

20 October 2021

Robert Buchanan
Chair, NZ Auditing and Assurance Board
External Reporting Board **WELLINGTON**
6142

Via XRB website

Dear Robert

SUBMISSION ON PROPOSED AMENDMENTS TO PROFESSIONAL AND ETHICAL STANDARD 1: NON-ASSURANCE SERVICES

Overall Comments

Thank you for the opportunity to comment on the proposed amendments to Professional and Ethical Standard 1: *Non-Assurance Services* (NZAuASB ED 2021-4, "the ED"). We support the proposal to adopt the International Ethics Standards Board for Accountant (IESBA)'s revisions in relation to non-assurance services as we agree that auditor independence, in both fact and appearance, is a cornerstone of the auditing profession and that it is essential to maintaining trust and confidence in financial reporting and the audit process. We are supportive of the IESBA's proposed revisions, including:

- Enhanced focus on the conceptual framework in determining the appropriateness of providing non-assurance services to audit clients
- A prohibition on the provision of a non-assurance service that might create a self-review threat to an audit client that is a public interest entity (PIE)
- Stricter prohibitions on certain types of non-assurance services to audit clients
- The elimination of materiality as a factor in determining which non-assurance services can be provided to PIE audit clients
- New provisions to enable more robust engagement between firms and those charged with governance of PIE audit clients about independence matters relating to any non-assurance services provided. [Comments on NZ-specific proposals](#)

We consider that international alignment of professional and ethical standards and is important. However, we support the additional provisions that the NZAuASB is proposing to include in the New Zealand Code of Ethics for Assurance Practitioners (PES 1), including those that would further restrict the tax services that could be provided to audit clients that are PIEs.

In our view, including specific prohibitions to this effect is in line with the provisions of the conceptual framework, in particular the need to consider whether any self-review or advocacy threats are present. We agree that, in certain situations such as when providing tax services to PIE clients, there are no appropriate safeguards that could be applied to reduce such threats to an appropriate level.

We have included our responses to the specific questions raised in the Invitation to Comment (ITC) in Appendix 1. Information about the Baker Tilly Staples Rodway network is provided in Appendix 2.

We hope the comments contained in our submission are useful. If you would like to discuss any of these comments please contact Nicola Hankinson on nicola.hankinson@bakertillysr.nz

Kind regards

David Searle
Chair, Baker Tilly Staples Rodway New Zealand
Appendix 1: Responses to specific questions in the Invitation to Comment

- (i) New Zealand specific changes to tax advisory and tax planning services

Question 1 Do you agree that the provision of tax advisory and tax planning services to an audit client that is a PIE should be prohibited? (Refer NZ R604.15 – NZ 604.15 A1)

Yes.

Question 2. Do you foresee any unintended consequences of this prohibition?

No.

Question 3. Do you agree that advising an audit client in their tax return preparation or any adjustments arising therefrom is a form of tax advisory services? As such, consistent with the addition of NZ R604.15 such services would be prohibited for PIEs. (Refer NZ 604.11 A1)

Yes.

Question 4. Are there any other tax services contemplated by proposed subsection 604 for which you consider the requirements should be further strengthened and, if so, why?

No.

(ii) Any other Non-assurance services

Question 5. The NZAuASB has not identified any further aspects of the IESBA's provisions that need to be strengthened in New Zealand. We are, however, keen to hear whether stakeholders consider there is a need to further strengthen any specific provisions.

No.

(iii) Audit-related services

Question 6. Do you agree that additional services performed by the audit firm will generally not create a self-review threat to the firm's independence when the services are related to the audit engagement?

Yes.

Question 7. Do you agree that the examples listed would not generally create a self-review threat to independence? Are there other types of services, that would generally not create a self-review threat to independence, that you consider need to be included as examples? (Refer NZ 600.14 A1)

Yes, we agree that these examples would not generally create a self-review threat. We have not identified any additional types of services that we consider would not create a self-review threat.

Question 8. Do you agree that the additional application material emphasising the need to apply the conceptual framework to identify, evaluate and address threats to independence, other than the self-review threat, is helpful to ensure diligent application of the conceptual framework? (Refer NZ 600.14 A1)

Yes, we consider it important to emphasise that all such decisions should be made in line with the provisions of the conceptual framework.

Question 9. Do you consider additional requirements or application material is needed in relation to audit-related services, to address perceptions of auditor independence? If yes, please provide details.

(iv) Effective Date

Question 10. For engagements entered into before 15 December 2022, for which work has already commenced, the transitional provision provides that the firm may continue the engagement under the extant provisions of the Professional and Ethical Standard 1 for up to 12 months. Do you agree with the transitional provision? If not, please explain why not and what alternative you propose.

Yes, we consider these transitional provisions to be appropriate.

Appendix 2: About Baker Tilly Staples Rodway

Baker Tilly Staples Rodway is an association of independent accounting firms, located in Auckland, Waikato, Tauranga, Hawke's Bay, Taranaki, Wellington and Christchurch. Baker Tilly Staples Rodway is a full-service accounting and business advisory firm with a strong reputation for providing quality advice to privately owned, corporate and public sector organisations.

Baker Tilly Staples Rodway provides cross-border services through our international affiliated firms, including Pitcher Partners in Australia and the Baker Tilly International network.