

TECH 32 /02

DISCLOSURE OF THE NATURE AND VALUE OF SERVICES PROVIDED BY AUDITORS

Draft statement of guidance for directors of UK companies on the form and extent of disclosure in their annual reports of the nature and value of services provided by their auditors, issued in December 2002 by the Financial Reporting Committee and the Company Law Committee of the Institute of Chartered Accountants in England and Wales.

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INVITATION TO COMMENT

Comments on any aspect of this draft guidance are invited by **20 March 2003**.
Particular issues on which comments are invited are referred to below

We would prefer comments to be sent (in Word format) by email to:

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PARTICULAR ISSUES ON WHICH COMMENTS ARE INVITED

1. Do you agree with the fundamental principles underlying the proposed recommended disclosure set out in the draft statement? (paragraphs 10 and 11)
2. The draft statement proposes to adopt the recommendation of the Co-ordinating Group on Accounting and Auditing Issues that there should be disclosure of audit, audit related and non-audit services (paragraph 8), and expands it in line with the EC Recommendation (paragraphs 5 - 7).
 - (a) Do you agree with the categories of services to be disclosed separately as proposed in this statement? (paragraph 12)
 - (b) The Securities and Exchange Commission (SEC) in the US has issued proposals relating to the disclosure of fees paid to auditors. There are likely to be a number of differences between what would be included under 'Audit fees' and 'Audit-related fees' (in the SEC proposals) and 'Statutory audit services' and 'Further assurance services' (in the EC Recommendation and the UK proposals). For example, in this draft statement, interim review is classified as 'Further assurance services'; under the SEC proposals, interim review is classified as audit fees.

Do you think that there should be greater alignment of the UK and US disclosures? If so, how would you seek to achieve it?
3. 'Statutory audit services' is taken to include all regulatory reporting engagements, even though such reports may not include the term 'audit'. Do you agree with this approach; or should regulatory reporting engagements be included under 'Further assurance services'? (paragraph 13)
4. (a) Do you agree that the services set out in paragraph 15 should be categorised as 'Further assurance services', namely:
 - reviewing interim financial statements (there is no statutory requirement for such a review, but it is referred to in the Listing Rules as a review by auditors);
 - advice on accounting matters;
 - non-regulatory reporting on internal controls;
 - 'due diligence' work in relation to acquisitions; and
 - environmental audits?(b) Are there other services that should be specifically included in this category, for example tax compliance services?

5.
 - (a) Do you agree that there would be benefit in disclosing different types of tax work, such as compliance and advisory services?
 - (b) Would you categorise tax services in a different way? (paragraph 16)
6.
 - (a) Do you agree that the five services that give rise to a self-review threat should always be separately disclosed if material? (paragraphs 12 and 17 and Appendix C)
 - (b) Are there further 'Other non-audit services' that should be specified in the statement?
7. Do you agree that internal audit is correctly categorised as an 'Other non-audit service' (in line with the EC Recommendation identifying it as giving rise to a self-review threat), rather than, for example, as a 'Further assurance service'? (paragraph 12)
8. Do you support adopting the concept and definition of the 'network' in order to establish the scope of the audit firm relationship? (paragraph 21)
9.
 - (a) Do you agree with the definition of the audit client in respect of which disclosure is required, and the specific examples provided - including pension schemes - as set out in paragraphs 22 and 23?
 - (b) Are there other examples of entities that should be included or excluded from disclosure that should be provided in the statement?
10. The guidance applies to directors of companies with securities quoted on a regulated market. Is there a case for applying it to all companies required by statute to disclose non-audit fees? (paragraph 23)
11. Would you support exclusion of some (or all) of the appendices when the final version of the statement is published?
12.
 - (a) Do you think that the statement should be reviewed in the light of developing best practice?
 - (b) If so, what would be a suitable timescale?

INTRODUCTION

1. The purpose of this [draft] statement is to provide guidance for directors of UK companies on the form and extent of disclosure in their annual reports of the nature and value of services provided by their auditors.

STATUTORY BACKGROUND

2. The current requirements on disclosure of auditors' fees are set out in company law, as follows:

- Section 390A (3) of the Companies Act 1985 requires to be stated: *'in a note to the company's annual accounts the amount of the remuneration of the company's auditors in their capacity as such.'*
- Section 390B (1) provides for the Secretary of State: *'to make provision by regulations for securing the disclosure of the amount of any remuneration received or receivable by a company's auditors or their associates in respect of services other than those of auditors in their capacity as such.'*
- Statutory Instrument 1991 No. 2128, as amended by SI 1995 No.1520, states: *'there shall be disclosed in notes to the annual accounts ... the aggregate of remuneration, if any, ... of the company's auditors ... and of any ... associate of the company's auditors ... for services other than those of the auditors in their capacity as such supplied*
 - (i) *to the company; and*
 - (ii) *to an associated undertaking of the company in any case in which the company's auditors or any associates of the company's auditors are auditors of the relevant associated undertaking.'* (Regulation 5, paragraph (1));

'"Associated undertaking" in relation to a company means any undertaking which, in accordance with section 258 of the 1985 Act, is a subsidiary undertaking of the company other than a subsidiary undertaking formed under the law of a country or territory outside the United Kingdom;' (Regulation 2);

'Where more than one person has been appointed as a company's auditor in a single financial year, paragraph (1) above has effect to require separate disclosure in respect of remuneration of each such person and their associates.' (Regulation 5, paragraph (4));

Companies that qualify as small or medium-sized by virtue of section 247 of the Companies Act 1985 are exempted from the disclosure requirement. (Regulation 4).

3. An 'associate of a company's auditors' is defined in Regulations 3 and 7 of Statutory Instrument 1991 No. 2128.
4. The DTI is proposing to consult on a change to the powers in Section 390B of the Companies Act 1989 and revised Regulations, as part of the programme of company law reform. In the interim, the DTI has welcomed this initiative by the Institute of Chartered Accountants in England and Wales.

EUROPEAN COMMISSION RECOMMENDATION

5. The EC Recommendation '*Statutory Auditors' Independence in the EU: A set of fundamental principles*', was published on 16 May 2002. It recommends that Member States or their Regulatory Bodies should require disclosure of audit and non-audit fees paid by companies to statutory auditors. The relevant extract from the paper is set out in Appendix A to this technical release.
6. The EC recommends that the total fee income should be broken down into four categories:
 - statutory audit services
 - further assurance services
 - tax advisory services
 - other non-audit services.

The EC further recommends that fees for other non-audit services should also be broken down into sub-categories so far as items in them differ substantially from one another. This breakdown into sub-categories should, as a minimum, provide information on fees for the provision of the following services:

- financial information technology
- internal audit
- valuation
- litigation
- recruitment.

Comparative information for the previous year should also be disclosed and a percentage breakdown for the sub-categories should be provided.

7. The EC Recommendation also states that where a statutory audit is performed on consolidated financial statements, the fees received by the auditor and his network members for the services they provided to the audit client and its consolidated entities should be disclosed.

INTERIM REPORT OF THE CO-ORDINATING GROUP ON ACCOUNTING AND AUDIT ISSUES

8. The Co-ordinating Group on Accounting and Auditing Issues was established in February 2002 under the joint auspices of the Department of Trade and Industry and the Treasury. Its Interim Report, published in July 2002, states: *‘As a minimum, and in line with the Commission Recommendation, we believe that there needs to be greater disclosure of the provision by the auditor of the nature and value of all services to audit clients, broken down by category (broadly audit, audit-related and non-audit, although what falls into each category would need to be defined).’*

THE APPROACH ADOPTED IN THIS STATEMENT

9. The [draft] guidance set out in this statement is based on the EC Recommendation, taking account of UK law.

FUNDAMENTAL PRINCIPLES

10. The annual report should make full and transparent disclosure of all fees due to the lead auditor and its network firms in relation to work performed during the period for or on behalf of the audit client and all entities controlled by the audit client. In the case of joint audit, the same disclosure should be given in respect of each lead auditor.
11. The disclosure should provide sufficient information about the nature and extent of services provided and on the review and approval process followed to allow the user of the financial statements to make an informed judgement as to whether the potential for conflicts of interest has been satisfactorily addressed by the auditors and by those charged with governance of the entity.

CATEGORIES OF SERVICES

12. Fees should be disclosed in the following categories. In the case of non-audit services, amounts that are not material may be included under ‘other services’.
- Statutory audit services
 - annual audit
 - regulatory reporting
 - Further assurance services
 - Tax advisory services
 - Other non-audit services
 - financial information technology
 - internal audit
 - valuation

- litigation
- recruitment
- other services.

If necessary, the fees for other non-audit services should be further broken down into subcategories so far as items in them are material and differ substantially from one another. Narrative explanations of what is included in the various subcategories should be given where this would be helpful.

13. In addition to the statutory audit of the annual financial statements, ‘Statutory audit services’ includes regulatory reporting that is required to be carried out by the auditor. This may include, for example, reporting on internal controls, even though such reports do not typically include the term ‘audit’. The split of the fees between the annual audit and other regulatory reporting should be shown. A sub-total of ‘Statutory audit services’ and ‘Further assurance services’ may be helpful.
14. In following the guidance in this [draft] statement, directors should also bear in mind the need to comply with the statutory requirements in relation to disclosure of audit and non-audit fees. Statutory disclosure of non-audit fees is required, in effect, only in so far as the work is carried out for the company and its UK subsidiaries (see paragraph 2 above). This statement calls for information in relation to all undertakings controlled by the company, including overseas subsidiaries. The amount required to be disclosed by statute will therefore need to be shown separately. Further analysis of the fees for audit and non-audit services should be given where it will increase the understanding of the user of the financial statements. For example, fees could be broken down into UK and, separately, overseas statutory audits. An explanation of the basis of the breakdown should be given where it is not obvious from the descriptions given.
15. ‘Further assurance services’ is the term used in the EC Recommendation. The definition of ‘assurance service’ is set out in Appendix B. In the US, proposals under the Sarbanes-Oxley Act use the term ‘Audit-related’. The following are examples of services that would generally be regarded as falling under ‘Further assurance services’:
 - reviewing interim financial statements (although there is no statutory requirement for such a review, it is referred to in the Listing Rules as a review by auditors);
 - advice on accounting matters;
 - non-regulatory reporting on internal controls;
 - ‘due diligence’ work in relation to acquisitions; and
 - environmental audits.

16. Where ‘Tax advisory services’ consist of different kinds of services, it may be desirable to provide a further breakdown of the fees. For example, it might be useful to distinguish between compliance and advisory work. Where a split between different tax services is disclosed, the basis for the split should be explained.
17. The EC Recommendation requires the five specific services under ‘Other non-audit services’ to be disclosed because they are identified as giving rise to a self-review threat. The discussion in the EC Recommendation of the nature of this threat in the given circumstances is set out in Appendix C to this technical release. A self-review threat relates to the difficulty of maintaining objectivity in conducting self-review procedures; for example:
 - when taking decisions, or taking part in decisions, that should be taken wholly by the audit client’s management; or
 - when any product or judgement of a previous audit or non-audit assignment performed by the statutory auditor or his firm needs to be challenged or re-evaluated to reach a conclusion on the current audit.

It may be desirable to provide a narrative explanation of the work carried out in these subcategories, in order to allow the user to form a judgement that any self-review threat has been managed properly through safeguards and procedures.

DISCLOSURE OF POLICY IN RELATION TO THE PROVISION OF NON-AUDIT SERVICES

18. Narrative disclosure should be provided to explain the company’s policy for ensuring that the auditor’s independence has not been compromised: for example, the process followed by the audit committee or others charged with governance to ensure all material items of non-audit work are appropriately reviewed and approved, other measures such as competitive tender processes, or where there is some other justification for the auditors being appointed to carry out the work.

FEES

19. Fees should be calculated on an accruals basis. The amount disclosed should be the amount charged to income and/or capitalised within assets or included within issue costs in debt or equity during the client’s reporting period.
20. Fees may be paid by third parties for work carried out in relation to the client under separate engagements unrelated to the audit. Examples include litigation support work, where the auditor may report directly to the solicitors; and credit investigation reports, where the report may be to the bank. In each case, the fees may be paid by the third party, but the service is ultimately for the benefit of the audit client. Where the substance of the service is that it has been

rendered to the audit client, the fee should be subject to disclosure. Such fees should normally be disclosed separately.

THE AUDITOR AND NETWORK FIRMS

21. For the purposes of disclosure, the auditor includes the lead auditor and its network firms around the world. A 'network' includes any entity controlled by the audit firm or under common control, ownership or management or otherwise affiliated or associated with the audit firm through the use of a common name or through the sharing of significant common professional resources (see Appendix B). If a different definition is adopted, the basis should be disclosed.

THE AUDIT CLIENT

22. For the purposes of disclosure, the audit client is the reporting entity and any entity or entities controlled by it. Certain entities that are not consolidated should be included; for example, subsidiaries:
- held exclusively for resale;
 - where there are severe long-term restrictions hindering control; or
 - carrying on activities that are so different that consolidation would be inconsistent with a true and fair view.

Fees for work performed during the period for associates and joint ventures should normally be excluded. However, this should be considered on a case-by-case basis, and inclusion would be appropriate if associates and joint ventures form a particularly large part of the group financial statements.

23. In view of the close relationship between companies and their pension schemes, there should be separate disclosure of fees in respect of pension schemes.

SCOPE

24. This statement is for the guidance of directors of companies with securities quoted on a regulated market, and of other public interest entities as defined in the EC Recommendation (see Appendix B to this technical release). It may also be of help to the management of other entities required to disclose non-audit fees.

APPENDIX A

EC RECOMMENDATION: 'STATUTORY AUDITORS' INDEPENDENCE IN THE EU: A SET OF FUNDAMENTAL PRINCIPLES'

RECOMMENDATION 5 FROM 'PART A. FRAMEWORK'

'5. PUBLIC DISCLOSURE OF FEES

- (1) Where a *Statutory Auditor* or, if the *Statutory Auditor* is a natural person, a firm of which he is a member or *Partner* has received fees from an *Audit Client* for (audit and non-audit) services provided during the client's reporting period, all these fees should be publicly and appropriately disclosed.
- (2) Member States or their regulatory bodies should require this disclosure to the extent that an *Audit Client's* audited financial statements have to be published in accordance with their national law.
- (3) The total fee income should be broken down by four categories: statutory audit services; further assurance services; tax advisory services; and other non-audit services. The fees for other non-audit services should be further broken down into subcategories so far as items in them differ substantially from one another. This break-down into subcategories should at least provide information on fees for the provision of financial information technology, internal audit, valuation, litigation and recruitment services. In respect of each (sub-) category item, the figure relating to the corresponding (sub-) category item for the preceding reporting period should be shown as well. Furthermore, a percentage break-down for the (sub-) categories should be provided.
- (4) Where a *Statutory Audit* of consolidated financial statements is concerned, the fees received by the *Statutory Auditor* and his *Network* members for the services they provided to the *Audit Client* and its consolidated entities should be disclosed accordingly.'

APPENDIX B

EC RECOMMENDATION: ‘STATUTORY AUDITORS’ INDEPENDENCE IN THE EU: A SET OF FUNDAMENTAL PRINCIPLES’

EXTRACTS FROM THE GLOSSARY

<i>Affiliate</i>	<p>a) of an <i>Audit Firm</i>: an undertaking within the meaning of Article 41 (1),(2) and (3) of the 7th Company Law Directive (83/349/EEC);</p> <p>b) of an <i>Audit Client</i>: an undertaking within the meaning of Article 41 (1), (2) and (3) of the 7th Company Law Directive (83/349/EEC) that together with the <i>Audit Client</i> is required to be included by consolidation in consolidated accounts prepared in accordance with the 7th Directive, or – in those cases where the 7th Company Law Directive does not apply – would be required to be included by consolidation were the requirements of that Directive to apply.</p> <p>Without prejudice to (a) and (b) the term “<i>Affiliate</i>” will include any undertaking, regardless of its legal form, which is connected to another by means of common ownership, control or management.</p>
<i>Assurance Service</i>	Engagement of a statutory auditor to evaluate or measure a subject matter that is the responsibility of another party against identified suitable criteria, and to express a conclusion that provides the audit client with a level of assurance about that subject matter.
<i>Audit Client</i>	the company or firm whose annual accounts are subject to <i>Statutory Audit</i> , or the parent undertaking in the meaning of Article 1 of the 7 th Company Law Directive (83/349/EEC) whose consolidated accounts are subject to <i>Statutory Audit</i> .
<i>Audit Firm</i>	the organisational – generally legal – entity that performs a <i>Statutory Audit</i> (e.g., a sole practitioner’s practice, a partnership or a company of professional accountants). The <i>Audit Firm</i> and the <i>Statutory Auditor</i> who is appointed for the <i>Statutory Audit</i> might be identical legal persons, but need not be (e.g., where an individual who is a member of a partnership practice is appointed as the <i>Statutory Auditor</i> , the partnership as such forms the <i>Audit Firm</i>).
<i>Audit Partner</i>	an audit professional within an <i>Audit Firm</i> or <i>Network</i> who himself is an approved person in the meaning of Article 2 (1) of the 8 th Company Law Directive (= statutory auditor) and, as an individual, takes on ultimate responsibilities for the audit work performed during a <i>Statutory Audit</i> ; he, generally, is authorised to sign audit reports on behalf of the <i>Audit Firm</i> which is the <i>Statutory Auditor</i> . He may also be a shareholder/owner or principal of the <i>Audit Firm</i> .
<i>Network</i>	Includes the <i>Audit Firm</i> which performs the <i>Statutory Audit</i> , together with its <i>Affiliates</i> and any other entity controlled by the <i>Audit Firm</i> or under common control, ownership or management or otherwise affiliated or associated with the <i>Audit Firm</i> through the use of a common name or through the sharing of significant common professional resources.
<i>Public Interest Entities</i>	Entities which are of significant public interest because of their business, their size, their number of employees or their corporate status is such that they have a wide range of stakeholders. Examples of such entities might include credit

	institutions, insurance companies, investment firms, Undertakings for Collective Investment in Transferable Securities (UCITS), pension firms and listed companies.
<i>Statutory Audit</i>	<p>the audit service which is provided by an approved person in the meaning of Article 2 (1) of the 8th Company Law Directive (= statutory auditor) when</p> <p>a) carrying out an audit of the annual accounts of a company or firm and verifying that the annual report is consistent with those annual accounts in so far as such an audit and such a verification is required by Community law; or</p> <p>b) carrying out an audit of the consolidated accounts of a body of undertakings and verifying that the consolidated annual report is consistent with those consolidated accounts in so far as such an audit and such a verification is required by Community law.</p> <p>For the purpose of this Recommendation, the term “<i>statutory audit</i>” would also include an attest service which, dependent on national law, is provided by a statutory auditor when companies are required to have financial reporting information other than the above (e.g. companies’ interim financial accounts and reports) reviewed by a <i>Statutory Auditor</i> who has to give an opinion on this information.</p>
	<p><i>Terms in the glossary not included amongst the above extracts:</i></p> <p>Audit team Chain of command Engagement partner Engagement team Governance body Key audit partner Key management position Office Partner Statutory auditor</p>

APPENDIX C

EC RECOMMENDATION: ‘STATUTORY AUDITORS’ INDEPENDENCE IN THE EU: A SET OF FUNDAMENTAL PRINCIPLES’

EXTRACT DEALING WITH SELF-REVIEW THREAT

7.2.2 Design and Implementation of Financial Information Technology Systems

- (1) The provision of services by the *Statutory Auditor*, the *Audit Firm* or an entity within its *Network* to an *Audit Client* that involve the design and implementation of financial information technology systems (FITS) used to generate information forming part of the *Audit Client*'s financial statements may give rise to a self-review threat.
- (2) The significance of the self-review threat is considered too high to permit a *Statutory Auditor*, an *Audit Firm* or one of its group member firms to provide such FITS services unless:
 - (a) the *Audit Client*'s management acknowledges in writing that they take responsibility for the overall system of internal control;
 - (b) the *Statutory Auditor* has satisfied himself that the *Audit Client*'s management is not relying on the FITS work as the primary basis for determining the adequacy of its internal controls and financial reporting systems;
 - (c) in the case of an FITS design project, the service provided involves design to specifications set by the *Audit Client*'s management; and
 - (d) the FITS services do not constitute a “turn key” project (i.e., a project that consists of software design, hardware configuration and the implementation of both), unless the *Audit Client* or its management explicitly confirms in the written acknowledgement required under (a) that they take responsibility for
 - (i) the design, implementation and evaluation process, including any decision thereon; and
 - (ii) the operation of the system, including the data used or generated by the system.

These provisions shall not limit the services a *Statutory Auditor*, an *Audit Firm* or a member of its *Network* performs in connection with the assessment, design, and implementation of internal accounting controls and risk management controls, provided these persons do not act as an employee or perform management functions.

- (3) In cases not prohibited under (2) the *Statutory Auditor* should consider whether additional safeguards are needed to mitigate a remaining self-review threat. In particular whether services that involve the design and implementation of financial information technology systems should only be provided by an expert team with different personnel (including engagement partner) and different reporting lines to those of the audit *Engagement Team*.

7.2.3 Valuation Services

- (1) A self-review threat exists whenever a *Statutory Auditor*, an *Audit Firm*, an entity within a *Network* or a *Partner*, manager or employee thereof provides the *Audit Client* with valuation services that result in the preparation of a valuation that is to be incorporated into the client's financial statements.
- (2) The significance of the self-review threat is considered too high to allow the provision of valuation services which lead to the valuation of amounts that are material in relation to the financial statements and where the valuation involves a significant degree of subjectivity inherent in the item concerned.
- (3) In cases not prohibited under (2) the *Statutory Auditor* should consider whether additional safeguards are needed to mitigate a remaining self-review threat. In particular, where a valuation service should only be provided by an expert team with different personnel (including engagement partner) and different reporting lines to those of the audit *Engagement Team*.

7.2.4 Participation in the Audit Client's Internal Audit

- (1) Self-review threats may arise in certain circumstances where a *Statutory Auditor*, an *Audit Firm* or an entity within a *Network* provides internal audit services to an *Audit Client*.
- (2) To mitigate self-review threats when involved in an *Audit Client's* internal audit task, the *Statutory Auditor* should:
 - (a) satisfy himself that the *Audit Client's* management or *Governance Body* is at all times responsible for
 - (i) the overall system of internal control (i.e., the establishment and maintenance of internal controls, including the day to day controls and processes in relation to the authorisation, execution and recording of accounting transactions);
 - (ii) determining the scope, risk and frequency of the internal audit procedures to be performed; and

- (iii) considering and acting on the findings and recommendations provided by internal audit or during the course of a *Statutory Audit*.

If the *Statutory Auditor* is not satisfied that this is the case, neither he, nor the *Audit Firm* nor any entity within its *Network* should participate in the *Audit Client*'s internal audit.

- (b) not accept the outcomes of internal auditing processes for statutory audit purposes without adequate review. This will include a subsequent reassessment of the relevant statutory audit work by an *Audit Partner* who is involved neither in the *Statutory Audit* nor in the internal audit engagement.

7.2.5 Acting for the Audit Client in the Resolution of Litigation

- (1) An advocacy threat exists whenever a *Statutory Auditor*, an *Audit Firm*, an entity within a *Network* or a *Partner*, manager or employee thereof acts for the *Audit Client* in the resolution of a dispute or litigation. A self-review threat may also arise where such a service includes the estimation of the *Audit Client*'s chances in the resolution of litigation, and thereby affects the amounts to be reflected in the financial statements.
- (2) The significance of both the advocacy and the self-review threat is considered too high to allow a *Statutory Auditor*, an *Audit Firm*, an entity within a *Network* or a partner, manager or employee thereof to act for an *Audit Client* in the resolution of litigation which involves matters that would reasonably be expected to have a material impact on the client's financial statements and a significant degree of subjectivity inherent to the case concerned.
- (3) In cases not prohibited under (2) the *Statutory Auditor* should consider whether additional safeguards are needed to mitigate a remaining advocacy threat. This could include using personnel (including engagement *Partner*) who are not connected with the audit *Engagement Team* and who have different reporting lines.

7.2.6 Recruiting Senior Management

- (1) Where a *Statutory Auditor*, an *Audit Firm*, an entity within a *Network* or a *Partner*, manager or employee thereof is involved in the recruitment of senior or key staff for the *Audit Client*, different kinds of threats to independence may arise. These can include self-interest, trust or intimidation threats.
- (2) Before accepting any engagement to assist in the recruitment of senior or key staff, the *Statutory Auditor* should assess the current and future threats to his independence which may arise. He should then consider appropriate safeguards to mitigate such threats.

- (3) When recruiting staff to key financial and administrative posts, the significance of the threats to the *Statutory Auditor's* independence is very high. As such, the *Statutory Auditor* should carefully consider whether there might be circumstances where even the provision of a list of potential candidates for such posts may cause an unacceptable level of independence risk. Where *Statutory Audits of Public Interest Entities* are concerned the independence risk would be perceived to be too high to allow the provision of such a short-list.
- (4) In any case, the decision as to who should be engaged should always be taken by the *Audit Client*.

DW
Dec 02