p> <p>(d) Intimidation threat — A professional accountant serving as an engagement quality reviewer for an engagement has a direct reporting line to the partner responsible for the engagement.</p>
<b>Evaluating Threats</b>	
325.7 A1	<p>Factors that are relevant in evaluating the level of threats to the objectivity of an individual appointed as an engagement quality reviewer include —</p> <p>(a) The role and seniority of the individual;</p> <p>(b) The nature of the individual’s relationship with others involved on the engagement;</p> <p>(c) The length of time the individual was previously involved with the engagement and the individual’s role;</p> <p>(d) When the individual was last involved in the engagement prior to being appointed as engagement quality reviewer and any subsequent relevant changes to the circumstances of the engagement; and</p> <p>(e) The nature and complexity of issues that required significant judgment from the individual in any previous involvement in the engagement.</p>

<b>Addressing Threats</b>	
325.8 A1	An example of an action that might eliminate an intimidation threat is reassigning reporting responsibilities within the firm.
325.8 A2	An example of an action that might be a safeguard to address a self-review threat is implementing a period of sufficient duration (a cooling-off period) before the individual who was on the engagement is appointed as an engagement quality reviewer.
<i>Cooling-off Period</i>	
325.8 A3	SSQM 2 requires the firm to establish policies or procedures that specify, as a condition for eligibility, a cooling-off period of two years before the engagement partner can assume the role of engagement quality reviewer. This serves to enable compliance with the principle of objectivity and the consistent performance of quality engagements.
325.8 A4	The cooling-off period required by SSQM 2 is distinct from, and does not modify, the partner rotation requirements in Section 540, which are designed to address threats to independence created by long association with an audit client.

(k) replace paragraph 330.3 A1 with —

330.3 A1	The level of fees might impact a public accountant's ability to perform professional services in accordance with technical and professional standards.
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(l) in paragraph 330.3 A3(a), replace “charged and which professional services the quoted fee covers” with “determined and which professional services are covered”;

- (m) in paragraph 330.4 A2(e), replace “control” with “management”;
- (n) in paragraph 400.2, after “both audit and review engagements”, insert “unless otherwise stated”;
- (o) replace paragraph 400.4 with —

400.4	<p>SSQM 1 requires a firm to design, implement and operate a system of quality management for audits or reviews of financial statements performed by the firm. As part of this system of quality management, SSQM 1 requires the firm to establish quality objectives that address the fulfilment of responsibilities in accordance with relevant ethical requirements, including those related to independence. Under SSQM 1, relevant ethical requirements are those related to the firm, its personnel and, when applicable, others subject to the independence requirements to which the firm and the firm’s engagements are subject. SSAs and Singapore Standards on Review Engagements (SSREs) establish responsibilities for engagement partners and engagement teams at the level of the engagement for audits and reviews, respectively. The allocation of responsibilities within a firm will depend on its size, structure and organisation. Many of the provisions of this Part do not prescribe the specific responsibility of individuals within the firm for actions related to independence, instead referring to “firm” for ease of reference. A firm assigns operational responsibility for compliance with independence requirements to an individual(s) in accordance with SSQM 1. In addition, an individual public accountant remains responsible for compliance with any provisions that apply to that public accountant’s activities, interests or relationships.</p>
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(p) replace “[Paragraphs 400.13 to 400.19 are intentionally left blank]” with —

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<b>Prohibition on Assuming Management Responsibilities</b>	
<b>R400.13</b>	A firm or a network firm shall not assume a management responsibility for an audit client.
400.13 A1	Management responsibilities involve controlling, leading and directing an entity, including making decisions regarding the acquisition, deployment and control of human, financial, technological, physical and intangible resources.
400.13 A2	When a firm or a network firm assumes a management responsibility for an audit client, self-review, self-interest and familiarity threats are created. Assuming a management responsibility might also create an advocacy threat because the firm or network firm becomes too closely aligned with the views and interests of management.
400.13 A3	Determining whether an activity is a management responsibility depends on the circumstances and requires the exercise of professional judgment. Examples of activities that would be considered a management responsibility include — <ul style="list-style-type: none"> <li>(a) Setting policies and strategic direction;</li> <li>(b) Hiring or dismissing employees;</li> <li>(c) Directing and taking responsibility for the actions of employees in relation to the employees’ work for the entity;</li> <li>(d) Authorising transactions;</li> <li>(e) Controlling or managing bank accounts or investments;</li> </ul>



	<p>(f) Deciding which recommendations of the firm or network firm or other third parties to implement;</p> <p>(g) Reporting to those charged with governance on behalf of management; and</p> <p>(h) Taking responsibility for —</p> <p style="padding-left: 40px;">(i) The preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework; and</p> <p style="padding-left: 40px;">(ii) Designing, implementing, monitoring or maintaining internal control.</p>
400.13 A4	<p>Subject to compliance with paragraph R400.14, providing advice and recommendations to assist the management of an audit client in discharging its responsibilities is not assuming a management responsibility. The provision of advice and recommendations to an audit client might create a self-review threat and is addressed in Section 600.</p>
<b>R400.14</b>	<p>When performing a professional activity for an audit client, the firm shall be satisfied that client management makes all judgments and decisions that are the proper responsibility of management. This includes ensuring that the client's management —</p> <p>(a) Designates an individual who possesses suitable skill, knowledge and experience to be responsible at all times for the client's decisions and to oversee the activities. Such an individual, preferably within senior management, would understand —</p>

	<p>(i) The objectives, nature and results of the activities; and</p> <p>(ii) The respective client and firm or network firm responsibilities.</p> <p>However, the individual is not required to possess the expertise to perform or re-perform the activities;</p> <p>(b) Provides oversight of the activities and evaluates the adequacy of the results of the activities performed for the client’s purpose; and</p> <p>(c) Accepts responsibility for the actions, if any, to be taken arising from the results of the activities.</p>
<p><b>[Paragraphs 400.15 to 400.19 are intentionally left blank]</b></p>	

(q) in paragraph **R400.31**, replace sub-paragraph (b) with —

“(b) Services provided to the audit client by the firm or a network firm in prior financial statement periods.”;

(r) replace paragraph 400.31 A2 with —

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400.31 A2	A factor to be considered in such circumstances is whether the results of the service provided might form part of or affect the accounting records, the internal controls over financial reporting, or the financial statements on which the firm will express an opinion.
400.31 A3	<p>Examples of actions that might be safeguards to address threats to independence include —</p> <p>(a) Not assigning professionals who performed the non-assurance service to be members of the engagement team;</p>

	<p>(b) Having an appropriate reviewer review the audit work or non-assurance service as appropriate; and</p> <p>(c) Engaging another firm outside of the network to evaluate the results of the non-assurance service or having another firm outside of the network re-perform the non-assurance service to the extent necessary to enable the other firm to take responsibility for the service.</p>
400.31 A4	A threat to independence created by the provision of a non-assurance service by a firm or a network firm prior to the audit engagement period or prior to the period covered by the financial statements on which the firm will express an opinion is eliminated or reduced to an acceptable level if the results of such service have been used or implemented in a period audited by another firm.
<i>Audit Clients that are Public Interest Entities</i>	
<b>R400.32</b>	<p>A firm shall not accept appointment as auditor of a public interest entity to which the firm or the network firm has provided a non-assurance service prior to such appointment that might create a self-review threat in relation to the financial statements on which the firm will express an opinion unless —</p> <p>(a) The provision of such service ceases before the commencement of the audit engagement period;</p> <p>(b) The firm takes action to address any threats to its independence; and</p>

	<p>(c) The firm determines that, in the view of a reasonable and informed third party, any threats to the firm's independence have been or will be eliminated or reduced to an acceptable level.</p>
400.32 A1	<p>Actions that might be regarded by a reasonable and informed third party as eliminating or reducing to an acceptable level any threats to independence created by the provision of non-assurance services to a public interest entity prior to appointment as auditor of that entity include —</p> <p>(a) The results of the service had been subject to auditing procedures in the course of the audit of the prior year's financial statements by a predecessor firm;</p> <p>(b) The firm engages a professional accountant, who is not a member of the firm expressing the opinion on the financial statements, to perform a review of the first audit engagement affected by the self-review threat consistent with the objective of an engagement quality review; and</p> <p>(c) The public interest entity engages another firm outside of the network to —</p> <p style="padding-left: 40px;">(i) Evaluate the results of the non-assurance service; or</p> <p style="padding-left: 40px;">(ii) Re-perform the service,</p> <p>to the extent necessary to enable the other firm to take responsibility for the result of the service.</p>

(s) replace “[Paragraphs 400.32 to 400.39 are intentionally left blank]” with “[Paragraphs 400.33 to 400.39 are intentionally left blank]”;

(t) in paragraph **R400.53(c)**, replace “control” with “management”;

(u) replace paragraph 400.53 A4 with —

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400.53 A4	Common quality management policies and procedures are those designed, implemented and operated across the larger structure. (Ref: Para. R400.53(c)).
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(v) in paragraph **R400.73(b)**, delete “control”;

(w) in paragraph 400.73 A1(b), replace “equivalent to an engagement quality control review” with “consistent with the objective of an engagement quality review”;

(x) in paragraph **R400.80(c)**, replace sub-paragraph (ii) with —

“(ii) The individual with operational responsibility for compliance with independence requirements;”;

(y) replace paragraph 400.80 A1 with —

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400.80 A1	A breach of a provision of this Part might occur despite the firm having a system of quality management designed to address independence requirements. It might be necessary to end the audit engagement because of the breach.
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(z) replace paragraphs 410.2 to 410.12 A3 with —

410.2	Section 330 sets out application material relevant to applying the conceptual framework where the level and nature of fee and other remuneration arrangements might create a self-interest threat to compliance with one or more of the fundamental principles. This section sets out specific requirements and application material relevant to applying the conceptual framework to identify, evaluate and address threats to independence arising from fees charged to audit clients.
<b>Requirements and Application Material</b>	
<b>General</b>	
410.3 A1	Fees for professional services are usually negotiated with and paid by an audit client and might create threats to independence. This practice is generally recognised and accepted by intended users of financial statements.
410.3 A2	When the audit client is a public interest entity, stakeholders have heightened expectations regarding the firm's independence. As transparency can serve to better inform the views and decisions of those charged with governance and a wide range of stakeholders, this section provides for disclosure of fee-related information to both those charged with governance and stakeholders more generally for audit clients that are public interest entities.
410.3 A3	For the purposes of this section, audit fees comprise fees or other types of remuneration for an audit or review of financial statements. Where reference is made to the fee for the audit of the financial statements, this does not include any fee for an audit of special purpose financial statements or a review of financial statements. (Ref: Para. R410.23(a), 410.25 A1 and R410.31(a)).

<i>Fees Paid by an Audit Client</i>	
410.4 A1	When fees are negotiated with and paid by an audit client, this creates a self-interest threat and might create an intimidation threat to independence.
410.4 A2	The application of the conceptual framework requires that before a firm or network firm accepts an audit or any other engagement for an audit client, the firm determines whether the threats to independence created by the fees proposed to the client are at an acceptable level. The application of the conceptual framework also requires the firm to re-evaluate such threats when facts and circumstances change during the engagement period for the audit.
410.4 A3	<p>Factors that are relevant in evaluating the level of threats created when fees for an audit or any other engagement are paid by the audit client include —</p> <ul style="list-style-type: none"> <li>(a) The level of the fees and the extent to which they have regard to the resources required, taking into account the firm's commercial and market priorities;</li> <li>(b) Any linkage between fees for the audit and those for services other than audit and the relative size of both elements;</li> <li>(c) The extent of any dependency between the level of the fee for, and the outcome of, the service;</li> <li>(d) Whether the fee is for services to be provided by the firm or a network firm;</li> <li>(e) The level of the fee in the context of the service to be provided by the firm or a network firm;</li> <li>(f) The operating structure and the compensation arrangements of the firm and network firms;</li> </ul>

	<ul style="list-style-type: none"> <li>(g) The significance of the client, or a third party referring the client, to the firm, network firm, partner or office;</li> <li>(h) The nature of the client, for example whether the client is a public interest entity;</li> <li>(i) The relationship of the client to the related entities to which the services other than audit are provided, for example when the related entity is a sister entity;</li> <li>(j) The involvement of those charged with governance in appointing the auditor and agreeing fees, and the apparent emphasis they and client management place on the quality of the audit and the overall level of the fees;</li> <li>(k) Whether the level of the fee is set by an independent third party, such as a regulatory body; and</li> <li>(l) Whether the quality of the firm's audit work is subject to the review of an independent third party, such as an oversight body.</li> </ul>
410.4 A4	<p>The conditions, policies and procedures described in paragraph 120.15 A3 (particularly a system of quality management designed, implemented and operated by the firm in accordance with quality management standards issued by the Institute of Singapore Chartered Accountants) might also impact the evaluation of whether the threats to independence are at an acceptable level.</p>



410.4 A5	The requirements and application material that follow identify circumstances which might need to be further evaluated when determining whether the threats are at an acceptable level. For those circumstances, application material includes examples of additional factors that might be relevant in evaluating the threats.
<b>Level of Audit Fees</b>	
410.5 A1	Determining the fees to be charged to an audit client, whether for audit or other services, is a business decision of the firm taking into account the facts and circumstances relevant to that specific engagement, including the requirements of technical and professional standards.
410.5 A2	<p>Factors that are relevant in evaluating the level of self-interest and intimidation threats created by the level of the audit fee paid by the audit client include —</p> <p>(a) The firm’s commercial rationale for the audit fee; and</p> <p>(b) Whether undue pressure has been, or is being, applied by the client to reduce the audit fee.</p>
410.5 A3	<p>Examples of actions that might be safeguards to address such threats include —</p> <p>(a) Having an appropriate reviewer who does not take part in the audit engagement assess the reasonableness of the fee proposed, having regard to the scope and complexity of the engagement; and</p> <p>(b) Having an appropriate reviewer who did not take part in the audit engagement review the work performed.</p>

<i>Impact of Other Services Provided to an Audit Client</i>	
<b>R410.6</b>	Subject to paragraph R410.7, a firm shall not allow the audit fee to be influenced by the provision of services other than audit to an audit client by the firm or a network firm.
410.6 A1	The audit fee ordinarily reflects a combination of matters, such as those identified in paragraph 410.23 A1. However, the provision of other services to an audit client is not an appropriate consideration in determining the audit fee.
<b>R410.7</b>	As an exception to paragraph R410.6, when determining the audit fee, the firm may take into consideration the cost savings achieved as a result of experience derived from the provision of services other than audit to an audit client.
<b>Contingent Fees</b>	
410.8 A1	Contingent fees are fees calculated on a predetermined basis relating to the outcome of a transaction or the result of the services performed. A contingent fee charged through an intermediary is an example of an indirect contingent fee. In this section, a fee is not regarded as being contingent if established by a court or other public authority.
<b>R410.9</b>	A firm shall not charge directly or indirectly a contingent fee for an audit engagement.
<b>R410.10</b>	A firm or network firm shall not charge directly or indirectly a contingent fee for a non-assurance service provided to an audit client, if — <p>(a) The fee is charged by the firm expressing the opinion on the financial statements and the fee is material or expected to be material to that firm;</p>

	<p>(b) The fee is charged by a network firm that participates in a significant part of the audit and the fee is material or expected to be material to that firm; or</p> <p>(c) The outcome of the non-assurance service, and therefore the amount of the fee, is dependent on a future or contemporary judgment related to the audit of a material amount in the financial statements.</p>
410.10 A1	<p>Paragraphs R410.9 and R410.10 preclude a firm or a network firm from entering into certain contingent fee arrangements with an audit client. Even if a contingent fee arrangement is not precluded when providing a non-assurance service to an audit client, it might still impact the level of the self-interest threat.</p>
410.10 A2	<p>Factors that are relevant in evaluating the level of such a threat include —</p> <p>(a) The range of possible fee amounts;</p> <p>(b) Whether an appropriate authority determines the outcome on which the contingent fee depends;</p> <p>(c) Disclosure to intended users of the work performed by the firm and the basis of remuneration;</p> <p>(d) The nature of the service; and</p> <p>(e) The effect of the event or transaction on the financial statements.</p>
410.10 A3	<p>Examples of actions that might be safeguards to address such a self-interest threat include —</p>

	<p>(a) Having an appropriate reviewer who was not involved in performing the non-assurance service review the work performed; and</p> <p>(b) Obtaining an advance written agreement with the client on the basis of remuneration.</p>
<b>Total Fees – Proportion of Fees for Services Other than Audit to Audit Fee</b>	
410.11 A1	The level of the self-interest threat might be impacted when a large proportion of fees charged by the firm or network firms to an audit client is generated by providing services other than audit to the client, due to concerns about the potential loss of either the audit engagement or other services. Such circumstances might also create an intimidation threat. A further consideration is a perception that the firm or network firm focuses on the non-audit relationship, which might create a threat to the auditor's independence.
410.11 A2	<p>Factors that are relevant in evaluating the level of such threats include —</p> <p>(a) The ratio of fees for services other than audit to the audit fee;</p> <p>(b) The length of time during which a large proportion of fees for services other than audit to the audit fee has existed; and</p> <p>(c) The nature, scope and purposes of the services other than audit, including —</p> <p style="padding-left: 40px;">(i) Whether they are recurring services;</p> <p style="padding-left: 40px;">(ii) Whether law or regulation mandates the services to be performed by the firm.</p>

410.11 A3	<p>Examples of actions that might be safeguards to address such self-interest or intimidation threats include —</p> <p>(a) Having an appropriate reviewer who was not involved in the audit or the service other than audit review the relevant audit work; and</p> <p>(b) Reducing the extent of services other than audit provided to the audit client.</p>
<b>Total Fees — Overdue Fees</b>	
410.12 A1	<p>The level of the self-interest threat might be impacted if fees payable by an audit client for the audit or services other than audit are overdue during the period of the audit engagement.</p>
410.12 A2	<p>It is generally expected that the firm will obtain payment of such fees before the audit report is issued.</p>
410.12 A3	<p>Factors that are relevant in evaluating the level of such a self-interest threat include —</p> <p>(a) The significance of the overdue fees to the firm;</p> <p>(b) The length of time the fees have been overdue; and</p> <p>(c) The firm’s assessment of the ability and willingness of the audit client to pay the overdue fees.</p>
410.12 A4	<p>Examples of actions that might be safeguards to address such a threat include —</p> <p>(a) Obtaining partial payment of overdue fees; and</p> <p>(b) Having an appropriate reviewer who did not take part in the audit engagement review the audit work.</p>

<b>R410.13</b>	<p>When a significant part of the fees due from an audit client remains unpaid for a long time, the firm shall determine —</p> <p>(a) Whether the overdue fees might be equivalent to a loan to the client, in which case the requirements and application material set out in Section 511 are applicable; and</p> <p>(b) Whether it is appropriate for the firm to be re-appointed or continue the audit engagement.</p>
<b>Total Fees — Fee Dependency</b>	
<i>All Audit Clients</i>	
410.14 A1	<p>When the total fees generated from an audit client by the firm expressing the audit opinion represent a large proportion of the total fees of that firm, the dependence on, and concern about the potential loss of, fees from audit and other services from that client impact the level of the self-interest threat and create an intimidation threat.</p>
410.14 A2	<p>In calculating the total fees of the firm, the firm might use financial information available from the previous financial year and estimate the proportion based on that information if appropriate.</p>
410.14 A3	<p>Factors that are relevant in evaluating the level of such self-interest and intimidation threats include —</p> <p>(a) The operating structure of the firm; and</p> <p>(b) Whether the firm is expected to diversify such that any dependence on the audit client is reduced.</p>
410.14 A4	<p>Examples of actions that might be safeguards to address such threats include —</p>

	<p>(a) Having an appropriate reviewer who is not a member of the firm review the audit work;</p> <p>(b) Reducing the extent of services other than audit provided to the audit client;</p> <p>(c) Increasing the client base of the firm to reduce dependence on the client; and</p> <p>(d) Increasing the extent of services provided to other clients.</p>
410.14 A5	A self-interest or intimidation threat is created when the fees generated by a firm from an audit client represent a large proportion of the revenue of one partner or one office of the firm.
410.14 A6	<p>Factors that are relevant in evaluating the level of such threats include —</p> <p>(a) The qualitative and quantitative significance of the audit client to the partner or office; and</p> <p>(b) The extent to which the compensation of the partner, or the partners in the office, is dependent upon the fees generated from the client.</p>
410.14 A7	<p>Examples of actions that might be safeguards to address such self-interest or intimidation threats include —</p> <p>(a) Having an appropriate reviewer who was not involved in the audit engagement review the audit work;</p> <p>(b) Ensuring that the compensation of the partner is not significantly influenced by the fees generated from the client;</p> <p>(c) Reducing the extent of services other than audit provided by the partner or office to the audit client;</p> <p>(d) Increasing the client base of the partner or the office to reduce dependence on the client; and</p>

	(e) Increasing the extent of services provided by the partner or the office to other clients.
<b>Audit Clients that are Not Public Interest Entities</b>	
<b>R410.15</b>	<p>When for each of five consecutive years total fees from an audit client that is not a public interest entity represent, or are likely to represent, more than 30% of the total fees received by the firm, the firm shall determine whether either of the following actions might be a safeguard to reduce the threats created to an acceptable level, and if so, apply it:</p> <p>(a) Prior to the audit opinion being issued on the fifth year's financial statements, have a professional accountant, who is not a member of the firm expressing the opinion on the financial statements, review the fifth year's audit work; or</p> <p>(b) After the audit opinion on the fifth year's financial statements has been issued, and before the audit opinion is issued on the sixth year's financial statements, have a professional accountant, who is not a member of the firm expressing the opinion on the financial statements, or a professional body review the fifth year's audit work.</p>
<b>R410.16</b>	<p>If the total fees described in paragraph R410.15 continue to exceed 30%, the firm shall each year determine whether either of the actions in paragraph R410.15 applied to the relevant year's engagement might be a safeguard to address the threats created by the total fees received by the firm from the client, and if so, apply it.</p>



<b>R410.17</b>	<p>When two or more firms are engaged to conduct an audit of the client’s financial statements, the involvement of the other firm in the audit may be regarded each year as an action equivalent to that in paragraph R410.15(a), if —</p> <p>(a) The circumstances addressed by paragraph R410.15 apply to only one of the firms expressing the audit opinion; and</p> <p>(b) Each firm performs sufficient work to take full individual responsibility for the audit opinion.</p>
<b>Audit Clients that are Public Interest Entities</b>	
<b>R410.18</b>	<p>When for each of two consecutive years the total fees from an audit client that is a public interest entity represent, or are likely to represent, more than 15% of the total fees received by the firm, the firm shall determine whether, prior to the audit opinion being issued on the second year’s financial statements, a review, consistent with the objective of an engagement quality review, performed by a professional accountant who is not a member of the firm expressing the opinion on the financial statements (“pre-issuance review”) might be a safeguard to reduce the threats to an acceptable level, and if so, apply it.</p>
<b>R410.19</b>	<p>When two or more firms are engaged to conduct an audit of the client’s financial statements, the involvement of the other firm in the audit may be regarded each year as an action equivalent to that in paragraph R410.18, if —</p> <p>(a) The circumstances addressed by paragraph R410.18 apply to only one of the firms expressing the audit opinion; and</p>

	(b) Each firm performs sufficient work to take full individual responsibility for the audit opinion.
<b>R410.20</b>	Subject to paragraph R410.21, if the circumstances described in paragraph R410.18 continue for five consecutive years, the firm shall cease to be the auditor after the audit opinion for the fifth year is issued.
<b>R410.21</b>	<p>As an exception to paragraph R410.20, the firm may continue to be the auditor after five consecutive years if there is a compelling reason to do so having regard to the public interest, provided that —</p> <p>(a) The firm consults with a regulatory or professional body in the relevant jurisdiction and it concurs that having the firm continue as the auditor would be in the public interest; and</p> <p>(b) Before the audit opinion on the sixth and any subsequent year's financial statements is issued, the firm engages a professional accountant, who is not a member of the firm expressing the opinion on the financial statements, to perform a pre-issuance review.</p>
410.21 A1	A factor which might give rise to a compelling reason is the lack of viable alternative firms to carry out the audit engagement, having regard to the nature and location of the client's business.

<b>Transparency of Information Regarding Fees for Audit Clients that are Public Interest Entities</b>	
<i>Communication About Fee-related Information with Those Charged with Governance</i>	
410.22 A1	Communication by the firm of fee-related information (for both audit and services other than audit) with those charged with governance assists in their assessment of the firm's independence. Effective communication in this regard also allows for a two-way open exchange of views and information about, for example, the expectations that those charged with governance might have regarding the scope and extent of audit work and impact on the audit fee.
<b>Fees for the Audit of the Financial Statements</b>	
<b>R410.23</b>	Subject to paragraph R410.24, the firm shall communicate in a timely manner with those charged with governance of an audit client that is a public interest entity — <ul style="list-style-type: none"> <li>(a) Fees paid or payable to the firm or network firms for the audit of the financial statements on which the firm expresses an opinion; and</li> <li>(b) Whether the threats created by the level of those fees are at an acceptable level, and if not, any actions the firm has taken or proposes to take to reduce such threats to an acceptable level.</li> </ul>
410.23 A1	The objective of such communication is to provide the background and context to the fees for the audit of the financial statements on which the firm expresses an opinion to enable those charged with governance to consider the independence of the firm. The nature and extent of matters to be communicated will depend on the facts and circumstances and might include for example —

	<p>(a) Considerations affecting the level of the fees such as —</p> <ul style="list-style-type: none"> <li>(i) The scale, complexity and geographic spread of the audit client's operations;</li> <li>(ii) The time spent or expected to be spent commensurate with the scope and complexity of the audit;</li> <li>(iii) The cost of other resources utilised or expended in performing the audit; and</li> <li>(iv) The quality of record keeping and processes for financial statements preparation;</li> </ul> <p>(b) Adjustments to the fees quoted or charged during the period of the audit, and the reasons for any such adjustments; and</p> <p>(c) Changes to laws and regulations and professional standards relevant to the audit that impacted the fees.</p>
410.23 A2	<p>The firm is encouraged to provide such information as soon as practicable and communicate proposed adjustments as appropriate.</p>
<b>R410.24</b>	<p>As an exception to paragraph R410.23, the firm may determine not to communicate the information set out in paragraph R410.23 to those charged with governance of an entity that is (directly or indirectly) wholly-owned by another public interest entity provided that —</p> <ul style="list-style-type: none"> <li>(a) The entity is consolidated into group financial statements prepared by that other public interest entity; and</li> <li>(b) The firm or a network firm expresses an opinion on those group financial statements.</li> </ul>

Fees for Other Services	
<b>R410.25</b>	<p>Subject to paragraph R410.27, the firm shall communicate in a timely manner with those charged with governance of an audit client that is a public interest entity —</p> <p>(a) The fees, other than those disclosed under paragraph R410.23(a), charged to the client for the provision of services by the firm or a network firm during the period covered by the financial statements on which the firm expresses an opinion. For this purpose, such fees shall only include fees charged to the client and its related entities over which the client has direct or indirect control that are consolidated in the financial statements on which the firm will express an opinion; and</p> <p>(b) As set out in paragraph 410.11 A1, where the firm has identified that there is an impact on the level of the self-interest threat or that there is an intimidation threat to independence created by the proportion of fees for services other than audit relative to the audit fee —</p> <p style="padding-left: 40px;">(i) Whether such threats are at an acceptable level; and</p> <p style="padding-left: 40px;">(ii) If not, any actions that the firm has taken or proposes to take to reduce such threats to an acceptable level.</p>
410.25 A1	<p>The objective of such communication is to provide the background and context to the fees for other services to enable those charged with governance to consider the independence of the firm. The nature and extent of matters to be communicated will depend on the facts and circumstances and might include for example —</p>

	<p>(a) The amount of fees for other services that are required by law or regulation;</p> <p>(b) The nature of other services provided and their associated fees;</p> <p>(c) Information on the nature of the services provided under a general policy approved by those charged with governance and associated fees; and</p> <p>(d) The proportion of fees referred to in paragraph R410.25(a) to the aggregate of the fees charged by the firm and network firms for the audit of the financial statements on which the firm expresses an opinion.</p>
<b>R410.26</b>	<p>The firm shall include in the communication required by paragraph R410.25(a) the fees, other than those disclosed under paragraph R410.23(a), charged to any other related entities over which the audit client has direct or indirect control for the provision of services by the firm or a network firm, when the firm knows, or has reason to believe, that such fees are relevant to the evaluation of the firm's independence.</p>
410.26 A1	<p>Factors the firm might consider when determining whether the fees, other than those disclosed under paragraph R410.23(a), charged to such other related entities, individually and in the aggregate, for the provision of services by the firm or a network firm are relevant to the evaluation of the firm's independence include —</p> <p>(a) The extent of the audit client's involvement in the appointment of the firm or network firm for the provision of such services, including the negotiation of fees;</p>

	<p>(b) The significance of the fees paid by the other related entities to the firm or a network firm; and</p> <p>(c) The proportion of fees from the other related entities to the fees paid by the client.</p>
<b>R410.27</b>	<p>As an exception to paragraph R410.25, the firm may determine not to communicate the information set out in paragraph R410.25 to those charged with governance of an entity that is (directly or indirectly) wholly-owned by another public interest entity provided that —</p> <p>(a) The entity is consolidated into group financial statements prepared by that other public interest entity; and</p> <p>(b) The firm or a network firm expresses an opinion on those group financial statements.</p>
<i>Audit Clients that are Listed Entities</i>	
<b>SG410.27A</b>	<p>Where an audit client is a listed entity and the amount of annual fees received and to be received by the firm or its network firms for services other than audit (“such fees”) compared to the total annual audit fees from the audit client is 50% or more, the firm shall disclose to those charged with governance of the audit client which that firm is expressing the audit opinion the fact that the total of such fees represent 50% or more of total annual audit fees received and to be received by the firm or its network firms and discuss the safeguards it will apply to reduce the threat to an acceptable level.</p>

	<p>For this purpose —</p> <p>(a) Such fees shall only include fees charged to the client and its related entities over which the client has direct or indirect control; and</p> <p>(b) Such fees shall not include the fees received and to be received for audit-related services as defined in the Glossary.</p> <p>Example of a safeguard that could be considered and applied is having an appropriate reviewer who was not involved in the audit or the service other than audit review the relevant audit work.</p>
Fee Dependency	
<b>R410.28</b>	<p>Where the total fees from an audit client that is a public interest entity represent, or are likely to represent, more than 15% of the total fees received by the firm, the firm shall communicate with those charged with governance —</p> <p>(a) That fact and whether this situation is likely to continue;</p> <p>(b) The safeguards applied to address the threats created, including, where relevant, the use of a pre-issuance review (Ref: Para R410.18); and</p> <p>(c) Any proposal to continue as the auditor under paragraph R410.21.</p>



<i>Public Disclosure of Fee-related Information</i>	
410.29 A1	In view of the public interest in the audits of public interest entities, it is beneficial for stakeholders to have visibility about the professional relationships between the firm and the audit client which might reasonably be thought to be relevant to the evaluation of the firm's independence. In a wide number of jurisdictions, there already exist requirements regarding the disclosure of fees by an audit client for both audit and services other than audit paid and payable to the firm and network firms. Such disclosures often require the disaggregation of fees for services other than audit into different categories.
<b>R410.30</b>	<p>If laws and regulations do not require an audit client to disclose audit fees, fees for services other than audit paid or payable to the firm and network firms and information about fee dependency, the firm shall discuss with those charged with governance of an audit client that is a public interest entity —</p> <p>(a) The benefit to the client's stakeholders of the client making such disclosures that are not required by laws and regulations in a manner deemed appropriate, taking into account the timing and accessibility of the information; and</p> <p>(b) The information that might enhance the users' understanding of the fees paid or payable and their impact on the firm's independence.</p>
410.30 A1	Examples of information relating to fees that might enhance the users' understanding of the fees paid or payable and their impact on the firm's independence include —

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	<p>(a) Comparative information of the prior year's fees for audit and services other than audit;</p> <p>(b) The nature of services and their associated fees as disclosed under paragraph R410.31(b); and</p> <p>(c) Safeguards applied when the total fees from the client represent or are likely to represent more than 15% of the total fees received by the firm.</p>
<b>R410.31</b>	<p>After the discussion with those charged with governance as set out in paragraph R410.30, to the extent that the audit client that is a public interest entity does not make the relevant disclosure, subject to paragraph R410.32, the firm shall publicly disclose —</p> <p>(a) Fees paid or payable to the firm and network firms for the audit of the financial statements on which the firm expresses an opinion;</p> <p>(b) Fees, other than those disclosed under (a), charged to the client for the provision of services by the firm or a network firm during the period covered by the financial statements on which the firm expresses an opinion. For this purpose, such fees shall only include fees charged to the client and its related entities over which the client has direct or indirect control that are consolidated in the financial statements on which the firm will express an opinion;</p>

	<p>(c) Any fees, other than those disclosed under (a) and (b), charged to any other related entities over which the audit client has direct or indirect control for the provision of services by the firm or a network firm when the firm knows, or has reason to believe, that such fees are relevant to the evaluation of the firm's independence; and</p> <p>(d) If applicable, the fact that the total fees received by the firm from the audit client represent, or are likely to represent, more than 15% of the total fees received by the firm for two consecutive years, and the year that this situation first arose.</p>
410.31 A1	The firm might also disclose other information relating to fees that will enhance the users' understanding of the fees paid or payable and the firm's independence, such as the examples described in paragraph 410.30 A1.
410.31 A2	Factors the firm might consider when making the determination required by paragraph R410.31(c) are set out in paragraph 410.26 A1.
410.31 A3	<p>When disclosing fee-related information in compliance with paragraph R410.31, the firm might disclose the information in a manner deemed appropriate taking into account the timing and accessibility of the information to stakeholders, for example —</p> <p>(a) On the firm's website;</p> <p>(b) In the firm's transparency report;</p> <p>(c) In an audit quality report;</p> <p>(d) Through targeted communication to specific stakeholders, for example a letter to the shareholders; and</p> <p>(e) In the auditor's report.</p>

<b>R410.32</b>	<p>As an exception to paragraph R410.31, the firm may determine not to publicly disclose the information set out in paragraph R410.31 relating to —</p> <p>(a) A parent entity that also prepares group financial statements provided that the firm or a network firm expresses an opinion on the group financial statements; or</p> <p>(b) An entity (directly or indirectly) wholly-owned by another public interest entity provided that —</p> <p style="padding-left: 40px;">(i) The entity is consolidated into group financial statements prepared by that other public interest entity; and</p> <p style="padding-left: 40px;">(ii) The firm or a network firm expresses an opinion on those group financial statements.</p>
<i>Considerations for Review Clients</i>	
<b>R410.33</b>	<p>This section sets out requirements for a firm to communicate fee-related information of an audit client that is a public interest entity and to disclose publicly fee-related information to the extent that the client does not disclose such information. As an exception to those requirements, the firm may determine not to communicate or pursue disclosure of such information where a review client is not also an audit client.</p>

(za) replace paragraph **R525.4** with —

<b>R525.4</b>	<p>A firm or a network firm shall not loan personnel to an audit client unless the firm or network firm is satisfied that —</p> <p>(a) Such assistance is provided only for a short period of time;</p>
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	<p>(b) Such personnel will not assume management responsibilities and the audit client will be responsible for directing and supervising the activities of such personnel;</p> <p>(c) Any threat to the independence of the firm or network firm arising from the professional services undertaken by such personnel is eliminated or safeguards are applied to reduce such threat to an acceptable level; and</p> <p>(d) Such personnel will not undertake or be involved in professional services that the firm or network firm is prohibited from performing by the Code.</p>
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(zb) in paragraph **R540.5**, replace sub-paragraph (b) with —

“(b) The individual appointed as responsible for performing the engagement quality review;”;

(zc) in paragraphs **R540.12** and **R540.15**, delete “control”;

(zd) after paragraph **R540.13**, insert —

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540.13 A1	The partner rotation requirements in this section are distinct from, and do not modify, the cooling-off period required by SSQM 2 as a condition for eligibility before the engagement partner can assume the role of engagement quality reviewer (see paragraph 325.8 A4).
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(ze) in paragraph **R540.16**, replace “control review” with “reviewer”;

(zf) replace paragraphs 600.1 to **R610.5** with —

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600.1	Firms are required to comply with the fundamental principles, be independent, and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.
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600.2	Firms and network firms might provide a range of non-assurance services to their audit clients, consistent with their skills and expertise. Providing non-assurance services to audit clients might create threats to compliance with the fundamental principles and threats to independence.
600.3	This section sets out requirements and application material relevant to applying the conceptual framework to identify, evaluate and address threats to independence when providing non-assurance services to audit clients. The subsections that follow set out specific requirements and application material that are relevant when a firm or a network firm provides certain types of non-assurance services to audit clients and indicate the types of threats that might be created as a result.
600.4	Some subsections include requirements that expressly prohibit a firm or a network firm from providing certain services to an audit client because the threats created cannot be eliminated and safeguards are not capable of being applied to reduce the threats to an acceptable level.
600.5	New business practices, the evolution of financial markets and changes in technology are some developments that make it impossible to draw up an all-inclusive list of non-assurance services that firms and network firms might provide to an audit client. The conceptual framework and the general provisions in this section apply when a firm proposes to a client to provide a non-assurance service for which there are no specific requirements and application material.

<b>Requirements and Application Material</b>	
<b>General</b>	
<i>Non-Assurance Services Provisions in Laws or Regulations</i>	
600.6 A1	Paragraphs R100.6 to 100.7 A1 set out requirements and application material relating to compliance with the Code. If there are laws and regulations in a jurisdiction relating to the provision of non-assurance services to audit clients that differ from or go beyond those set out in this section, firms providing non-assurance services to which such provisions apply need to be aware of those differences and comply with the more stringent provisions.
<i>Risk of Assuming Management Responsibilities when Providing a Non-Assurance Service</i>	
600.7 A1	When a firm or a network firm provides a non-assurance service to an audit client, there is a risk that the firm or network firm will assume a management responsibility unless the firm or network firm is satisfied that the requirements in paragraph R400.14 have been complied with.
<i>Accepting an Engagement to Provide a Non-Assurance Service</i>	
<b>R600.8</b>	Before a firm or a network firm accepts an engagement to provide a non-assurance service to an audit client, the firm shall apply the conceptual framework to identify, evaluate and address any threat to independence that might be created by providing that service.
<i>Identifying and Evaluating Threats</i>	
All Audit Clients	
600.9 A1	A description of the categories of threats that might arise when a firm or a network firm provides a non-assurance service to an audit client is set out in paragraph 120.6 A3.

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600.9 A2	<p>Factors that are relevant in identifying the different threats that might be created by providing a non-assurance service to an audit client, and evaluating the level of such threats include —</p> <ul style="list-style-type: none"><li>(a) The nature, scope, intended use and purpose of the service;</li><li>(b) The manner in which the service will be provided, such as the personnel to be involved and their location;</li><li>(c) The legal and regulatory environment in which the service is provided;</li><li>(d) Whether the client is a public interest entity;</li><li>(e) The level of expertise of the client’s management and employees with respect to the type of service provided;</li><li>(f) The extent to which the client determines significant matters of judgment (Ref: Para. R400.13 to R400.14);</li><li>(g) Whether the outcome of the service will affect the accounting records or matters reflected in the financial statements on which the firm will express an opinion, and, if so —<ul style="list-style-type: none"><li>(i) The extent to which the outcome of the service will have a material effect on the financial statements; and</li><li>(ii) The degree of subjectivity involved in determining the appropriate amounts or treatment for those matters reflected in the financial statements;</li></ul></li></ul>
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	<p>(h) The nature and extent of the impact of the service, if any, on the systems that generate information that forms a significant part of the client's —</p> <ul style="list-style-type: none"> <li>(i) Accounting records or financial statements on which the firm will express an opinion; and</li> <li>(ii) Internal controls over financial reporting;</li> </ul> <p>(i) The degree of reliance that will be placed on the outcome of the service as part of the audit; and</p> <p>(j) The fee relating to the provision of the non-assurance service.</p>
600.9 A3	Subsections 601 to 610 include examples of additional factors that are relevant in identifying threats to independence created by providing certain non-assurance services, and evaluating the level of such threats.
<b>Materiality in relation to financial statements</b>	
600.10 A1	Materiality is a factor that is relevant in evaluating threats created by providing a non-assurance service to an audit client. Subsections 601 to 610 refer to materiality in relation to an audit client's financial statements. The concept of materiality in relation to an audit is addressed in SSA 320, <i>Materiality in Planning and Performing an Audit</i> , and in relation to a review in SSRE 2400 (Revised), <i>Engagements to Review Historical Financial Statements</i> . The determination of materiality involves the exercise of professional judgment and is impacted by both quantitative and qualitative factors. It is also affected by perceptions of the financial information needs of users.

600.10 A2	Where the Code expressly prohibits the provision of a non-assurance service to an audit client, a firm or a network firm is not permitted to provide that service, regardless of the materiality of the outcome or results of the non-assurance service on the financial statements on which the firm will express an opinion.
Providing advice and recommendations	
600.11 A1	Providing advice and recommendations might create a self-review threat. Whether providing advice and recommendations creates a self-review threat involves making the determination set out in paragraph R600.14. Where the audit client is not a public interest entity and a self-review threat is identified, the firm is required to apply the conceptual framework to evaluate and address the threat. If the audit client is a public interest entity, paragraphs R600.16 and R600.17 apply.
Multiple non-assurance services provided to the same audit client	
<b>R600.12</b>	When a firm or a network firm provides multiple non-assurance services to an audit client, the firm shall consider whether, in addition to the threats created by each service individually, the combined effect of such services creates or impacts threats to independence.
600.12 A1	<p>In addition to paragraph 600.9 A2, factors that are relevant in a firm's evaluation of the level of threats to independence created where multiple non-assurance services are provided to an audit client might include whether —</p> <p>(a) The combined effect of providing multiple services increases the level of threat created by each service assessed individually; and</p>

	<p>(b) The combined effect of providing multiple services increases the level of any threat arising from the overall relationship with the audit client.</p>
Self-review threats	
600.13 A1	<p>When a firm or a network firm provides a non-assurance service to an audit client, there might be a risk of the firm auditing its own or the network firm's work, thereby giving rise to a self-review threat. A self-review threat is the threat that a firm or a network firm will not appropriately evaluate the results of a previous judgment made or an activity performed by an individual within the firm or network firm as part of a non-assurance service on which the audit team will rely when forming a judgment as part of an audit.</p>
<b>R600.14</b>	<p>Before providing a non-assurance service to an audit client, a firm or a network firm shall determine whether the provision of that service might create a self-review threat by evaluating whether there is a risk that —</p> <p>(a) The results of the service will form part of or affect the accounting records, the internal controls over financial reporting, or the financial statements on which the firm will express an opinion; and</p> <p>(b) In the course of the audit of those financial statements on which the firm will express an opinion, the audit team will evaluate or rely on any judgments made or activities performed by the firm or network firm when providing the service.</p>

Audit Clients that are Public Interest Entities	
600.15 A1	When the audit client is a public interest entity, stakeholders have heightened expectations regarding the firm's independence. These heightened expectations are relevant to the reasonable and informed third party test used to evaluate a self-review threat created by providing a non-assurance service to an audit client that is a public interest entity.
600.15 A2	Where the provision of a non-assurance service to an audit client that is a public interest entity creates a self-review threat, that threat cannot be eliminated, and safeguards are not capable of being applied to reduce that threat to an acceptable level.
Self-review threats	
<b>R600.16</b>	A firm or a network firm shall not provide a non-assurance service to an audit client that is a public interest entity if the provision of that service might create a self-review threat in relation to the audit of the financial statements on which the firm will express an opinion. (Ref: Para. 600.13 A1 and R600.14).
Providing advice and recommendations	
<b>R600.17</b>	As an exception to paragraph R600.16, a firm or a network firm may provide advice and recommendations to an audit client that is a public interest entity in relation to information or matters arising in the course of an audit provided that the firm — <ul style="list-style-type: none"> <li>(a) Does not assume a management responsibility (Ref: Para. R400.13 and R400.14); and</li> </ul>

	(b) Applies the conceptual framework to identify, evaluate and address threats, other than self-review threats, to independence that might be created by the provision of that advice.
600.17 A1	<p>Examples of advice and recommendations that might be provided in relation to information or matters arising in the course of an audit include —</p> <ul style="list-style-type: none"> <li>(a) Advising on accounting and financial reporting standards or policies and financial statement disclosure requirements;</li> <li>(b) Advising on the appropriateness of financial and accounting control and the methods used in determining the stated amounts in the financial statements and related disclosures;</li> <li>(c) Proposing adjusting journal entries arising from audit findings;</li> <li>(d) Discussing findings on internal controls over financial reporting and processes and recommending improvements;</li> <li>(e) Discussing how to resolve account reconciliation problems; and</li> <li>(f) Advising on compliance with group accounting policies.</li> </ul>
<i>Addressing Threats</i>	
All Audit Clients	
600.18 A1	Paragraphs R120.10 to 120.10 A2 include a requirement and application material that are relevant when addressing threats to independence, including a description of safeguards.

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600.18 A2	Threats to independence created by providing a non-assurance service or multiple services to an audit client vary depending on the facts and circumstances of the audit engagement and the nature of the service. Such threats might be addressed by applying safeguards or by adjusting the scope of the proposed service.
600.18 A3	<p>Examples of actions that might be safeguards to address such threats include —</p> <ul style="list-style-type: none"><li data-bbox="608 630 1110 696">(a) Using professionals who are not audit team members to perform the service;</li><li data-bbox="608 715 1110 849">(b) Having an appropriate reviewer who was not involved in providing the service review the audit work or service performed; and</li><li data-bbox="608 868 1110 1001">(c) Obtaining pre-clearance of the outcome of the service from an appropriate authority (for example, a tax authority).</li></ul>
600.18 A4	<p>Safeguards might not be available to reduce the threats created by providing a non-assurance service to an audit client to an acceptable level. In such a situation, the application of the conceptual framework requires the firm or network firm to —</p> <ul style="list-style-type: none"><li data-bbox="608 1249 1110 1382">(a) Adjust the scope of the proposed service to eliminate the circumstances that are creating the threats;</li><li data-bbox="608 1401 1110 1515">(b) Decline or end the service that creates the threats that cannot be eliminated or reduced to an acceptable level; or</li><li data-bbox="608 1534 1110 1568">(c) End the audit engagement.</li></ul>

<i>Communication with Those Charged with Governance Regarding Non-Assurance Services</i>	
All Audit Clients	
600.19 A1	Paragraphs 400.40 A1 and 400.40 A2 are relevant to a firm's communication with those charged with governance in relation to the provision of non-assurance services.
Audit Clients that are Public Interest Entities	
600.20 A1	Paragraphs R600.21 to R600.23 require a firm to communicate with those charged with governance of a public interest entity before the firm or network firm provides non-assurance services to entities within the corporate structure of which the public interest entity forms part that might create threats to the firm's independence from the public interest entity. The purpose of the communication is to enable those charged with governance of the public interest entity to have effective oversight of the independence of the firm that audits the financial statements of that public interest entity.
600.20 A2	To facilitate compliance with such requirements, a firm might agree with those charged with governance of the public interest entity a process that addresses when and with whom the firm is to communicate. Such a process might — <ul style="list-style-type: none"> <li>(a) Establish the procedure for the provision of information about a proposed non-assurance service which might be on an individual engagement basis, under a general policy, or on any other agreed basis;</li> <li>(b) Identify the entities to which the process would apply, which might include other public interest entities within the corporate structure;</li> </ul>

	<p>(c) Identify any services that can be provided to the entities identified in paragraph R600.21 without specific approval of those charged with governance if they agree as a general policy that these services are not prohibited under this section and would not create threats to the firm's independence or, if any such threats are created, they would be at an acceptable level;</p> <p>(d) Establish how those charged with governance of multiple public interest entities within the same corporate structure have determined that authority for approving services is to be allocated;</p> <p>(e) Establish a procedure to be followed where the provision of information necessary for those charged with governance to evaluate whether a proposed service might create a threat to the firm's independence is prohibited or limited by professional standards, laws or regulations, or might result in the disclosure of sensitive or confidential information; or</p> <p>(f) Specify how any issues not covered by the process might be resolved.</p>
<b>R600.21</b>	<p>Before a firm that audits the financial statements of a public interest entity, or a network firm accepts an engagement to provide a non-assurance service to —</p> <p>(A) That public interest entity;</p> <p>(B) Any entity that controls, directly or indirectly, that public interest entity; or</p>



	<p>(C) Any entity that is controlled directly or indirectly by that public interest entity,</p> <p>the firm shall, unless already addressed when establishing a process agreed with those charged with governance —</p> <p>(a) Inform those charged with governance of the public interest entity that the firm has determined that the provision of the service —</p> <p>(i) Is not prohibited; and</p> <p>(ii) Will not create a threat to the firm’s independence as auditor of the public interest entity or that any identified threat is at an acceptable level or, if not, will be eliminated or reduced to an acceptable level; and</p> <p>(b) Provide those charged with governance of the public interest entity with information to enable them to make an informed assessment about the impact of the provision of the service on the firm’s independence.</p>
600.21 A1	<p>Examples of information that might be provided to those charged with governance of the public interest entity in relation to a particular non-assurance service include —</p> <p>(a) The nature and scope of the service to be provided;</p>

	<p>(b) The basis and amount of the proposed fee;</p> <p>(c) Where the firm has identified any threats to independence that might be created by the provision of the proposed service, the basis for the firm's assessment that the threats are at an acceptable level or, if not, the actions the firm or network firm will take to eliminate or reduce any threats to independence to an acceptable level; and</p> <p>(d) Whether the combined effect of providing multiple services creates threats to independence or changes the level of previously identified threats.</p>
<b>R600.22</b>	<p>A firm or a network firm shall not provide a non-assurance service to any of the entities referred to in paragraph R600.21 unless those charged with governance of the public interest entity have concurred either under a process agreed with those charged with governance or in relation to a specific service with —</p> <p>(a) The firm's conclusion that the provision of the service will not create a threat to the firm's independence as auditor of the public interest entity, or that any identified threat is at an acceptable level or, if not, will be eliminated, or reduced to an acceptable level; and</p> <p>(b) The provision of that service.</p>

<b>R600.23</b>	<p>As an exception to paragraphs R600.21 and R600.22, where a firm is prohibited by applicable professional standards, laws or regulations from providing information about the proposed non-assurance service to those charged with governance of the public interest entity, or where the provision of such information would result in disclosure of sensitive or confidential information, the firm may provide the proposed service provided that —</p> <ul style="list-style-type: none"> <li>(a) The firm provides such information as it is able without breaching its legal or professional obligations;</li> <li>(b) The firm informs those charged with governance of the public interest entity that the provision of the service will not create a threat to the firm’s independence from the public interest entity, or that any identified threat is at an acceptable level or, if not, will be eliminated or reduced to an acceptable level; and</li> <li>(c) Those charged with governance do not disagree with the firm’s conclusion in (b).</li> </ul>
<b>R600.24</b>	<p>The firm or the network firm, having taken into account any matters raised by those charged with governance of the audit client that is a public interest entity or by the entity referred to in paragraph R600.21 that is the recipient of the proposed service, shall decline the non-assurance service or the firm shall end the audit engagement if —</p>

	<p>(a) The firm or the network firm is not permitted to provide any information to those charged with governance of the audit client that is a public interest entity, unless such a situation is addressed in a process agreed in advance with those charged with governance; or</p> <p>(b) Those charged with governance of an audit client that is a public interest entity disagree with the firm's conclusion that the provision of the service will not create a threat to the firm's independence from the client or that any identified threat is at an acceptable level or, if not, will be eliminated or reduced to an acceptable level.</p>
<i>Audit Client that Later Becomes a Public Interest Entity</i>	
<b>R600.25</b>	<p>A non-assurance service provided, either currently or previously, by a firm or a network firm to an audit client compromises the firm's independence when the client becomes a public interest entity unless —</p> <p>(a) The previous non-assurance service complies with the provisions of this section that relate to audit clients that are not public interest entities;</p> <p>(b) Non-assurance services currently in progress that are not permitted under this section for audit clients that are public interest entities are ended before or, if that is not possible, as soon as practicable after, the client becomes a public interest entity; and</p>

	<p>(c) The firm and those charged with governance of the client that becomes a public interest entity agree and take further actions to address any threats to independence that are not at an acceptable level.</p>
600.25 A1	<p>Examples of actions that the firm might recommend to the audit client include engaging another firm to —</p> <p>(a) Review or re-perform the affected audit work to the extent necessary; or</p> <p>(b) Evaluate the results of the non-assurance service or re-perform the non-assurance service to the extent necessary to enable the other firm to take responsibility for the service.</p>
<i>Considerations for Certain Related Entities</i>	
<b>R600.26</b>	<p>This section includes requirements that prohibit firms and network firms from providing certain non-assurance services to audit clients. As an exception to those requirements and the requirement in paragraph R400.13, a firm or a network firm may assume management responsibilities or provide certain non-assurance services that would otherwise be prohibited to the following related entities of the client on whose financial statements the firm will express an opinion —</p> <p>(a) An entity that has direct or indirect control over the client;</p> <p>(b) An entity with a direct financial interest in the client if that entity has significant influence over the client and the interest in the client is material to such entity; or</p>

	<p>(c) An entity which is under common control with the client,</p> <p>provided that all of the following conditions are met:</p> <ul style="list-style-type: none"> <li>(i) The firm or a network firm does not express an opinion on the financial statements of the related entity;</li> <li>(ii) The firm or a network firm does not assume a management responsibility, directly or indirectly, for the entity on whose financial statements the firm will express an opinion;</li> <li>(iii) The services do not create a self-review threat; and</li> <li>(iv) The firm addresses other threats created by providing such services that are not at an acceptable level.</li> </ul>
<i>Documentation</i>	
600.27 A1	<p>Documentation of the firm's conclusions regarding compliance with this section in accordance with paragraphs R400.60 and 400.60 A1 might include —</p> <ul style="list-style-type: none"> <li>(a) Key elements of the firm's understanding of the nature of the non-assurance service to be provided and whether and how the service might impact the financial statements on which the firm will express an opinion;</li> <li>(b) The nature of any threat to independence that is created by providing the service to the audit client, including whether the results of the service will be subject to audit procedures;</li> </ul>

	<p>(c) The extent of management’s involvement in the provision and oversight of the proposed non-assurance service;</p> <p>(d) Any safeguards that are applied, or other actions taken to address a threat to independence;</p> <p>(e) The firm’s rationale for determining that the service is not prohibited and that any identified threat to independence is at an acceptable level; and</p> <p>(f) In relation to the provision of a proposed non-assurance service to the entities referred to in paragraph R600.21, the steps taken to comply with paragraphs R600.21 to R600.23.</p>
<b>SUBSECTION 601 — ACCOUNTING AND BOOKKEEPING SERVICES</b>	
<b>Introduction</b>	
601.1	In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to 600.27 A1 are relevant to applying the conceptual framework when providing accounting and bookkeeping services to an audit client.
<b>Requirements and Application Material</b>	
<b>General</b>	
601.2 A1	<p>Management is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework. These responsibilities include —</p> <p>(a) Determining accounting policies and the accounting treatment in accordance with those policies;</p>

	<p>(b) Preparing or changing source documents or originating data, in electronic or other form, evidencing the occurrence of a transaction. Examples include —</p> <ul style="list-style-type: none"> <li>(i) Purchase orders;</li> <li>(ii) Payroll time records;</li> <li>(iii) Customer orders;</li> </ul> <p>(c) Originating or changing journal entries; and</p> <p>(d) Determining or approving the account classifications of transactions.</p>
<b>Description of Service</b>	
601.3 A1	<p>Accounting and bookkeeping services comprise a broad range of services including —</p> <ul style="list-style-type: none"> <li>(a) Preparing accounting records or financial statements;</li> <li>(b) Recording transactions;</li> <li>(c) Providing payroll services;</li> <li>(d) Resolving account reconciliation problems; and</li> <li>(e) Converting existing financial statements from one financial reporting framework to another.</li> </ul>
<b>Potential Threats Arising from the Provision of Accounting and Bookkeeping Services</b>	
<i>All Audit Clients</i>	
601.4 A1	<p>Providing accounting and bookkeeping services to an audit client creates a self-review threat when there is a risk that the results of the services will affect the accounting records or the financial statements on which the firm will express an opinion.</p>



<i>Audit Clients that are Not Public Interest Entities</i>	
<b>R601.5</b>	<p>A firm or a network firm shall not provide to an audit client that is not a public interest entity 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"> <li>(a) The services are of a routine or mechanical nature; and</li> <li>(b) The firm addresses any threats that are not at an acceptable level.</li> </ul>
601.5 A1	<p>Accounting and bookkeeping services that are routine or mechanical —</p> <ul style="list-style-type: none"> <li>(a) Involve information, data or material in relation to which the client has made any judgments or decisions that might be necessary; and</li> <li>(b) Require little or no professional judgment.</li> </ul>
601.5 A2	<p>Examples of services that might be regarded as routine or mechanical include —</p> <ul style="list-style-type: none"> <li>(a) Preparing payroll calculations or reports based on client-originated data for approval and payment by the client;</li> <li>(b) Recording recurring transactions for which amounts are easily determinable from source documents or originating data, such as a utility bill where the client has determined or approved the appropriate account classification;</li> <li>(c) Calculating depreciation on fixed assets when the client determines the accounting policy and estimates of useful life and residual values;</li> </ul>

	<p>(d) Posting transactions coded by the client to the general ledger;</p> <p>(e) Posting client-approved entries to the trial balance; and</p> <p>(f) Preparing financial statements based on information in the client-approved trial balance and preparing related notes based on client-approved records.</p> <p>The firm or a network firm may provide such services to audit clients that are not public interest entities provided that the firm or network firm complies with the requirements of paragraph R400.14 to ensure that it does not assume a management responsibility in connection with the service and with the requirement in paragraph R601.5(b).</p>
601.5 A3	<p>Examples of actions that might be safeguards to address a self-review threat created when providing accounting and bookkeeping services of a routine or mechanical nature to an audit client that is not a public interest entity include —</p> <p>(a) Using professionals who are not audit team members to perform the service; and</p> <p>(b) Having an appropriate reviewer who was not involved in providing the service review the audit work or service performed.</p>
<i>Audit Clients that are Public Interest Entities</i>	
<b>R601.6</b>	A firm or a network firm shall not provide accounting and bookkeeping services to an audit client that is a public interest entity.

<b>R601.7</b>	<p>As an exception to paragraph R601.6, a firm or a network firm may prepare statutory financial statements for a related entity of a public interest entity audit client included in sub-paragraph (c) or (d) of the definition of a related entity provided that —</p> <ul style="list-style-type: none"> <li>(a) The audit report on the group financial statements of the public interest entity has been issued;</li> <li>(b) The firm or network firm does not assume management responsibility and applies the conceptual framework to identify, evaluate and address threats to independence;</li> <li>(c) The firm or network firm does not prepare the accounting records underlying the statutory financial statements of the related entity and those financial statements are based on client approved information; and</li> <li>(d) The statutory financial statements of the related entity will not form the basis of future group financial statements of that public interest entity.</li> </ul>
<b>SUBSECTION 602 — ADMINISTRATIVE SERVICES</b>	
<b>Introduction</b>	
602.1	<p>In addition to the specific application material in this subsection, the requirements and application material in paragraphs 600.1 to 600.27 A1 are relevant to applying the conceptual framework when providing administrative services.</p>

<b>Application Material</b>	
<b>Description of Service</b>	
602.2 A1	Administrative services involve assisting clients with their routine or mechanical tasks within the normal course of operations.
602.2 A2	Examples of administrative services include — <ul style="list-style-type: none"> <li>(a) Word processing or document formatting;</li> <li>(b) Preparing administrative or statutory forms for client approval;</li> <li>(c) Submitting such forms as instructed by the client; and</li> <li>(d) Monitoring statutory filing dates and advising an audit client of those dates.</li> </ul>
<b>Potential Threats Arising from the Provision of Administrative Services</b>	
<i>All Audit Clients</i>	
602.3 A1	Providing administrative services to an audit client does not usually create a threat when such services are clerical in nature and require little to no professional judgment.
<b>SUBSECTION 603 — VALUATION SERVICES</b>	
<b>Introduction</b>	
603.1	In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to 600.27 A1 are relevant to applying the conceptual framework when providing valuation services to an audit client.

<b>Requirements and Application Material</b>	
<b>Description of Service</b>	
603.2 A1	A valuation comprises the making of assumptions with regard to future developments, the application of appropriate methodologies and techniques and the combination of both to compute a certain value, or range of values, for an asset, a liability or for the whole or part of an entity.
603.2 A2	If a firm or a network firm is requested to perform a valuation to assist an audit client with its tax reporting obligations or for tax planning purposes and the results of the valuation have no effect on the accounting records or the financial statements other than through accounting entries related to tax, the requirements and application material set out in paragraphs 604.17 A1 to 604.19 A1, relating to such services, apply.
<b>Potential Threats Arising from the Provision of Valuation Services</b>	
<i>All Audit Clients</i>	
603.3 A1	Providing a valuation service to an audit client might create a self-review threat when there is a risk that the results of the service will affect the accounting records or the financial statements on which the firm will express an opinion. Such a service might also create an advocacy threat.
603.3 A2	Factors that are relevant in identifying self-review or advocacy threats created by providing valuation services to an audit client, and evaluating the level of such threats include — <p style="margin-left: 40px;">(a) The use and purpose of the valuation report;</p>

	<p>(b) Whether the valuation report will be made public;</p> <p>(c) The extent to which the valuation methodology is supported by law or regulation, other precedent or established practice;</p> <p>(d) The extent of the client’s involvement in determining and approving the valuation methodology and other significant matters of judgment;</p> <p>(e) The degree of subjectivity inherent in the item for valuations involving standard or established methodologies;</p> <p>(f) Whether the valuation will have a material effect on the financial statements;</p> <p>(g) The extent of the disclosures related to the valuation in the financial statements; and</p> <p>(h) The volatility of the amounts involved as a result of dependence on future events.</p> <p>When a self-review threat for an audit client that is a public interest entity has been identified, paragraph R603.5 applies.</p>
<p><b>Audit Clients that are Not Public Interest Entities</b></p>	
<p>603.A3</p>	<p>Examples of actions that might be safeguards to address self-review or advocacy threats created by providing a valuation service to an audit client that is not a public interest entity include —</p> <p>(a) Using professionals who are not audit team members to perform the service might address self-review or advocacy threats; and</p>

	(b) Having an appropriate reviewer who was not involved in providing the service review the audit work or service performed might address a self-review threat.
<b>R603.4</b>	A firm or a network firm shall not provide a valuation service to an audit client that is not a public interest entity if —  (a) The valuation involves a significant degree of subjectivity; and  (b) The valuation will have a material effect on the financial statements on which the firm will express an opinion.
603.4 A1	Certain valuations do not involve a significant degree of subjectivity. This is likely to be the case when the underlying assumptions are established by law or regulation or when the techniques and methodologies to be used are based on generally accepted standards or prescribed by law or regulation. In such circumstances, the results of a valuation performed by two or more parties are not likely to be materially different.
Audit Clients that are Public Interest Entities	
Self-review Threats	
<b>R603.5</b>	A firm or a network firm shall not provide a valuation service to an audit client that is a public interest entity if the provision of such valuation service might create a self-review threat. (Ref: Para. R600.14 and R600.16).

Advocacy Threats	
603.5 A1	An example of an action that might be a safeguard to address an advocacy threat created by providing a valuation service to an audit client that is a public interest entity is using professionals who are not audit team members to perform the service.
<b>SUBSECTION 604 — TAX SERVICES</b>	
<b>Introduction</b>	
604.1	In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to 600.27 A1 are relevant to applying the conceptual framework when providing a tax service to an audit client.
<b>Requirements and Application Material</b>	
<b>Description of Service</b>	
604.2 A1	<p>Tax services comprise a broad range of services. This subsection deals specifically with —</p> <ul style="list-style-type: none"> <li>(a) Tax return preparation;</li> <li>(b) Tax calculations for the purpose of preparing accounting entries;</li> <li>(c) Tax advisory services;</li> <li>(d) Tax planning services;</li> <li>(e) Tax services involving valuations; and</li> <li>(f) Assistance in the resolution of tax disputes.</li> </ul>



604.2 A2	It is possible to consider tax services under broad headings, such as tax planning or compliance. However, such services are often interrelated in practice and might be combined with other types of non-assurance services provided by the firm such as corporate finance services. It is, therefore, impracticable to categorise generically the threats to which specific tax services give rise.
<b>Potential Threats Arising from the Provision of Tax Services</b>	
604.3 A1	Providing tax services to an audit client might create a self-review threat when there is a risk that the results of the services will affect the accounting records or the financial statements on which the firm will express an opinion. Such services might also create an advocacy threat.
604.3 A2	<p>Factors that are relevant in identifying self-review or advocacy threats created by providing any tax service to an audit client, and evaluating the level of such threats include —</p> <ul style="list-style-type: none"> <li>(a) The particular characteristics of the engagement;</li> <li>(b) The level of tax expertise of the client's employees;</li> <li>(c) The system by which the tax authorities assess and administer the tax in question and the role of the firm or network firm in that process; and</li> <li>(d) The complexity of the relevant tax regime and the degree of judgment necessary in applying it.</li> </ul>

<i>All Audit Clients</i>	
<b>R604.4</b>	A firm or a network firm shall not provide a tax service or recommend a transaction to an audit client if the service or transaction relates to marketing, planning, or opining in favour of a tax treatment that was initially recommended, directly or indirectly, by the firm or network firm, and a significant purpose of the tax treatment or transaction is tax avoidance, unless the firm is confident that the proposed treatment has a basis in applicable tax law or regulation that is likely to prevail.
604.4 A1	Unless the tax treatment has a basis in applicable tax law or regulation that the firm is confident is likely to prevail, providing the non-assurance service described in paragraph R604.4 creates self-interest, self-review and advocacy threats that cannot be eliminated and safeguards are not capable of being applied to reduce such threats to an acceptable level.
<b>A. Tax Return Preparation</b>	
<b>Description of Service</b>	
604.5 A1	Tax return preparation services include — <ul style="list-style-type: none"> <li>(a) Assisting clients with their tax reporting obligations by drafting and compiling information, including the amount of tax due (usually on standardised forms) required to be submitted to the applicable tax authorities;</li> <li>(b) Advising on the tax return treatment of past transactions; and</li> </ul>

	(c) Responding on behalf of the audit client to the tax authorities' requests for additional information and analysis (for example, providing explanations of and technical support for the approach being taken).
<b>Potential Threats Arising from the Provision of Tax Return Preparation Services</b>	
<i>All Audit Clients</i>	
604.6 A1	<p>Providing tax return preparation services does not usually create a threat because —</p> <p>(a) Tax return preparation services are based on historical information and principally involve analysis and presentation of such historical information under existing tax law, including precedents and established practice; and</p> <p>(b) Tax returns are subject to whatever review or approval process the tax authority considers appropriate.</p>
<b>B. Tax Calculations for the Purpose of Preparing Accounting Entries</b>	
<b>Description of Service</b>	
604.7 A1	Tax calculation services involves the preparation of calculations of current and deferred tax liabilities or assets for the purpose of preparing accounting entries supporting tax assets or liabilities in the financial statements of the audit client.
<b>Potential Threats Arising from the Provision of Tax Calculation Services</b>	
<i>All Audit Clients</i>	
604.8 A1	Preparing tax calculations of current and deferred tax liabilities (or assets) for an audit client for the purpose of preparing accounting entries that support such balances creates a self-review threat.

<i>Audit Clients that are Not Public Interest Entities</i>	
604.9 A1	In addition to the factors in paragraph 604.3 A2, a factor that is relevant in evaluating the level of self-review threat created when preparing such calculations for an audit client is whether the calculation might have a material effect on the financial statements on which the firm will express an opinion.
604.9 A2	Examples of actions that might be safeguards to address such a self-review threat when the audit client is not a public interest entity include — <ul style="list-style-type: none"> <li>(a) Using professionals who are not audit team members to perform the service; and</li> <li>(b) Having an appropriate reviewer who was not involved in providing the service review the audit work or service performed.</li> </ul>
<i>Audit Clients that are Public Interest Entities</i>	
<b>R604.10</b>	A firm or a network firm shall not prepare tax calculations of current and deferred tax liabilities (or assets) for an audit client that is a public interest entity. (Ref: Para. R600.14 and R600.16).
<b>C. Tax Advisory and Tax Planning Services</b>	
<b>Description of Service</b>	
604.11 A1	Tax advisory and tax planning services comprise a broad range of services, such as advising the audit client how to structure its affairs in a tax efficient manner or advising on the application of a tax law or regulation.

<b>Potential Threats Arising from the Provision of Tax Advisory and Tax Planning Services</b>	
<i>All Audit clients</i>	
604.12 A1	Providing tax advisory and tax planning services to an audit client might create a self-review threat when there is a risk that the results of the services will affect the accounting records or the financial statements on which the firm will express an opinion. Such services might also create an advocacy threat.
604.12 A2	<p>Providing tax advisory and tax planning services will not create a self-review threat if such services —</p> <ul style="list-style-type: none"> <li>(a) Are supported by a tax authority or other precedent;</li> <li>(b) Are based on an established practice (being a practice that has been commonly used and has not been challenged by the relevant tax authority); or</li> <li>(c) Have a basis in tax law that the firm is confident is likely to prevail.</li> </ul>
604.12 A3	<p>In addition to paragraph 604.3 A2, factors that are relevant in identifying self-review or advocacy threats created by providing tax advisory and tax planning services to audit clients, and evaluating the level of such threats include —</p> <ul style="list-style-type: none"> <li>(a) The degree of subjectivity involved in determining the appropriate treatment for the tax advice in the financial statements;</li> <li>(b) Whether the tax treatment is supported by a ruling or has otherwise been cleared by the tax authority before the preparation of the financial statements; and</li> </ul>

	<p>(c) The extent to which the outcome of the tax advice might have a material effect on the financial statements.</p> <p>When a self-review threat for an audit client that is a public interest entity has been identified, paragraph R604.15 applies.</p>
<p>When Effectiveness of Tax Advice Is Dependent on a Particular Accounting Treatment or Presentation</p>	
<b>R604.13</b>	<p>A firm or a network firm shall not provide tax advisory and tax planning services to an audit client when —</p> <p>(a) The effectiveness of the tax advice depends on a particular accounting treatment or presentation in the financial statements; and</p> <p>(b) The audit team has doubt as to the appropriateness of the related accounting treatment or presentation under the relevant financial reporting framework.</p>
<p><i>Audit Clients that are Not Public Interest Entities</i></p>	
604.14 A1	<p>Examples of actions that might be safeguards to address self-review or advocacy threats created by providing tax advisory and tax planning services to an audit client that is not a public interest entity include —</p> <p>(a) Using professionals who are not audit team members to perform the service might address self-review or advocacy threats;</p> <p>(b) Having an appropriate reviewer, who was not involved in providing the service, review the audit work or service performed might address a self-review threat; and</p> <p>(c) Obtaining pre-clearance from the tax authorities might address self-review or advocacy threats.</p>

<i>Audit Clients that are Public Interest Entities</i>	
Self-review Threats	
<b>R604.15</b>	A firm or a network firm shall not provide tax advisory and tax planning services to an audit client that is a public interest entity if the provision of such services might create a self-review threat. (Ref: Para. R600.14, R600.16, 604.12 A2).
Advocacy Threats	
604.15 A1	<p>Examples of actions that might be safeguards to address an advocacy threat created by providing tax advisory and tax planning services to an audit client that is a public interest entity include —</p> <ul style="list-style-type: none"> <li>(a) Using professionals who are not audit team members to perform the service; and</li> <li>(b) Obtaining pre-clearance from the tax authorities.</li> </ul>
<b>D. Tax Services Involving Valuations</b>	
<b>Description of Service</b>	
604.16 A1	<p>The provision of tax services involving valuations might arise in a range of circumstances including —</p> <ul style="list-style-type: none"> <li>(a) Merger and acquisition transactions;</li> <li>(b) Group restructurings and corporate reorganisations;</li> <li>(c) Transfer pricing studies; and</li> <li>(d) Stock-based compensation arrangements.</li> </ul>

<b>Potential Threats Arising from the Provision of Tax Services involving Valuations</b>	
<i>All Audit Clients</i>	
604.17 A1	Providing a valuation for tax purposes to an audit client might create a self-review threat when there is a risk that the results of the service will affect the accounting records or the financial statements on which the firm will express an opinion. Such a service might also create an advocacy threat.
604.17 A2	<p>When a firm or a network firm performs a valuation for tax purposes to assist an audit client with its tax reporting obligations or for tax planning purposes, the result of the valuation might —</p> <p>(a) Have no effect on the accounting records or the financial statements other than through accounting entries related to tax. In such situations, the requirements and application material set out in this subsection apply; or</p> <p>(b) Affect the accounting records or the financial statements in ways not limited to accounting entries related to tax, for example, if the valuation leads to a revaluation of assets. In such situations, the requirements and application material set out in subsection 603 relating to valuation services apply.</p>
604.17 A3	<p>Performing a valuation for tax purposes for an audit client will not create a self-review threat if —</p> <p>(a) The underlying assumptions are either established by law or regulation, or are widely accepted; or</p>



	<p>(b) The techniques and methodologies to be used are based on generally accepted standards or prescribed by law or regulation, and the valuation is subject to external review by a tax authority or similar regulatory authority.</p>
<i>Audit Clients that are Not Public Interest Entities</i>	
604.18 A1	<p>A firm or a network firm might perform a valuation for tax purposes for an audit client that is not a public interest entity where the result of the valuation only affects the accounting records or the financial statements through accounting entries related to tax. This would not usually create threats if the effect on the financial statements is immaterial or the valuation, as incorporated in a tax return or other filing, is subject to external review by a tax authority or similar regulatory authority.</p>
604.18 A2	<p>If the valuation that is performed for tax purposes is not subject to an external review and the effect is material to the financial statements, in addition to paragraph 604.3 A2, the following factors are relevant in identifying self-review or advocacy threats created by providing those services to an audit client that is not a public interest entity, and evaluating the level of such threats:</p> <ul style="list-style-type: none"> <li>(a) The extent to which the valuation methodology is supported by tax law or regulation, other precedent or established practice;</li> <li>(b) The degree of subjectivity inherent in the valuation;</li> <li>(c) The reliability and extent of the underlying data.</li> </ul>

604.18 A3	<p>Examples of actions that might be safeguards to address such threats for an audit client that is not a public interest entity include —</p> <ul style="list-style-type: none"> <li>(a) Using professionals who are not audit team members to perform the service might address self-review or advocacy threats;</li> <li>(b) Having an appropriate reviewer who was not involved in providing the service review the audit work or service performed might address a self-review threat; and</li> <li>(c) Obtaining pre-clearance from the tax authorities might address self-review or advocacy threats.</li> </ul>
<i>Audit Clients that are Public Interest Entities</i>	
Self-review Threats	
<b>R604.19</b>	<p>A firm or a network firm shall not perform a valuation for tax purposes for an audit client that is a public interest entity if the provision of that service might create a self-review threat. (Ref: Para. R600.14, R600.16, 604.17 A3).</p>
Advocacy Threats	
604.19 A1	<p>Examples of actions that might be safeguards to address an advocacy threat created by providing a valuation for tax purposes for an audit client that is a public interest entity include —</p> <ul style="list-style-type: none"> <li>(a) Using professionals who are not audit team members to perform the service; and</li> <li>(b) Obtaining pre-clearance from the tax authorities.</li> </ul>

<b>E. Assistance in the Resolution of Tax Disputes</b>	
<b>Description of Service</b>	
604.20 A1	A non-assurance service to provide assistance to an audit client in the resolution of tax disputes might arise from a tax authority's consideration of tax calculations and treatments. Such a service might include, for example, providing assistance when the tax authorities have notified the client that arguments on a particular issue have been rejected and either the tax authority or the client refers the matter for determination in a formal proceeding before a tribunal or court.
<b>Potential Threats Arising from the Provision of Assistance in the Resolution of Tax Disputes</b>	
<i>All Audit Clients</i>	
604.21 A1	Providing assistance in the resolution of a tax dispute to an audit client might create a self-review threat when there is a risk that the results of the service will affect the accounting records or the financial statements on which the firm will express an opinion. Such a service might also create an advocacy threat.
604.22 A1	In addition to those identified in paragraph 604.3 A2, factors that are relevant in identifying self-review or advocacy threats created by assisting an audit client in the resolution of tax disputes, and evaluating the level of such threats include — <ul style="list-style-type: none"> <li>(a) The role management plays in the resolution of the dispute;</li> <li>(b) The extent to which the outcome of the dispute will have a material effect on the financial statements on which the firm will express an opinion;</li> </ul>

	<p>(c) Whether the firm or network firm provided the advice that is the subject of the tax dispute;</p> <p>(d) The extent to which the matter is supported by tax law or regulation, other precedent, or established practice; and</p> <p>(e) Whether the proceedings are conducted in public.</p> <p>When a self-review threat for an audit client that is a public interest entity has been identified, paragraph R604.24 applies.</p>
<i>Audit Clients that are Not Public Interest Entities</i>	
604.23 A1	<p>Examples of actions that might be safeguards to address self-review or advocacy threats created by assisting an audit client that is not a public interest entity in the resolution of tax disputes include —</p> <p>(a) Using professionals who are not audit team members to perform the service might address self-review or advocacy threats; and</p> <p>(b) Having an appropriate reviewer who was not involved in providing the service review the audit work or the service performed might address a self-review threat.</p>
<i>Audit Clients that are Public Interest Entities</i>	
Self-review Threats	
<b>R604.24</b>	<p>A firm or a network firm shall not provide assistance in the resolution of tax disputes to an audit client that is a public interest entity if the provision of that assistance might create a self-review threat. (Ref: Para. R600.14 and R600.16).</p>

Advocacy Threats	
604.24 A1	An example of an action that might be a safeguard to address an advocacy threat for an audit client that is a public interest entity is using professionals who are not audit team members to perform the service.
<b>Resolution of Tax Matters Including Acting as an Advocate Before a Tribunal or Court</b>	
<i>Audit Clients that are Not Public Interest Entities</i>	
<b>R604.25</b>	<p>A firm or a network firm shall not provide tax services that involve assisting in the resolution of tax disputes to an audit client that is not a public interest entity if —</p> <p>(a) The services involve acting as an advocate for the audit client before a tribunal or court in the resolution of a tax matter; and</p> <p>(b) The amounts involved are material to the financial statements on which the firm will express an opinion.</p>
<i>Audit Clients that are Public Interest Entities</i>	
<b>R604.26</b>	A firm or a network firm shall not provide tax services that involve assisting in the resolution of tax disputes to an audit client that is a public interest entity if the services involve acting as an advocate for the audit client before a tribunal or court.
604.27 A1	<p>Paragraphs R604.25 and R604.26 do not preclude a firm or a network firm from having a continuing advisory role in relation to the matter that is being heard before a tribunal or court, for example —</p> <p>(a) Responding to specific requests for information;</p> <p>(b) Providing factual accounts or testimony about the work performed; and</p>

	(c) Assisting the client in analysing the tax issues related to the matter.
604.27 A2	What constitutes a “tribunal or court” depends on how tax proceedings are heard in the particular jurisdiction.
<b>SUBSECTION 605 — INTERNAL AUDIT SERVICES</b>	
<b>Introduction</b>	
605.1	In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to 600.27 A1 are relevant to applying the conceptual framework when providing an internal audit service to an audit client.
<b>Requirements and Application Material</b>	
<b>Description of Service</b>	
605.2 A1	<p>Internal audit services comprise a broad range of activities and might involve assisting the audit client in the performance of one or more aspects of its internal audit activities. Internal audit activities might include —</p> <ul style="list-style-type: none"> <li>(a) Monitoring of internal control — reviewing controls, monitoring their operation and recommending improvements to them;</li> <li>(b) Examining financial and operating information by — <ul style="list-style-type: none"> <li>(i) Reviewing the means used to identify, measure, classify and report financial and operating information; and</li> <li>(ii) Inquiring specifically into individual items including detailed testing of transactions, balances and procedures;</li> </ul> </li> </ul>

	<p>(c) Reviewing the economy, efficiency and effectiveness of operating activities including non-financial activities of an entity; and</p> <p>(d) Reviewing compliance with —</p> <ul style="list-style-type: none"> <li>(i) Laws, regulations and other external requirements; and</li> <li>(ii) Management policies, directives and other internal requirements.</li> </ul>
605.2 A2	<p>The scope and objectives of internal audit activities vary widely and depend on the size and structure of the entity and the requirements of those charged with governance as well as the needs and expectations of management. As they might involve matters that are operational in nature, they do not necessarily relate to matters that will be subject to consideration in relation to the audit of the financial statements.</p>
<p><b>Risk of Assuming Management Responsibility When Providing an Internal Audit Service</b></p>	
<b>R605.3</b>	<p>Paragraph R400.13 precludes a firm or a network firm from assuming a management responsibility. When providing an internal audit service to an audit client, the firm shall be satisfied that —</p> <ul style="list-style-type: none"> <li>(a) The client designates an appropriate and competent resource, who reports to those charged with governance to — <ul style="list-style-type: none"> <li>(i) Be responsible at all times for internal audit activities; and</li> <li>(ii) Acknowledge responsibility for designing, implementing, monitoring and maintaining internal control;</li> </ul> </li> </ul>

	<p>(b) The client reviews, assesses and approves the scope, risk and frequency of the internal audit services;</p> <p>(c) The client evaluates the adequacy of the internal audit services and the findings resulting from their performance;</p> <p>(d) The client evaluates and determines which recommendations resulting from internal audit services to implement and manages the implementation process; and</p> <p>(e) The client reports to those charged with governance the significant findings and recommendations resulting from the internal audit services.</p>
605.3 A1	<p>Performing part of the client's internal audit activities increases the possibility that individuals within the firm or the network firm providing internal audit services will assume a management responsibility.</p>
605.3 A2	<p>Examples of internal audit services that involve assuming management responsibilities include —</p> <p>(a) Setting internal audit policies or the strategic direction of internal audit activities;</p> <p>(b) Directing and taking responsibility for the actions of the entity's internal audit employees;</p> <p>(c) Deciding which recommendations resulting from internal audit activities to implement;</p> <p>(d) Reporting the results of the internal audit activities to those charged with governance on behalf of management;</p>



	<p>(e) Performing procedures that form part of the internal control, such as reviewing and approving changes to employee data access privileges;</p> <p>(f) Taking responsibility for designing, implementing, monitoring and maintaining internal control; and</p> <p>(g) Performing outsourced internal audit services, comprising all or a substantial portion of the internal audit function, where the firm or network firm is responsible for determining the scope of the internal audit work; and might have responsibility for one or more of the matters noted above.</p>
<b>Potential Threats Arising from the Provision of Internal Audit Services</b>	
<i>All Audit Clients</i>	
605.4 A1	<p>Providing internal audit services to an audit client might create a self-review threat when there is a risk that the results of the services impact the audit of the financial statements on which the firm will express an opinion.</p>
605.4 A2	<p>When a firm uses the work of an internal audit function in an audit engagement, SSAs require the performance of procedures to evaluate the adequacy of that work. Similarly, when a firm or a network firm accepts an engagement to provide internal audit services to an audit client, the results of those services might be used in conducting the external audit. This might create a self-review threat because it is possible that the audit team will use the results of the internal audit service for purposes of the audit engagement without —</p>

	<p>(a) Appropriately evaluating those results; or</p> <p>(b) Exercising the same level of professional scepticism as would be exercised when the internal audit work is performed by individuals who are not members of the firm.</p>
605.4 A3	<p>Factors that are relevant in identifying a self-review threat created by providing internal audit services to an audit client, and evaluating the level of such a threat include —</p> <p>(a) The materiality of the related financial statements amounts;</p> <p>(b) The risk of misstatement of the assertions related to those financial statement amounts; and</p> <p>(c) The degree of reliance that the audit team will place on the work of the internal audit service.</p> <p>When a self-review threat for an audit client that is a public interest entity has been identified, paragraph R605.6 applies.</p>
<i>Audit Clients that are Not Public Interest Entities</i>	
605.5 A1	<p>An example of an action that might be a safeguard to address a self-review threat created by the provision of an internal audit service to an audit client that is not a public interest entity is using professionals who are not audit team members to perform the service.</p>
<i>Audit Clients that are Public Interest Entities</i>	
<b>R605.6</b>	<p>A firm or a network firm shall not provide internal audit services to an audit client that is a public interest entity if the provision of such services might create a self-review threat. (Ref: Para. R600.14 and R600.16).</p>

605.6 A1	<p>Examples of the services that are prohibited under paragraph R605.6 include internal audit services that relate to —</p> <ul style="list-style-type: none"> <li>(a) The internal controls over financial reporting;</li> <li>(b) Financial accounting systems that generate information for the client’s accounting records or financial statements on which the firm will express an opinion; or</li> <li>(c) Amounts or disclosures that relate to the financial statements on which the firm will express an opinion.</li> </ul>
<b>SUBSECTION 606 — INFORMATION TECHNOLOGY SYSTEMS SERVICES</b>	
<b>Introduction</b>	
606.1	<p>In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to 600.27 A1 are relevant to applying the conceptual framework when providing an information technology (IT) systems service to an audit client.</p>
<b>Requirements and Application Material</b>	
<b>Description of Service</b>	
606.2 A1	<p>Services related to IT systems include the design or implementation of hardware or software systems. The IT systems might —</p> <ul style="list-style-type: none"> <li>(a) Aggregate source data;</li> <li>(b) Form part of the internal control over financial reporting; or</li> </ul>

	<p>(c) Generate information that affects the accounting records or financial statements, including related disclosures.</p> <p>However, the IT systems might also involve matters that are unrelated to the audit client's accounting records or the internal control over financial reporting or financial statements.</p>
<b>Risk of Assuming Management Responsibility When Providing an IT Systems Service</b>	
<b>R606.3</b>	<p>Paragraph R400.13 precludes a firm or a network firm from assuming a management responsibility. When providing IT systems services to an audit client, the firm or network firm shall be satisfied that —</p> <ul style="list-style-type: none"> <li>(a) The client acknowledges its responsibility for establishing and monitoring a system of internal controls;</li> <li>(b) The client assigns the responsibility to make all management decisions with respect to the design and implementation of the hardware or software system to a competent employee, preferably within senior management;</li> <li>(c) The client makes all management decisions with respect to the design and implementation process;</li> <li>(d) The client evaluates the adequacy and results of the design and implementation of the system; and</li> <li>(e) The client is responsible for operating the system (hardware or software) and for the data it uses or generates.</li> </ul>

<b>Potential Threats Arising from the Provision of IT Systems Services</b>	
<i>All Audit Clients</i>	
606.4 A1	Providing IT systems services to an audit client might create a self-review threat when there is a risk that the results of the services will affect the audit of the financial statements on which the firm will express an opinion.
606.4 A2	<p>Providing the following IT systems services to an audit client does not usually create a threat as long as individuals within the firm or network firm do not assume a management responsibility:</p> <ul style="list-style-type: none"> <li>(a) Designing or implementing IT systems that are unrelated to internal control over financial reporting;</li> <li>(b) Designing or implementing IT systems that do not generate information forming part of the accounting records or financial statements; and</li> <li>(c) Implementing “off-the-shelf” accounting or financial information reporting software that was not developed by the firm or network firm, if the customisation required to meet the client’s needs is not significant.</li> </ul>
606.4 A3	<p>Factors that are relevant in identifying a self-review threat created by providing an IT systems service to an audit client, and evaluating the level of such a threat include —</p> <ul style="list-style-type: none"> <li>(a) The nature of the service;</li> </ul>

	<p>(b) The nature of the client’s IT systems and the extent to which the IT systems service impacts or interacts with the client’s accounting records, internal controls over financial reporting or financial statements; and</p> <p>(c) The degree of reliance that will be placed on the particular IT systems as part of the audit.</p> <p>When a self-review threat for an audit client that is a public interest entity has been identified, paragraph R606.6 applies.</p>
<i>Audit Clients that are Not Public Interest Entities</i>	
606.5 A1	An example of an action that might be a safeguard to address a self-review threat created by the provision of an IT systems service to an audit client that is not a public interest entity is using professionals who are not audit team members to perform the service.
<i>Audit Clients that are Public Interest Entities</i>	
<b>R606.6</b>	A firm or a network firm shall not provide IT systems services to an audit client that is a public interest entity if the provision of such services might create a self-review threat. (Ref: Para. R600.14 and R600.16).
606.6 A1	<p>Examples of services that are prohibited because they give rise to a self-review threat include those involving designing or implementing IT systems that —</p> <p>(a) Form part of the internal control over financial reporting; or</p> <p>(b) Generate information for the client’s accounting records or financial statements on which the firm will express an opinion.</p>

<b>SUBSECTION 607 — LITIGATION SUPPORT SERVICES</b>	
<b>Introduction</b>	
607.1	In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to 600.27 A1 are relevant to applying the conceptual framework when providing a litigation support service to an audit client.
<b>Requirements and Application Material</b>	
<b>Description of Service</b>	
607.2 A1	<p>Litigation support services might include activities such as —</p> <ul style="list-style-type: none"> <li>(a) Assisting with document management and retrieval;</li> <li>(b) Acting as a witness, including an expert witness;</li> <li>(c) Calculating estimated damages or other amounts that might become receivable or payable as the result of litigation or other legal dispute; and</li> <li>(d) Forensic or investigative services.</li> </ul>
<b>Potential Threats Arising from the Provision of Litigation Support Services</b>	
<i>All Audit Clients</i>	
607.3 A1	Providing litigation support services to an audit client might create a self-review threat when there is a risk that the results of the services will affect the accounting records or the financial statements on which the firm will express an opinion. Such services might also create an advocacy threat.

607.4 A1	<p>Factors that are relevant in identifying self-review or advocacy threats created by providing litigation support services to an audit client, and evaluating the level of such threats include —</p> <ul style="list-style-type: none"> <li>(a) The legal and regulatory environment in which the service is provided;</li> <li>(b) The nature and characteristics of the service; and</li> <li>(c) The extent to which the outcome of the litigation support service might involve estimating, or might affect the estimation of, damages or other amounts that might have a material effect on the financial statements on which the firm will express an opinion.</li> </ul> <p>When a self-review threat for an audit client that is a public interest entity has been identified, paragraph R607.6 applies.</p>
607.4 A2	<p>If a firm or a network firm provides a litigation support service to an audit client and the service might involve estimating, or might affect the estimation of, damages or other amounts that affect the financial statements on which the firm will express an opinion, the requirements and application material set out in subsection 603 related to valuation services apply.</p>
<i>Audit Clients that are Not Public Interest Entities</i>	
607.5 A1	<p>An example of an action that might be a safeguard to address a self-review or advocacy threat created by providing a litigation support service to an audit client that is not a public interest entity is using a professional who was not an audit team member to perform the service.</p>



<i>Audit Clients that are Public Interest Entities</i>	
Self-review Threats	
<b>R607.6</b>	A firm or a network firm shall not provide litigation support services to an audit client that is a public interest entity if the provision of such services might create a self-review threat. (Ref: Para. R600.14 and R600.16).
607.6 A1	An example of a service that is prohibited because it might create a self-review threat is providing advice in connection with a legal proceeding where there is a risk that the outcome of the service affects the quantification of any provision or other amount in the financial statements on which the firm will express an opinion.
Advocacy Threats	
607.6 A2	An example of an action that might be a safeguard to address an advocacy threat created by providing a litigation support service to an audit client that is a public interest entity is using a professional who was not an audit team member to perform the service.
<b>Acting as a Witness</b>	
<i>All Audit Clients</i>	
607.7 A1	<p>A professional within the firm or the network firm might give evidence to a tribunal or court as a witness of fact or as an expert witness.</p> <p>(a) A witness of fact is an individual who gives evidence to a tribunal or court based on his or her direct knowledge of facts or events.</p> <p>(b) An expert witness is an individual who gives evidence, including opinions on matters, to a tribunal or court based on that individual's expertise.</p>

607.7 A2	A threat to independence is not created when an individual, in relation to a matter that involves an audit client, acts as a witness of fact and in the course of doing so provides an opinion within the individual's area of expertise in response to a question asked in the course of giving factual evidence.
607.7 A3	<p>The advocacy threat created when acting as an expert witness on behalf of an audit client is at an acceptable level if a firm or a network firm is —</p> <ul style="list-style-type: none"> <li>(a) Appointed by a tribunal or court to act as an expert witness in a matter involving a client; or</li> <li>(b) Engaged to advise or act as an expert witness in relation to a class action (or an equivalent group representative action) provided that — <ul style="list-style-type: none"> <li>(i) The firm's audit clients constitute less than 20% of the members of the class or group (in number and in value);</li> <li>(ii) No audit client is designated to lead the class or group; and</li> <li>(iii) No audit client is authorised by the class or group to determine the nature and scope of the services to be provided by the firm or the terms on which such services are to be provided.</li> </ul> </li> </ul>
<i>Audit Clients that are Not Public Interest Entities</i>	
607.8 A1	An example of an action that might be a safeguard to address an advocacy threat for an audit client that is not a public interest entity is using a professional to perform the service who is not, and has not been, an audit team member.

<i>Audit Clients that are Public Interest Entities</i>	
<b>R607.9</b>	A firm or a network firm, or an individual within a firm or a network firm, shall not act for an audit client that is a public interest entity as an expert witness in a matter unless the circumstances set out in paragraph 607.7 A3 apply.
<b>SUBSECTION 608 — LEGAL SERVICES</b>	
<b>Introduction</b>	
608.1	In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to 600.27 A1 are relevant to applying the conceptual framework when providing a legal service to an audit client.
<b>Requirements and Application Material</b>	
<b>Description of Service</b>	
608.2 A1	Legal services are defined as any services for which the individual providing the services must either — <ul style="list-style-type: none"> <li>(a) Have the required legal training to practice law; or</li> <li>(b) Be admitted to practice law before the courts of the jurisdiction in which such services are to be provided.</li> </ul>
608.2 A2	This subsection deals specifically with — <ul style="list-style-type: none"> <li>(a) Providing legal advice;</li> <li>(b) Acting as general counsel; and</li> <li>(c) Acting in an advocacy role.</li> </ul>

<b>Potential Threats Arising from Providing Legal Services</b>	
<i>All Audit Clients</i>	
608.3 A1	Providing legal services to an audit client might create a self-review threat when there is a risk that the results of the services will affect the accounting records or the financial statements on which the firm will express an opinion. Such services might also create an advocacy threat.
<b>A. Providing Legal Advice</b>	
<b>Description of Service</b>	
608.4 A1	Depending on the jurisdiction, providing legal advice might include a wide and diversified range of service areas including both corporate and commercial services to audit clients, such as — <ul style="list-style-type: none"> <li>(a) Contract support;</li> <li>(b) Supporting an audit client in executing a transaction;</li> <li>(c) Mergers and acquisitions;</li> <li>(d) Supporting and assisting an audit client’s internal legal department; and</li> <li>(e) Legal due diligence and restructuring.</li> </ul>
<b>Potential Threats Arising from Providing Legal Advice</b>	
<i>All Audit Clients</i>	
608.5 A1	Factors that are relevant in identifying self-review or advocacy threats created by providing legal advice to an audit client, and evaluating the level of such threats include — <ul style="list-style-type: none"> <li>(a) The materiality of the specific matter in relation to the client’s financial statements; and</li> </ul>

	<p>(b) The complexity of the legal matter and the degree of judgment necessary to provide the service.</p> <p>When a self-review threat for an audit client that is a public interest entity has been identified, paragraph R608.7 applies.</p>
608.5 A2	<p>Examples of legal advice that might create a self-review threat include —</p> <p>(a) Estimating a potential loss arising from a lawsuit for the purpose of recording a provision in the client's financial statements; and</p> <p>(b) Interpreting provisions in contracts that might give rise to liabilities reflected in the client's financial statements.</p>
608.5 A3	<p>Negotiating on behalf of an audit client might create an advocacy threat or might result in the firm or network firm assuming a management responsibility.</p>
<i>Audit Clients that are Not Public Interest Entities</i>	
608.6 A1	<p>Examples of actions that might be safeguards to address self-review or advocacy threats created by providing legal advice to an audit client that is not a public interest entity include —</p> <p>(a) Using professionals who are not audit team members to perform the service might address a self-review or advocacy threat; and</p> <p>(b) Having an appropriate reviewer who was not involved in providing the service review the audit work or the service performed might address a self-review threat.</p>

<i>Audit Clients that are Public Interest Entities</i>	
Self-review Threats	
<b>R608.7</b>	A firm or a network firm shall not provide legal advice to an audit client that is a public interest entity if the provision of such a service might create a self-review threat. (Ref: Para. R600.14 and R600.16).
Advocacy Threats	
608.8 A1	The considerations in paragraphs 608.5 A1 and 608.5 A3 to 608.6 A1 are also relevant to evaluating and addressing advocacy threats that might be created by providing legal advice to an audit client that is a public interest entity.
<b>B. Acting as General Counsel</b>	
<i>All Audit Clients</i>	
<b>R608.9</b>	A partner or employee of the firm or the network firm shall not serve as General Counsel of an audit client.
608.9 A1	The position of General Counsel is usually a senior management position with broad responsibility for the legal affairs of a company.
<b>C. Acting in an Advocacy Role</b>	
<b>Potential Threats Arising from Acting in an Advocacy Role Before a Tribunal or Court</b>	
<i>Audit Clients that are Not Public Interest Entities</i>	
<b>R608.10</b>	A firm or a network firm shall not act in an advocacy role for an audit client that is not a public interest entity in resolving a dispute or litigation before a tribunal or court when the amounts involved are material to the financial statements on which the firm will express an opinion.

608.10 A1	<p>Examples of actions that might be safeguards to address a self-review or advocacy threat created when acting in an advocacy role for an audit client that is not a public interest entity include —</p> <ul style="list-style-type: none"> <li>(a) Using professionals who are not audit team members to perform the service; and</li> <li>(b) Having an appropriate reviewer who was not involved in providing the service review the audit work or the service performed.</li> </ul>
<i>Audit Clients that are Public Interest Entities</i>	
<b>R608.11</b>	A firm or a network firm shall not act in an advocacy role for an audit client that is a public interest entity in resolving a dispute or litigation before a tribunal or court.
<b>SUBSECTION 609 — RECRUITING SERVICES</b>	
<b>Introduction</b>	
609.1	In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to 600.27 A1 are relevant to applying the conceptual framework when providing a recruiting service to an audit client.
<b>Requirements and Application Material</b>	
<b>Description of Service</b>	
609.2 A1	<p>Recruiting services might include activities such as —</p> <ul style="list-style-type: none"> <li>(a) Developing a job description;</li> <li>(b) Developing a process for identifying and selecting potential candidates;</li> <li>(c) Searching for or seeking out candidates;</li> <li>(d) Screening potential candidates for the role by —</li> </ul>

	<ul style="list-style-type: none"> <li>(i) Reviewing the professional qualifications or competence of applicants and determining their suitability for the position;</li> <li>(ii) Undertaking reference checks of prospective candidates;</li> <li>(iii) Interviewing and selecting suitable candidates and advising on candidates' competence; and</li> </ul> <p>(e) Determining employment terms and negotiating details, such as salary, hours and other compensation.</p>
<b>Risk of Assuming Management Responsibility When Providing a Recruiting Service</b>	
<b>R609.3</b>	<p>Paragraph R400.13 precludes a firm or a network firm from assuming a management responsibility. When providing a recruiting service to an audit client, the firm shall be satisfied that —</p> <ul style="list-style-type: none"> <li>(a) The client assigns the responsibility to make all management decisions with respect to hiring the candidate for the position to a competent employee, preferably within senior management; and</li> <li>(b) The client makes all management decisions with respect to the hiring process, including — <ul style="list-style-type: none"> <li>(i) Determining the suitability of prospective candidates and selecting suitable candidates for the position; and</li> <li>(ii) Determining employment terms and negotiating details, such as salary, hours and other compensation.</li> </ul> </li> </ul>



<b>Potential Threats Arising from Providing Recruiting Services</b>	
<i>All Audit Clients</i>	
609.4 A1	Providing recruiting services to an audit client might create a self-interest, familiarity or intimidation threat.
609.4 A2	<p>Providing the following services does not usually create a threat as long as individuals within the firm or the network firm do not assume a management responsibility:</p> <ul style="list-style-type: none"> <li>(a) Reviewing the professional qualifications of a number of applicants and providing advice on their suitability for the position;</li> <li>(b) Interviewing candidates and advising on a candidate's competence for financial accounting, administrative or control positions.</li> </ul>
609.4 A3	<p>Factors that are relevant in identifying self-interest, familiarity or intimidation threats created by providing recruiting services to an audit client, and evaluating the level of such threats include —</p> <ul style="list-style-type: none"> <li>(a) The nature of the requested assistance;</li> <li>(b) The role of the individual to be recruited; and</li> <li>(c) Any conflicts of interest or relationships that might exist between the candidates and the firm providing the advice or service.</li> </ul>
609.4 A4	An example of an action that might be a safeguard to address such a self-interest, familiarity or intimidation threat is using professionals who are not audit team members to perform the service.

Recruiting Services that are Prohibited	
<b>R609.5</b>	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.
<b>R609.6</b>	<p>A firm or a network firm shall not provide a recruiting service to an audit client if the service relates to —</p> <ul style="list-style-type: none"> <li>(a) Searching for or seeking out candidates;</li> <li>(b) Undertaking reference checks of prospective candidates;</li> <li>(c) Recommending the person to be appointed; or</li> <li>(d) Advising on the terms of employment, remuneration or related benefits of a particular candidate,</li> </ul> <p>with respect to the following positions:</p> <ul style="list-style-type: none"> <li>(i) A director or officer of the entity; or</li> <li>(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.</li> </ul>
<b>SUBSECTION 610 – CORPORATE FINANCE SERVICES</b>	
<b>Introduction</b>	
610.1	In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to 600.27 A1 are relevant to applying the conceptual framework when providing a corporate finance service to an audit client.

<b>Requirements and Application Material</b>	
<b>Description of Service</b>	
610.2 A1	<p>Examples of corporate finance services include —</p> <ul style="list-style-type: none"> <li>(a) Assisting an audit client in developing corporate strategies;</li> <li>(b) Identifying possible targets for the audit client to acquire;</li> <li>(c) Advising on the potential purchase or disposal price of an asset;</li> <li>(d) Assisting in finance raising transactions;</li> <li>(e) Providing structuring advice; and</li> <li>(f) Providing advice on the structuring of a corporate finance transaction or on financing arrangements.</li> </ul>
<b>Potential Threats Arising from the Provision of Corporate Finance Services</b>	
<i>All Audit Clients</i>	
610.3 A1	<p>Providing corporate finance services to an audit client might create a self-review threat when there is a risk that the results of the services will affect the accounting records or the financial statements on which the firm will express an opinion. Such services might also create an advocacy threat.</p>
610.4 A1	<p>Factors that are relevant in identifying self-review or advocacy threats created by providing corporate finance services to an audit client, and evaluating the level of such threats include —</p> <ul style="list-style-type: none"> <li>(a) The degree of subjectivity involved in determining the appropriate treatment for the outcome or consequences of the corporate finance advice in the financial statements; and</li> </ul>

	<p>(b) The extent to which —</p> <ul style="list-style-type: none"> <li>(i) The outcome of the corporate finance advice will directly affect amounts recorded in the financial statements; and</li> <li>(ii) The outcome of the corporate finance service might have a material effect on the financial statements.</li> </ul> <p>When a self-review threat for an audit client that is a public interest entity has been identified, paragraph R610.8 applies.</p>
<b>Corporate Finance Services that are Prohibited</b>	
<b>R610.5</b>	<p>A firm or a network firm shall not provide corporate finance services that involve promoting, dealing in, or underwriting the shares, debt or other financial instruments issued by the audit client or providing advice on investment in such shares, debt or other financial instruments.</p>
<b>R610.6</b>	<p>A firm or a network firm shall not provide advice in relation to corporate finance services to an audit client where —</p> <ul style="list-style-type: none"> <li>(a) 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</li> <li>(b) The audit team has doubt as to the appropriateness of the related accounting treatment or presentation under the relevant financial reporting framework.</li> </ul>

<i>Audit Clients that are Not Public Interest Entities</i>	
610.7 A1	<p>Examples of actions that might be safeguards to address self-review or advocacy threats created by providing corporate finance services to an audit client that is not a public interest entity include —</p> <p>(a) Using professionals who are not audit team members to perform the service might address self-review or advocacy threats; and</p> <p>(b) Having an appropriate reviewer who was not involved in providing the service review the audit work or service performed might address a self-review threat.</p>
<i>Audit Clients that are Public Interest Entities</i>	
Self-review Threats	
<b>R610.8</b>	A firm or a network firm shall not provide corporate finance services to an audit client that is a public interest entity if the provision of such services might create a self-review threat. (Ref: Para. R600.14 and R600.16).
Advocacy Threats	
610.8 A1	An example of an action that might be a safeguard to address advocacy threats created by providing corporate finance services to an audit client that is a public interest entity is using professionals who are not audit team members to perform the service.

(zg) replace paragraph 900.3 with —

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900.3	<p>SSQM 1 requires a firm to design, implement and operate a system of quality management for assurance engagements performed by the firm. As part of this system of quality management, SSQM 1 requires the firm to establish quality objectives that address the fulfilment of responsibilities in accordance with relevant ethical requirements, including those related to independence. Under SSQM 1, relevant ethical requirements are those related to the firm, its personnel and, when applicable, others subject to the independence requirements to which the firm and the firm’s engagements are subject. In addition, Singapore Standards on Assurance Engagements (SSAEs) and SSAs establish responsibilities for engagement partners and engagement teams at the level of the engagement. The allocation of responsibilities within a firm will depend on its size, structure and organisation. Many of the provisions of Part 4B do not prescribe the specific responsibility of individuals within the firm for actions related to independence, instead referring to “firm” for ease of reference. A firm assigns operational responsibility for compliance with independence requirements to an individual(s) in accordance with SSQM 1. Additionally, an individual professional accountant remains responsible for compliance with any provisions that apply to that accountant’s activities, interests or relationships.</p>
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(zh) after paragraph **R900.12**, insert —

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<b>Prohibition on Assuming Management Responsibilities</b>	
<b>R900.13</b>	A firm shall not assume a management responsibility related to the underlying subject matter and, in an attestation engagement, the subject matter information of an assurance engagement provided by the firm. 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 provided by the firm.
900.13 A1	Management responsibilities involve controlling, leading and directing an entity, including making decisions regarding the acquisition, deployment and control of human, financial, technological, physical and intangible resources.
900.13 A2	When a firm assumes a management responsibility related to the underlying subject matter and, in an attestation engagement, the subject matter information of an assurance engagement, self-review, self-interest and familiarity threats are created. Assuming a management responsibility might create an advocacy threat because the firm becomes too closely aligned with the views and interests of management.
900.13 A3	Determining whether an activity is a management responsibility depends on the circumstances and requires the exercise of professional judgment. Examples of activities that would be considered a management responsibility include — <ul style="list-style-type: none"> <li>(a) Setting policies and strategic direction;</li> <li>(b) Hiring or dismissing employees;</li> </ul>

	<p>(c) Directing and taking responsibility for the actions of employees in relation to the employees' work for the entity;</p> <p>(d) Authorising transactions;</p> <p>(e) Controlling or managing bank accounts or investments;</p> <p>(f) Deciding which recommendations of the firm or other third parties to implement;</p> <p>(g) Reporting to those charged with governance on behalf of management; and</p> <p>(h) Taking responsibility for designing, implementing, monitoring and maintaining internal control.</p>
900.13 A4	Subject to compliance with paragraph R900.14, providing advice and recommendations to assist the management of an assurance client in discharging its responsibilities is not assuming a management responsibility.
<b>R900.14</b>	<p>When performing a professional activity for an assurance client that is related to the underlying subject matter and, in an attestation engagement, the subject matter information of the assurance engagement, the firm shall be satisfied that client management makes all related judgments and decisions that are the proper responsibility of management. This includes ensuring that the client's management —</p> <p>(a) Designates an individual who possesses suitable skill, knowledge and experience to be responsible at all times for the client's decisions and to oversee the activities. Such an individual, preferably within senior management, would understand —</p>



	<p>(i) The objectives, nature and results of the activities; and</p> <p>(ii) The respective client and firm responsibilities.</p> <p>However, the individual is not required to possess the expertise to perform or re-perform the activities.</p> <p>(b) Provides oversight of the activities and evaluates the adequacy of the results of the activity performed for the client’s purpose; and</p> <p>(c) Accepts responsibility for the actions, if any, to be taken arising from the results of the activities.</p>
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(zi) renumber the existing paragraphs 900.13 A1, **R900.14**, 900.14 A1 and **R900.15** as paragraphs 900.14 A1, **R900.15**, 900.15 A1 and **R900.16**, respectively;

(zj) replace “[Paragraphs 900.16 to 900.29 are intentionally left blank]” with “[Paragraphs 900.17 to 900.29 are intentionally left blank]”;

(zk) in paragraph **R900.33**, replace sub-paragraph (c) with —  
“(c) The firm discusses the matter with the party engaging the firm or those charged with governance of the assurance client.”;

(zl) after paragraph **R900.33**, insert —

“

<b>Communication with Those Charged with Governance</b>	
900.34 A1	Paragraphs R300.9 to 300.9 A2 set out requirements and application material that is relevant to communications with a party engaging the firm or those charged with governance of the assurance client.

900.34 A2	Communication with a party engaging the firm or those charged with governance of the assurance client might be appropriate when significant judgments are made, and conclusions reached, to address threats to independence in relation to an assurance engagement because the subject matter information of that engagement is the outcome of a previously performed non-assurance service.
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(zm) replace “[Paragraphs 900.34 to 900.39 are intentionally left blank]” with “[Paragraphs 900.35 to 900.39 are intentionally left blank]”;

(zn) replace paragraph 905.2 with —

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905.2	Fees or other types of remuneration might create a self-interest or intimidation threat. This section sets out specific requirements and application material relevant to applying the conceptual framework to identify, evaluate and address threats to independence arising from fees charged to assurance clients.
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(zo) before paragraph 905.3 A1, replace the heading “**Fees — Relative Size**” with “**Fees Paid by an Assurance Client**”;

(zp) replace paragraphs 905.3A1 to R905.9 A3 with —

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905.3 A1	When fees are negotiated with and paid by an assurance client, this creates a self-interest threat and might create an intimidation threat to independence.
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905.3 A2	<p>The application of the conceptual framework requires that before a firm accepts an assurance engagement for an assurance client, the firm determines whether the threats to independence created by the fees proposed to the client are at an acceptable level. The application of the conceptual framework also requires the firm to re-evaluate such threats when facts and circumstances change during the engagement period.</p>
905.3 A3	<p>Factors that are relevant in evaluating the level of threats created when fees are paid by the assurance client include —</p> <ul style="list-style-type: none"> <li>(a) The level of the fees for the assurance engagement and the extent to which they have regard to the resources required, taking into account the firm's commercial and market priorities;</li> <li>(b) The extent of any dependency between the level of the fee for, and the outcome of, the service;</li> <li>(c) The level of the fee in the context of the service to be provided by the firm or a network firm;</li> <li>(d) The significance of the client to the firm or partner;</li> <li>(e) The nature of the client;</li> <li>(f) The nature of the assurance engagement;</li> <li>(g) The involvement of those charged with governance in agreeing fees; and</li> <li>(h) Whether the level of the fee is set by an independent third party, such as a regulatory body.</li> </ul>

905.3 A4	The conditions, policies and procedures described in paragraphs 120.15 A3 (particularly the existence of a quality management system designed and implemented by a firm in accordance with quality management standards issued by the Institute of Singapore Chartered Accountants) might also impact the evaluation of whether the threats to independence are at an acceptable level.
905.3 A5	The requirements and application material that follow identify circumstances which might need to be further evaluated when determining whether the threats are at an acceptable level. For those circumstances, application material includes examples of additional factors that might be relevant in evaluating the threats.
<b>Level of Fees for Assurance Engagements</b>	
905.4 A1	Determining the fees to be charged to an assurance client, whether for assurance or other services, is a business decision of the firm taking into account the facts and circumstances relevant to that specific engagement, including the requirements of technical and professional standards.
905.4 A2	<p>Factors that are relevant in evaluating the level of self-interest and intimidation threats created by the level of the fee for an assurance engagement when paid by the assurance client include —</p> <ul style="list-style-type: none"> <li>(a) The firm’s commercial rationale for the fee for the assurance engagement; and</li> <li>(b) Whether undue pressure has been, or is being, applied by the client to reduce the fee for the assurance engagement.</li> </ul>

905.4 A3	<p>Examples of actions that might be safeguards to address such threats include —</p> <p>(a) Having an appropriate reviewer who does not take part in the assurance engagement assess the reasonableness of the fee proposed, having regard to the scope and complexity of the engagement; and</p> <p>(b) Having an appropriate reviewer who did not take part in the assurance engagement review the work performed.</p>
<b>Contingent Fees</b>	
905.5 A1	<p>Contingent fees are fees calculated on a predetermined basis relating to the outcome of a transaction or the result of the services performed. A contingent fee charged through an intermediary is an example of an indirect contingent fee. In this section, a fee is not regarded as being contingent if established by a court or other public authority.</p>
<b>R905.6</b>	<p>A firm shall not charge directly or indirectly a contingent fee for an assurance engagement.</p>
<b>R905.7</b>	<p>A firm shall not charge directly or indirectly a contingent fee for a non-assurance service provided to an assurance client if the outcome of the non-assurance service, and therefore, the amount of the fee, is dependent on a future or contemporary judgment related to a matter that is material to the subject matter information of the assurance engagement.</p>

905.7 A1	Paragraphs R905.6 and R905.7 preclude a firm from entering into certain contingent fee arrangements with an assurance client. Even if a contingent fee arrangement is not precluded when providing a non-assurance service to an assurance client, it might still impact the level of the self-interest threat.
905.7 A2	<p>Factors that are relevant in evaluating the level of such a threat include —</p> <ul style="list-style-type: none"> <li>(a) The range of possible fee amounts;</li> <li>(b) Whether an appropriate authority determines the outcome on which the contingent fee depends;</li> <li>(c) Disclosure to intended users of the work performed by the firm and the basis of remuneration;</li> <li>(d) The nature of the service; and</li> <li>(e) The effect of the event or transaction on the subject matter information.</li> </ul>
905.7 A3	<p>Examples of actions that might be safeguards to address such a self-interest threat include —</p> <ul style="list-style-type: none"> <li>(a) Having an appropriate reviewer who was not involved in performing the non-assurance service review the relevant assurance work; and</li> <li>(b) Obtaining an advance written agreement with the client on the basis of remuneration.</li> </ul>
<b>Total Fees — Overdue Fees</b>	
905.8 A1	The level of the self-interest threat might be impacted if fees payable by the assurance client for the assurance engagement or other services are overdue during the period of the assurance engagement.

905.8 A2	It is generally expected that the firm will obtain payment of such fees before the assurance report is issued.
905.8 A3	<p>Factors that are relevant in evaluating the level of such a self-interest threat include —</p> <ul style="list-style-type: none"> <li>(a) The significance of the overdue fees to the firm;</li> <li>(b) The length of time the fees have been overdue; and</li> <li>(c) The firm’s assessment of the ability and willingness of the client or other relevant party to pay the overdue fee.</li> </ul>
905.8 A4	<p>Examples of actions that might be safeguards to address such a threat include —</p> <ul style="list-style-type: none"> <li>(a) Obtaining partial payment of overdue fees; and</li> <li>(b) Having an appropriate reviewer who did not take part in the assurance engagement review the work performed.</li> </ul>
<b>R905.9</b>	<p>When a significant part of the fees due from an assurance client remains unpaid for a long time, the firm shall determine —</p> <ul style="list-style-type: none"> <li>(a) Whether the overdue fees might be equivalent to a loan to the client, in which case the requirements and application material set out in Section 911 are applicable; and</li> <li>(b) Whether it is appropriate for the firm to be re-appointed or continue the assurance engagement.</li> </ul>

<b>Total Fees — Fee Dependency</b>	
905.10 A1	When the total fees generated from an assurance client by the firm expressing the conclusion in an assurance engagement represent a large proportion of the total fees of that firm, the dependence on, and concern about the potential loss of, fees from that client impact the level of the self-interest threat and create an intimidation threat.
905.10 A2	A self-interest and intimidation threat is created in the circumstances described in paragraph 905.10 A1 even if the assurance client is not responsible for negotiating or paying the fees for the assurance engagement.
905.10 A3	In calculating the total fees of the firm, the firm might use financial information available from the previous financial year and estimate the proportion based on that information if appropriate.
905.10 A4	Factors that are relevant in evaluating the level of such self-interest and intimidation threats include — <ul style="list-style-type: none"> <li>(a) The operating structure of the firm; and</li> <li>(b) Where the firm is expected to diversify such that any dependence on the assurance client is reduced.</li> </ul>
905.10 A5	Examples of actions that might be safeguards to address such threats include — <ul style="list-style-type: none"> <li>(a) Reducing the extent of services other than assurance engagements provided to the client; and</li> <li>(b) Increasing the client base of the firm to reduce dependence on the assurance client.</li> </ul>



905.10 A6	A self-interest or intimidation threat is created when the fees generated by a firm from an assurance client represent a large proportion of the revenue from an individual partner's clients.
905.10 A7	<p>Factors that are relevant in evaluating the level of such threats include —</p> <p>(a) The qualitative and quantitative significance of the assurance client to the partner; and</p> <p>(b) The extent to which the compensation of the partner is dependent upon the fees generated from the client.</p>
905.10 A8	<p>Examples of actions that might be safeguards to address such a self-interest or intimidation threat include —</p> <p>(a) Having an appropriate reviewer who was not an assurance team member review the work;</p> <p>(b) Ensuring that the compensation of the partner is not significantly influenced by the fees generated from the assurance client; and</p> <p>(c) Increasing the client base of the partner to reduce dependence on the client.</p>

(zq) in paragraph 950.2, delete “This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.”.

(zr) after paragraph 950.2, insert —

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950.3	This section sets out requirements and application material relevant to applying the conceptual framework to identify, evaluate and address threats to independence when providing non-assurance services to assurance clients.
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950.4	New business practices, the evolution of financial markets and changes in technology are some developments that make it impossible to draw up an all-inclusive list of non-assurance services that firms might provide to an assurance client. The conceptual framework and the general provisions in this section apply when a firm proposes to a client to provide a non-assurance service for which there are no specific requirements and application material.
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(zs) replace paragraphs **R950.3** to 950.8 A1 with —

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<b>Risk of Assuming Management Responsibilities When Providing a Non-Assurance Service</b>	
950.5 A1	When a firm provides a non-assurance service to an assurance client, there is a risk that a firm will assume a management responsibility in relation to the underlying subject matter and, in an attestation engagement, the subject matter information of the assurance engagement unless the firm is satisfied that the requirements in paragraphs R900.13 and R900.14 have been complied with.
<i>Accepting an Engagement to Provide a Non-Assurance Service</i>	
<b>R950.6</b>	Before a firm accepts an engagement to provide a non-assurance service to an assurance client, the firm shall apply the conceptual framework to identify, evaluate and address any threat to independence that might be created by providing that service.
<i>Identifying and Evaluating Threats</i>	
950.7 A1	A description of the categories of threats that might arise when a firm provides a non-assurance service to an assurance client is set out in paragraph 120.6 A3.

950.7 A2	<p>Factors that are relevant in identifying and evaluating the different threats that might be created by providing a non-assurance service to an assurance client include —</p> <ul style="list-style-type: none"> <li>(a) The nature, scope, intended use and purpose of the service;</li> <li>(b) The manner in which the service will be provided, such as the personnel to be involved and their location;</li> <li>(c) The legal and regulatory environment in which the service is provided;</li> <li>(d) Whether the client is a public interest entity;</li> <li>(e) The level of expertise of the client’s management and employees with respect to the type of service provided;</li> <li>(f) 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 — <ul style="list-style-type: none"> <li>(i) The extent to which the outcome of the service will have a material effect on the underlying subject matter and, in an attestation engagement, the subject matter information of the assurance engagement; and</li> <li>(ii) The extent to which the assurance client determines significant matters of judgment (Ref: Para. R900.13 to R900.14);</li> </ul> </li> <li>(g) The degree of reliance that will be placed on the outcome of the service as part of the assurance engagement; and</li> <li>(h) The fee relating to the provision of the non-assurance service.</li> </ul>
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Materiality in Relation to an Assurance Client's Information	
950.8 A1	Materiality is a factor that is relevant in evaluating threats created by providing a non-assurance service to an assurance client. The concept of materiality in relation to an assurance client's subject matter information is addressed in <i>Singapore Standard on Assurance Engagements (SSAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information</i> . The determination of materiality involves the exercise of professional judgment and is impacted by both quantitative and qualitative factors. It is also affected by perceptions of the financial or other information needs of users.
Multiple Non-assurance Services Provided to the Same Assurance Client	
950.9 A1	A firm might provide multiple non-assurance services to an assurance client. In these circumstances the combined effect of threats created by providing those services is relevant to the firm's evaluation of threats.
Self-Review Threats	
950.10 A1	A self-review threat might be created if, in an attestation engagement, the firm is involved in the preparation of subject matter information which subsequently becomes the subject matter information of an assurance engagement. Examples of non-assurance services that might create such self-review threats when providing services related to the subject matter information of an assurance engagement include —

	<p>(a) Developing and preparing prospective information and subsequently issuing an assurance report on this information; and</p> <p>(b) Performing a valuation that is related to or forms part of the subject matter information of an assurance engagement.</p>
Assurance clients that are public interest entities	
950.11 A1	<p>Expectations about a firm's independence are heightened when an assurance engagement is undertaken by a firm for a public interest entity and the results of that engagement will be —</p> <p>(a) Made available publicly, including to shareholders and other stakeholders; or</p> <p>(b) Provided to an entity or organisation established by law or regulation to oversee the operation of a business sector or activity.</p> <p>Consideration of these expectations forms part of the reasonable and informed third party test applied when determining whether to provide a non-assurance service to an assurance client.</p>
950.11 A2	<p>If a self-review threat exists in relation to an engagement undertaken in the circumstances described in paragraph 950.11 A1 (b), the firm is encouraged to disclose the existence of that self-review threat and the steps taken to address it to the party engaging the firm or those charged with governance of the assurance client and to the entity or organisation established by law or regulation to oversee the operation of a business sector or activity to which the results of the engagement will be provided.</p>

<i>Addressing Threats</i>	
950.12 A1	Paragraphs 120.10 to 120.10 A2 include a requirement and application material that are relevant when addressing threats to independence, including a description of safeguards.
950.12 A2	Threats to independence created by providing a non-assurance service or multiple services to an assurance client vary depending on facts and circumstances of the assurance engagement and the nature of the service. Such threats might be addressed by applying safeguards or by adjusting the scope of the proposed service.
950.12 A3	<p>Examples of actions that might be safeguards to address such threats include —</p> <p>(a) Using professionals who are not assurance team members to perform the service; and</p> <p>(b) Having an appropriate reviewer who was not involved in providing the service review the assurance work or service performed.</p>
950.12 A4	<p>Safeguards might not be available to reduce the threat created by providing a non-assurance service to an assurance client to an acceptable level. In such a situation, the application of the conceptual framework requires the firm to —</p> <p>(a) Adjust the scope of the proposed service to eliminate the circumstances that are creating the threat;</p> <p>(b) Decline or end the service that creates the threat that cannot be eliminated or reduced to an acceptable level; or</p> <p>(c) End the assurance engagement.</p>

(zt) in the **GLOSSARY**, after the definition of “Audit engagement”, insert —

“

Audit-related services	Audit-related services are non-audit services where the work involved is (i) closely related to the work performed in the audit engagement; and (ii) usually carried out by members of the engagement team for the audit engagement who are required to comply with the independence requirements. Audit-related services include reporting required by law or regulation to be provided by an engagement team for the audit engagement.
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(zu) in the **GLOSSARY**, replace the definition of “Engagement quality control review” with —

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Engagement quality review	An objective evaluation of the significant judgments made by the engagement team and the conclusions reached thereon, performed by the engagement quality reviewer and completed on or before the date of the engagement report.
Engagement quality reviewer	A partner, other individual in the firm, or an external individual, appointed by the firm to perform the engagement quality review.

”;

(zv) in the **GLOSSARY**, in the definition of “Key audit partner”, delete “control”;

(zw) in the **GLOSSARY**, in the definition of “Network”, in paragraph (b), replace “quality control policies” with “quality management policies”; and

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(zx) in the **GLOSSARY**, in the definition of “Public interest entity”, after “shall be conducted in compliance with the same independence requirements that apply to the audit of listed entities”, insert “, except for SG410.27A”.

*[G.N. Nos. S 615/2007; S 251/2009; S 383/2010;  
S 211/2012; S 395/2013; S 25/2015; S 51/2015;  
S 840/2015; S 443/2016; S 118/2017; S 332/2017;  
S 680/2017; S 789/2018; S 901/2018; S 62/2020;  
S 172/2020; S 696/2020; S 130/2021; S 399/2021;  
S 911/2021]*

Made on 9 December 2022.

ONG CHONG TEE  
*Chairperson,  
Accounting and Corporate  
Regulatory Authority,  
Singapore.*

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