



**EXTERNAL REPORTING BOARD**  
*Te Kāwai Ārahi Pūrongo Mōwaho*

## **EXPOSURE DRAFT**

# **AMENDMENTS TO XRB AU1 APPLICATION OF AUDITING AND ASSURANCE STANDARDS (LEGISLATIVE UPDATE)**

## **Invitation to Comment**

March 2020

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## Information for Respondents

### Invitation to Comment

The External Reporting Board (XRB) is seeking comments on the specific matters raised in this Invitation to Comment. Responses to this Invitation to Comment will be considered by the XRB which will then make final decisions about the amendments to XRB Au1 *Application of Auditing and Assurance Standards (Legislative Update)*.

If you want to comment, please supplement your opinions with detailed comments, whether supportive or critical of the proposals, as both supportive and critical comments are essential to a balanced view.

Comments are most useful if they indicate the specific paragraph to which they relate, contain a clear rationale and, where applicable, provide a suggestion for an alternative. Feel free to provide comments only for those questions or issues that are relevant to you.

Comments should be submitted electronically using our 'Open for comment' page.

Please indicate whether the comments are made on your own behalf, on behalf of a group of people, or on behalf of an entity.

The closing date for submissions is **Monday 8 June 2020**.

### Publication of Submissions, the Official Information Act and the Privacy Act

We intend publishing all submissions on the XRB website (xrb.govt.nz), unless the submission may be defamatory. If you have any objection to publication of your submission, we will not publish it on the internet. However, it will remain subject to the Official Information Act 1982 and may, therefore, be released in part or full. The Privacy Act 1993 also applies.

If you have an objection to the release of any information contained in your submission, we would appreciate you identifying the parts of your submission be withheld, and the grounds under the Official Information Act 1982 for doing so (e.g. that it would be likely to unfairly prejudice the commercial position of the person providing the information).

## List of Abbreviations

The following abbreviations are used in this Invitation to Comment.

AUP	Agreed upon procedures
CAANZ	Chartered Accountants Australia & New Zealand
ED	Exposure Draft
IAASB	International Auditing and Assurance Standards Board
NZAuASB	New Zealand Auditing and Assurance Board of the External Reporting Board
XRB	External Reporting Board

## Questions for Respondents

1. Are the proposals for amending XRB Au1 to take account of the legislative changes clear?
2. Do you have any other comments on ED *Amendments XRB Au1 Application of Auditing and Assurance Standards (Legislative Update)* (please be specific)?
3. Do you agree that the amended standard become effective two months after the issue of the updated standard?

# 1. Introduction

## 1.1 Background

1. The [Regulatory Systems \(Economic Development\) Amendment Act 2019](#) (the Act) now incorporates related services within the mandate of the External Reporting Board. This provides the legal mandate for the NZAuASB to issue an agreed upon procedures (AUP) standard (and other related services standards).
2. The amended wording of Section 20 of the Financial Reporting Act 2013 is as follows:
  - (2) Auditing and assurance standards may (without limitation) include—
    - (a) professional and ethical standards that govern the professional conduct of audit or assurance practitioners:
    - (b) standards for related services.
  - (3) In this section,—

**audit or assurance practitioner** means a person who is appointed or engaged to carry out audits or other assurance engagements

**related services** means services to perform—

    - (a) agreed-upon procedures; or
    - (b) other non-assurance work that may ordinarily be carried out by an audit or assurance practitioner.
3. The Act comes into force immediately after the expiry of the 2-month period starting 13 November 2019 (i.e., 13 January 2020).
4. This is timely given that the IAASB is in the process of finalising a revised international AUP standard, expected to be issued in the first half of 2020. The NZAuASB intends to seek feedback on the adoption of the revised international AUP standard for use in New Zealand in due course.
5. Currently in New Zealand, members of CAANZ are required to apply APS 1 (Revised) *Agreed Upon Procedures Engagement to Report Factual Findings* released by the New Zealand Regulatory Board in August 2018.
6. It is expected that APS 1 (Revised) will remain in place during the transition period until the NZAuASB has completed its due process consultation under the updated legislative mandate and the NZAuASB standard comes into effect.
7. This Invitation to Comment and Exposure Draft propose amendments to XRB Au1 *Application of Auditing and Assurance Standards* to reflect the legislative change. The XRB propose that the effective date be two months after the issue of the updated XRB Au1.

## 1.2 Purpose of this Invitation to Comment

8. The purpose of this Invitation to Comment is to seek feedback from the constituency on Exposure Draft *Amendments XRB Au1: Application of Auditing and Assurance (Legislative Update)*.

## 1.3 Timeline and Next Steps

9. Submissions on the exposure draft are due by **Monday 8 June 2020**. Information on how to make submissions is provided on page 4 of this Invitation to Comment.
10. The XRB Board will consider the submissions received immediately after the consultation period ends. Subject to the content of that feedback, the XRB Board hopes to issue *Amendments to XRB Au1 (Legislative Update)* no later than mid July 2020.

## **2. Overview of Exposure Draft Amendments to XRB Au1: Application of Auditing and Assurance Standards (Legislative Update)**

11. The following are the amendments proposed to be made to XRB Au1 arising from legislative changes:
  - (i) Add a definition of “assurance practitioner” and “related services”. We note that the proposed definition of “related services” aligns with the definition in law, rather than the definition of related services as defined by the IAASB. The IAASB’s definition of related services include compilations. As compilations are not engagements that are generally performed by assurance practitioners, they continue to fall outside of the mandate of the XRB.
  - (ii) Expand the term “auditing and assurance standards (including professional and ethical standards)” to include standards for related services. This expansion is made where previously it was noted that auditing and assurance standards include professional and ethical standards.
  - (iii) Clarify that the standards issued by the NZAuASB apply to assurance engagements and related services. This will include an agreed upon procedures standard and other related services as identified by the NZAuASB. It is not intended that the NZAuASB will issue a compilation standard;
  - (iv) Amend the title of Appendix 5. Appendix 5 will be updated to reflect any related services standards when they are issued.
  - (v) Update the diagram in Appendix 6 to reflect that Related services are included with the engagements governed by the Standards of the XRB;
12. In addition, the XRB has taken the opportunity to propose some additional amendments to XRB Au1, deleting references to Audit Guidance Statements and Practice Notes from extant Appendix 5. These guidance statements have no legal status, rather provide guidance. The NZAuASB issues explanatory guidance which similarly has no legal status but is not listed in XRB Au1. For consistency, all reference to explanatory guidance with no legal status will be removed from XRB Au1. This explanatory material is available on the XRB website.