

Summary of PES 1 [Proposed] Prohibitions Relating to the Provision of Non-Assurance Services to Audit or Review Clients

Prohibited NAS	All Audit or Review Clients	PIE Audit or Review Clients only	Non-PIE Audit or Review Clients only
	Strictly prohibited	Strictly prohibited by factors listed	Prohibited based on specific factors
Assuming a management responsibility for an audit or review client. When performing a professional activity of an audit or review client, the firm shall be satisfied that client management makes all judgements and decisions that are the proper responsibility of management.	X (R400.13, R400.14)		
Compensating or evaluating a key audit or key assurance partner based on that partner's success in selling NAS to their audit or review client.	X (R411.4)		
Provision of a NAS to an audit or review client		X Self-review threat might be created (R600.16)	
Subsection 601 Accounting and Bookkeeping Services			
Accounting and bookkeeping services, including preparing accounting records or financial statements (R601.5 & R601.6) subject to limited exceptions ¹	X		
Subsection 603 Valuation Services			
Valuation service		X Self-review threat might be created (R603.5)	X Significant degree of subjectivity and material effect on financial statements (R603.4)
Subsection 604 Tax Services			
Tax services or recommending transactions related to marketing, planning, or opining in favour of a tax treatment initially recommended, directly or indirectly, by the firm where a significant purpose is tax avoidance unless the firm is confident the treatment has a basis in applicable tax law or regulation that is likely to prevail (R604.4)	X		

¹ Providing accounting and bookkeeping services to an audit or review client that is not a PIE is prohibited unless the services are of a routine or mechanical nature and threats are reduced to an acceptable level. Routine or mechanical services involve information, data or material in relation to which the client has made any judgements or decisions that might be necessary and require little or no professional judgement. (Refer PES 1 paragraphs 601.5 A1-601.5 A2) Preparing statutory financial statements is allowed for certain related entities of PIE audit or review clients and subject to conditions in paragraph R601.7 of PES 1.

Calculation of current or deferred tax liabilities or assets		X (R604.10)	
Prohibited NAS	All Audit or Review Clients	PIE Audit or Review Clients only	Non-PIE Audit or Review Clients only
	Strictly prohibited	Strictly prohibited by factors listed	Prohibited based on specific factors
Tax advisory and tax planning services	X (NZR604.15)		
Tax advisory and tax planning services where the effectiveness of the advice requires a particular accounting treatment or presentation in the financial statements and the audit or review team has doubt as to its appropriateness			X (R604.13)
Valuation for tax purposes		X Self-review threat might be created (R604.16)	
Providing assistance in the resolution of tax disputes		X Self-review threat might be created (R604.24)	
Acting as an advocate for a client in the resolution of tax disputes before a tribunal of court		X (R604.26)	X If material to the financial statements (R604.25)
Subsection 605			
Internal Audit Services			
Internal audit services ²		X Self-review threat might be created (R605.6)	
Subsection 606			
Information Technology Services			
Designing or implementing IT systems ³		X Self-review threat might be created (R606.6)	
Subsection 607			
Litigation Support Services			
Litigation support services involving estimating damages or other amounts that affect the financial statements			X Significant degree of subjectivity and material effect on financial statements (R603.4)
Litigation support services		X Self-review threat might be created	

² A firm must be satisfied that the client has taken management responsibility for the internal audit services.

³ A firm must be satisfied that the client has taken management responsibility for the information technology systems services.

		(R607.6)	
Prohibited NAS	All Audit or Review Clients	PIE Audit or Review Clients only	Non-PIE Audit or Review Clients only
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Acting as an expert witness		X unless 607.7 A3 applies	
Subsection 608			
Legal Services			
Legal advice		X Self-review threat might be created (R608.7)	
Serving as general counsel	X (R608.9)		
Acting in an advocacy role in resolving a dispute or litigation before a tribunal or court		X (R608.11)	X If material to the financial statements (R608.10)
Subsection 609			
Recruiting Services			
Performing negotiations for a client as part of a recruiting service	X (R609.5)		
Recruiting services, recommending persons or advising on employment terms, relating to positions as director or officer, or for a senior management position that can exert significant influence over accounting records or the financial statements	X (R609.6)		
Subsection 610			
Corporate Finance Services			
Promoting, dealing or underwriting the shares, debt or other financial instruments or providing advice on investment in such shares, debt or other financial instruments	X (R610.5)		
Corporate finance advisory services where the effectiveness of the advice depends on a particular accounting treatment or presentation in the financial statements and the audit or review team has doubt as to its appropriateness	X (R610.6)		
Corporate finance services		X Self-review threat might be created (R610.8)	