



22 November 2017

Warren Allen  
Chief Executive  
External Reporting Board  
PO Box 11-250  
Manners Street Central  
WELLINGTON 6142

Dear Warren

**ED NZAuASB 2017-3: PROPOSED AMENDMENTS TO THE DEFINITION OF A PUBLIC INTEREST ENTITY**

In our submission on ED NZAuASB 2017-1 *Proposed amendments to PES 1 (Revised) Provisions addressing the long association of Personnel* (dated 31 July 2017), we raised concerns about the consequences of applying the proposed changes in practice. Our main concern focused on whether the application of the rotation requirements to entities that voluntarily elected to apply the Tier 1 reporting requirements were in the public interest.

We are pleased to note that the NZAuASB has responded to the feedback it has received by amending the definition of a "Public Interest Entity" (PIE) so that it captures entities that meet the Tier 1 criteria in accordance with XRB A1 and are not eligible to report in accordance with the accounting frameworks of another tier, that is entities which are *required* to report under Tier 1.

We have included our responses to the questions asked by the NZAuASB in the Attachment to this letter.

If you have any questions about our submission, please contact Roy Glass at [roy.glass@oag.govt.nz](mailto:roy.glass@oag.govt.nz).

Yours sincerely

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## **Attachment – Responses to Questions for respondents**

1. *Do you agree with the proposal to amend the New Zealand definition of 'a public interest entity' so that "voluntary" PIEs are no longer automatically caught within the public interest entity definition?*

We agree with the proposed changes to the definition, which remove "voluntary" PIEs from the scope of proposed changes to the long association requirements.

The proposed changes to the PIE definition do not prevent entities from voluntarily adopting Tier 1 reporting. As a result, entities can continue to opt to report at a Tier 1 level, which provides better information for the users of their financial statements. These entities, however, will not be required to comply with the auditor rotation requirements, which could be unduly restrictive or costly for smaller entities that are choosing to report at a higher level.

We agree that the proposed changes to the definition will help to ensure that the cost/benefit balance is maintained.

2. *Do you agree with the proposed effective date? If not, why not, and what alternative do you propose?*

We agree that the proposed effective date is appropriate and will align with the proposed changes to the long association (auditor rotation) requirements.