

GUIDANCE ON LICENSING NON- ASSURANCE PRACTITIONERS

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ABOUT ICPAU

The Institute of Certified Public Accountants of Uganda (ICPAU) was established in 1992 by the Accountants Act, Cap 266. This has now been repealed and replaced by the Accountants Act, 2013.

The functions of the Institute as prescribed by the Act are to regulate and maintain the Standard of Accountancy in Uganda and to prescribe and regulate the conduct of accountants and practising accountants in Uganda. Under its legal mandate, the Institute prescribes professional standards to be applied in the preparation and auditing of financial reports in Uganda.

Vision

A globally recognized promoter of accountants for sustainable economies.

Mission

To develop and regulate accountants for professional excellence and sustainable impact.

Core Values

- 1) Professional Excellence
- 2) Accountability
- 3) Integrity
- 4) Responsiveness

International Affiliations

The Institute is a member of the International Federation of Accountants (IFAC) and the Pan African Federation of Accountants (PAFA).

DISCLAIMER

This guide is aimed at guiding practitioners about the licensing process for non-assurance services. While every care has been taken in the preparation of the guidance, neither ICPAU nor its employees, members of the Council and its committees accept any responsibility or liability that may occur, directly or indirectly, as a consequence of the use and application of this Guide.

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1.0 INTRODUCTION

A non-assurance engagement can be defined as an engagement that does not meet the criteria of an assurance engagement. Assurance engagements are those in which a practitioner expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the evaluation or measurement of a subject matter against criteria. An audit engagement is an example of a reasonable assurance engagement in which a practicing accountant expresses an opinion on whether financial statements are prepared in all material respects give a true and fair view or are presented fairly in all material respects as per an applicable framework.

Non-assurance engagements, on the other hand, are typically advisory or consultative and are usually aimed at examining various financial, operational, and strategic aspects of a business. This Paper is developed to create awareness about the licensing process for non-assurance engagements.

2.0 BACKGROUND

Society has long stopped evaluating organizations' success solely based on financial statements. While good financial performance is important, real company progress lies outside financial parameters. Because of this, many stakeholders such as investors today are demanding more non-financial assurance. Many firms across the world are revisiting their practice models to adjust to technological advancements, the evolving needs of their clients, and the changing business environment to fully maximize their potential by providing a range of advisory, tax, consulting, and other specialized services.

This, in addition to the need to address the current audit quality challenges in Uganda, led the Council of the Institute of Certified Public Accountants of Uganda (ICPAU) to review and approve changes in the accountancy practice licensing regime in 2021. Practicing accountants in Uganda are now licensed to offer services in their desired areas of accountancy with the requirement being demonstration of specialized expertise in their areas of choice. Individuals who may lack the requisite external audit experience required for one to start an accounting firm that provides all services will now worry no more. With the new licensing regime, such accountants may be licensed to provide non-assurance services as they engage or get mentored by their peers in due course for an assurance services license.

However, as with all professional services, non-assurance engagements are not without challenges as they are most likely to be offered to entities that are already their audit clients. Practicing accountants ought to take extra caution while performing non-assurance engagements to ensure strict adherence to ethical

and regulatory guidelines. This is paramount in enhancing the credibility of the accounting profession and upholding public trust.

3.0 TYPES OF NON-ASSURANCE ENGAGEMENTS

The structure of non-assurance engagements are engagements that are not auditing, review, or other assurance services. Such engagements range from compliance-oriented and traditional accountancy services such as bookkeeping and tax compliance services to more sophisticated technological, advisory, and consultancy services. Non-assurance engagements can broadly be grouped into:

3.1 Compilation engagements

Compilation engagements are engagements in which a practitioner applies accounting and financial reporting expertise to assist management in the preparation and presentation of financial information following an applicable financial reporting framework. This is done without providing any form of assurance on the financial information. Compilation engagements may consist of assistance with the preparation and presentation of financial statements but do not require the practitioner to verify the accuracy or completeness of the information provided by management or to gather evidence for expressing an audit opinion or a review conclusion. Financial information that is the subject of a compilation engagement may be required for various objectives such as:

- Enhancing compliance with mandatory periodic financial reporting requirements established in law or regulations;
- For internal use by management or those charged with governance or for use by external parties such as funding bodies to support the provision or continuation of a grant;
- For transactional purposes to support a transaction involving changes to the entity's ownership or financing structure such as for a merger or acquisition.

Compilation engagements may include:

- i) Services required by legislation filing, for example filing legal and regulatory returns such as tax and Uganda Registration Services Bureau (URSB) returns.
- ii) Incidental services such as litigation support services in legal cases, internal audit services, information technology (IT) system services involving designing or implementing IT systems, recruiting services that involve searching or undertaking reference checks for potential employees, and corporate finance services that involve promoting, dealing in or underwriting the client's shares.

3.2 Agreed upon engagements

These are engagements in which the practitioner is engaged to carry out procedures to which the practitioner and the engaging party have agreed and to communicate the procedures performed and the related findings in an agreed-upon procedures report. The findings are only factual and do not offer opinions, conclusions, or assurances.

The reports issued from agreed-upon engagements are worded to restrict access and/or reliance on the reports to engaging parties since third parties unaware of the reasons for the procedures may misinterpret the findings. The intended users can review the procedures performed and the findings in the report to draw their conclusions.

3.3 Consultancy/ Advisory engagements

Consultancy engagements typically relate to the design and development of new methods, approaches, and strategies for an organization and may include implementing new systems and processes. They encompass a wide range of methodologies and approaches to matters such as strategy, operations, technology, and people. Consultancy services are usually aimed at improving operations in the contracting entity by offering diagnosis of issues, evaluation of solutions, and recommendations related to the subject matter.

4.0 NON- ASSURANCE SERVICES IN UGANDA

4.1 Introduction

In 2021, ICPAU introduced a new licensing regime that provides for two broad categories of certificates of practice. The first category permits a practicing accountant to provide all types of accountancy services (including audit and assurance services). The second category of certificates of practice permits the holder to provide only non-assurance services (that is excluding audit and assurance services). Therefore, those intending to practice accountancy should apply to ICPAU and an appropriate certificate shall be issued based on one's level of experience and interest, among others.

Non-assurance services can therefore be provided by those with licenses to offer all accountancy services but also those with licenses to offer only non-assurance services. A striking difference however lies with the former who are expected by the Code to determine whether the provision of a non-assurance service might create a self-review threat to independence (two-prong test). In particular, it is required that before providing a non-assurance service to an audit client, such a firm or a network firm shall determine whether the provision of that non-assurance service might create a self-review threat or not.

4.2 Licensing of Non-Assurance Services Providers

Just like the case is for assurance services, professional accountants who desire to offer non-assurance services need to obtain certificates of practice for non-assurance services in line with the criteria documented in the ICPAU Frequently Asked Questions on the New Licensing Regime¹. Practicing accountancy in Uganda without a certificate of practice is an offense, punishable on conviction by a fine not exceeding five currency points or imprisonment not exceeding two years and ten months or both². All practicing accountants in Uganda, whether offering all types of accountancy services or just non-assurance services, shall apply for certificates of practice and accounting firm licenses in compliance with the applicable provisions of the Accountants (Practice) Regulations 2019.

This is reinforced by the fact that the practice in Uganda is entities tend to contract accounting firms and not necessarily individual accountants. Therefore, there is a need for the professionals who are licensed to offer non-assurance services to also be attached to accounting firms. This may be achieved through applying for firm licenses for newly created accounting firms or creating partnerships with established firms. Accounting firms in Uganda may either be licensed as sole practices or as partnerships.

4.3 Firm Name

As is the practice for firms licensed to provide all services, the names of firms that seek licenses to provide non-assurance services should be compliant with Regulation 2 of the Accountants (Practice) Regulations 2019. Specifically, the names of these firms should:

- Be compliant with requirements in relevant laws and regulations such as the Business Names Registration Act, Partnership Act, Trade Marks Act, Copyright and Neighbouring Rights Act, and any other relevant laws. In all aspects, the firm names shall comply with the requirements of applicable laws.
- Be consistent with the dignity of the accountancy profession. The names of firms licensed to provide non-assurance services should maintain the good reputation of the accountancy profession.
- Not be misleading
- Not be confused with the names of other firms
- Not be offensive or make any reference to cultural, political, religious, sectarian or discriminatory organization or association.
- Not use the description 'Certified Public Accountant'
- Not be general or descriptive. Firm names that have no relationship with the names of the practitioners are not allowed.

¹ ICPAU - The New Licensing Regime available at chrome extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.icpau.co.ug/sites/default/files/downloads/FAQS%20THE%20NEW%20LICENSING%20REGIME.pdf

² S.35 of the Accountants Act 2013

4.4 Validity of Certificates of Practice

The Certificate of Practice for non-assurance services will be valid for the calendar year or the balance of the calendar year for which they are issued. Therefore, practicing accountants who are licensed to provide non-assurance services shall be required to apply for renewal of their certificates of practice annually and ensure that they continue to comply with all the requirements of accountancy practice in Uganda.

4.5 Inspection of Firms that Offer Non-Assurance Services

Since all accounting firms are subjected to an annual inspection exercise on the application for a firm license or renewal of the firm license, firms with practicing accountants offering non-assurance services will also be subject to the inspection exercise as per the Accountants (Practice) Regulations 2019³. Care shall be taken to scale the requirements under the guidelines for inspecting accounting firms to the nature and character of the non-assurance services offered by the firm. Nevertheless, some of the key requirements that will be required during the inspection include:

4.5.1 Professional Indemnity Insurance

All holders of practicing certificates including those for non-assurance services will be required to have valid professional indemnity insurance following the requirements enshrined in Regulation 5(2) of the Accountants Practice Regulations 2019. The insurance should be purchased from a reputable insurance company and should be adequate to cover the business of the firm.

4.5.2 Continuity of practice agreements

Non-assurance practitioners will also be required to have continuity of practice agreements with fellow practicing accountants who in this case may be offering all services or just non-assurance services. All practicing accountants are required to have written agreements clearly indicating the nominees that are to be responsible for their practices in the event of death or incapacity.

4.5.3 Compliance with the Continuing Professional Development (CPD) requirements.

Practicing accountants who are licensed to provide non-assurance services will be required to undertake continuing professional development. The requirement is for all ICPAU members to have at least 40 CPD hours, 10 of which should be from ICPAU events.

³ R.3 of the Accountants (Practice) Regulations, 2019

4.5.4 Compliance with the provisions of the Anti-Money Laundering (AML) Act, 2003.

All accountants including those providing only non-assurance services are designated as accountable persons under the AML Act 2003. Therefore, practicing accountants licensed to provide non-assurance services will be required to comply with all the requirements of the AML Act 2003.

Schedule 1 of the Practice Regulations provides a detailed list of the requirements to be made available during the inspection exercise, which will be done during the initial licensing phase as well as at the end of every year for the renewal process.

4.6 Quality Checks

In addition to the annual inspections, firms that are licensed to provide non-assurance services will be subjected to quality checks during which different aspects of the regulatory and compliance processes implemented in these firms will be inspected. The quality checks will be conducted in six-year cycles. Therefore, practitioners licensed to provide non-assurance services will be required to cooperate with ICPAU in this regard and provide the necessary documentation to ease the performance of the quality checks.

4.7 Changing from Non-Assurance Services License to All Services License

Practitioners will be able to change the nature of their licenses to either all services or non-assurance services if they meet the eligibility requirements for the license they seek. These applications for change of nature of services provided by the accounting firms will be made to and approved by the Council of ICPAU. There will be a need to demonstrate possession of experience and competency to provide the services for which the license is being sought.

5.0 ETHICAL CONSIDERATIONS IN NON-ASSURANCE ENGAGEMENTS

5.1 Introduction

Holders of practicing certificates must comply with both the ICPAU Code of Ethics and the International Code of Ethics for Professional Accountants by way of personal or professional conduct.

5.2 Non-Assurance Services and Independence Requirements in the Code

During the performance of non-assurance services, practicing accountants are expected to comply with the fundamental principles and maintain independence. This can be achieved through the application of the enhanced conceptual framework to identify, evaluate and address potential threats when providing non-assurance services, especially to audit clients. The conceptual framework specifies the approach required in the identification, evaluation, and addressing of

threats to compliance with the fundamental principles and where applicable, independence.

A practicing accountant is expected to continuously assess situations and ensure that the threats to independence caused by providing non-assurance service engagements are kept at acceptable levels. Some of the factors that are relevant in the assessment of different threats that might be created by the provision of non-assurance services are well stipulated in the Professional Code of Ethics⁴. In situations during which safeguards might not be available making it impossible to reduce the identified threats to independence, then the non-assurance engagement should be declined. Practicing accountants should be particularly critical of potential self-review and advocacy threats associated with services such as:

- Provision of accounting services that could affect the financial statements on which assurance services will be provided
- Valuation services
- Taxation services such as tax return preparation, tax calculations, tax advisory services, tax planning services, and assistance in the resolution of tax disputes
- Internal audit services
- Litigation support services

5.3 Non-Assurance Services in Public Interest Entities

When the client is a public interest entity, stakeholders have even more heightened expectations regarding independence. Since the provision of non-assurance services is likely to create a self-review threat especially when provided to assurance clients, the Code prohibits the provision of non-assurance services to assurance clients that are public interest entities (PIEs). In Uganda, the pronouncement on entities that are designated as PIEs is contained in the IFRS for SMEs Implementation Guidelines.

However, the provision of advice and recommendations to such clients regarding information or matters arising in the course of the audits of their financial statements is permitted. This advice or recommendations may be about accounting or financial reporting, financial and accounting controls, and internal controls over financial reporting.

5.4 Non-Assurance Services in Non-Public Interest Entities

While the likelihood of self-review threats exists in all circumstances, the Code is a bit more flexible about the provision of non-assurance services to assurance clients

⁴ Para 600.9 A2 of the International Professional Code of Ethics for Professional Accountants

that are not public interest entities. This is only acceptable where safeguards to threats to independence caused by the provision of non-assurance services to such entities are applied or the scope of the proposed services is adjusted to eliminate or minimize such threats. Applicable safeguards that may apply in this scenario include:

- Use of professionals who are not audit team members to perform the non-assurance services.
- Having an appropriate reviewer who was not involved in the provision of the service to review the services provided.
- Obtaining pre-clearance of the outcome of the service from an appropriate authority (such as a tax authority).

Therefore, before acceptance of engagements to provide non-assurance services, the conceptual framework should be applied to identify, evaluate, and address any threats to independence that might be created through such engagements.

5.5 Assumption of Management Responsibility in Non-Assurance Engagements

Great care should be taken to desist from assuming management responsibilities during the performance of non-assurance engagements. 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 within the entity to which the non-assurance services are being provided. Negotiating on behalf of a non-assurance client might result in the assumption of management responsibility.

6.0 APPLICABLE FRAMEWORK

Non-assurance engagements are generally conducted depending on the terms of engagement. Therefore,

a) Compilation engagements will generally be conducted following the requirements of the International Standard on Related Services 4410 (Revised), Compilation Engagements. The practitioner will need to have an appreciation of the matters that may influence the performance of the compilation engagement such as the:

- Business and operations environment including the accounting system and accounting records; and
- Applicable financial reporting framework.

On completion of the engagement, the practitioner will have to communicate the nature of the compilation engagement as well as their roles and responsibilities in the engagement. Compilation engagement reports should state the purpose of the engagement as well as the intended users of the information.

- b) Agreed-upon engagements shall be conducted following the requirements of the International Standard on Related Services 4400: Engagements to perform Agreed Upon Procedures Engagements. In an agreed-upon procedures engagement, the practitioner performs the procedures that have been agreed upon by the practitioner and the engaging party, where the engaging party has acknowledged that the procedures are appropriate for the engagement. The practitioner communicates the agreed-upon procedures performed and related findings in the agreed-upon procedures report. The engaging party and other intended users consider for themselves the agreed-upon procedures and findings reported by the practitioner and draw their conclusions from the work performed by the practitioner.

The requirements of ISQM 1: Quality Management for Firms that Perform Audits or Reviews of Financial Statements or Other Assurance or Related Services Engagements apply to Agreed-upon engagements as well. Specifically, practitioners need to adhere to the requirements related to ethical considerations, client acceptance, and engagement performance.

- c) Consultancy/ Advisory engagements, like agreed-upon engagements shall be conducted according to the terms of the engagement and the results of such engagements shall be restricted to the intended users and intended purpose.

7.0 CONCLUSION

Non-assurance engagements are increasingly becoming an indispensable part of the services offered by practicing accountants. Successful delivery of these services is dependent on strict adherence to the fundamental principles as outlined in the International Code of Ethics for Professional Accountants and the ICPAU Code of Ethics.