

## Agenda Item 4-B Supplement

### Safeguards Phase 2 – Revisions Subsections 609

Mark-up From June 2017 IESBA Meeting Material

#### Part 4A – International Independence Standards for Audits and Reviews

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#### Section 600

#### Provision of Non-assurance Services to an Audit Client

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#### Subsection 609 – Recruiting Services

##### Introduction

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

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609.2 Subsection 609 sets out specific requirements and application material relevant to applying the conceptual framework when providing a recruiting services to an audit client. In some circumstances, providing recruiting services to an audit client is expressly prohibited because the threat cannot be eliminated or there can be no safeguards to reduce them to an acceptable level. The requirements and application material set out in Section 600 are relevant to this subsection.

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#### Requirements and Application Material

##### General

609.3 A1 [Place holder for a general description of recruiting services.]

609.3 A24 Providing the following services does not usually create threats:

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- Reviewing the professional qualifications of a number of applicants and providing advice on their suitability for the post.
- Interviewing candidates and advising on a candidate's competence for financial accounting, administrative or control positions.

R609.4 Paragraph R600.7 precludes a firm or a network firm from assuming a management responsibility. When providing the recruiting services in paragraph 609.3 A1, the firm shall be satisfied that:

- (a) The client assigns the responsibility to make all management decisions with respect to the hiring for the candidate for position to a competent employee, preferably within senior management;
- (b) The client makes all management decisions with respect to the hiring process; and
- (c) The client evaluates the suitability and cultural fit of prospective candidates.

609.53 A1 Factors that are relevant in evaluating the level of any threat created by providing recruiting services to an audit client include:

- The nature of the requested assistance.
- The role of the individual to be recruited.
- Any appearance of conflicts of interest or relationships of candidates to the firm providing the advice or services.

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609.54 A2 An example of an action that might be a safeguard to address self-interest, familiarity or intimidation threats created by providing recruiting services is using professionals who are not audit team members to perform the service.

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R609.65 Paragraph R600.7 precludes a firm or a network firm from assuming a management responsibility. 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, unless the hiring decision is made by the client.

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R609.76 A firm or a network firm shall not provide a recruiting service to an audit client with respect to if the service relates to:

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(a) Searching for or seeking out candidates; or

(b) Undertaking reference checks of prospective candidates

with respect to the following types of positions:

(i) a director or officer of the entity; or

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

if the service involves:

(a) Searching for or seeking out candidates for such positions; and

(b) Undertaking reference checks of prospective candidates for such positions.

609.6 A1 Searching for or seeking out candidates involves identifying and providing candidates selectively to the audit client. This might include psychological evaluations of the candidate, for example, to determine whether the candidate is suitable for the culture of the audit client. However, a firm or network firm may interview candidates selected by the audit client, and advise on their technical competence.