



FINAL PRONOUNCEMENT: TECHNOLOGY  
– RELATED REVISIONS

November 2023

*Committee for Auditor Ethics (CFAE)*

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**Revisions to the  
IRBA Code of Professional Conduct for Registered Auditors  
(Revised April 2023)**

*Technology-related Revisions*

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The IRBA Code is based on Parts 1, 3, 4A and 4B of the Code of Ethics for Professional Accountants (Including International Independence Standards) of the International Ethics Standards Board of Accountants (the “IESBA Code”) published by the International Federation of Accountants (IFAC) in September 2023 and is used with the permission of IFAC. *South African adaptations and amendments to the IESBA Code are underlined and in italics in the IRBA Code.*

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**DEFINITIONS, INCLUDING LISTS OF ABBREVIATIONS AND STANDARDS**

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Confidential information Any information, data or other material in whatever form or medium (including written, electronic, visual or oral) that is not publicly available.

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Fundamental principles *This term is described in paragraph 110.1 A1. Each of the fundamental principles is, in turn, described in the following paragraphs:*

*Integrity R111.1*

*Objectivity R112.1*

*Professional competence and due care R113.1*

*Confidentiality R114.1 to R114.3*

*Professional behaviour R115.1*

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Reasonable and informed third party test *The reasonable and informed third party test is a consideration by the registered auditor about whether the same conclusions would likely be reached by another party. Such consideration is made from the perspective of a reasonable and informed third party, who weighs all the relevant facts and circumstances that the registered auditor knows, or could reasonably be expected to know, at the time that the conclusions are made. The reasonable and informed third party does not need to be a registered auditor, but would possess the relevant knowledge and experience to understand and evaluate the appropriateness of the registered auditor's conclusions in an impartial manner.*

*These terms are described in paragraph 120.5 A9.*

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**PART 1 – COMPLYING WITH THE CODE, FUNDAMENTAL PRINCIPLES AND CONCEPTUAL FRAMEWORK**

...

**SECTION 110**

**THE FUNDAMENTAL PRINCIPLES**

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**SUBSECTION 113 – PROFESSIONAL COMPETENCE AND DUE CARE**

**R113.1** A *registered auditor* shall comply with the principle of professional competence and due care, which requires a *registered auditor* to:

- (a) Attain and maintain professional knowledge and skills at the level required to ensure that a client or employing organisation receives competent professional service, based on current technical and professional standards and relevant legislation; and
- (b) Act diligently and in accordance with applicable technical and professional standards.

113.1 A1 Serving clients and employing organisations with professional competence involves the exercise of sound judgment in applying professional knowledge and skills.

113.1 A2 The knowledge and skills necessary for a professional activity vary depending on the nature of the activity being undertaken. For example, in addition to the application of any technical knowledge relevant to the professional activity, interpersonal, communication and organisational skills facilitate the *registered auditor's* interaction with entities and individuals with whom the *registered auditor* interacts.

113.1 A3 Maintaining professional competence requires a *registered auditor* to have a continuing awareness and understanding of technical, professional, business and technology-related developments relevant to the professional activities undertaken by the *registered auditor*. Continuing professional development enables a *registered auditor* to develop and maintain the capabilities to perform competently within the professional environment.

113.1 A4 Diligence encompasses the responsibility to act in accordance with the requirements of an assignment, carefully, thoroughly and on a timely basis.

**R113.2** In complying with the principle of professional competence and due care, a *registered auditor* shall take reasonable steps to ensure that those working in a professional

capacity under the registered auditor's authority have appropriate training and supervision.

**R113.3** Where appropriate, a registered auditor shall make clients, the employing organisation, or other users of the registered auditor's professional activities, aware of the limitations inherent in the activities and explain the implications of those limitations.

***R113.4 SA*** *A registered auditor shall not undertake or continue with any engagement that the registered auditor is not competent to perform, unless the registered auditor obtains advice and assistance that enables the registered auditor to carry out the engagement satisfactorily.*

## **SUBSECTION 114 – CONFIDENTIALITY**

**R114.1** A registered auditor shall comply with the principle of confidentiality, which requires a registered auditor to respect the confidentiality of information acquired in the course of professional and business relationships. A registered auditor shall:

- (a) Be alert to the possibility of inadvertent disclosure, including in a social environment, and particularly to a close business associate or an immediate or a close family member;
- (b) Maintain confidentiality of information within the firm or employing organisation;
- (c) Maintain confidentiality of information disclosed by a prospective client or employing organisation; and
- (d) Take reasonable steps to ensure that personnel under the registered auditor's control, and individuals from whom advice and assistance are obtained, comply with the registered auditor's duty of confidentiality.

114.1 A1 Maintaining the confidentiality of information acquired in the course of professional and business relationships involves the registered auditor taking appropriate action to protect the confidentiality of such information in the course of its collection, use, transfer, storage or retention, dissemination and lawful destruction.

**R114.2** Subject to paragraph R114.3, a registered auditor shall not:

- (a) Disclose confidential information acquired in the course of professional and business relationships;
- (b) Use confidential information acquired in the course of professional and business relationships for the advantage of the registered auditor, the firm, the employing organisation or a third party;

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- (c) Use or disclose any confidential information, either acquired or received in the course of a professional or business relationship, after that relationship has ended; and
  - (d) Use or disclose information in respect of which the duty of confidentiality applies notwithstanding that that information has become publicly available, whether properly or improperly.
- R114.3** As an exception to paragraph R114.2, a registered auditor may disclose or use confidential information where:
- (a) There is a legal or professional duty or right to do so; or
  - (b) This is authorised by the client or any person with the authority to permit disclosure or use of the confidential information and this is not prohibited by law or regulation.
- 114.3 A1 Confidentiality serves the public interest because it facilitates the free flow of information from the registered auditor's client or employing organisation to the registered auditor in the knowledge that the information will not be disclosed to a third party. Nevertheless, the following are circumstances where registered auditors might be required or have the duty or right to disclose confidential information:
- (a) Disclosure is required by law or regulation, for example:
    - (i) Production of documents or other provision of evidence in the course of legal proceedings; or
    - (ii) Disclosure to the appropriate public authorities of infringements of the law that come to light, including disclosures of reportable irregularities reported to the Regulatory Board as required by Section 45 of the Act; and
  - (b) There is a professional duty or right to disclose or use, when not prohibited by law or regulation:
    - (i) To comply with the quality review of the Regulatory Board or a professional body;
    - (ii) To respond to an inquiry or investigation by a professional body, the Regulatory Board and any other regulatory body;
    - (iii) To protect the professional interests of a registered auditor in legal proceedings; or
    - (iv) To comply with technical and professional standards, including ethics requirements.

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114.3 A2 In deciding whether to disclose or use confidential information, factors to consider, depending on the circumstances, include:

- Whether the interests of any parties, including third parties whose interests might be affected, could be harmed if the client or employing organisation authorises the disclosure or use of information by the *registered auditor*.
- Whether all the relevant information is known and substantiated, to the extent practicable. Factors affecting the decision to disclose or use, the information, include:
  - Unsubstantiated facts.
  - Incomplete information.
  - Unsubstantiated conclusions.
- The proposed means of communicating, the information.
- Whether the parties to whom the information is to be provided or access is to be granted are appropriate recipients.
- Any applicable law or regulation (including those governing privacy) in a jurisdiction where disclosure might take place and, if different, the jurisdiction where the confidential information originates.

114.3 A3 The circumstances in which a firm or employing organisation seeks authorisation to use or disclose confidential information, include where the information is to be used for training purposes, in the development of products or technology, in research or as source material for industry or other benchmarking data or studies. Such authorisation might be general in its application (for example, in relation to use of the information for internal training purposes or quality enhancement initiatives). When obtaining the authorisation of the individual or entity that provided such information for use in specific circumstances, relevant considerations to be communicated (preferably in writing) might include:

- The nature of the information to be used or disclosed.
- The purpose for which the information is to be used or disclosed (for example, technology development, research or benchmarking data or studies).
- The individual or entity who will undertake the activity for which the information is to be used or disclosed.



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- Whether the identity of the individual or entity that provided such information or any individuals or entities to which such information relates will be identifiable from the output of the activity for which the information is to be used or disclosed.

**R114.4** A registered auditor shall continue to comply with the principle of confidentiality even after the end of the relationship between the registered auditor and a client or employing organisation. When changing employment or acquiring a new client, the registered auditor is entitled to use prior experience but shall not use or disclose any confidential information acquired or received in the course of a professional or business relationship.

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## SECTION 120

### THE CONCEPTUAL FRAMEWORK

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#### Requirements and Application Material

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##### General

**R120.5** When applying the conceptual framework, the *registered auditor* shall:

- (a) Have an inquiring mind;
- (b) Exercise professional judgment; and
- (c) Use the reasonable and informed third party test described in paragraph 120.5 A9.

##### *Having an Inquiring Mind*

120.5 A1 An inquiring mind is a prerequisite to obtaining an understanding of known facts and circumstances necessary for the proper application of the conceptual framework. Having an inquiring mind involves:

- (a) Considering the source, relevance and sufficiency of information obtained, taking into account the nature, scope and outputs of the professional activity being undertaken; and
- (b) Being open and alert to a need for further investigation or other action.

120.5 A2 When considering the source, relevance and sufficiency of information obtained, the *registered auditor* might consider, among other matters, whether:

- New information has emerged or there have been changes in facts and circumstances.
- The information or its source might be influenced by bias or self-interest.
- There is reason to be concerned that potentially relevant information might be missing from the facts and circumstances known to the *registered auditor*.
- There is an inconsistency between the known facts and circumstances and the *registered auditor's* expectations.
- The information provides a reasonable basis on which to reach a conclusion.
- There might be other reasonable conclusions that could be reached from the information obtained.

## FINAL PRONOUNCEMENT: TECHNOLOGY-RELATED REVISIONS

120.5 A3 Paragraph R120.5 requires all registered auditors to have an inquiring mind when identifying, evaluating and addressing threats to the fundamental principles. This prerequisite for applying the conceptual framework applies to all registered auditors regardless of the professional activity undertaken. Under auditing, review and other assurance standards, including those issued by the IAASB, registered auditors are also required to exercise professional scepticism, which includes a critical assessment of evidence.

### *Exercising Professional Judgment*

120.5 A4 Professional judgment involves the application of relevant training, professional knowledge, skill and experience commensurate with the facts and circumstances, taking into account the nature and scope of the particular professional activities, and the interests and relationships involved.

120.5 A5 Professional judgment is required when the registered auditor applies the conceptual framework in order to make informed decisions about the courses of actions available, and to determine whether such decisions are appropriate in the circumstances. In making this determination, the registered auditor might consider matters such as whether:

- The registered auditor's expertise and experience are sufficient to reach a conclusion.
- There is a need to consult with others with relevant expertise or experience.
- The registered auditor's own preconception or bias might be affecting the registered auditor's exercise of professional judgment.

120.5 A6 The circumstances in which registered auditors carry out professional activities and the factors involved vary considerably in their range and complexity. The professional judgment exercised by registered auditors might need to take into account the complexity arising from the compounding effect of the interaction between, and changes in, elements of the facts and circumstances that are uncertain and variables and assumptions that are interconnected or interdependent.

120.5 A7 Managing complexity involves:

- Making the firm or employing organisation and, if appropriate, relevant stakeholders aware of the inherent uncertainties or difficulties arising from the facts and circumstances. (Ref: Para. R113.3)
- Being alert to any developments or changes in the facts and circumstances and assessing whether they might impact any judgments the registered auditor has made. (Ref: Para. R120.5 to 120.5 A3, and R120.9 to 120.9 A2)

120.5 A8 Managing complexity might also involve:

- Analysing and investigating as relevant, any uncertain elements, the variables and assumptions and how they are connected or interdependent.
- Using technology to analyse relevant data to inform the *registered auditor's* judgment.
- Consulting with others, including experts, to ensure appropriate challenge and additional input as part of the evaluation process.

*Reasonable and Informed Third Party*

120.5 A9 The reasonable and informed third party test is a consideration by the *registered auditor* about whether the same conclusions would likely be reached by another party. Such consideration is made from the perspective of a reasonable and informed third party, who weighs all the relevant facts and circumstances that the *registered auditor* knows, or could reasonably be expected to know, at the time the conclusions are made. The reasonable and informed third party does not need to be a *registered auditor*, but would possess the relevant knowledge and experience to understand and evaluate the appropriateness of the *registered auditor's* conclusions in an impartial manner.

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**Other Considerations when Applying the Conceptual Framework**

*Bias*

120.12 A1 Conscious or unconscious bias affects the exercise of professional judgment when identifying, evaluating and addressing threats to compliance with the fundamental principles.

120.12 A2 Examples of potential bias to be aware of when exercising professional judgment include:

- Anchoring bias, which is a tendency to use an initial piece of information as an anchor against which subsequent information is inadequately assessed.
- Automation bias, which is a tendency to favour output generated from automated systems, even when human reasoning or contradictory information raises questions as to whether such output is reliable or fit for purpose.
- Availability bias, which is a tendency to place more weight on events or experiences that immediately come to mind or are readily available than on those that are not.

## FINAL PRONOUNCEMENT: TECHNOLOGY-RELATED REVISIONS

- Confirmation bias, which is a tendency to place more weight on information that corroborates an existing belief than information that contradicts or casts doubt on that belief.
- Groupthink, which is a tendency for a group of individuals to discourage individual creativity and responsibility and as a result reach a decision without critical reasoning or consideration of alternatives.
- Overconfidence bias, which is a tendency to overestimate one's own ability to make accurate assessments of risk or other judgments or decisions.
- Representation bias, which is a tendency to base an understanding on a pattern of experiences, events or beliefs that is assumed to be representative.
- Selective perception, which is a tendency for a person's expectations to influence how the person views a particular matter or person.

120.12 A3 Actions that might mitigate the effect of bias include:

- Seeking advice from experts to obtain additional input.
- Consulting with others to ensure appropriate challenge as part of the evaluation process.
- Receiving training related to the identification of bias as part of professional development.

### *Organisational Culture*

120.13 A1 The effective application of the conceptual framework by a registered auditor is enhanced when the importance of ethical values that align with the fundamental principles and other provisions set out in the Code is promoted through the internal culture of the registered auditor's organisation.

120.13 A2 The promotion of an ethical culture within an organisation is most effective when:

- (a) Leaders and those in managerial roles promote the importance of, and hold themselves and others accountable for demonstrating, the ethical values of the organisation;
- (b) Appropriate education and training programs, management processes, and performance evaluation and reward criteria that promote an ethical culture are in place;
- (c) Effective policies and procedures are in place to encourage and protect those who report actual or suspected illegal or unethical behaviour, including whistle-blowers; and

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- (d) The organisation adheres to ethical values in its dealings with third parties.

120.13 A3 Registered auditors are expected to:

- (a) Encourage and promote an ethics-based culture in their organisation, taking into account their position and seniority; and
- (b) Exhibit ethical behaviour in dealings with individuals with whom, and entities with which, the registered auditors, the firm or the employing organisation has a professional or business relationship.

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**PART 2 – PROFESSIONAL ACCOUNTANTS IN BUSINESS - THIS PART OF THE IESBA CODE HAS NOT BEEN ADOPTED BY THE IRBA OR INCORPORATED INTO THE IRBA CODE**

**PART 3 – REGISTERED AUDITORS PERFORMING PROFESSIONAL SERVICES**

**SECTION 300**

**APPLYING THE CONCEPTUAL FRAMEWORK – REGISTERED AUDITORS PERFORMING PROFESSIONAL SERVICES**

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**Requirements and Application Material**

**General**

**R300.4** A registered auditor shall comply with the fundamental principles set out in Section 110 and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to compliance with the fundamental principles.

**R300.5** When dealing with an ethics issue, the registered auditor performing professional services shall consider the context in which the issue has arisen or might arise.

*(Part of R300.5 of the IESA Code of Ethics has been phrased as South African application material paragraph 300.5 A1 SA, to simplify a reference to Part 2 of the IESBA Code that has not been adopted by the IRBA or incorporated into the IRBA Code.)*

300.5 A1 SA Where an individual who is a registered auditor in public practice is performing professional activities pursuant to the registered auditor's relationship with the firm, whether as a contractor, employee or owner, the individual shall comply with the provisions in Part 2 of the IESBA Code will apply to these circumstances.

300.5 A1 Examples of situations in which the provisions in Part 2 of the IESBA Code will apply to a registered auditor include:

- Facing a conflict of interest when being responsible for selecting a vendor for the firm when an immediate family member of the registered auditor might benefit financially from the contract. The requirements and application material set out in Section 210 apply in these circumstances.
- Preparing or presenting financial information for the registered auditor's client or firm. The requirements and application material set out in Section 220 apply in these circumstances.
- Being offered an inducement such as being regularly offered complimentary tickets to attend sporting events by a supplier of the firm. The requirements and application material set out in Section 250 apply in these circumstances.



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- Facing pressure from an engagement partner to report chargeable hours inaccurately for a client engagement. The requirements and application material set out in Section 270 apply in these circumstances.

300.5 A2 The more senior the position of a registered auditor, the greater will be the ability and opportunity to access information, and to influence policies, decisions made and actions taken by others involved with the firm. To the extent that they are able to do so, taking into account their position and seniority in the firm, registered auditors are expected to encourage and promote an ethics-based culture in the firm and exhibit ethical behaviour in dealings with individuals with whom, and entities with which, the registered auditor or the firm has a professional or business relationship in accordance with paragraph 120.13 A3. Examples of actions that might be taken include the introduction, implementation and oversight of:

- Ethics education and training programs.
- Firm processes and performance evaluation and reward criteria that promote an ethical culture.
- Ethics and whistle-blowing policies.
- Policies and procedures designed to prevent non-compliance with laws and regulations.

### Identifying Threats

300.6 A1 Threats to compliance with the fundamental principles might be created by a broad range of facts and circumstances. The categories of threats are described in paragraph 120.6 A3. The following are examples of facts and circumstances within each of those categories of threats that might create threats for a registered auditor when undertaking a professional service:

#### (a) Self-interest Threats

- A registered auditor having a direct financial interest in a client.
- A registered auditor quoting a low fee to obtain a new engagement and the fee is so low that it might be difficult to perform the professional service in accordance with applicable technical and professional standards for that price.
- A registered auditor having a close business relationship with a client.
- A registered auditor having access to confidential information that might be used for personal gain.

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- A registered auditor discovering a significant error when evaluating the results of a previous professional service performed by a member of the registered auditor's firm.

### (b) Self-review Threats

- A registered auditor issuing an assurance report on the effectiveness of the operation of financial systems after implementing the systems.
- A registered auditor having prepared the original data used to generate records that are the subject matter of the assurance engagement.

### (c) Advocacy Threats

- A registered auditor promoting the interests of, or shares in, a client.
- A registered auditor acting as an advocate on behalf of a client in litigation or disputes with third parties.
- A registered auditor lobbying in favour of legislation on behalf of a client.

### (d) Familiarity Threats

- A registered auditor having a close or immediate family member who is a director or officer of the client.
- A director or officer of the client, or an employee in a position to exert significant influence over the subject matter of the engagement, having recently served as the engagement partner.
- An audit team member having a long association with the audit client.

### (e) Intimidation Threats

- A registered auditor being threatened with dismissal from a client engagement or the firm because of a disagreement about a professional matter.
- A registered auditor feeling pressured to agree with the judgment of a client because the client has more expertise on the matter in question.
- A registered auditor being informed that a planned promotion will not occur unless the registered auditor agrees with an inappropriate accounting treatment.
- A registered auditor having accepted a significant gift from a client and being threatened that acceptance of this gift will be made public.

*Identifying Threats Associated with the Use of Technology*

300.6 A2 The following are examples of facts and circumstances relating to the use of technology that might create threats for a registered auditor when undertaking a professional activity:

- Self-interest Threats
  - The data available might not be sufficient for the effective use of the technology.
  - The technology might not be appropriate for the purpose for which it is to be used.
  - The registered auditor might not have sufficient information and expertise, or access to an expert with sufficient understanding, to use and explain the technology and its appropriateness for the purpose intended.
- Self-review Threats
  - The technology was designed or developed using the knowledge, expertise or judgment of the registered auditor or the firm.

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**Evaluating Threats**

300.7 A1 The conditions, policies and procedures described in paragraph 120.6 A1 and 120.8 A2 might impact the evaluation of whether a threat to compliance with the fundamental principles is at an acceptable level. Such conditions, policies and procedures might relate to:

- (a) The client and its operating environment; and
- (b) The firm and its operating environment.

300.7 A2 The registered auditor's evaluation of the level of a threat is also impacted by the nature and scope of the professional service.

*The Client and its Operating Environment*

300.7 A3 The registered auditor's evaluation of the level of a threat might be impacted by whether the client is:

- (a) An audit client and whether the audit client is a public interest entity;

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- (b) An assurance client that is not an audit client; or
- (c) A non-assurance client.

For example, providing a non-assurance service to an audit client that is a public interest entity might be perceived to result in a higher level of threat to compliance with the principle of objectivity with respect to the audit.

300.7 A4 The corporate governance structure, including the leadership of a client might promote compliance with the fundamental principles. Accordingly, a registered auditor's evaluation of the level of a threat might also be impacted by a client's operating environment. For example:

- The client requires appropriate individuals other than management to ratify or approve the appointment of a firm to perform an engagement.
- The client has competent employees with experience and seniority to make managerial decisions.
- The client has implemented internal procedures that facilitate objective choices in tendering non-assurance engagements.
- The client has a corporate governance structure that provides appropriate oversight and communications regarding the firm's services.

### *The Firm and its Operating Environment*

300.7 A5 A registered auditor's evaluation of the level of a threat might be impacted by the work environment within the registered auditor's firm and its operating environment. For example:

- Leadership of the firm that promotes compliance with the fundamental principles and establishes the expectation that assurance team members will act in the public interest.
- Policies or procedures for establishing and monitoring compliance with the fundamental principles by all personnel.
- Compensation, performance appraisal and disciplinary policies and procedures that promote compliance with the fundamental principles.
- Management of the reliance on revenue received from a single client.
- The engagement partner having authority within the firm for decisions concerning compliance with the fundamental principles, including decisions about accepting or providing services to a client.
- Educational, training and experience requirements.

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- Processes to facilitate and address internal and external concerns or complaints.

300.7 A6 The registered auditor's evaluation of the level of a threat associated with the use of technology might also be impacted by the work environment within the registered auditor's firm and its operating environment. For example:

- Level of corporate oversight and internal controls over the technology.
- Assessments of the quality and functionality of technology that are undertaken by a third- party.
- Training that is provided regularly to all relevant employees so they obtain and maintain the professional competence to sufficiently understand, use and explain the technology and its appropriateness for the purpose intended.

### *Consideration of New Information or Changes in Facts and Circumstances*

300.7 A7 New information or changes in facts and circumstances might:

- (a) Impact the level of a threat; or
- (b) Affect the registered auditor's conclusions about whether safeguards applied continue to address identified threats as intended.

In these situations, actions that were already implemented as safeguards might no longer be effective in addressing threats. Accordingly, the application of the conceptual framework requires that the registered auditor re-evaluate and address the threats accordingly. (Ref: Paras. R120.9 and R120.10).

300.7 A8 Examples of new information or changes in facts and circumstances that might impact the level of a threat include:

- When the scope of a professional service is expanded.
- When the client becomes a listed entity or acquires another business unit.
- When the firm merges with another firm.
- When the registered auditor is jointly engaged by two clients and a dispute emerges between the two clients.
- When there is a change in the registered auditor's personal or immediate family relationships.

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## SECTION 320

### PROFESSIONAL APPOINTMENTS

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#### Requirements and Application Material

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#### Using the Work of an Expert

**R320.10** When a registered auditor intends to use the work of an expert in the course of undertaking a professional activity, the registered auditor shall determine whether the use is appropriate for the intended purpose.

320.10 A1 Factors to consider when a registered auditor intends to use the work of an expert include:

- The reputation and expertise of, and the resources available to, the expert.
- Whether the expert is subject to applicable professional and ethics standards.

Such information might be gained from prior association with, or from consulting others about, the expert.

#### Using the Output of Technology

**R320.11** When a registered auditor intends to use the output of technology in the course of undertaking a professional activity, the registered auditor shall determine whether the use is appropriate for the intended purpose.

320.11 A1 Factors to consider when a registered auditor intends to use the output of technology include:

- The nature of the activity to be performed by the technology.
- The expected use of, or extent of reliance on, the output of the technology.
- Whether the registered auditor has the ability, or access to an expert with the ability, to understand, use and explain the technology and its appropriateness for the purpose intended.
- Whether the technology used has been appropriately tested and evaluated for the purpose intended.
- Prior experience with the technology and whether its use for specific purposes is generally accepted.

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- The firm's oversight of the design, development, implementation, operation, maintenance, monitoring, updating or upgrading of the technology.
- The controls relating to the use of the technology, including procedures for authorising user access to the technology and overseeing such use.
- The appropriateness of the inputs to the technology, including data and any related decisions, and decisions made by individuals in the course of using the technology.

### **Other Considerations**

320.12 A1 When a registered auditor is considering using the work of experts or the output of technology, a consideration is whether the registered auditor is in a position within the firm to obtain information in relation to the factors necessary to determine whether such use is appropriate.

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## SECTION 360

### RESPONDING TO NON-COMPLIANCE WITH LAWS AND REGULATIONS

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#### Requirements and Application Material

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#### Audits of Financial Statements

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##### *Determining Whether Further Action Is Needed*

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##### Determining Whether to Disclose the Matter to an Appropriate Authority

**R360.26** If the registered auditor determines that disclosure of the noncompliance or suspected non-compliance to an appropriate authority is an appropriate course of action in the circumstances, that disclosure is permitted pursuant to paragraph R114.3 of the Code. When making such disclosure, the registered auditor shall act in good faith and exercise caution when making statements and assertions. The registered auditor shall also consider whether it is appropriate to inform the client of the registered auditor's intentions before disclosing the matter.

##### *Imminent Breach*

**R360.27** In exceptional circumstances, the registered auditor might become aware of actual or intended conduct that the registered auditor has reason to believe would constitute an imminent breach of a law or regulation that would cause substantial harm to investors, creditors, employees or the general public. Having first considered whether it would be appropriate to discuss the matter with management or those charged with governance of the entity, the registered auditor shall exercise professional judgment and determine whether to disclose the matter immediately to an appropriate authority in order to prevent or mitigate the consequences of such imminent breach. If disclosure is made, that disclosure is permitted pursuant to paragraph R114.3 of the Code.

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## **Professional Services Other than Audits of Financial Statements**

### *Considering Whether Further Action Is Needed*

**R360.37** If the registered auditor determines that disclosure of the noncompliance or suspected non-compliance to an appropriate authority is an appropriate course of action in the circumstances, that disclosure is permitted pursuant to paragraph R114.3 of the Code. When making such disclosure, the registered auditor shall act in good faith and exercise caution when making statements and assertions. The registered auditor shall also consider whether it is appropriate to inform the client of the registered auditor's intentions before disclosing the matter.

### *Imminent Breach*

**R360.38** In exceptional circumstances, the registered auditor might become aware of actual or intended conduct that the registered auditor has reason to believe would constitute an imminent breach of a law or regulation that would cause substantial harm to investors, creditors, employees or the general public. Having first considered whether it would be appropriate to discuss the matter with management or those charged with governance of the entity, the registered auditor shall exercise professional judgment and determine whether to disclose the matter immediately to an appropriate authority in order to prevent or mitigate the consequences of such imminent breach of law or regulation. If disclosure is made, that disclosure is permitted pursuant to paragraph R114.3 of the Code.

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## **PART 4 - INDEPENDENCE STANDARDS (PARTS 4A AND 4B)**

### **PART 4A – INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS**

#### **SECTION 400**

#### **APPLYING THE CONCEPTUAL FRAMEWORK TO INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS**

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#### **Requirements and Application Material**

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#### **Prohibition on Assuming Management Responsibilities**

**R400.20** A firm or a network firm shall not assume a management responsibility for an audit client.

400.20 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.

400.20 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.

400.20 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:

- Setting policies and strategic direction.
- Hiring or dismissing employees.
- Directing and taking responsibility for the actions of employees in relation to the employees' work for the entity.
- Authorising transactions.
- Controlling or managing bank accounts or investments.
- Deciding which recommendations of the firm or network firm or other third parties to implement.
- Reporting to those charged with governance on behalf of management.
- Taking responsibility for:

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- The preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.
- Designing, implementing, monitoring or maintaining internal control.

400.20 A4 Subject to compliance with paragraph R400.21, 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.

**R400.21** 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:

- (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:
  - (i) The objectives, nature and results of the activities; and
  - (ii) The respective client and firm or network firm responsibilities.

However, the individual is not required to possess the expertise to perform or re-perform the activities.

- (b) Provides oversight of the activities and evaluates the adequacy of the results of the activities performed for the client's purpose.
- (c) Accepts responsibility for the actions, if any, to be taken arising from the results of the activities.

400.21 A1 When technology is used in performing a professional activity for an audit client, the requirements in paragraphs R400.20 and R400.21 apply regardless of the nature or extent of such use of the technology.

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## **SECTION 520**

### **BUSINESS RELATIONSHIPS**

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#### **Requirements and Application Material**

##### **General**

520.3 A1 This section contains references to the “materiality” of a financial interest and the “significance” of a business relationship. In determining whether such a financial interest is material to an individual, the combined net worth of the individual and the individual’s immediate family members may be taken into account.

520.3 A2 Examples of a close business relationship arising from a commercial relationship or common financial interest include:

- Having a financial interest in a joint venture with either the client or a controlling owner, director or officer or other individual who performs senior managerial activities for that client.
- Arrangements to combine one or more services or products of the firm or a network firm with one or more services or products of the client and to market the package with reference to both parties.
- Arrangements under which the firm or a network firm sells, resells, distributes or markets the client’s products or services, or the client sells, resells, distributes or markets the firm’s or a network firm’s products or services.
- Arrangements under which the firm or a network firm develops jointly with the client, products or solutions which one or both parties sell or license to third parties.

520.3 A3 An example that might create a close business relationship, depending on the facts and circumstances, is an arrangement under which the firm or a network firm licenses products or solutions to or from a client.

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##### **Buying Goods or Services**

520.6 A1 The purchase of goods and services, including the licensing of technology from an audit client

by a firm, a network firm, an audit team member, or any of that individual’s immediate family does not usually create a threat to independence if the transaction is in the

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normal course of business and at arm's length. However, such transactions might be of such a nature and magnitude that they create a self-interest threat.

520.6 A2 Examples of actions that might eliminate such a self-interest threat include:

- Eliminating or reducing the magnitude of the transaction.
- Removing the individual from the audit team.

### **Providing, Selling, Reselling or Licensing Technology**

520.7 A1 Where a firm or a network firm provides, sells, resells or licenses technology:

- (a) To an audit client; or
- (b) To an entity that provides services using such technology to audit clients of the firm or network firm,

depending on the facts and circumstances, the requirements and application material in Section 600 apply.

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## **SECTION 600**

### **PROVISION OF NON-ASSURANCE SERVICES TO AN AUDIT CLIENT**

#### **Introduction**

- 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.
- 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.
- 600.6 The requirements and application material in this section apply where a firm or a network firm:
- (a) Uses technology to provide a non-assurance service to an audit client; or
  - (b) Provides, sells, resells or licenses technology resulting in the provision of a non-assurance service by the firm or a network firm:
    - (i) To an audit client; or

- (ii) To an entity that provides services using such technology to audit clients of the firm or network firm.

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## **Requirements and Application Material**

### **General**

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#### *Identifying and Evaluating Threats*

##### All Audit Clients

600.10 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.

600.10 A2 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:

- The nature, scope, intended use and purpose of the service.
- The manner in which the service will be provided, such as the personnel to be involved and their location.
- The client's dependency on the service, including the frequency with which the service will be provided.
- The legal and regulatory environment in which the service is provided.
- Whether the client is a public interest entity.
- The level of expertise of the client's management and employees with respect to the type of service provided.
- The extent to which the client determines significant matters of judgment. (Ref: Para. R400.20 to R400.21).
- 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:
  - The extent to which the outcome of the service will have a material effect on the financial statements.
  - The degree of subjectivity involved in determining the appropriate amounts or treatment for those matters reflected in the financial statements.

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- 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:
  - Accounting records or financial statements on which the firm will express an opinion.
  - Internal controls over financial reporting.
- The degree of reliance that will be placed on the outcome of the service as part of the audit.
- The fee relating to the provision of the non-assurance service.

600.10 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.

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### Self-review threats

600.14 A1 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.

**R600.15** 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:

- (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
- (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.

### Audit Clients that are Public Interest Entities

600.16 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.

600.16 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

**R600.17** 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. 600.14 A1 and R600.15).

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## **SUBSECTION 601 – ACCOUNTING AND BOOKKEEPING SERVICES**

### **Introduction**

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.

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### **Requirements and Application Material**

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#### *Audit Clients that are Not Public Interest Entities*

**R601.5** 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:

- (a) The services are of a routine or mechanical nature; and
- (b) The firm addresses any threats that are not at an acceptable level.

601.5 A1 Accounting and bookkeeping services that are routine or mechanical:

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- (a) Involve information, data or material in relation to which the client has made any judgments or decisions that might be necessary; and
- (b) Require little or no professional judgment.

601.5 A2 Accounting and bookkeeping services can either be manual or automated. In determining whether an automated service is routine or mechanical, factors to be considered include the activities performed by, and the output of, the technology, and whether the technology provides an automated service that is based on or requires the expertise or judgment of the firm or network firm.

601.5 A3 Examples of services, whether manual or automated, that might be regarded as routine or mechanical include:

- Preparing payroll calculations or reports based on client-originated data for approval and payment by the client.
- 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.
- Calculating depreciation on fixed assets when the client determines the accounting policy and estimates of useful life and residual values.
- Posting transactions coded by the client to the general ledger.
- Posting client-approved entries to the trial balance.
- Preparing financial statements based on information in the client-approved trial balance and preparing related notes based on client-approved records.

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 R400.21 to ensure that it does not assume a management responsibility in connection with the service and with the requirement in paragraph R601.5 (b).

601.5 A4 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:

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

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## **SUBSECTION 606 – INFORMATION TECHNOLOGY SYSTEMS SERVICES**

### **Introduction**

606.1 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to 600.28 A1 are relevant to applying the conceptual framework when providing an information technology (IT) systems service to an audit client.

### **Requirements and Application Material**

#### **Description of Service**

606.2 A1 IT systems services comprise a broad range of services including:

- Designing or developing hardware or software IT systems.
- Implementing IT systems, including installation, configuration, interfacing, or customisation.
- Operating, maintaining, monitoring, updating or upgrading IT systems.
- Collecting or storing data or managing (directly or indirectly) the hosting of data.

606.2 A2 The IT systems might:

- (a) Aggregate source data;
- (b) Form part of the internal control over financial reporting; or
- (c) Generate information that affects the accounting records or financial statements, including related disclosures.

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.

#### **Risk of Assuming Management Responsibility When Providing an IT Systems Service**

**R606.3** Paragraph R400.20 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:

- (a) The client acknowledges its responsibility for establishing and monitoring a system of internal controls;
- (b) The client, through a competent individual (or individuals), preferably within senior management, makes all management decisions that are the proper responsibility of management with respect to the design, development,

implementation, operation, maintenance, monitoring, updating or upgrading of the IT systems;

- (c) The client evaluates the adequacy and results of the design, development, implementation, operation, maintenance, monitoring, updating or upgrading of the IT system; and
- (d) The client is responsible for operating the IT system and for the data it generates and uses.

606.3 A1 Examples of IT systems services that result in the assumption of a management responsibility include where a firm or a network firm:

- Stores data or manages (directly or indirectly) the hosting of data on behalf of the audit client. Such services include:
  - Acting as the only access to a financial or non-financial information system of the audit client.
  - Taking custody of or storing the audit client's data or records such that the audit client's data or records are otherwise incomplete.
  - Providing electronic security or back-up services, such as business continuity or a disaster recovery function, for the audit client's data or records.
- Operates, maintains, or monitors the audit client's IT systems, network or website.

606.3 A2 The collection, receipt, transmission and retention of data provided by an audit client in the course of an audit or to enable the provision of a permissible service to that client does not result in an assumption of management responsibility.

### **Potential Threats Arising from the Provision of IT Systems Services**

#### *All Audit Clients*

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 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:

- The nature of the service.

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- 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.
- The degree of reliance that will be placed on the particular IT systems as part of the audit.

When a self-review threat for an audit client that is a public interest entity has been identified, paragraph R606.6 applies.

606.4 A3 Examples of IT systems services that create a self-review threat when they form part of or affect an audit client's accounting records or system of internal control over financial reporting include:

- Designing, developing, implementing, operating, maintaining, monitoring, updating or upgrading IT systems, including those related to cybersecurity.
- Supporting an audit client's IT systems, including network and software applications.
- Implementing accounting or financial information reporting software, whether or not it was developed by the firm or a network firm.

### *Audit Clients that are Not Public Interest Entities*

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.

### *Audit Clients that are Public Interest Entities*

**R606.6** 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. R600.15 and R600.17).

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## **PART 4B – INDEPENDENCE FOR ASSURANCE ENGAGEMENTS OTHER THAN AUDIT AND REVIEW ENGAGEMENTS**

### **SECTION 900**

#### **APPLYING THE CONCEPTUAL FRAMEWORK TO INDEPENDENCE FOR ASSURANCE ENGAGEMENTS OTHER THAN AUDIT AND REVIEW ENGAGEMENTS**

##### **Introduction**

###### **General**

900.1 This Part applies to assurance engagements other than audit engagements and review engagements. Examples of such engagements include:

- Assurance on an entity's key performance indicators.
- Assurance on an entity's compliance with law or regulation.
- Assurance on performance criteria, such as value for money, achieved by a public sector body.
- Assurance on the effectiveness of an entity's system of internal control.
- Assurance on an entity's non-financial information, for example, environmental, social and governance disclosures, including greenhouse gas statements.
- An audit of specific elements, accounts or items of a financial statement.

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###### **Requirements and Application Material**

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###### **Prohibition on Assuming Management Responsibilities**

**R900.13** 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.

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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:

- Setting policies and strategic direction.
- Hiring or dismissing employees.
- Directing and taking responsibility for the actions of employees in relation to the employees' work for the entity.
- Authorising transactions.
- Controlling or managing bank accounts or investments.
- Deciding which recommendations of the firm or other third parties to implement.
- Reporting to those charged with governance on behalf of management.
- Taking responsibility for designing, implementing, monitoring and maintaining internal control.

900.13 A4 Examples of IT systems services that result in the assumption of a management responsibility in relation to the underlying subject matter and, in an attestation engagement, the subject matter information of an assurance engagement, include where a firm:

- Stores data or manages (directly or indirectly) the hosting of data related to the underlying subject matter or subject matter information. Such services include:
  - Acting as the only access to the data or records related to the underlying subject matter or subject matter information.
  - Taking custody of or storing the data or records related to the underlying subject matter or subject matter information such that the assurance client's data or records are otherwise incomplete.
  - Providing electronic security or back-up services, such as business continuity or a disaster recovery function, for the assurance client's data or

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records related to the underlying subject matter or subject matter information.

- Operates, maintains, or monitors an assurance client's IT systems, network or website related to the underlying subject matter or subject matter information.

900.13 A5 The collection, receipt, transmission and retention of data provided by an assurance client in the course of an assurance engagement or to enable the provision of a permissible non-assurance service to the assurance client does not result in an assumption of management responsibility.

900.13 A6 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.

**R900.14** 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:

- (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:
  - (i) The objectives, nature and results of the activities;
  - and
  - (ii) The respective client and firm responsibilities.

However, the individual is not required to possess the expertise to perform or re-perform the activities.

- (b) Provides oversight of the activities and evaluates the adequacy of the results of the activity performed for the client's purpose; and
- (c) Accepts responsibility for the actions, if any, to be taken arising from the results of the activities.

900.14 A1 When technology is used in performing a professional activity for an assurance client, the requirements in paragraphs R900.13 and R900.14 apply regardless of the nature or extent of such use of the technology.

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## **SECTION 920**

### **BUSINESS RELATIONSHIPS**

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#### **Requirements and Application Material**

##### **General**

920.3 A1 This section contains references to the “materiality” of a financial interest and the “significance” of a business relationship. In determining whether such a financial interest is material to an individual, the combined net worth of the individual and the individual’s immediate family members may be taken into account.

920.3 A2 Examples of a close business relationship arising from a commercial relationship or common financial interest include:

- Having a financial interest in a joint venture with either the assurance client or a controlling owner, director or officer or other individual who performs senior managerial activities for that client.
- Arrangements to combine one or more services or products of the firm with one or more services or products of the client and to market the package with reference to both parties.
- Arrangements under which the firm sells, resells, distributes or markets the client’s products or services, or the client sells, resells, distributes or markets the firm’s products or services.
- Arrangements under which a firm develops jointly with the client, products or solutions which one or both parties sell or license to third parties.

920.3 A3 An example that might create a close business relationship, depending on the facts and circumstances, is an arrangement under which the firm licenses products or solutions to or from the assurance client.

...

##### **Buying Goods or Services**

920.5 A1 The purchase of goods and services, including the licensing of technology from an assurance client by a firm, or an assurance team member, or any of that individual’s immediate family does not usually create a threat to independence if the transaction is in the normal course of business and at arm’s length. However, such transactions might be of such a nature and magnitude that they create a self-interest threat.

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920.5 A2 Examples of actions that might eliminate such a self-interest threat include:

- Eliminating or reducing the magnitude of the transaction.
- Removing the individual from the assurance team.

**Providing, Selling, Reselling or Licensing Technology**

920.6 A1 Where a firm provides, sells, resells or licenses technology:

- (a) To an assurance client; or
- (b) To an entity that provides services using such technology to assurance clients of the firm,

depending on the facts and circumstances, the requirements and application material in Section 950 apply.

...

## **SECTION 950**

### **PROVISION OF NON-ASSURANCE SERVICES TO ASSURANCE CLIENTS**

...

#### **Introduction**

- 950.1 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.
- 950.2 Firms might provide a range of non-assurance services to their assurance clients, consistent with their skills and expertise. Providing certain non-assurance services to assurance clients might create threats to compliance with the fundamental principles and threats to independence.
- 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.
- 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.
- 950.5 The requirements and application material in this section apply where a firm:
- (a) Uses technology to provide a non-assurance service to an assurance client; or
  - (b) Provides, sells, resells or licenses technology resulting in the provision of a non-assurance service by the firm:
    - (i) To an assurance client; or
    - (ii) To an entity that provides services using such technology to assurance clients of the firm.

#### **Requirements and Application Material**

##### **General**

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##### *Identifying and Evaluating Threats*

## FINAL PRONOUNCEMENT: TECHNOLOGY-RELATED REVISIONS

950.8 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.

950.8 A2 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:

- The nature, scope, intended use and purpose of the service.
- The manner in which the service will be provided, such as the personnel to be involved and their location.
- The client's dependency on the service, including the frequency with which the service will be provided.
- The legal and regulatory environment in which the service is provided.
- Whether the client is a public interest entity.
- The level of expertise of the client's management and employees with respect to the type of service provided.
- 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:
  - o 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.
  - o The extent to which the assurance client determines significant matters of judgment (Ref: Para. R900.13 to R900.14).
- The degree of reliance that will be placed on the outcome of the service as part of the assurance engagement.
- The fee relating to the provision of the non-assurance service.

...

### Self-Review Threats

950.11 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:

- (a) Developing and preparing prospective information and subsequently issuing an assurance report on this information.

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- (b) Performing a valuation that is related to or forms part of the subject matter information of an assurance engagement.
- (c) Designing, developing, implementing, operating, maintaining, monitoring, updating or upgrading IT systems or IT controls and subsequently undertaking an assurance engagement on a statement or report prepared about the IT systems or IT controls.
- (d) Designing, developing, implementing, operating, maintaining, monitoring, updating or upgrading IT systems and subsequently issuing an assurance report on subject matter information, such as elements of non-financial information, that is prepared from information generated by such IT systems.

Assurance clients that are public interest entities

950.12 A1 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:

- (a) Made available publicly, including to shareholders and other stakeholders; or
- (b) Provided to an entity or organisation established by law or regulation to oversee the operation of a business sector or activity.

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.

950.12 A2 If a self-review threat exists in relation to an engagement undertaken in the circumstances described in paragraph 950.12 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.

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## **EFFECTIVE DATE**

- Revisions to Parts 1 to 3 will be effective as of 15 December 2024.
- Revisions to Part 4A will be effective for audits and reviews of financial statements for periods beginning on or after 15 December 2024.
- The conforming and consequential amendments to Part 4B in relation to assurance engagements with respect to underlying subject matters covering periods of time will be effective for periods beginning on or after 15 December 2024; otherwise, these amendments will be effective as of 15 December 2024.

Early adoption will be permitted.