

16 July 2018

Mr Ken Siong
Technical Director
International Ethics Standards Board for Accountants
International Federation of Accountants
529 Fifth Avenue
New York, NY 10017
USA

Dear Ken,

IESBA Consultation Paper, Proposed Strategy and Work Plan, 2019-2023.

Thank you for the opportunity to comment on the IESBA Proposed Strategy and Work Plan 2019-2023. We submit the feedback from the New Zealand Auditing and Assurance Standards Board (NZAuASB) in the attachment.

The External Reporting Board (XRB) is a Crown Entity responsible for developing and issuing accounting and auditing and assurance standards in New Zealand. The XRB's outcome goal is to contribute to the creation of dynamic and trusted markets through the establishment of an accounting and assurance framework that engenders confidence in New Zealand financial reporting, assists entities to compete internationally and enhances entities' accountability to stakeholders. The NZAuASB has been delegated responsibility by the XRB for developing and issuing auditing and assurance standards, including ethical standards for assurance practitioners.

The NZAuASB's mandate is limited to developing and issuing auditing and assurance standards, including ethical standards for assurance practitioners. This applies only to professional accountants in their role as assurance practitioners.

The NZAuASB notes and supports the IESBA's vision for the Code to be a foundation of strong ethical principles, values and standards to underpin trust on the global accountancy profession in a dynamic and uncertain world, and to enable the profession to act in the public interest. The NZAuASB applauds the IESBA's continued efforts in its outreach and communication activities to raise awareness of the revised and restructured Code and the substantive improvements it contains and encourage its adoption globally. Additionally, the NZAuASB is fully supportive of the IESBA's goal to maintain a Code that is fit for purpose, recognising the evolving environment: the rapidly changing landscape and ways in which companies and organisations operate; and trends and developments in technology. To this end, the NZAuASB encourages the IESBA to maintain its focus on a principles-based Code.

Should you have any queries concerning our submission please contact either myself at the address details provided below or Sylvia van Dyk (sylvia.vandyk@xrb.govt.nz).

Yours sincerely,



Robert Buchanan
Chairman – New Zealand Auditing and Assurance Standards Board

Email: robert@buchananlaw.co.nz

Submission of the New Zealand Auditing and Assurance Standards Board

IESBA Consultation paper: *Proposed Strategy and Work Plan, 2019-2023*

I Schedule of Responses to the IESBA's Specific Questions

1. Do you agree with the proposed criteria for the IESBA to determine its actions and priorities over the strategy period?

Response:

The NZAuASB considers the criteria for determining actions and priorities to be appropriate.

2. Do you support the actions that have been identified with respect to each strategic theme? If not, please explain why.

Response:

The NZAuASB is particularly interested in and strongly supportive of the work streams that impact on assurance engagements and in particular the definitions of public interest entity (PIE) and listed entity. The NZAuASB believes there is merit in the IESBA undertaking work to gain a comparative understanding of the global impact of the definitions of public interest entity and listed entity across different jurisdictions. For example, how the definition applies in the public sector as well as its application to significant public interest entities, such as banks and insurers, that are not listed entities, and other entities that raise money from the public.

Technology is evolving at a rapid pace. Developing practices involving new accounting and transactional technologies (including blockchain and crypto-currency transactions) raise a broad set of issues in terms of understanding the technologies involved and their potential impact on ethics and auditing. The NZAuASB welcomes the inclusion of the workstreams, trends and developments in technology and emerging or newer models of service delivery, in the IESBA strategy and work plan.

3. Recognizing that this proposed SWP is ambitious, do you believe the IESBA should accelerate or defer any particular work stream(s)? If so, please explain why.

Response:

The NZAuASB considers the documentation work stream to be a priority that should be accelerated. Often the only evidence of the practitioner's consideration of an ethical matter is its documentation. Areas that may benefit from further discussion are documentation of the assurance practitioner's consideration of threats to independence, including the application of professional judgement and ethical conflict resolution. From a regulator perspective, inadequate documentation on how independence is considered and met is a key issue.

The NZAuASB is aware that some jurisdictions have encountered challenges in implementing non-compliance with laws and regulations (NOCLAR) provisions, in particular where confidentiality is required by law, and/or where there are ineffective protections for those who report NOCLAR. In light of these challenges, the NZAuASB recommends the post implementation review of the provisions addressing NOCLAR be accelerated.

In smaller jurisdictions like New Zealand where the definition of a public interest entity is broad and captures many unlisted entities, the NZAuASB is conscious that the new auditor rotation provisions may create supply pressures. An unintended consequence of those supply pressures may be that less experienced partners undertake engagements without the relevant industry knowledge or expertise, thereby reducing audit quality. Accordingly, the NZAuASB encourages the IESBA to undertake the post implementation review of the long association provisions on a timely basis, before the end of the transition period, and allowing sufficient time to gather empirical evidence as to the impact of the provisions on audit quality.

4. Do you have comments on any other matters addressed in this consultation paper or any significant matters not covered in this consultation paper that you believe the IESBA should address?

Response:

Given the ambitious work plan, the NZAuASB encourages the IESBA to utilise all resources available, including those of national standard setters, where possible.

The Code has undergone not only a restructure, but also significant revisions in terms of the safeguards, applicability of Part C, inducements, long association and NOCLAR provisions. It is critical that the awareness-raising and outreach activities focus on the significant revisions to the Code, in addition to its restructure. The NZAuASB is concerned that referring to “the restructured Code” negates the significant enhancements to the Code, and encourages a more appealing title.