

Board Meeting Agenda

22 July 2020
9:15 am to 3.15 pm

Teams meeting

Est. Time	Item	Topic	Objective		Page
A: NON-PUBLIC SESSION					
B: PUBLIC SESSION					
11:30	5	<u>Update from Lyn Provost</u>			
	5.1	Discussion on IAASB matters	Note	Verbal	
	5.2	IAASB June meeting report	Note	Paper	
	5.3	Feedback from Audit Reference group June	Note	Paper	
12:30 pm	<i>Lunch</i>				
1.15 pm	6	<u>Mike Burrell Sustainable Business Council</u>			
	6.1	Board meeting summary paper	Note	Paper	
	6.2	Presentation from Mike Burrell	Discuss	Verbal	
2.15 pm	7	<u>2020/2021 Strategic Action Planning</u>			
	7.1	Board meeting summary paper	Note	Paper	
	7.2	Update on Prospective Information project	Note	Paper	
	7.3	Update on alternative engagement for small NFPs	Note	Paper	
	7.4	NZAuASB Draft SAP 2020/2025	Approve	paper	
	7.5	2020/2021 Strategic Implementation plan draft	Approve	Paper	
	7.6	NZAuASB 2020/2021 work plan schedule	Note	Paper	
	7.7	XRB SAP 2020_2025 Final	Note	Paper	
3.00 pm	8	<u>Environmental Scanning</u>			
	8.1	International monitoring update	Paper	Note	
	8.2	Domestic monitoring update	Paper	Note	
	8.3	Academic update: Blockchain Technology and the Accounting Profession	Paper	Note	
C: NON-PUBLIC SESSION					

Next meeting: 2 September 2020 via video conference

DATE: 29 June 2020

TO: External Reporting Board
New Zealand Auditing and Assurance Standards Board (NZAuASB)
Chartered Accountants Australia and New Zealand (CA ANZ)

FROM: Lyn Provost, IAASB member
Sylvia van Dyk, Technical advisor

SUBJECT: Report on IAASB June 2020 Meeting

Introduction

1. This report provides an overview of the International Auditing and Assurance Standards Board (IAASB) virtual meeting held 15-19 June 2020. Key items on the agenda included:
 - Update and discussion on the IAASB's Covid-19 response
 - Technology
 - Audits of less complex entities (LCEs)
 - Targeted issues on the three quality management standards, with approval now being planned for the September meeting
 - Audit evidence
 - Quality management standards coordination and effective date.
2. The full meeting papers can be accessed [here](#).

Covid-19 Response

3. The Chair and Technical Director provided an overview of the IAASB's response to date on Covid-19 for the public record. It was noted how well the new Strategy of Assist, Adapt and Coordinate has held up under the circumstances. It was further noted that the pandemic has highlighted the need for certain projects to be prioritised, for example the review of the Interim Reporting Standard. Some members noted that there is a lot of debate about the work effort required and how to report – an issue that we can relate to in New Zealand and Australia with the challenges encountered with the recent update of the Interim Review Standard.
4. Overall, the feedback on the IAASB Alerts were positive and seen as very useful. Further Alerts to be issued before the end of June are on interim reporting and audit considerations for public sector auditors. Learnings on access and evidence will be included in the Audit Evidence project.
5. The workplan timetable has also been amended to account for the effects of Covid -19. Key changes are:

- Adjustments to June and September Board meetings to accommodate the virtual nature of these meetings.
- Extended consultation periods –ISA 600¹ Exposure Draft
- Revised / different timelines for some projects:
 - EER guidance – approval probably to be pushed out to March 2021
 - ISA focussed workstream – recommendations moved from June to December 2020
 - Audit evidence project – project plan to consider moved from June to December 2020
 - ISA 315 Implementation activities completion moved from Sep to Dec 2020.

Technology

6. The Chair of the Technology Working Group (TWG) provided an update on the status of the technology workstream plan, which is approximately 6 months behind schedule. The new timelines for guidance on the various topics are as follows:
 - i. FAQs on the use of automated tools and techniques when performing risk assessment procedures in accordance with ISA 315 (Revised)² – near finalisation.
 - ii. Use of automatic tools and techniques (ATT) in risk assessment and substantive audit procedures - near finalisation.
 - iii. Risk of auditor overreliance when using ATT and need for professional judgement – research has commenced.
 - iv. FAQs on the auditor’s documentation because of the emergence of new technologies - published.
 - v. Evolution in technology and the nature and number of sources of information and the auditor’s responsibilities relating to fraud in accordance with ISA 240³ – Dec 2020.
 - vi. New technologies and information sources and the auditor’s responsibilities relating to going concern in accordance with ISA 570 (Revised)⁴ – Dec 2020.
 - vii. Technology raising questions about performance materiality – Dec 2020.
 - viii. Other combined guidance – March 2021.

7. The Board also provided feedback to the TWG on its request for input on whether the non-authoritative support material should describe certain circumstances where the use of ATT may produce better quality audit evidence for certain assertions, without implying that manual procedures are inferior or cannot be used to effectively obtain audit evidence.

8. The Board was overall supportive of including the addition of explanatory text at the front of the non-authoritative support material that provides context for the use of ATT in applying the ISAs. However, the Board expressed concerns about implying that the use of ATT may produce better quality audit evidence, as quantity does not necessarily equate to quality. The Board encouraged the TWG to consider using words like enhanced evidence, rather than better quality

¹ ED ISA 600, *Audits of Group Financial Statements*

² ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement*

³ ISA 240, *The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements*

⁴ ISA 570 (Revised), *Going Concern*

evidence. It was also noted that what people want to know is whether it is OK to use ATT.

Audits of Less Complex entities

9. The Board discussed the LCE Working Group's recommendations for developing a separate standard for Audits of Less Complex Entities (LCEs) based on overarching principles outlining how the separate standard could be developed.

10. The proposed overarching principles are:

- Based on the ISAs, with similar underlining concepts as the ISAs.
- A risk-based approach so that it can be applied to entities with a wide range of circumstances (with the common feature of the audit being less complex).
- Principle-based requirements setting out the auditor's obligations to help determine what needs to be done.
- Including objectives for each section to help the auditor understand the extent of work needed to achieve the relevant objective.
- Focusing the auditor on the use of professional scepticism and professional judgment in undertaking their work.
- Premising the standard on the auditor complying with relevant ethical requirements, and the firm (which includes sole practitioners) being subject to the underlying quality management standards.
- High-quality audit that would enhance the credibility of the financial statements for the users thereof.
- A reasonable assurance opinion.
- Drafting the standard using concise, direct, simple language, following predefined drafting principles and guidelines, and in an order that follows the flow of the process of an audit.
- Basis for opinion in the audit report based on compliance with the separate standard (not the ISAs).
- Establishing clear, consistent documentation requirements that would apply to the LCE audit.
- No (or very limited) application material; ability to refer to applicable material within the ISAs where relevant.
- Intention to be able to use "full" ISAs where a matter is not addressed by the separate standard.
- There will also be other focus areas, for example the auditor's considerations of fraud unique to an LCE audit, but these will not be addressed as overarching principles and will be focused on as the separate standard is developed.

11. There was overall support for developing a separate standard with no unsurmountable roadblocks identified. Although there was broad support for the principles, there was a strong preference for the need for the standard to be standalone, while clarifying the linkage back to the ISAs as appropriate. The application material should either be sufficient to appropriately articulate the approach or support material should be available outside the standard.

12. Lyn reinforced the importance such a standard would have for the public sector, and the need to ensure it is updated timely when updates to the ISAs occurs. Digitisation was also mentioned as an important option to explore, as well as the need to have appropriate "off ramps" in the standard (i.e. when it is more appropriate to use the ISAs).

13. The Board highlighted the importance of the description of an LCE to help in developing the content of the separate standard. The Board encouraged a more prescriptive definition for the application of the standard, although the Board recognized there would always be a level of judgment in making this determination.
14. The LCE Working Group will commence development of the separate standard as well as prepare a project proposal for approval at the December 2020 IAASB meeting.

Quality Management Standards

15. The Board discussed the coordination between the quality management task forces, the implementation support activities planned for the quality management standards, and the effective date of the standards. The Board agreed with the recommendation that the effective date of the quality management standards be December 15, 2022.

ISQM 1 – Quality Management at the Firm Level

16. The Board discussed targeted revisions of the proposed standard, including definitions of deficiencies, findings and quality risks, the firm’s risk assessment process, relevant ethical requirements, external communications, monitoring and remediation, and the evaluation of the system of quality management.

17. Overall, the Board supported:

- The revised definition of quality risk, which was amended by removing the reference to “significance” and the words “magnitude” and “likelihood” of the risk occurring, so that the focus remains on the threshold of having a reasonable possibility of the risk affecting the achievement of a quality objective.
- The relocation of the requirement for the firm to establish policies or procedures for identifying information that indicates modifications to the quality objectives, quality risks or responses are needed to a separate requirement. This clarifies that the firm is required to modify the quality objectives, quality risks or responses as appropriate.
- The revised definition of deficiencies and breaking down the definition into the various elements (i.e. a deficiency exists when a quality objective is not established, a quality risk is not identified or properly assessed, a response is not properly designed, implemented or operating effectively).
- The definition of findings and additional related application material, with a finding defined as information from monitoring activities, external inspections or other relevant sources about the design, implementation and operation of the system of quality management that may indicate that one or more deficiencies exist.
- The manner in which the inspection of engagements has been addressed by keeping the performance of monitoring activities flexible, i.e. the firm is to

determine which completed engagements and engagement partners to select for review, on a cyclical basis to be determined by the firm. This has recently been brought to live in the Covid-19 crisis where firms' inspection of engagements has been adjusted to respond to the quality risks arising from the events and circumstances.

- The amendments clarifying that monitoring activities over the firms monitoring and remediation is performed on a risk base.
 - The clarification of the differences between the conclusions about the system of quality management (SOQM), and how the remediation of deficiencies affects these conclusions. For example, how the firm may conclude about the SOQM when there are deficiencies that are severe (and severe and pervasive) that have been appropriately remediated.
 - The proposed requirement for the firm to establish policies and procedures that address when it is appropriate to communicate with external parties about the firm's SOQM, and for firms of listed entities to be required to report to TCWG about the firm's SOQM.
18. The Board also had a robust discussion regarding changes dealing with the firm's responsibilities for establishing a SOQM that addresses:
- engagement teams' access to appropriate resources to perform engagements; and
 - supporting engagement teams in dealing with the competence and capabilities of individuals assigned to the engagements, including component auditors and other individuals assigned by the network, another network or service provider.
19. The Board supported the overall concept that the firm is responsible for establishing policies and procedures in the firm to ensure there is access to sufficient and appropriate resources, whether in the firm, in the network or from outside the firm. However, the drafting of this section was found to be confusing and the Board encouraged the Task Force to further simplify the approach. Our technical reference group had raised similar concerns.

ISA 220 – Quality Management at the Engagement Level

20. Lyn, as the Chair of the ISA 220 Task Force, provided an overview of the amendments to proposed ISA 220 to clarify how to treat component auditors that are not directly engaged by the firm. This amendment aligns with the proposed amendment to ISQM 1 discussed in paragraphs 18-19 above.
21. There was overall support for the amendment, which clarifies that sufficient and appropriate resources to perform the engagement are assigned or made available to the engagement team in accordance with the firm's policies and procedures, and not as previously stated "by the firm". This is because, notwithstanding that the firm has ultimate responsibility to allocate or make available resources to the engagement partner to support the performance of the audit, the use of the term "by the firm" did not recognize that resources used on an audit engagement may not always be obtained from the firm.

22. The ISA 220 Task Force will present a full draft of proposed ISA 220 (Revised) for IAASB approval via videoconference in September 2020.

ISQM 2 – Engagement Quality Reviews

23. The ISQM 2 Task Force updated the Board about the IESBA Engagement Quality Reviewer (EQR) Task Force’s proposed revisions to the IESBA Code addressing the objectivity of EQRs.

24. At its June meeting the IESBA approved amendments to the IESBA Code to add a section on EQR objectivity, which lays out threats to objectivity and related safeguards, but does not establish a hard-wired 2-year cooling off period. The IESBA amendments include:

- Broadening the scope of the guidance in the ED on objectivity to “appropriate reviewers” as defined in the IESBA Code, and not just EQRs. This would recognise that there may be a broader range of individuals a firm may appoint as a quality reviewer and that objectivity considerations should apply equally to them.
- Relocating the guidance to a new section in the IESBA Code: Section 325, Objectivity of Appropriate Reviewers.
- Adding an appropriate cross-reference to proposed ISQM 2 at the end of the new Section 325 in the IESBA Code to highlight the specification of a cooling-off period with respect to the matter of an individual being considered for appointment to the EQR role after having served as the engagement partner.

25. The Board agreed that the proposed revisions to the IESBA Code addressing the objectivity of appropriate reviewers align with the provisions relating to the objectivity of EQRs in proposed ISQM 2.

26. The ISQM 2 Task Force will present a full draft of proposed ISQM 2 for IAASB approval via videoconference in September 2020.

Audit Evidence project

27. The Chair of the Audit Evidence Working Group provided an overview of the targeted outreach process and results.

28. The five issues highlighted as creating difficulty in practice are:

i. Nature and Sources of Information – Sufficient Appropriate Audit Evidence

The evolution in the number and nature of sources of information and use of technology to perform audit procedures brings into question:

- Whether the definitions of appropriateness of audit evidence and sufficiency of audit evidence are appropriate, with a common theme around professional scepticism and professional judgement.
- What factors are considered by the auditor in concluding whether sufficient appropriate audit evidence has been obtained.

ii. Nature and Sources of Information – Information to be Used as Audit Evidence

The evolution in technology and the nature and number of sources of information has created challenges in considering the reliability of internal and external information. For example:

- Considering the reliability of information from an external source is challenging in certain circumstances given access issues.
- There may be confusion as to when the information source is a service organisation, and therefore when ISA 402⁵ applies.

iii. Technology – Audit Procedures

New technologies have raised questions about where audit procedures performed using new technologies fit within:

- The categories of audit procedures (i.e., inspection, observation, inquiry etc.); and
- The nature of audit procedures (i.e., risk assessment, tests of controls, tests of details).

iv. Technology – Audit Procedures

The use of new technology to perform audit procedures has raised questions about whether an audit procedure can be both a risk assessment procedure and a substantive procedure at the same time, i.e., a procedure that serves a dual purpose. This is particularly the case for certain data analytic tools.

v. Technology – ISA 330, *The Auditor’s Responses to Assessed Risks*

The use of technology that enables the analysis of larger populations has raised questions about whether the auditor is required to follow up all exceptions identified, or whether the auditor is able to perform further testing only on a selection of exceptions, provided that the risk of material misstatement in the remaining population is at an acceptably low level.

29. Other issues identified by the outreach are:

- The scope of ISA 500⁶ should be extended to clearly explain the relationship between ISA 500 and other ISAs, including ISA 315 (Revised 2019) and ISA 330; and
- The use of electronic platforms in obtaining external confirmations (aspect related to ISA 505⁷)

30. Based on the feedback, the Board agreed with the Audit Evidence Working Group’s conclusion that the listing of audit evidence related issues, as presented, is appropriate. The Board supported the Audit Evidence Working Group’s recommendation to develop a project proposal to revise ISA 500, including conforming and consequential amendments to other standards, for approval at the December 2020 IAASB meeting.

⁵ ISA 402, *Audit Considerations Relating to an Entity Using a Service Organisation*

⁶ ISA 500, *Audit Evidence*

⁷ ISA 505, *External Confirmations*

31. The Board also recommended that the Working Group publish a project update to inform stakeholders about the activities undertaken to date

Future meetings

32. Video conferences have been scheduled for July 22 and August 11, 2020.

33. The next IAASB meeting is scheduled for September 14- 23, 2020 and will be held virtually via videoconference.

Auditing Standards Reference Group Discussion on topics for IAASB June 2020

9 June 2020

Apologies: Kumar, Nathan

Discussion 1: ISQM 1 (IAASB Agenda Item 5, 5B)

Objectives:

To achieve consensus from the Board on:

- (a) *The definitions of deficiencies, findings and quality risk;*
- (b) *The firm's risk assessment process;*
- (c) *Relevant ethical requirements;*
- (d) *Human resources, including the firm's responsibilities with respect to component auditors, and service providers;*
- (e) *External communications*
- (f) *Monitoring and remediation; and*
- (g) *The evaluation of the system of quality management.*

- Definition of quality risk – still a bit confusing. Removing “significance” helps. Could still be widely divergent application. “Reasonable possibility” defined in other auditing standard in other jurisdictions. Need some implementation guidance in this area to bring consistency in practice, especially amongst smaller firms, as to what level the firm should be thinking about.
- Supportive of diagram describing the risk assessment process. Changes related to the RAP make sense and add clarity.
- Acceptance of the definitions of deficiency and findings.
- Relevant ethical requirements – torn between clarity and additional requirements but overall a slight preference for option 1. The additional clarity will help those who are not as familiar with the standards to understand that there is a difference.
- External communications – consider move to transparency reporting is a “when” rather than an “if” going to happen. This is a step to get there. Don't think using “when” requires transparency reporting; rather, it requires the firm to establish policies etc. Larger firms are all going to be dictated to by global firm requirements any way. Will be harder for smaller firms. Scoping of requirement to communicate with TCWG makes sense – some initial discussion on what would be the appropriate scope in the NZ context.
- Resources – find this section challenging – for SMPs this adds a lot of documentation of decisions made without improving audit quality. The whole section lacks scalability, not overly concerned with recent amendments but a more general concern with this whole section. Sounds like process for the sake of process for firms the size of the NZ firms. Would be interested in how Australia reacts (a more mid scale firm). Sounds appropriate for larger firms in UK/US.

Discussion 2: ISA 220 (IAASB Agenda Item 5, 5C)

Objective:

To achieve consensus from the Board on the changes to the resources section.

- Support for removal of words “by the firm”.

- Concern as to the application of the words “in accordance with the firm’s policies or procedures”, for example, is the EP responsible for a component auditor’s compliance with the firm’s policies and procedures? May need some clarification.

Discussion 3: ISQM 2 (IAASB Agenda Item 8A)

Objectives:

- (a) Update the Board about the IESBA EQR Task Force’s proposed revision to the IESBA Code addressing the objectivity of EQRs; and
- (b) Obtain the Board’s feedback on whether the proposed revisions to the IESBA Code are aligned with the provisions relating to the objectivity of EQRs in proposed ISQM 2.

- TRG generally comfortable with where ISQM 2 has landed.
- Some concern whether there might be unintended consequences of including EQRs within the IESBA definition of “appropriate reviewer”

Discussion 4: QM Effective Date (IAASB Agenda Item 8, section II)

Objectives:

- (a) Inform the Board about the coordination between the QM task forces;
- (b) **Obtain input on the options for the effective date of the QM standards;** and
- (c) Provide a high-level overview of respondents’ comments on possible implementation support activities.

- Agreed with need to adopt all three standards as a package if adopting early.
- Preference for December 2022 date.
- Some suggestion of need to reconsider effective date if firms struggling with implementation.
- Timely implementation guidance from both IAASB and NSS/member bodies will be key, particularly for SMPs.

Discussion 5: LCEs (IAASB Agenda Item 4)

Objective:

To obtain the Board’s agreement on the LCE Working Group’s recommendations for developing a separate standard for audits of LCEs.

- Suggestion to mimic the form of the ISAs for operational ease and effectiveness, e.g., it’s common for ISAs to be referred to by their number rather than title.
- Need to consider how updates to ISAs be addressed in practice, i.e., timeliness of updating the LCE standard. It could quickly become out of date.
- Consider complexity of entity and the nature of business is the criteria for application of the LCE standard, rather than whether or not it is listed.
- Some preference for simplifying the ISAs for use by all, with added guidance for more complex circumstances.
- Recognition that if IAASB does not address audits of LCEs, another jurisdiction will.

Lyn thanked the group of the invaluable input. The feedback received is extraordinarily useful.

NZAuASB Board Meeting Summary Paper

AGENDA ITEM NO. 6.1
Meeting date: 22 July 2020
Subject: Mike Burrell
Date: 7 July 2020
Prepared By: Sylvia van Dyk

Action Required

For Information Purposes Only

Agenda Item Objectives

For the Board to RECEIVE a briefing from Mike Burrell, Executive Director of the Sustainable Business Council.

Background



Mike Burrell has been the Executive Director of the Sustainable Business Council since January 2020.

His previous role was New Zealand's High Commissioner to South Africa. Before that he was Director for Sustainable Economic Development at the Ministry of Foreign Affairs and Trade and the founding CEO of Aquaculture New Zealand.

He holds degrees from the London School of Economics and the University of Canterbury.

Mike is based in Wellington.

The Sustainable Business Council (SBC) is a CEO-led group of companies that catalyses the New Zealand business community to have a leading role in creating a sustainable future for business, society and the environment.

Mike has agreed to brief the Board more widely about the Sustainable Business Council. For example, who is SBC, its purpose, its membership and wider strategy and work programme. Elements of this wider view should be relevant and interesting context in the business environment in which our future standard setting will occur.

Material Presented

Agenda item 6.1

Board Meeting Summary Paper

NZAuASB Board Meeting Summary Paper

AGENDA ITEM NO. 7.1
Meeting date: 22 July 2020
Subject: NZAuASB Strategic Action Plan
Date: 8 July 2020

Action Required

For Information Purposes Only

Agenda Item Objectives

To APPROVE:

- the “annual cut” of the NZAuASB Strategic Action Implementation Plan for 2020/21 identifying the specific actions that will be undertaken in this year; and
- the updated NZAuASB Strategic Action Plan document for the five-year period 1 July 2020 to 30 June 2025.

To NOTE:

- the update on the Prospective Information project
- the update on alternative engagement for small NFPs project
- the NZAuASB 2020/2021 meeting schedule work plan

Background

1. The NZAuASB Strategic Action Plan (SAP) is based on the XRB Strategic five year-plan. The XRB Board reviewed the XRB Strategic Plan for 2020-2025 at its March 2020 meeting to reduce its’ length and reflect a greater emphasis on Extended External Reporting (EER), while continuing business as usual. The XRB Strategic Plan 2020_2025 represents a “holding position” strategy and will be next reviewed in detail following the XRB Board’s strategy discussion in August 2020.
2. We are therefore proposing minor tweaks to the previous approved NZAuASB SAP 2019-24 in developing the draft NZAuASB SAP for the five-year period 1 July 2020 to 30 June 2025, in line with the “holding position“ strategy of the XRB Board. The NZAuASB’s work plan will be reviewed in detail once the XRB has developed the strategic direction of the organisation for the next 5 years.
3. The proposed changes to the NZAuASB SAP 2020_2025 are to reflect achievements to date and new actions identified (for example further impacts of Covid-19, and audit quality considerations).

4. The draft SAP 2020-2025 has also been updated to align it with the revised work plans of the international Boards, and by adjusting the timing of our local projects to ensure we can achieve all our objectives as planned. The draft NZAuASB SAP 2020_2025 document showing mark-ups is available at agenda 7.4 for the Board's consideration and approval.
5. We have also prepared the "annual cut" of the NZAuASB Strategic Action Implementation Plan for 2020/21 identifying the specific actions that will be undertaken in this year. This is available at agenda item 7.5.
6. Further, at the June meeting the Board requested an update on the status of the Prospective Information engagement project and the alternative engagements for small NFPs projects. We have prepared updated project plans, which are available at agenda items 7.2 and 7.3. The timings of the projects are based on the timing of international projects and availability of current resources.
7. We have also included our working draft of the NZAuASB meeting schedule work plan for the 2020/2021 year, for your information. This shows the topics we are planning to discuss at each meeting during 2020_2021, based on best information available at this time. The schedule is updated continuously as it is very much dependent on the work plans of the international standards board.
8. The XRB Strategic Plan 2020_2025 is available at agenda 7.7 for noting.

Action

- i. Consider and approve the NZAuASB SAP for the five- year period 1 July 2020 to 30 June 2025.
- ii. Consider and approve the "annual cut" of the NZAuASB SAP Implementation Plan for 2020/21, identifying the specific actions that will be undertaken in this year.
- iii. Note the updates on the two project plans. Does the Board have any comments/feedback on the updated project plans?
- iv. Note the 2020_2021 meeting schedule work plan as at July 2020.
- v. Note the XRB Strategic Plan 2020_2025

Material Presented

Agenda item 7.1	Board Meeting Summary Paper
Agenda item 7.2	Update on Prospective Information Engagement project
Agenda item 7.3	Update on Alternative Engagement for Small NFPs
Agenda item 7.4	NZAuASB SAP 2020_2025 (Draft marked up)
Agenda item 7.5	NZAuASB 2020_2021 Implementation plan (Draft marked up)
Agenda item 7.6	NZAuASB meeting schedule work plan
Agenda item 7.7	XRB Strategic Plan 2020_2025

Project Plan

Project Title:	Prospective Financial Information
Project Objective(s):	Develop a standard for performance of and reporting on prospective financial information
Priority:	Medium
Issue/Reason:	No domestic standard; International standard out of date
Date Prepared:	11 October 2017
Date Approved:	25 October 2017
Date Updated: (if applicable)	6 July 2020

Project Objectives

1. To develop a standard for the performance of and reporting on prospective financial information.

Background

2. Local government entities are required to prepare long term plans, on a three yearly cycle, that include prospective financial information covering the 10 year period of the plan. Such prospective financial information is to be audited. Currently, long term plans are audited in accordance with the Auditor General's auditing standards, ISAE (NZ) 3000 (Revised), *Assurance Engagements Other than Audits and Reviews of Historical Financial Information*, and ISAE 3400, *The Examination of Prospective Financial Information*.
3. In addition, firms are increasingly being requested to undertake assurance engagements that include prospective financial information.
4. ISAE 3400 is more than 20 years old and has not been revised in line with the conventions used in ISAE 3000 (Revised) or to reflect the IAASB's clarity drafting conventions. At this time, there are no current plans for the IAASB to revise ISAE 3400.

International

5. International Standard on Assurance Engagements (ISAE) 3400, *The Examination of Prospective Financial Information*, (previously ISA 810), establishes standards and provides guidance on engagements to examine and report on prospective financial information, including examination procedures for best-estimate and hypothetical assumptions. ISAE 3400 predates the IAASB's clarity project and the issue of ISAE 3000 (Revised), *Assurance Engagements Other than Audits and Reviews of Historical Financial Information*.

Australia

6. The AUASB issued Standard on Assurance Engagements (ASAE) 3450, *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*, in November 2012. ASAE 3450 deals with the responsibilities of the assurance practitioner when undertaking an engagement to report on the responsible party's preparation of financial information related to a corporate fundraising, or if the financial information is prospective, if it is prepared for another purpose. ASAE 3450 builds on the requirements and application material included in either ASAE 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, or ASRE 2405, *Review of Historical Financial Information Other than a Financial Report*, in an assurance or review engagement respectively.

Risks/Issues

Issues which may impact the drafting of the standard include the following:

7. Harmonisation with the current AUASB standard, ASAE 3450.
8. The scope of ASAE 3450 addresses more than prospective financial information. Consideration needs to be given as to whether the scope of ASAE 3450 is broader than intended by the Board.
9. The ISAE is out of date and needs to be revised. It therefore may not be the best starting point. Given the XRB is a standard taker rather than a standard maker, we suggest starting with ASAE 3450, amending as necessary to reflect the NZ environment.

Project Update July 2020

10. At its [September 2019 meeting](#), on the recommendation of the working group, the Board considered the need to separate the project into two separate standards; one dealing with corporate fundraisings, and another with prospective information.
11. The Board agreed to:
 - develop a separate standard dealing with assurance engagements to report on financial information (historical, pro-forma and prospective) prepared in connection with a corporate fundraising.
 - discuss further with the Office of the Auditor-General the need for a domestic standard on prospective information

Action Plan

12. The project will involve the following key steps:
 1. Considering the need for a sub-committee of the Board to develop the draft standard to meet as required.
 2. Developing a reference group (if considered necessary by the Board) to assist with the project by identifying key issues to be addressed and field testing ideas as they develop. The reference group would meet as required. Such reference group would include broad representation.
 3. Develop a first draft of a standard, based on ASAE 3450, amended as necessary to reflect local regulatory conditions and practices.
 4. Further refine the standard following the Board's feedback.

5. Expose a draft standard.
6. Obtain and collate comments, and obtain the Board's approval of amendments to address comments.
7. Final approval obtained from the Board to issue a new standard.
8. Quality assurance to be conducted prior to issuing.
9. Release standard with Communique alert and any other explanatory statements as required.
10. Consider the need for further education sessions once the final standard is released.

Timetable

13. It is anticipated that it will take about 15 months to develop and finalise the standard. Indicative timings are as follows:

Description	Proposed Date
NZAuASB approves project plan at Board meeting	25 October 2017
NZAuASB to consider initial issues to explore.	February 2018
Establishment of a reference group (if needed)	Q1 2018 (to meet as required)
Establishment of a sub-committee of the NZAuASB to assist in developing ideas and recommendations to present to the NZAuASB (if needed)	Q1 2018(to meet as required)
NZAuASB to consider key issues and draft document	September 2020
Approval of NZAuASB exposure draft	December 2020
Exposure draft open for comment	Jan-Mar 2021 (90 days)
Consideration of submissions	April 2021
Read and Approval of final standard	June 2021

Project Plan

Project Title:	Audit/Review alternative for small NFPs
Project Objective(s):	Develop an alternative for audit/reviews for small NFPs
Priority:	Medium
Issue/Reason:	Existing assurance engagements are not the best fit for small NFPs
Date Approved:	13 February 2019
Date Updated: (if applicable)	6 July 2020

Project Objectives

1. To develop an alternative for audit/review engagements for small NFPs.

Background

2. The NZAuASB in its September 2018 meeting agreed that there is a need for a product for small entities that find an audit/review engagement unaffordable and not value for money. The Board agreed to establish a working group consisting of some Board members and staff to explore this further, potentially as an alternative engagement to an audit or review of financial statements for small not-for-profit entities. Craig Fisher, Karen Shires and Roger Simnett agreed to be in the working group.
3. In February 2019, the NZAuASB considered the recommendation from the working group on a possible approach for an alternative engagement (other than an audit or review) for small not-for-profits. The working group's recommendation was to investigate using the Independent Examination (IE) regime in the UK as a guiding model to develop the engagement, by engaging with relevant stakeholders and considering the results of the NZAuASB's previous research on user needs of small New Zealand charities.

Risks/Issues

Issues which may impact the development of the alternative engagement include the following:

4. The alignment of such a product to the NZAuASB mandate.
5. Lack of adequate engagement by users may adversely affect the quality of the alternative engagement.
6. The successful implementation of such an engagement will also rely on factors beyond the XRB's mandate (e.g. the accreditation and qualifications of who can undertake the engagement, potential education needs, etc.).
7. The cost of such an engagement may still outweigh its benefits, especially for micro charities with very limited funds.

Project Update July 2020

8. In December 2019, the NZAuASB considered the feedback from the working group's second meeting and supported the following recommendations:
 - Continue the user need focus to better tailor an (Independent Examiners) IE like product for small NZ charities.
 - Engage and involve the Charities Services and ensure their expectations and needs are clearly understood and incorporated into the alternative product.
 - Further explore the feasibility and appeal of a modular product that addresses elements of matters not included in the charity's performance report.
 - Keep an eye on any feedback from the UK on the IE regime.
 - Engage with professional bodies (CA ANZ and CPA Australia) as they have plans relevant to this project.

Action Plan for next steps

9. The project will involve the following key steps:
 1. Engage with key stakeholders to understand their specific needs and evaluate how an IE like product can be tailored to best meet these needs to New Zealand.
 2. Receive the working group's feedback on a preliminary draft of the specifications of the engagement.
 3. Develop a first draft of the engagement, modelled around an IE type engagement.
 4. Further refine the engagement specifications following the working group feedback.
 5. Take the proposed engagement specifications to the Board and refine and amend it according to the Board's feedback.
 6. Obtain and collate comments, and obtain the Board's approval of amendments to address comments.
 7. Final approval obtained from the Board to issue the new engagement specifications.
 8. Quality assurance to be conducted prior to issuing.
 9. Release the new engagement specifications with a Communique alert and any other explanatory statements as required.
 10. Consider the need for further awareness raising sessions once the final engagement specification is released.

Proposed Timetable

10. It is anticipated that it will take about 16 months to develop and finalise the engagement specifications. Indicative timings are as follows:

Description	Proposed Date ✓ =completed
NZAuASB approves project plan at Board meeting	February 2019 ✓
Establishment of a sub-committee of the NZAuASB to assist in developing ideas and recommendations to present to the NZAuASB.	February 2019 ✓
NZAuASB considers initial issues to explore.	December 2019 ✓
The sub-committee to consider feedback and results of engagement and consultations with key stakeholders	October 2020
The subcommittee to consider and provide their feedback on the first draft of the engagement specifications	December 2020
The NZAuASB to consider the draft engagement specifications	April 2021
The NZAuASB to approve the draft engagement specifications	June 2021
The draft engagement specifications are issued for comment (90 days commenting period) The promotional activities and stakeholder engagements begin	June 2021
Consideration of submissions	September 2021
Read and Approval of final engagement specifications	October 2021



NZ AUDITING
AND ASSURANCE
STANDARDS BOARD

*~~"A User Needs Framework
Contributing to New Zealand's
Sustainable and Inclusive
Economic Goals"~~*

Strategic Action Plan

For the five-year period

**1 July ~~2019~~ 2020 to 30 June
~~2024~~ 2025**

~~September 2019~~ July 2020

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1. Introduction

The New Zealand Auditing and Assurance Standards Board (NZAuASB) is a Committee of the External Reporting Board (XRB) established under schedule 5 of the Crown Entities Act.

The NZAuASB has delegated authority from the XRB Board to develop or adopt and issue auditing and assurance standards (including professional and ethical standards for assurance practitioners [and standards for related services¹](#)). In doing so the NZAuASB must operate within the ~~financial reporting strategy~~[strategies](#) established by the XRB Board.

The NZAuASB also issues "Other Assurance Standards" in accordance with an [authority provided](#) by the Minister of Commerce issued under section 24 (1) (b) (v) of the Financial Reporting Act 1993.

1.1 NZAuASB's Strategic Objective

The XRB's strategies aim to contribute to building trust and confidence in the reporting by New Zealand organisations across all sectors². The NZAuASB's strategic objective, which reflects that goal, is:

To establish auditing and assurance standards (including ethical standards) in the public interest which will encourage assurance practitioners to perform assurance engagements in a manner that engenders confidence in New Zealand financial reporting, assists New Zealand entities to compete internationally, and enhances entities' accountability to their stakeholders.

The performance of high quality assurance engagements that provides users with confidence about the fair presentation of the information presented in financial reports is vital to the achievement of the XRB's strategies. Consistent with those strategies, the NZAuASB maintains the existing suite of auditing and assurance standards and issues such standards or guidance as it considers necessary from time to time.

1.2 Role and Responsibilities of the NZAuASB

The primary responsibility of the NZAuASB is to develop or adopt, expose, finalise and promulgate:

- auditing and assurance standards for use in audit or assurance engagements required by statute;
- ~~professional and ethical standards to be applied by assurance practitioners undertaking statutory assurance engagements;~~
- ~~standards for related services that may ordinarily be undertaken by an audit or assurance practitioner;~~ and

¹ [Agreed upon procedures or other non-assurance work that may ordinarily be carried out by an audit or assurance practitioner](#)

² The underlying foundations of the XRB's strategic plan are set out in detail in the XRB's [Strategic Plan 1 July 2014 to 30 June 2019](#) and in subsequent Strategic Plans. The strategies are summarised in the Appendix to this Plan.

- other assurance standards within the scope of any “additional assurance standards” approval provided by the Responsible Minister in accordance with the Financial Reporting Act 2013⁷⁴.

consistent with its strategic objective.

To meet that responsibility, the NZAuASB:

- ensures that the auditing and assurance standards are consistent with the XRB’s financial reporting strategy, including:
 - adoption of international standards, subject only to compelling reasons to enhance those standards in New Zealand and with the objective of harmonising New Zealand and Australian standards
 - development of standards jointly with Australia; or
 - development of New Zealand specific standards as may be required by the strategy;
- develops and promulgates guidance material to support the application and implementation of issued standards;
- undertakes or commissions research relating to auditing and assurance or matters concerning professional and ethical conduct;
- liaises with and influences other stakeholders in the auditing and assurance dimensions of the XRB’s financial reporting strategy, including all participants in the financial and non-financial reporting “supply chain”;
- collaborates with the Australian Auditing and Assurance Standards Board (AUASB), through reciprocal membership and liaison, and occasional joint meetings, to promote cooperation and the harmonisation of New Zealand and Australian auditing and assurance standards;
- collaborates with the Accounting Professional and Ethical Standards Board of Australia (APESB), through liaison and observing APESB meetings, to promote cooperation and harmonisation of New Zealand and Australian professional and ethical standards for assurance practitioners;
- on behalf of the XRB as New Zealand’s national standard setter, participates in the activities of the international standard setting bodies responsible for auditing and assurance and professional and ethical standards;
- maintains and enhances relationships with other national auditing and assurance and ethical standard setters (NSSs) and collaborates on matters of mutual interest; and
- contributes to the development and implementation of the XRB’s **Strategic Plan strategies**, acting as thought leaders on assurance issues in support of the XRB’s mandate and strategic objectives.

2. Introduction to the NZAuASB's Strategic Action Plan

2.1 The NZAuASB's Strategic Action Plan

This Strategic Action Plan outlines the specific actions that the NZAuASB will take in the ~~2019~~2020/20-21 financial year and subsequent years to give effect to its strategic objective.

The NZAuASB updates and revises this Strategic Action Plan annually during the five-year period covered by the overarching strategic plan. This enables the Strategic Action Plan to be a dynamic document that reflects achievements to date and new strategies and actions.

3. Strategic Context and Priorities for the ~~2019~~2020-2024-2025 period

Strategic Context

Auditing and assurance standards are a significant element of the financial reporting "supply chain". Assurance standards are also increasingly important in non-financial reporting, including emerging forms of extended external reporting (EER).

Currently, there is considerable international and domestic activity examining trust and confidence in financial reporting, including audit quality, the independence of auditors and audit firms, and competition in the audit market.

Internationally both the style and format of international auditing and assurance standards ~~and the structures for auditing and assurance standard setting (including those for ethics)~~ are a matter of debate and controversy. Recently announced reforms to the international structures for auditing and assurance (including ethical) standard setting, which include a new public interest framework for international standard setting, will be implemented during the period covered by this Plan.

These are in addition to other disruptions like the Covid-19 pandemic, developments in artificial intelligence, other technology advances, and changes in the professional accounting and assurance market place.

In the period from 1 July 2019 to 30 June 2024 the NZAuASB plans to continue to actively monitor such disruptions and consider the implications for the New Zealand auditing and assurance standards.

Overarching priorities

Domestic priorities

Responding to that strategic context, and consistent with the XRB's strategic priorities, the NZAuASB will continue to strengthen its core work by ensuring that New Zealand

auditing and assurance standards remain fit-for-purpose and are capable of serving the public interest – both in relation to regulated audits and more broadly. It will do so by:

- liaising with key participants in the financial and non-financial reporting “supply chain”, and being responsive to emerging user needs;
- undertaking targeted outreach with practitioners and users in relation to standards under international revision;
- continuing its strong collaboration with the AUASB and the APESB;
- reviewing the compelling reason test [jointly with the AUASB](#) to ensure it remains fit-for-purpose; and
- promoting an evidence informed approach to its standard setting work.

The NZAuASB will actively support XRB initiatives that are relevant to its responsibilities or have auditing and assurance implications, including:

- Monitoring the XRB’s EER project (which aims to take an active role in leading the development of EER, [including climate change reporting](#), in New Zealand as it relates to users of “corporate” reports), contributing to the development of guidance as appropriate. The NZAuASB will work with others to ensure any assurance gaps are identified, understood, researched if necessary and addressed.
- Actively supporting (including through its own outreach and liaison activities) the XRB’s work with regulators and other stakeholders to promote an understanding of the factors that affect audit quality.

The NZAuASB will also enhance its collaboration with the New Zealand Accounting Standards Board (NZASB), including through joint projects and by providing any necessary support to the targeted review of the New Zealand accounting standards framework.

International priorities

Recognising that New Zealand and Australia are primarily international “standard takers”, the NZAuASB will continue to seek ways to leverage its international influence in the international auditing and assurance standard setting (including the ethical standard setting) context. This will include:

- [progressing the initiatives being undertaken jointly with the AUASB and the Canadian Auditing and Assurance Standards Board, and with the IAASB, to enhance cooperation between the international boards and the national assurance standard setters \(NASSs\) to promote effective international standard setting; and between NASSs themselves to leverage standard setting work being done in other jurisdictions.](#)
- ,
- [progressing the initiatives being undertaken jointly with continuing to assist, where possible, the IAASB and the IESBA to enhance cooperation between the international boards and the national assurance standard setters and national ethical standard setters \(NSSs\); and](#)
- (jointly with the AUASB) supporting the contributions of the New Zealand and Australian members of the IAASB.

~~As a contingency, the NZAuASB will enhance its regional (within Asia-Pacific in particular) relationships in the event that NASSs need to return to a higher level of national standard setting following possible changes to the international system.~~

Specific strategies

The NZAuASB’s strategic objective in the period ~~2019~~2020-2025~~4~~ will be achieved through the following specific strategies.

Overarching Strategy – Broad strategic approach	
<ul style="list-style-type: none"> • Maintaining and enhancing the existing suite of auditing and assurance standards (including professional and ethical standards for assurance practitioners); • Continuing the convergence and harmonisation approach (where relevant) for auditing and assurance standards; • Working to ensure that New Zealand’s auditing and assurance standards are understood and applied in accordance with the NZAuASB’s strategic objective; and • Responding to the changing international environment and external reporting landscape and leveraging New Zealand’s international influence. 	
Specific Strategy 1: Standards are Fit-for-Purpose	
<p>The purpose of this strategy is to ensure that the existing suite of standards are maintained and enhanced on an on-going basis so that they are of a high quality, fully converged with international standards and harmonised with Australian standards, where appropriate, at all times, and retain local relevance and acceptance.</p> <p>The actions required under this strategy are those necessary to ensure convergence and harmonisation is maintained, including actively monitoring any issues emerging from the implementation of standards, and responding to those issues where appropriate.</p> <p>The underlying actions in Specific Strategy 1 are grouped into two main areas of planned activities:</p> <p>Part A: Business as Usual Activities</p> <p>Part B: Address critical issues.</p>	
Specific Strategy 1: Standards are Fit-for-Purpose	
Part A: Business as Usual Activities	
<p>This section outlines the “business as usual” activities that the NZAuASB will undertake during the strategic period. These activities comprise the actions required to maintain the existing suite of standards in accordance with the overarching strategy (convergence with international standards, and harmonisation with Australian standards where appropriate). To a large extent these activities are a continuation of the activities undertaken by the NZAuASB during the previous strategic period.</p>	
Specific action	This action will comprise...
Action 1A.1: Contributing to International Due Process	Actively contributing to the “due process” activities of the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for

	<p>Accountants (IESBA), by:</p> <ol style="list-style-type: none"> a. Ensuring assurance practitioners and relevant users of assurance reports are aware of the IAASB and the IESBA due process documents and encouraging them to make submissions directly to the international boards and to the NZAuASB; b. Responding, as appropriate, to the IAASB and the IESBA due process documents (consultation documents, discussion papers and exposure drafts) and doing so in conjunction with the AUASB and the APESB where appropriate; c. Participating, as appropriate, in roundtables and other face-to-face due process related meetings organised by the international boards.
<p>Action 1A.2: Maintaining New Zealand Standards</p>	<p>Amending the auditing and assurance standards (auditing standards, review engagement standards, other assurance standards) to ensure that the existing suite of standards are maintained on an on-going basis, by:</p> <ol style="list-style-type: none"> a. Incorporating any auditing and assurance standards, or amendments to those standards, issued by the IAASB, to achieve convergence, as appropriate, and including working with the AUASB to ensure any changes are appropriately harmonised. b. Incorporating any ethical standards, or amendments to those standards, issued by the IESBA, including liaising with the Australian Professional Ethical Standards Board (APESB) to ensure any changes are appropriately harmonised. c. Responding as appropriate to any gaps /issues identified with the current suite of standards. d. Incorporating any amendments to international auditing and assurance standards to domestic standards where applicable, including liaising with the AUASB. e. Developing domestic standards, and amendments to standards, as appropriate, including working with the AUASB to ensure, where relevant, domestic standards are appropriately harmonised. f. Liaising with the New Zealand Accounting Standards Board during the development stage of new or amending accounting standards and any post-implementation reviews, to identify any audit or assurance considerations.

<p>Action 1A.3: Monitoring the Assurance Environment</p>	<p>Monitoring the wider assurance environment, liaising with key participants in the financial and non- financial reporting “supply chain”, and considering the implications of any developing issues for New Zealand auditing and assurance standards.</p> <ol style="list-style-type: none"> a. Monitoring issues arising from the implementation of the current suite of standards and responding as appropriate. b. Monitoring issues or gaps with the current suite of standards and responding as appropriate. c. Tracking local and international research projects, monitoring academic research outputs in both New Zealand and Australia in conjunction with the AUASB and APESB considering the implications for the New Zealand auditing and assurance standards. d. Monitoring results from QA reviews conducted locally and internationally and considering the implications for New Zealand auditing and assurance standards. e. Assisting the XRB to contribute to government policy work relating to auditing and assurance standards. f. Monitoring the XRB EER project, contributing to the development of reporting guidance as appropriate, and work with others to ensure any assurance gaps are identified, understood, researched if necessary and addressed. g. Monitoring activities and developments in the wider assurance standard setting space, particularly for changes coming out of the Monitoring Group review and major reviews in other jurisdictions, and considering the implications for the New Zealand auditing and assurance standards. h. Collaborating with the NZASB on projects where quality issues with accounting standards may have an audit impact, and by supporting the targeted review of the accounting standards framework. h.i. Monitoring issues in respect of the COVID-19 crisis and the implications for assurance in New Zealand including the implementation of the auditing and assurance standards
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Specific Strategy 1: Standards are Fit-for-Purpose

Part B: Address critical issues

This section outlines the new specific strategic actions that the NZAuASB intends to carry out during the period of the strategic plan. These strategic actions comprise activities that would not normally be undertaken as part of the business as usual actions outlined in section 3.

They also relate to issues or matters not addressed (or addressed in any detail) by the NZAuASB previously.

The purpose of this strategy is to address any deficiencies or gaps in existing standards that are

critical to user-needs and the quality of financial reporting. The actions required under this strategy are to (a) identify critical issues; and (b) undertake appropriate actions to address those critical issues within a reasonable timeframe.

The NZAuASB's primary focus is on promulgating auditing and assurance standards. The Board spent the 2009-2014 period developing and issuing amended standards to give effect to the new Auditing & Assurance Standards Framework. Many of these new standards became effective during the 2014-2016 period and critical issues may emerge that need to be addressed. The Board will do so should this occur.

In addition, the NZAuASB is aware of a small number of critical issues with the existing standards and policies that it plans to address during the ~~2019-2020~~-~~2024-2025~~ period:

Specific action	This action will comprise...
Action 1 B.1: Developing an Assurance Standard on the Examination of Prospective Information	Developing the standard in accordance with the due process for domestic standards and in collaboration with the AUASB as appropriate.
Action 1 B2: Consider what further guidance is needed on the use of the XRB auditing and assurance standards and relevant assurance products and develop guidance where identified.	<ul style="list-style-type: none"> a. Considering what further guidance is needed in the New Zealand environment. b. Developing appropriate guidance.
Action 1 B3: Developing a Review Standard on Service Performance Information	Developing a review standard on service performance information for Public Benefit Entities (PBEs) in accordance with the due process for domestic standards and in collaboration with the AUASB as appropriate.
Action 1 B4: Developing an Engagement Standard/Guidance for smaller NFPs	Developing an engagement standard/guidance for smaller NFPs, not required by statute to have an audit or review, to better meet the needs of users, as informed by research completed in 2016-17, in accordance with the due process for domestic standards and in collaboration with the AUASB as appropriate.
Action 1 B5: Performing a post implementation review jointly with the AUASB on the Compliance Engagement Standard	Performing a post implementation review on the Compliance Engagement Standard jointly with the AUASB to determine if further guidance is needed.
Action 1 B6: Amending NZ SRE 2410 Review of Financial Statements Performed by the Independent Auditor of the Entity	Amending the standard in collaboration with the AUASB and in accordance with the due process for domestic standards.
Action 1 B6: Performing a	Performing a post implementation review of NZ SRE

Commented [S1]: Completed.

Commented [SvD2]: Request from the XRB Board. Suggested timing appropriate, or should it sooner?

<p><u>post implementation review of NZ SRE 2410</u> <u>Review of Financial Statements Performed by the Independent Auditor of the Entity three years post implementation (2023/2024)</u></p>	<p>2410.</p>
<p>Action 1 B7: Reviewing the compelling reason test and the harmonisation policy jointly with the AUASB</p>	<p>a. Performing a review of the compelling reason test and the harmonisation policy, in collaboration with the AUASB, to determine if it remains fit for purpose in the current auditing and assurance environment both globally and in the two jurisdictions.</p> <p>b. Liaising with the AUASB about any changes that may be needed.</p>
<p>Action 1 B8: Performing a follow up joint review with the FMA on auditor reporting in New Zealand</p>	<p>a. Developing and issuing a follow up joint report with the FMA on auditor reporting.</p> <p>b. a. Considering if further guidance is needed on auditor reporting.</p>
<p>Action 1 B9B8: Performing a post implementation review of NZ AS 1 The audit of Service Performance Information three years post implementation (2023/2024)</p>	<p>Performing a post implementation review of NZ AS 1- The Audit of Service Performance Information.</p>
<p>Action 1 B10B9: Considering and addressing the implications of the XRB mandate</p>	<p>Addressing issues arising as a result of the <u>change to the XRB's legal mandate and any changes to the mandate in relation to related services</u>, and the implications (if any) on the professional and ethical standards:</p> <ul style="list-style-type: none"> • The quality management standards • The Code of Ethics
<p>Specific Strategy 2: Standards are Evidenced-Informed as to User Needs</p> <p>A key objective of the XRB is to ensure that auditing and assurance standards are based on a user-needs approach i.e. the assurance reports required by those standards provide the level of assurance and information required by users of those assurance reports for accountability and decision-making purposes. This strategy involves undertaking organised research into needs of the various users of NZAuASB standards as a basis for considering enhancements to the NZAuASB's standards in the future, to help inform efforts to influence the work of the international standard setting boards, to respond to developments in reporting and to provide thought leadership.</p>	
<p>Specific action</p>	<p>This action will comprise...</p>
<p>Action 2.1 Undertaking and considering user needs research as appropriate</p>	<p>a. Identifying and performing applicable user needs research to undertake where appropriate.</p> <p>b. Considering output of research available (including in liaison with the AUASB) and how this can best contribute to the quality of standard setting work.</p>

Commented [S3]: Completed.

Action 2.2 Developing relationships with academia and other “think tanks”	<p>Developing relationships to direct user needs research to contribute to the standard setting process, by</p> <ol style="list-style-type: none"> Leveraging collaboration between the academic members of the NZAuASB and the AUASB Meeting with academic constituent groups on a rolling basis as part of the NZAuASB’s regular meetings; Taking opportunities to meet with academics <u>through AFAANZ and</u> in other fora, including at events hosted by them.
Action 2.3 Promoting an evidence informed standard setting strategy	<p>Reviewing the AUASB’s strategy and refining the NZAuASB’s approach under this Specific Strategy Through Action 2.2, continuing to encourage opportunities for evidence informed standard setting, including by:</p> <ol style="list-style-type: none"> identifying areas for research related to auditing and assurance standards and ethical standards; developing means by which academics can (individually or in concert) contribute to the NZAuASB’s due process for standard setting.
Specific Strategy 3: High Quality Global Standards Applicable in New Zealand	
<p>A key aspect of the overarching strategy contained in the XRB Strategic Plan is the international convergence approach. Implicit in this approach is the need for the NZAuASB to mostly be a “standard-taker” i.e. to use the international standards as the base for New Zealand standards. For those standards to be appropriate in New Zealand, it is important for the NZAuASB to seek to influence international standards during appropriate stages of standards development to ensure high quality global standards that are both applicable in New Zealand and in the public interest.</p> <p>The purpose of Specific Strategy 3 is to seek to influence the work of the international boards during the early stages of standards development through the establishment of “influencing strategies” specific to each international board.</p> <p>The NZAuASB’s specific strategic actions relating to Specific Strategy 3 reflects the Board’s responsibilities for promulgating auditing and assurance standards. Its influencing strategies are therefore targeted at the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA). This includes collaborating with other NSSs to ensure the global standards are high quality and fit-for-purpose in national jurisdictions.</p>	
Action 3.1: Building Relationships with the IAASB	<ol style="list-style-type: none"> Attending relevant meetings and events (including NSS meetings); Taking opportunities to meet with IAASB members and staff; Fostering relationships with and providing support to Australasian representatives on the IAASB and those who are involved in relevant working groups;

	<ul style="list-style-type: none"> d. Hosting IAASB members and staff in visits to New Zealand as appropriate; e. Responding, as appropriate, to requests for information from the IAASB and any other relevant working groups.
Action 3.2: Increasing the International Visibility of the NZAuASB	<ul style="list-style-type: none"> a. Volunteering to present at the NSS meetings on New Zealand projects or with the AUASB/APESB and/or other NSS on joint projects; and b. Identifying appropriate, mutually beneficial IAASB and IESBA projects and contributing technical resources in support of those projects.
Action 3.3: Supporting Lyn Provost in her role as IAASB member	<ul style="list-style-type: none"> a. Inviting Lyn Provost to Board meetings and providing high level support for her role (and monitoring the inputs of the Technical Advisory Group); b. The Director Assurance Standards attending IAASB meetings as Technical Advisor (TA) to Lyn Provost.
Action 3.4: Building Relationships with the IESBA	<ul style="list-style-type: none"> a. Attending relevant meetings and events (including NSS meetings); b. Taking opportunities to meet with IESBA members and staff; c. Fostering relationships with Australian representatives on the IESBA; d. Hosting IESBA members and staff in visits to New Zealand; e. Responding, as appropriate, to requests for information from the IAASB-IESBA and any other relevant working groups.
Action 3.5: Working with the IESBA to explore transfer of the eCode to New Zealand Consider digitisation of the XRB NZAuASB standards	<ul style="list-style-type: none"> a. Monitor IFAC and AUASB digital publication projects and consider if appropriate for XRB standards contribute as needed. b. Consider and assess most appropriate action to recommend to the XRB regarding digitisation of NZAuASB standards a.c. Working with the IESBA and CA ANZ, as appropriate, to ensure NZ specific provisions can be incorporated into the eCode by: b. Contributing technical resource to the next phase of the IESBA project; and d. Assisting IESBA with testing the eCode application adjusted for jurisdictional provisions in New Zealand.
Action 3.6: Collaborating	<ul style="list-style-type: none"> a. Be an active participant in the NASS collaboration project

Commented [SvD4]: Transfer on hold by IFAC as they explore technology-enabled solutions for all IFAC's standard setting Boards

<p>with other NSSs to ensure global standards are fit for purpose at jurisdictional level</p>	<p>with the the AUASB, Canadian and Netherlands NASSs, including:</p> <ul style="list-style-type: none"> i. Leading the exploration internationally of how NASS can work more collaboratively with each other to address issues associated with current and recently released IAASB standards (e.g. the impact of technology on the audit, SMP/LCE audit issues, and the implementation of new or updated standards). ii. Identifying and exploring opportunities for the IAASB and national auditing and assurance standard setters (NASS) to work collaboratively to enable more impactful support for the IAASB in progressing its current and future work. iii. Continuing to develop an understanding of how NASS as a stakeholder group can better inform the implementation of the IAASB’s current and future strategies, through global and regional actions that increase the value and perception of the audit. <p><u>b. Working with Supporting, where possible, the IAASB and the IESBA in support of their joint initiatives project to foster “quadrilogue” and project specific collaboration between the two boards and their respective NSS groups.</u></p> <p><u>b.c. Monitoring the implementation of the Monitoring Group’s reforms, including consideration of the implications of the Group’s new public interest framework for the work of the XRB and the NZAuASB both in New Zealand and internationally.</u></p>
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Specific Strategy 4: Standards Developed Collaboratively with Constituency

Another key aspect of the NZAuASB’s standard setting strategy is to ensure that standards are developed in collaboration with the constituency. This is reflected in Specific Strategy 4 which has three elements:

Constituent engagement, awareness raising activities and sector facilitation.

Specific action	This action will comprise...
<i>Constituent Engagement: establish ways for the NZAuASB to enhance the level and quality of constituent engagement.</i>	
Action 4.1: Enhancing Due Process Consultation	Enhancing due process consultation with major user constituent groups ³ and all participants in the financial and non-financial reporting “supply chains” on specific issues relating to the auditing and assurance standards, especially consultation relating



³ CAANZ, CPA, FMA, IOD, NZX and others


	<p>to due process documents, by:</p> <ol style="list-style-type: none"> a. Identifying and implementing innovative, targeted consultation methods with a focus on “why” the change, that are high value-added but relatively low-effort from the constituents’ point of view; and b. Proactively engaging with relevant constituent groups about specific technical issues or matters being considered domestically or internationally.
Action 4.2: Undertaking On-Going Dialogue	<p>Undertaking an on-going dialogue with relevant constituent groups across all sectors on general matters relating to auditing and assurance standards, including changes resulting from the evolving nature of the audit and assurance market by:</p> <ol style="list-style-type: none"> a. Meeting with major constituent groups on a rolling basis as part of the NZAuASB’s regular meetings; b. Taking opportunities to meet with major constituent groups in other fora, including at events hosted by those groups; and c. Maintaining strong working relationships at the operational level with key constituent groups.
Action 4.3: Improving engagement with assurance practitioners in small firms.	<p>Seeking to improve engagement with assurance practitioners that are small firms and sole practitioners, by:</p> <p>Specifically targeting this group when consulting about relevant standards using customised consulting approaches.</p>
<p><i>Awareness raising activities: ensuring assurance practitioners and assurance users (where relevant) understand the auditing and assurance standards that apply when performing assurance engagements required by law.</i></p>	
Action 4.4 promoting understanding of the auditing and assurance standards and engagements	<p>Undertake activities throughout the life-cycle of developing standards to promote an increased understanding of auditing and assurance standards by:</p> <ol style="list-style-type: none"> a. Conducting seminars, presentations, speaking engagements and other awareness raising activities as appropriate that help raise awareness: <ul style="list-style-type: none"> • of assurance practitioners about new and revised auditing and assurance standards; • of assurance users (where relevant) about auditing and assurance standards and the benefits of and options for enhancing credibility; b. Promoting awareness of the IAASB and the IESBA implementation support activities.
<p><i>Sector facilitation: encouraging, facilitating and supporting other relevant organisations to provide appropriate training and professional development activities relating to financial reporting; and working with other agencies to ensure the linkages between the work of relevant agencies in the financial reporting area are identified and gaps addressed.</i></p>	
Action 4.5: Support the XRB to promote Understanding of the	<p>a. Assisting the XRB to develop an appropriate XRB response plan to the recommendations in the Brydon report and the</p>



Factors that Affect Audit Quality	<p>Australian Parliamentary Inquiry.</p> <p>a-b. Actively supporting the XRB in its work with regulators and other stakeholders to promote an understanding of the factors that affect audit quality;</p> <p>b-c. Conducting seminars, presentations, speaking engagements and other awareness raising activities as appropriate that inform all participants in the external reporting supply chain about the factors that affect audit quality.</p>
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4. NZAuASB Strategic Action Plan Summary

The NZAuASB’s planned strategic actions are summarised in the table below.

	Specific Strategy	Action
	<p>Specific Strategy 1: Standards are Fit-for-Purpose – Part A: Maintain Existing Suite of Standards (Business as Usual)</p> <p>The primary responsibility of the NZAuASB is to maintain and enhance the existing suite of auditing and assurance standards (including professional and ethical standards for assurance practitioners); and</p> <p>to continue the convergence and harmonisation approach (where relevant) for auditing and assurance standards.</p>	Action 1A.1: Contributing to International Due Process
		Action 1A.2: Maintaining New Zealand Standards
		Action 1A.3: Monitoring the Assurance Environment
	<p>Specific Strategy 1: Standards are Fit-for-Purpose – Part B: Address Critical Issues</p> <p>This strategy is to address any deficiencies or gaps in existing standards that are critical to user-needs and the quality of financial reporting.</p> <p>The actions required under this strategy are to (a) identify critical issues; and (b) undertake appropriate actions to address those critical issues within a reasonable timeframe.</p>	Action 1B.1: Developing an Assurance Standard on the Examination of Prospective Information
		Action 1B.2: Consider what further guidance is needed on the use of the XRB auditing and assurance standards and relevant assurance products and develop guidance where identified
		Action 1B.3: Developing a Review Standard on Service Performance Information
		Action 1B.4: Developing an Engagement Standard/Guidance for smaller NFPs

		<p>Action 1B.5: Performing a post implementation review jointly with the AUASB on the Compliance Engagement Standard</p> <p>Action 1B.6: Amending NZ SRE 2410 Review of Financial Statements Performed by the Independent Auditor of the Entity</p> <p>Action 1 B.6: Performing a post implementation review of NZ SRE 2410 Review of Financial Statements by the Independent Auditor of the Entity three years post implementation.</p> <p>Action 1 B7: Reviewing the compelling reason test and the harmonisation policy jointly with the AUASB</p> <p>Action 1 B8: Performing a follow-up joint review with the FMA on auditor reporting in New Zealand</p>
		Action 1B.98: Performing a post implementation review of NZ AS 1 <i>The Audit of Service Performance Information</i> three years post implementation
		Action 1 B.109: Considering and addressing the implications of the XRB mandate
	<p>Specific Strategy 2: Standards are Evidenced-Informed as to User Needs</p> <p>A key objective of the XRB is to ensure that auditing and assurance standards are based on a user-needs approach i.e. the assurance reports required by those standards provide the level of assurance and information required by users of those assurance reports for accountability and decision-making purposes.</p> <p>This strategy involves undertaking organised research into needs of the various users of NZAuASB standards as a basis for considering enhancements to the NZAuASB's standards in the future, and to help inform efforts to influence the work of the international standard setting boards, to respond to developments in reporting and to</p>	<p>Action 2.1: Undertaking and considering user needs research as appropriate</p> <p>Action 2.2: Developing relationships with academia and other "think tanks"</p> <p>Action 2.3: Promoting an evidence informed standard setting strategy</p>

	provide thought leadership.	
	Specific Strategy 3: High Quality Standards Applicable in New Zealand The NZAuASB strategy is to seek to influence the work of the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA) during the early stages of standards development, through the establishment of “influencing strategies” specific to each international board.	Action 3.1: Building Relationships with the IAASB
		Action 3.2: Increasing the International Visibility of the NZAuASB
		Action 3.3: Supporting Lyn Provost in her role as IAASB member.
		Action 3.4: Building Relationships with the IESBA
		Action 3.5: Consider digitisation of the NZAuASB standards Working with the IESBA to explore implementation of the ECode in New Zealand
		Action 3.6 Collaborating with other NSSs to ensure global standards are fit for purpose at jurisdictional levels.
	Specific Strategy 4: Standards developed Collaboratively with Constituency A key aspect of the NZAuASB’s standard setting strategy is to ensure that standards are developed with constituents in a collaborative manner, through outreach, awareness raising activities and sector facilitation. This strategy also includes maintaining relationships with major user constituent groups ⁴ and all participants in the financial “reporting process” groups to monitor any emerging issues.	Action 4.1: Enhancing Due Process Consultation
		Action 4.2: Undertaking On-Going Dialogue
		Action 4.3: Improving engagement with assurance practitioners in small firms.
		Action 4.4: Promoting understanding of the auditing and assurance standards and engagements
		Action 4.5: Supporting the XRB in Promoting Understanding of the Factors that Affect Audit Quality

⁴ CAANZ, CPA, FMA, IOD, NZX and others

APPENDIX A: Summary of the XRB's Strategic Priorities for the ~~2019-2020-2024-2025~~ Period

The XRB's strategies aim to contribute to building trust and confidence in the reporting by New Zealand organisations across all sectors⁵.

In the period from 1 July ~~2019-2020~~ to 30 June 202~~5~~⁴, the XRB plans to further develop the standards frameworks (including accounting and auditing & assurance standards⁶ ~~and, as appropriate extended external or integrated reporting~~) to ensure they ~~continue are to be fit-for-purpose for the future. The XRB will focus on developing the User needs Framework to ensure it is A User needs Framework for New Zealand's Wellbeing and that the XRB's standards frameworks (and standards) meet user needs~~ and continue to:

- engender confidence in New Zealand ~~external reporting across all sectors; financial reporting;~~
- assist New Zealand entities to ~~communicate their performance~~ ~~compete; and~~
- ~~enhance entities' accountability to New Zealand stakeholders;~~ ~~and~~
- ~~support a high performing and accountable public sector~~

thereby contributing to sustainable and inclusive economic goals ~~of New Zealanders~~ and ~~the intergenerational wellbeing of New Zealanders~~.

Strategic Priorities – ~~2019-2020-2024-2025~~

The XRB's outcome goal in the period ~~2019-2020-2024-2025~~ will be achieved through several specific strategies, as set out below:

Overarching Strategy – Broad strategic approach	
<ul style="list-style-type: none"> • Maintaining the existing financial reporting strategy including the two-sector, multi-standards, multi-tier Accounting Standards Framework • Continuing, as appropriate, the convergence and harmonisation approach for both accounting and auditing & assurance standards • Responding to the changing international environment and external reporting landscape • Work with stakeholders to consider the mandate of the XRB in the setting of EER standards and guidance 	
Specific Strategy	To be achieved by....
Specific Strategy 1: Standards are Fit-for-Purpose	Enduring policy of sector-specific standards and Tier Structure. Maintaining a financial reporting strategy and standards frameworks that are: <ul style="list-style-type: none"> • Reliable and require infrequent changes; • Consistent with NZ's legislative frameworks; and • Responsive to legislative changes and stakeholder feedback input (including the Targeted Review of Accounting Standards Frameworks) Appropriate policy of international convergence/harmonisation. Maintaining existing accounting and auditing & assurance standards (and associated pronouncements) so that: <ul style="list-style-type: none"> • They are of high quality; • They remain consistent with international standards, as

⁵ The underlying foundations of the XRB's strategic plan are set out in detail in the XRB's [Strategic Plan 1 July 2014 to 30 June 2019](#) and in subsequent Strategic Plans.

⁶ Auditing & assurance standards, including ethics standards.

	<p>appropriate; and</p> <ul style="list-style-type: none"> • There is local relevance and acceptance. <p>Enhancing existing accounting-financial reporting and auditing & assurance standards (and associated pronouncements) by:</p> <ul style="list-style-type: none"> • Identifying and addressing any New Zealand-specific deficiencies or gaps; and • Expanding, where necessary, the XRB’s legal mandate in relation to the issue of standards <u>in order to provide for the integrated reporting of an entity’s performance or position in terms of both financial and non-financial information</u>.,. <p>Ensuring transparent due process and consultation.</p> <p>Reviewing the existing “standard taker” policy, understanding the ramifications of change and discussing with policy makers.</p>
Specific Strategy 2: Standards are Evidenced-Informed as to User Needs	<p>Undertaking organised research into the financial and non-financial information needs of users of our standards:</p> <ul style="list-style-type: none"> • as a basis for enhancing the financial reporting framework or specific standards; • to inform efforts to influence the work of the international standard setting boards; • to respond to developments in corporate-extended external reporting; and • to provide thought leadership. <p>Undertaking a Targeted Review of the accounting standards frameworks in the period 2019-2020</p>
Specific Strategy 3: High Quality Global Standards Applicable in New Zealand	<p>Seeking to influence the work of the international boards during appropriate stages of standards development to ensure high quality global standards that are both applicable in New Zealand and in the public interest:</p> <ul style="list-style-type: none"> • Using targeted “influencing strategies” specific to each international board; and • By participating, building relationships, and, where appropriate, being represented on international boards. <p>Anticipating, monitoring and responding to major disruptions and developments in the international standard setting structures and environment, particularly in the audit market, and ensuring that stakeholders are well informed. The XRB remains alert to the need for any resultant changes in strategies and/or actions.</p> <p>Maintaining and enhancing regional relationships with like-minded countries, as a contingency plan in the event of a return to national standard setting or a move away from principles-based standards. to ensure New Zealand’s influence in the region.</p> <p>Re-considering the most effective investment of resources in respect of our influencing strategies, whether this be at the commencement of the standard setting process, the end of the standard setting process or working more closely with regional groups. This activity needs to be sustainable and in the public interest in a constrained resource environment. A prioritisation exercise may be needed and domestic influencing re-considered.</p>
Specific Strategy 4: Standards Developed Collaboratively with Constituency	<p>Developing standards in a collaborative manner with the constituency by:</p> <ul style="list-style-type: none"> • Implementing new engagement strategies (perhaps “labs” or “think tanks”) to enhance the depth and breadth of constituency engagement (including all participants in the financial “reporting process”); and

	<ul style="list-style-type: none"> Increasing awareness raising activities across all participants of the financial “reporting process” throughout the life-cycle of developing standards including detailing “why” the change. <p>Promoting the awareness, understanding and implementation of EER among New Zealand constituents by:</p> <ul style="list-style-type: none"> maintaining a proactive leadership approach to EER, considering investor versus broader stakeholder requirements; continuing to respond to demands for EER by working with stakeholders to consider the mandate of the XRB in the setting of EER standards and guidance. a strategy for EER in response to user demands; and increasing the collaborative approach with other key stakeholders to EER. <p>Working with other agencies, including other standard-setters, to ensure any external reporting and assurance gaps are identified, understood, researched if necessary and addressed. <u>In particular, investigating the opportunity to extend the mandate as envisioned by S17(2) of the FRA in order to provide for the integrated reporting of an entity’s performance or position in terms of both financial and non-financial information.</u></p> <p>The XRB and the technical boards working together to create the power of “one voice” and the full utilisation of our “levers” in the constituent’s awareness of the legislative nature of the standards ensuring consistent, timely and effective implementation.</p> <p>Providing a thought leadership role involving bold thinking, being proactive and facilitating meetings with key stakeholders to make a difference.</p> <p>Encouraging, facilitating and supporting other relevant organisations to provide appropriate training and professional development activities relating to external reporting.</p>
<p>Specific Strategy 5: Capable, High-Performing and Financially Prudent Organisation</p>	<p>Maintaining a high-performance culture to achieve the XRB’s outcome goals in a rapidly changing environment.</p> <p>Operating in a financially prudent manner <u>with particular focus on developing a robust Vote for bid for the 2021/22 financial year as the XRB runs down its reserves to ensure a new level of funding to support the functions of the XRB to effectively contribute to its stated outcome goals.</u></p> <p><u>Establish clear milestone and funding needs if the XRB mandate should be extended</u></p> <p><u>Establishing and maintaining the necessary level of capability (both Board and staff) needed to deliver the outputs.</u></p> <p>Strengthening, widening and improving the relationship matrix.</p> <p><u>Actively seeking the involvement of a Seek digital-specialist digital capability or specialised advisory group to provide timely and expert advice on technological improvements to the XRB’s output work.</u></p>

NZAuASB Proposed 20_21 Implementation Work Plan

Specific Strategy 1: Standards are Fit-for-Purpose

PART A: Business as Usual

Key:			
Green – ongoing activity and on track			
Orange – action is work in progress and on track			
Red – no action taken			
NZAuASB Action 1A.1:	Timing	2020/21 Planned Actions	2020/21 Actual Actions
Contributing to International Auditing and Assurance Standards Due Process			
<i>The NZAuASB will actively contribute to the "due process" activities of the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA). These activities relate to the development or amendment of international standards.</i>			
The Action will comprise:			
a. Ensuring assurance practitioners and relevant users of assurance reports are aware of IAASB and IESBA due process documents and encouraging them to make submissions directly to the international boards and to the NZAuASB;	Ongoing	<ul style="list-style-type: none"> Issue newsletters when international documents issued Organise consultation events as appropriate, with a focus on "why" the change Promote awareness on social media 	
b. Responding, as appropriate, to IAASB and IESBA due process documents (consultation documents, discussion papers and exposure drafts) and doing		<ul style="list-style-type: none"> Prepare comment letters 	

so in conjunction with the Australian Auditing and Assurance Standards Board (AUASB) and Australian Accounting and Professional Ethical Standards Board (APESB) where appropriate;		<ul style="list-style-type: none"> • Liaise with AUASB in accordance with established protocol before letters finalised • Liaise with APESB to the extent considered appropriate in each case 	
c. Participating, as appropriate, in roundtables and other face-to-face due process related meetings organised by the international boards.		<ul style="list-style-type: none"> • Participate in events in NZ or Australia (or elsewhere on an exceptional basis) 	

NZAuASB Action 1A.2: Maintaining New Zealand Auditing and Assurance Standards	Timing	2020/21 Planned Actions	2020/21 Actual Actions
<p><i>The NZAuASB will amend the auditing and assurance standards (auditing standards, review engagement standards, other assurance standards) to ensure that the existing suite of standards are maintained on an on-going basis.</i></p> <p>The Action will comprise:</p>			
a. Incorporating any auditing and assurance standards, or amendments to those standards, issued by the IAASB, to achieve convergence, as appropriate, and including working with the AUASB to ensure any changes are appropriately harmonised; and	Ongoing	<ul style="list-style-type: none"> • Amend standards following due process as documents issued by IAASB • Liaise with AUASB in accordance with harmonisation process protocol 	The following standards/guidance have been approved and issued to NZ constituents following due process:
b. Incorporating any ethical standards for assurance practitioners, or amendments to those standards, issued by IESBA, including liaising with the		<ul style="list-style-type: none"> • Amend standards following due process as documents issued by IESBA 	The following standards/guidance have been approved and issued to NZ constituents following due process:

<p>APESB to ensure any changes are appropriately harmonised.</p>		<ul style="list-style-type: none"> • Interact with APESB staff and Chair as appropriate • Observe some APESB meetings to build relationships with staff and the Board • Agree a communications protocol with the APESB • Develop harmonisation process protocol with APESB • Apply APESB harmonisation protocol 	
<p>c. Responding as appropriate to any gaps /issues identified with the current suite of standards</p>		<ul style="list-style-type: none"> • Develop an appropriate response where such matters are identified. • Utilisation of research and stakeholder engagement where appropriate. 	
<p>d. Incorporating any amendments to international auditing and assurance standards to domestic standards where applicable, including liaising with the AUASB.</p>		<ul style="list-style-type: none"> • Amend standards following due process and agreed policy. • <u>Consider impact of ISA 315 (Revised), ISA 540 (Revised) on NZ AS 1, and other domestic standards – in progress.</u> 	<ul style="list-style-type: none"> •
<p>e. Developing domestic standards, and amendments to standards, as appropriate, including working with the AUASB to ensure,</p>		<ul style="list-style-type: none"> • Develop or amend domestic standards following due process and agreed policy. 	

where relevant, domestic standards are appropriately harmonised			
f. Liaising with the New Zealand Accounting Standards Board (NZASB) during the development stage of new or amending accounting standards and any post-implementation reviews to identify any audit or assurance considerations.		<ul style="list-style-type: none"> • Liaise with the NZASB as appropriate • NZAuASB staff to attend at least 3 NZASB staff briefing or education sessions during the year to receive and provide update on work plans • Invite NZASB Chair and Director to meetings to provide update on NZASB workplan. 	
NZAuASB Action 1A.3: Monitoring the Assurance Environment	Timing	2020/21 Planned Actions	2020/21 Actual Actions
<p><i>The NZAuASB will monitor the wider assurance environment, liaise with key participants in the financial and non-financial reporting "supply chain", and consider the implications of any developing issues for New Zealand auditing and assurance standards.</i></p> <p>The Action will comprise:</p>			
a. Monitoring issues arising from the implementation of the current suite of standards and responding as appropriate;	Ongoing	Passive monitoring via media, public sources, and relationship contacts, specifically: <ul style="list-style-type: none"> • implementation of new auditor reporting for FMC reporting entities • implementation of auditing of accounting estimates 	

		<ul style="list-style-type: none"> • implementation of the revised and restructured Code of Ethics • auditing of SSPs <p>Monitor modified auditor reports and report half yearly to Board</p> <p><u>Monitoring matters regarding COVID-19 including:</u></p> <ul style="list-style-type: none"> - <u>ongoing meetings with FMA and with assurance leaders about standards re Covid -19.</u> - <u>Director liaising with group of NSS representatives and IAASB staff to discuss possible issues.</u> - <u>Issue guidance as appropriate</u> 	
b. Monitoring issues or gaps with the current suite of standards and responding as appropriate.	Ongoing	<ul style="list-style-type: none"> • Take action as appropriate as matters arise during the year 	
c. Tracking local and international research projects, monitoring academic research outputs in both New Zealand and Australia in conjunction with the AUASB and considering the implications	Ongoing	<ul style="list-style-type: none"> • Monitor projects, including: <ul style="list-style-type: none"> - global extended external reporting developments - academic research 	

for the New Zealand auditing and assurance standards;		<ul style="list-style-type: none"> - use of data analytics and artificial intelligence in auditing; - auditing for SMEs - non-assurance services 	
d. Monitoring results from QA reviews conducted locally and internationally and considering the implications for New Zealand auditing and assurance standards;	Ongoing	<ul style="list-style-type: none"> • Director continue to participate at FMA Audit Oversight Committee meetings and report as necessary to the Board • Analyse results of QA reviews for standards issues. • Liaise with FMA on reviews conducted. • Report on FMA QA findings considered Dec 2019- matters re journal testing for fraud noted for follow up. 	
e. Assisting the XRB to contribute to government policy work relating to auditing and assurance and other related services standards	Ongoing	<ul style="list-style-type: none"> • Interact with MBIE and other agencies as requested by them, or as identified as necessary • Follow up with RBNZ regarding auditor reporting. 	

<p>f. Monitoring the XRB EER project, contributing to the development of guidance as appropriate, and work with others to ensure that any assurance gaps are identified, understood, researched if necessary and addressed.</p>		<ul style="list-style-type: none"> • Monitor developments and consider if any action is required • Collaborate with others in researching innovation in EER assurance engagements 	
<p>g. Monitoring activities and developments in the wider assurance standard setting space, particularly for changes coming out of the Monitoring Group review and major reviews in other jurisdictions, and considering the implications for the New Zealand auditing and assurance standards</p>		<ul style="list-style-type: none"> • Monitor developments and consider if any action is required 	
<p>h. Collaborating with the NZASB on projects where quality issues with accounting standards may have an audit impact, and by supporting the targeted review of the accounting standards framework.</p>		<ul style="list-style-type: none"> • <u>Identify projects in collaboration with NZASB staff</u> • <u>Include on agenda when required.</u> 	
<p>i. <u>Monitor issues in respect of the Covid=-19 crises and the implications for assurance in New Zealand, including the implementation of the auditing and assurance standards</u></p>		<ul style="list-style-type: none"> • <u>Director to continue to liaise with other NSS and the IAASB about emerging issues.</u> • <u>Ongoing meetings with the FMA and assurance practitioners about emerging issues.</u> • <u>Take action as appropriate as matters arise during the year.</u> 	

Specific Strategy 1: Standards are Fit-for-Purpose

Part B: Address Critical Issues

NZAuASB Action 1B.1: Developing an Assurance Standard on the Examination of Prospective financial information	Timing	2020/21 Planned Actions	2020/21 Actual Actions
<p><i>The NZAuASB will develop an assurance standard for other assurance engagements involving the examination of prospective financial information.</i></p> <p>This action will comprise:</p>			
<p>Developing the standard in accordance with the due process for domestic standards, ensuring harmonisation with the AUASB standard as appropriate.</p>	<p>Whole year.</p>	<ul style="list-style-type: none"> • Approve updated project plan and continue development of standard in accordance with the agreed project plan • New timeline to establish to complete in 2020/2021. 	
NZAuASB Action 1B.2: Consider what further guidance is needed on the use of the XRB auditing and assurance standards and relative assurance products, and develop guidance where identified	Timing	2020/21 Planned Actions	2020/21 Actual Actions
<p><i>The NZAuASB will consider what further guidance is needed in the New Zealand environment. The action will comprise:</i></p>			

<p>Considering what further guidance is needed</p> <p>Developing appropriate guidance.</p>	<p>Whole year.</p>	<ul style="list-style-type: none"> • Consider if there is a need for further guidance on the use of the assurance standards. • Liaise with the AUASB staff when they update/develop guidance and consider if equivalent guidance needed in NZ • Develop further guidance in accordance with the approved project plan and in collaboration with the AUASB where applicable • Include guidance on website • Promote the guidance • Guidance on use of Management's Expert approved for development in NZ, based on Australian guidance. Note final to be issued in July 2020. 	<ul style="list-style-type: none"> •
<p>NZAuASB Action 1B.3:</p> <p>Developing a review standard on service performance information</p>	<p>Timing</p>	<p>2020/21 Planned Actions</p>	<p>2020/21 Actual Actions</p>
<p><i>The NZAuASB will develop a review standard on service performance information for Public Benefit Entities (PBEs)</i></p>			

The action will comprise:			
Developing the standard in accordance with the due process for domestic standards and in collaboration with the AUASB as appropriate.	Commence 2 nd half 2020-21 and complete 2021-22.	<ul style="list-style-type: none"> • Approve project plan and commence development of the engagement standard in accordance with the agreed project plan. • New timeline to establish to complete in 2021/2022. • New sub-committee to be formed • Update from OAG on status and uptake of NZ AS 1 	
NZAuASB Action 1B.4:	Timing	2020/21 Planned Actions	2020/21 Actual Actions
Developing an engagement standard/guidance for smaller NFPs			
<i>The NZAuASB will develop an engagement standard/guidance for smaller NFPs not required to have an audit or a review to better meet the needs of users, as informed by research completed in 2016-17.</i>			
The action will comprise:			
Developing the standard/guidance in accordance with the due process for domestic standards and in collaboration with the AUASB as appropriate.	Whole year. – to complete 2020-21.	<ul style="list-style-type: none"> • Commence development of the engagement standard/guidance in accordance with the agreed project plan • New timeline to establish to complete in 2020/2021. 	

NZAuASB Action 1B.5 Perform a post implementation review of the Compliance Engagement Standard	Timing	2020/21 Planned Actions	2020/21 Actual Actions
<p><i>The NZAuASB will perform a post implementation review of the Compliance Engagement standard jointly with the AUASB to determine if further guidance is needed.</i></p> <p>This action will comprise:</p>			
<p>Performing a post implementation review of the Compliance standard jointly with the AUASB.</p> <p>Considering if further application guidance is needed.</p>	<p>Commence 2nd half 2019-20</p> <p><u>Timeline to establish with AUASB staff</u></p>	<ul style="list-style-type: none"> • Liaise with the AUASB and develop a joint project plan for the post implementation review • Perform the post implementation review in accordance with the approved project plan • Consider the results together with the AUASB and decide whether further application guidance is needed. • <u>New timeline to establish to complete in 2020/2021.</u> 	

NZAuASB Action 1B.6†	Timing	2020/21 Planned Actions	2020/21 Actual Actions
Amending NZ SRE 2410 Review of Financial Statements Performed by the Independent Auditor of the Entity			
<i>The NZAuASB will amend NZ SRE 2410 for the new auditor reporting requirements.</i>			
This action will comprise:			
Amending the standard in collaboration with the AUASB and in accordance with the due process for domestic standards	Complete first half 2019/20.	Amend the standard in accordance with the approved project plan	
NZAuASB Action 1B.7⁶	Timing	2020/21 Planned Actions	2020/21 Actual Actions
Perform a review of the compelling reason test and the harmonisation policy jointly with the AUASB			
<i>The NZAuASB will perform a review of the compelling reason test, in collaboration with the AUASB, to determine if it remains fit for purpose in the current auditing and assurance environment globally and in the two jurisdictions</i>			
This action will comprise:			
Performing a review of the compelling reason test and the harmonisation policy together with the AUASB about any changes that may be needed	Commence 1st half 2020-21	<ul style="list-style-type: none"> Staff to liaise with AUASB staff and to prepare a joint issues paper for the 2 Boards to consider at concurrent meetings. Both Boards to consider outcome of the respective meetings, and staff to jointly prepare an update for Boards to 	

		approve at subsequent <u>joint?</u> meeting.	
NZAuASB Action 1B.8 Perform a follow up joint review with the FMA on auditor reporting in New Zealand The Action will comprise:	Timing	2020/21 Planned Actions	2020/21 Actual Actions
a.—Developing and issuing a follow up joint report with the FMA on auditor reporting and issuing a joint report	Whole year	<ul style="list-style-type: none"> • Staff to liaise with the FMA and prepare a project plan • Prepare a joint draft report for the Board's comments • Issue the report jointly with the FMA 	
b.a. Considering if further guidance is needed on auditor reporting	As needed	<ul style="list-style-type: none"> • Consider if there is a need for further guidance 	
NZAuASB Action 1B.810 Considering and addressing the implications of the XRB mandate The action will comprise:	Timing	2019/20 Planned Actions	2019/20 Actual Actions
Addressing issues arising as a result of the <u>change to the XRB's legal mandate in relation to related services</u> and any changes to the mandate	Whole year	Consider issues arising as a result of the XRB's legal mandate on the professional and ethical standards <u>and the</u>	<u>XRB to approve updated XRB Au1 in July</u>

		quality management standards	
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Specific Strategy 2: Standards are Evidenced-Informed as to User Needs

NZAuASB Action 2.1:	Timing	2019/20 Planned Actions	2019/20 Actual Actions
<p>The NZAuASB will undertake, organised research into needs of the various users of NZAuASB standards as a basis for considering enhancements to the NZAuASB's standards in the future, and to help inform efforts to influence the work of the international standard setting boards.</p> <p>This action will comprise:</p>			
<p>a. Identifying and performing applicable user needs research to undertake where appropriate.</p>	<p>Whole year.</p>	<p>The NZAuASB has identified the following in house research projects:</p> <ul style="list-style-type: none"> • Discuss with Commerce Commission experience to date and research consider if there is a need to develop guidance on KAMs for other assurance reports • Discuss with assurance practitioners the need for guidance on journal testing. 	<ul style="list-style-type: none"> •
<p>b. Considering output of research available (including in liaison with the AUASB) and</p>	<p>Ongoing</p>	<ul style="list-style-type: none"> • Monitor outputs of research projects conducted on assurance matters 	

how this can best contribute to the quality of standard setting work.		<ul style="list-style-type: none"> Perform search to identify available research on current IAASB, IESBA and NZAuASB projects and consider relevance of research output to the projects 	
NZAuASB Action 2.2: Developing relationships with academia and other “think tanks”	Timing	2020/21 Planned Actions	2020/21 Actual Actions
<p><i>The focus of the NZAuASB specific actions will be to develop relationships with academia and other ‘think tanks’ to direct user needs research to contribute to the standard setting process.</i></p> <p>This action will comprise:</p>			
a. Leveraging collaboration between academic members of the NZAuASB and the AUASB;			
b. Meeting with academic constituent groups on a rolling basis as part of the NZAuASB’s regular meetings;		Invite representatives from academia (lecturers and researches) to a Board meeting to explore ways to best engage.	
c. Taking opportunities to meet with academics through AFAANZ and in other fora, including at events hosted by them.		<ul style="list-style-type: none"> Present a seminar at least at one university about the audit environment. 	

NZAuASB Action 2.3:	Timing	2020/21 Planned Actions	2020/21 Actual Actions
Promoting an -evidence informed standard setting strategy			
<p>Reviewing the AUASB's strategy and refining the NZAuASB's approach under this strategy. Through Action 2.2, continuing to encourage opportunities for evidence informed standard setting, including:</p> <p>a. identifying areas for research related to auditing and assurance standards and ethical standards;</p> <p>a-b. developing means by which academics can (individually or in concert) contribute to the NZAuASB's due process for standard setting.</p>			

Specific Strategy 3: High Quality Global Standards Applicable in New Zealand

NZAuASB Action 3.1: Building Relationships with the IAASB	Timing	2020/21 Planned Actions	2020/21 Actual Actions
<p><i>The NZAuASB will seek to build and maintain relationships with IAASB members and staff.</i></p> <p>The Action will comprise:</p>			
a. Attending relevant meetings and events (including National Standard Setters meetings);	Ongoing	<ul style="list-style-type: none"> Chair and Director to attend NSS meetings Director to attend IAASB meetings as Technical Advisor (TA) to Lyn Provost 	

		<ul style="list-style-type: none"> Chair to observe IAASB meetings in conjunction with NSS meeting or otherwise as appropriate 	
b. Taking opportunities to meet with IAASB members and staff;		<ul style="list-style-type: none"> Interact with key staff and Chair as appropriate NZAuASB representative and staff to attend the NSS meeting in May 2021. 	
c. Fostering relationships with and providing support to Australasian representatives on the IAASB and those who are involved in relevant working groups;		<ul style="list-style-type: none"> Support Lyn Provost as IAASB member (see 3,3) and interact regularly with Fiona Campbell at IAASB meetings and on specific topics as required Work with AUASB at chair and staff level to influence international agenda. 	
d. Hosting IAASB members and staff in visits to New Zealand as appropriate.		<ul style="list-style-type: none"> Host IAASB members and staff as appropriate 	
e. Responding as appropriate to requests for information from the IAASB and any other relevant working groups		<ul style="list-style-type: none"> Respond to requests for information as appropriate 	
NZAuASB Action 3.2: Increasing the International Visibility of the NZAuASB	Timing	2020/21 Planned Actions	2020/21 Actual Actions

The NZAuASB will take advantage of opportunities to increase its visibility in the international arena so as to illustrate its ability to contribute to the work of the IAASB in a constructive and high quality way.

The Action will comprise:

a. Volunteering to present at the NSS meetings on New Zealand projects or with the AUASB/APESB and/or other NSS on joint projects; and	Ongoing	<ul style="list-style-type: none"> Identify possible topic to present on at NSS in May 2020 	
b. Identifying appropriate, mutually beneficial IAASB and IESBA projects and contributing technical resources in support of those projects.	Ongoing	<ul style="list-style-type: none"> Contribute resources to mutual beneficial projects as opportunities arise <u>Perform information gathering on behalf of IAASB – signing partner survey developed and issued in May 2020 – to complete 31 August 2020.</u> <u>Director to participate as task force member of IAASB auditor reporting implementation working group.</u> <u>Senior project manager on part time secondment (until June 2021) to IESBA to assist with project on technology</u> 	
NZAuASB Action 3.3:	Timing	2020/21 Planned Actions	2020/21 Actual Actions

Supporting Lyn Provost in her role as IAASB member			
<i>The NZAuASB will provide support to Lyn Provost in her role as IAASB member.</i>			
The Action will comprise:			
a. Inviting Lyn Provost to Board meetings and providing high level support for her role (and monitoring the inputs of the Technical Advisory group)	Ongoing	<ul style="list-style-type: none"> • Invite Lyn Provost to Board meetings • Providing high level support for Lyn's role and monitoring the inputs of the Technical Advisory Group • Arrange high-level discussions between Lyn Provost and the NZAuASB when appropriate 	
b. The Director Assurance Standards attending IAASB meetings as Technical Advisor (TA) to Lyn Provost.		<ul style="list-style-type: none"> • Director to attend IAASB meetings as Technical Advisor (TA) to Lyn Provost 	
NZAuASB Action 3.4: Building Relationships with the IESBA	Timing	2020/21 Planned Actions	2020/21 Actual Actions
<i>The NZAuASB will seek to build relationships with IESBA members and staff.</i>			
The Action will comprise:			
a. Attending relevant meetings and events (including NSS meetings);	Ongoing	<ul style="list-style-type: none"> • Chair and Director to attend NSS meeting in May 2020. 	

		<ul style="list-style-type: none"> Chair to observe IESBA meetings in conjunction with NSS meeting or otherwise as appropriate 	
b. Taking opportunities to meet with IESBA members and staff; and		<ul style="list-style-type: none"> Interact with key staff and Chair as appropriate 	
c. Fostering relationships with Australian representatives on the IESBA.		<ul style="list-style-type: none"> Build relationship with Australian IESBA member – Invite to a NZAuASB meeting. 	
d. Hosting IESBA members and staff in visits to New Zealand as appropriate.		<ul style="list-style-type: none"> Host IESBA members and staff as appropriate 	
e. Responding, as appropriate, to requests for information from the IESBA and any other relevant working group.		Respond to requests for information as appropriate	
NZAuASB Action 3.5: Consider digitisation of the NZAuASB standards <i>Working with the IESBA and CA ANZ, as appropriate, to explore transfer of the eCode to New Zealand</i> The Action will comprise:	Timing	2020/21 Planned Actions	2020/21 Actual Actions
a. <u>Monitor IFAC and AUASB digital publication projects and contribute as needed.</u> b. <u>Consider and assess most appropriate action to recommend to the XRB for NZAuASB regarding digitisation of XRB standards</u> c. <u>Contributing technical resource to the next phase of the IESBA project</u>	Whole year	<ul style="list-style-type: none"> <u>Monitor IFAC and AUASB digital publication project and report back to NZAuASB as appropriate.</u> 	

Working with the IESBA to ensure NZ specific provisions can be incorporated into the eCode		<ul style="list-style-type: none"> • Test the eCode in New Zealand • Senior project manager to continue to assist Working Group and to update Board on progress. 	
<p>NZAuASB Action 3.6:</p> <p>Collaborating with other NASSs to ensure global standards are fit for purpose at jurisdictional levels.</p> <p>The Action will comprise:</p>	Timing	2020/21 Planned Actions	2020/21 Actual Actions
<p>a. Leading the exploration internationally of how NASSs can work more collaboratively with each other to address issues associated with current and recently released IAASB standards (e.g. the impact of technology on the audit, SMP/LCE audit issues, and the implementation of new or updated standards).</p>		<ul style="list-style-type: none"> • Jointly develop and agree a NASS Vision with the lead group of 4. • Agree Vision with the wider NASS group at the in person NSS meeting in 2020/2021 • Have quarterly phone calls with the NASS G4 group, and in-person meetings alongside the IAASB meetings. • Establish and maintain a NASS communications network • Continue to share and collaborate on work plans and specific projects identified 	

Commented [SvD1]: Transfer on hold by IFAC as they explore technology-enabled solutions for all IFAC's standard setting Boards

Commented [S2]: Completed. NASS vision has been agreed with the lead group of 4. Will be agreed with the wider NASS group when the next NSS in person meeting is held during 2020/2021

		amongst NASS G4 group to collaborate on.	
b. Identifying and exploring opportunities for the IAASB and National Assurance Standard Setters (NASS) to work collaboratively to enable more impactful support for the IAASB in progressing its current and future work.		<ul style="list-style-type: none"> • Liaise with the IAASB staff on NSS matters to work collaboratively on. • Contribute to planning NSS meetings. 	
d. Continuing to develop an understanding of how NASS as a stakeholder group can better inform the implementation of the IAASB's current and future strategies, through global and regional actions that increase the value and perception of the audit.		<ul style="list-style-type: none"> • Participate in NASS meetings • Build relationships with other NASS in the ASIA PACIFIC region. • Develop a database of NASS contacts and invite them to join the NASS communications network. • Obtain support for a wider participation at annual NASS meetings 	
<p>e. Work with <u>Supporting, where possible,</u> the IAASB and the IESBA in support of their joint <u>project initiatives</u> to foster "quadrilogue" and project specific collaboration between the two boards and their respective NSS groups</p> <ul style="list-style-type: none"> • Discussion of the initiative to promote inter-NSS activities to be deferred until the next opportunity for an in-person meeting. 		<ul style="list-style-type: none"> • Continue dialogue with the IAASB and IESBA Chairs and Directors to identify joint projects. • Plan and host the joint Boards' session at the NSS meeting in 2020/2021. • Liaise with APESB and the Canadian Ethics Standards Board to establish a communications 	

		network for national ethic standard setters.	
f. <u>Monitoring the implementation of the Monitoring Group's reforms, including consideration of the implications of the Group's new public interest framework for the work of the XRB and the NZAuASB both in New Zealand and internationally.</u>		•	
g.			

Specific Strategy 4: Standards Developed Collaboratively with Constituency

NZAuASB Action 4.1: Enhancing Auditing and Assurance Standards Due Process Consultation	Timing	2020/21 Planned Actions	2020/21 Actual Actions
<p><i>The NZAuASB will seek to enhance consultation with major assurance practitioners and user constituent groups on specific issues relating to the auditing and assurance standards, especially consultation relating to due process documents.</i></p> <p>The Action will comprise:</p>			
<p>a. Identifying and implementing innovative, targeted consultation methods with a focus on "why" the change, that are high value-added but relatively low-effort from the constituents' point of view; and</p>	Ongoing	<ul style="list-style-type: none"> • Continue current due process engagement methods • Develop new communications & engagement approach that reflects different target groups and helps to explain "why" changes are needed. 	

<p>b. Proactively engaging with relevant constituent groups about specific technical issues or matters being considered domestically or internationally.</p>		<ul style="list-style-type: none"> • Present updates on Auditing and Assurance standards to accounting, auditing, legal, and director community audiences • Promote other Topics as arise • Identify and engage with relevant groups about major new exposure drafts and standards. 	
<p>NZAuASB Action 4.2: Undertaking On-Going Dialogue</p>	<p>Timing</p>	<p>2020/21 Planned Actions</p>	<p>2020/21 Actual Actions</p>
<p><i>The NZAuASB will undertake an on-going dialogue with relevant constituent groups across all sectors on general matters relating to auditing & assurance standards, including changes resulting from the evolving nature of the audit market.</i></p> <p>The Action will comprise:</p>			
<p>a. Meeting with major constituent groups on a rolling basis as part of the NZAuASB’s regular meetings;</p>	<p>Ongoing</p>	<ul style="list-style-type: none"> • Update and include liaison schedule as a standard agenda item • Organise regular meetings with key stakeholders identified on the liaison schedule - 	
<p>b. Taking opportunities to meet with major constituent groups in other fora, including at events hosted by those groups; and</p>	<p>Ongoing</p>	<ul style="list-style-type: none"> • Organise seminars & round tables • Attend other fora • Attend mid-tier forum 	

		<ul style="list-style-type: none"> • Participate in Audit Summit meetings arranged by CAANZ and practitioners-. • Hold discussions with assurance leaders to discuss assurance matters. 	
c. Maintaining strong working relationships at the operational level with key constituent groups.	Ongoing	<ul style="list-style-type: none"> • Built relationships with key groups identified. 	
NZAuASB Action 4.3: Promoting understanding of the auditing and assurance standards and engagements	Timing	2020/21 Planned Actions	2020/21 Actual Actions
<p><i>The NZAuASB will undertake activities throughout the life-cycle of developing standards to promote an increased understanding of the auditing and assurance standards</i></p> <p>The Action will comprise:</p>			
<p>a. Conducting seminars, presentations, speaking engagements and other awareness raising activities as appropriate that help raise awareness of:</p> <ul style="list-style-type: none"> • assurance practitioners about new and revised auditing and assurance standards • users (where relevant) about auditing and assurance standards and the benefits of and options for enhancing credibility 		<ul style="list-style-type: none"> • Speaking engagements as opportunities arise • Targeted meetings with users • Journal articles • Targeted newsletters • Social media notifications • Joint assurance and accounting update webinar twice annually • CAANZ Audit conference 	

		<ul style="list-style-type: none"> AUT auditing 3rd year paper guest lecture 	
b. Promoting awareness of the IAASB and the IESBA implementation support activities.		<ul style="list-style-type: none"> Targeted newsletters Social media notifications 	

NZAuASB Action 4.5: Support the XRB to Promote Understanding of the factors that Affect Audit Quality To consider and implement recommendations as appropriate from the Bryden review and Australian inquiry	Timing	2020/21 Planned Actions	2020/21 Actual Actions
<i>The focus of the NZAuASB's specific actions will be to work with other key organisations to enhance audit quality</i> This action will comprise:			
a. <u>Assisting the XRB to develop an appropriate XRB response plan to the recommendations in the Brydon report and the Australian Inquiry.</u>		<u>Implement the XRB's strategic direction by:</u> <ul style="list-style-type: none"> <u>considering issues and developing recommendations and project plans as appropriate.</u> <u>Implementing the agreed actions in accordance with</u> 	Analysis of UK Brydon review recommendations commenced (Feb/April 2020)

		the approved project plans	
<p>b.</p> <p>c. Actively supporting the XRB in its work with regulators and other stakeholders to promote an understanding of the factors that affect audit quality</p> <p>d.</p>	Ongoing	<ul style="list-style-type: none"> Promote the audit quality framework as opportunities arise Liaise with IOD to and do an awareness raising session as part of the director education series 	
<p>e. Conducting seminars, presentations, speaking engagements and other awareness raising activities as appropriate that inform assurance users and those charged with governance about the factors that affect audit quality</p>		<ul style="list-style-type: none"> Speaking engagements as opportunities arise XRBrief article Promote guidance developed. 	

NZAuASB meeting schedule Work Plan 2020/2021 -

As at July 2020		Next project milestone <i>(Dates are indicative only and are subject to change based on factors external to the NZAuASB).</i>						
IAASB projects								
Project	Status	22 July 2020	2 Sept 2020	21 Oct 2020	3 Dec 2020	Feb 2021	April 2021	June 2021
Audit Quality	IAASB Plans for EDs: ISQC1) Expect Final June 2020 and ISQC2(EQCR) Expect Final to be approved Sept 2020.	Update		Consider matters arising Consider need for NZ guidance	Approve NZ ED or final		Consider submissions	Approve NZ standards
Audit Quality	ISA 220 (Revised) Final standard Sept 2020	Update			Approve NZ ED		Consider submissions NZ ED	Approve NZ standards
Group Audits	ED released – comments due 2 Oct 2020. Final expected Sept 2021	Update on outreach	Consider submission to XRB and draft submission to IAASB	Note final submission.		Update	Update	Update
Conforming Amendments to Other Standards Arising from Quality Management Standards	Expect ED Dec 2020, and Final in Sept 2021.			Update		Consider issues and draft submission	Note final submission	

		Next project milestone <i>(Dates are indicative only and are subject to change based on factors external to the NZAuASB).</i>						
Project	Status	22 July 2020	2 Sept 2020	21 Oct 2020	3 Dec 2020	Feb 2021	April 2021	June 2021
EER	ED phase Approved Dec 2020. Comments due 13 July. Final expected Dec 2020.	Note final submission		Update		Note final guidance		
Technology and Professional scepticism	Ongoing initiatives including dedicated working groups to undertake ongoing information gathering and research activities, as well as working to a plan for the development of guidance and other publications as needed, and inputting to other IAASB projects as relevant.	Update				Update		Update
ISA 315 Implementation						Update		
ISA 500 -Audit Evidence.	Recommendation on way forward in June 2020. Expect project plan Dec 2020.	Update				Update		
Auditor reporting post implementation	IAASB to commence planning first half of 2020, and information gathering later in 2020.			Update		Update		

		Next project milestone <i>(Dates are indicative only and are subject to change based on factors external to the NZAuASB).</i>						
Project	Status	22 July 2020	2 Sept 2020	21 Oct 2020	3 Dec 2020	Feb 2021	April 2021	June 2021
NSS meeting	Next meeting May 2020 (TBD)			Update on NSS collaboration activities		Update on NSS collaboration activities		Report back on meeting
Invite Lyn Provost to meetings	TBA. Attending April, July and October meetings.	Attending		Attending				
NASS initiative – signing of audit report outreach	Expect to report back to IAASB end Aug 2020.		Update					
Going Concern	Information gathering and research topics. Expect project plans in Sept 2021					Update		
Fraud	Information gathering and research topics. Expect project plans in June 2021					Update	Update	
LCEs	Recommendation on way forward in June 2020. Expect project plan Dec 2020.	Update		Update		Update		
IESBA projects								
E-Code/ Digital publication initiative	To monitor digital publication initiative and assist with jurisdictional implementation testing			Update				

		Next project milestone <i>(Dates are indicative only and are subject to change based on factors external to the NZAuASB).</i>						
Project	Status	22 July 2020	2 Sept 2020	21 Oct 2020	3 Dec 2020	Feb 2021	April 2021	June 2021
NSS meeting	Date TBD expect May 2021							Report back on meeting
Non-assurance services	ED approved in March 2020. Submission due July 2020	Note final submission			Update			
Fees	ED approved March 2020. Submission due July 2020.	Note final submission			Update			
Definition of a Public interest entity	Information gathering commenced. Approve ED in Dec					Issues and draft submission		
Objectivity of EQR reviewer	ED released Jan 2020. To approve in September.			Consider matters arising	PES-1 update			
Role and mindset	Approved by IESBA June 2020. Waiting for PIOB approval.		Update	Approve NZ standard				
Technology	ED expected March 2021						Consider matters	
Local projects and initiatives								
Strategic Action Plan (SAP) and Strategic Action Implementation Plan (SAIP)		Consider draft SAIP 2020/2021. Input into XRB 5 yr. SAP	Approve SAIP 2020/2021.	Consider SAP 2021-2026	Approve SAP 2021-2026 Note actual progress against SAIP 2020/21.			Note actual progress against SAIP 2020/21.

		Next project milestone <i>(Dates are indicative only and are subject to change based on factors external to the NZAuASB).</i>						
Project	Status	22 July 2020	2 Sept 2020	21 Oct 2020	3 Dec 2020	Feb 2021	April 2021	June 2021

Digitisation of standards	To monitor IFAC and AUASB digital publication initiative and consider the way forward for XRB standards		Update					
Audit Quality. Assist XRB with NZ response to Brydon report and Australian Inquiry	Issues paper with areas to explore taken to April 2020 meeting. Further actions to be decided. Expect delays due to Covid -19.			Update				
Developing an Assurance Standard on the Examination of Prospective Information	Commenced 2017/18. Key issues Dec 2018.	Update and new timeline		Issues and draft ED	Approve ED?		Consider submissions	
Compelling reason test review and the harmonisation policy/process	Timing to be agreed with AUASB		Joint Issues Paper	Joint issues cont. (joint meeting session? TBD).	Approve			
Review AUASB's evidenced informed strategy and				Consider as part of SAP strategy 2021-2026.				

		Next project milestone <i>(Dates are indicative only and are subject to change based on factors external to the NZAuASB).</i>						
Project	Status	22 July 2020	2 Sept 2020	21 Oct 2020	3 Dec 2020	Feb 2021	April 2021	June 2021
refine the NZAuASB's approach								
Post implementation review Compliance standard	Timing to be agreed with AUASB							
Inclusion of Part 2	Submissions due mid 20 July		Consider submissions and approve final.					
Review standard on SPI	Sub-committee agreed preferred approach. Confirm OAG approach to NZ AS 1 and agree implications for next steps.				Consider new sub-committee and discuss plan			
Develop guidance [ISQM1 /Commerce Commission KAMs, auditors re journals]	Consider what further guidance is needed in the NZ environment and develop such guidance		Update/ Recommendations re Commerce Commission Inquiries		Update/ recommendations re journals.			
Develop engagement standard/guidance for smaller NFPs	Approve project plan and commence development of the engagement standard/guidance in accordance with the agreed project plan	Update and new timeline	Issues/update			Issues/update	Consider first draft	Approve ED/guidance

		Next project milestone <i>(Dates are indicative only and are subject to change based on factors external to the NZAuASB).</i>						
Project	Status	22 July 2020	2 Sept 2020	21 Oct 2020	3 Dec 2020	Feb 2021	April 2021	June 2021
AUP	NZ ED issued Submissions due 15 Sept 2020			Consider submissions and approve standard				
Provide support to IAASB member	Practitioners Audit reference group to meet March/June/Sept/Dec	Note feedback June meeting		Note feedback Sept meeting		Note feedback Dec meeting		Note feedback March meeting
Annual improvements Glossary ISRE 2410	Consider impact of ISA 315 (Revised), ISA 540 (Revised) on NZ AS 1, and other domestic standards – in progress				Consider and approve			
FMA QA review analysis	To consider annually				Analysis of QA findings (TBC)			
Modified audit reports	Update to provide Dec and June				Update			
NZASB updates	Invite twice yearly - tbd.							
External visitors	Liaison register	Mike Burrell SBA						
Update on Covid 19 activities		Update		Update				



EXTERNAL REPORTING BOARD

Te Kāwai Ārahi Pūrongo Mōwaho

Strategic Plan

**For the five-year period
1 July 2020 to 30 June 2025**

20 February 2020

Strategic Plan 1 July 2020 to 30 June 2025

Introduction

This document sets out the External Reporting Board's (XRB) Strategic Plan for the five-year period from 1 July 2020 to 30 June 2025.¹ The XRB's strategies aim to contribute to building trust and confidence in the reporting by New Zealand organisations across all sectors.

In the period from 1 July 2020 to 30 June 2025, the XRB plans to further develop the standards frameworks (including accounting and auditing & assurance standards and, as appropriate extended external or integrated reporting)² to ensure they are fit-for-purpose and continue to:

- engender confidence in New Zealand external reporting across all sectors;
- assist New Zealand entities to communicate their performance;
- enhance entities' accountability to stakeholders, and
- support a high performing and accountable public sector

thereby contributing to sustainable and inclusive goals of New Zealanders and intergenerational wellbeing.

Key focus areas:

In the period from 1 July 2020 to 30 June 2025, the XRB's focus will be on ensuring its standards frameworks (and standards) meet user-needs and respond promptly to, and are resilient against, local and international external reporting developments and any significant international disruptions in the standard setting structures.

Because the financial statements are primarily backward-looking, they cannot fully explain the long-term strategy of an entity. Elements that may be essential to long-term strategy often escape the financial statements, such as its business model, its intangible resources, the economic environment it operates in, and more forward-looking information.

Consequently, the XRB expects changes and developments in external reporting resulting from the need for entities to report more widely about their strategies, business models, risks and impacts, not just on financial capital, but on other capitals, (as they relate, for example, to environmental, social, governance and other related matters). Entities are expected, to complement the reporting of their financial results with non-financial information to give a more comprehensive picture of their performance and impact.

The XRB plans to continue an active role in leading the development of this extended external reporting (EER) in New Zealand. This includes engaging with key stakeholders in the public sector as EER relates to reporting Wellbeing and the Living Standards Framework and in the private sector as developments evolve in EER to consider climate related financial disclosures. The XRB aims to engage with key stakeholders to consider the need for standards and guidance in areas such as integrated reporting and disclosure of risks such as those related to climate change.

In the area of audit and assurance there is considerable international and domestic activity examining trust and confidence in financial reporting, including audit quality, the

¹ The underlying foundations of the XRB's strategic plan are set out in detail in the XRB's [Strategic Plan 1 July 2014 to 30 June 2019](#) and in subsequent Strategic Plans.

² Auditing & assurance standards, including ethics standards.

independence of audit firms. The XRB plans to monitor closely developments coming out of a series of reviews in the UK and also the Australian Parliamentary inquiry and work with the key stakeholders in the financial reporting supply chain to consider how the issues identified in these international reviews should impact in New Zealand.

Besides ensuring that the accounting standards framework remains fit-for-purpose and meets user needs, the XRB will consider the most effective way to invest its resources in respect of its international and domestic influencing strategies.

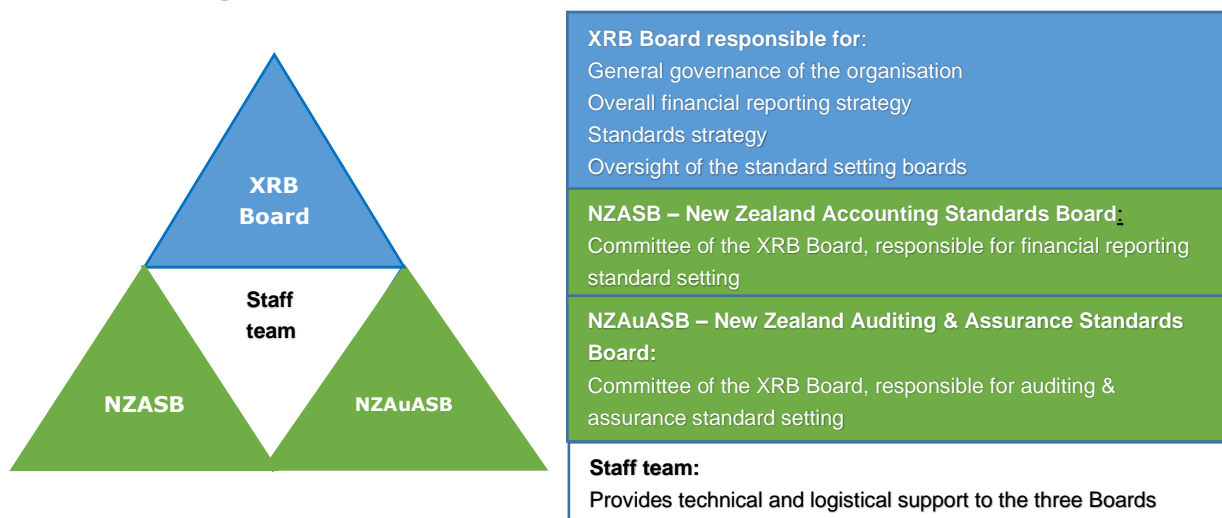
Overview of the XRB

The XRB is an Independent Crown Entity initially established under the Financial Reporting Act (FRA)1993, with continued existence under S11 of the FRA 2013. As a Crown Entity, the XRB is subject to the Crown Entities Act 2004.

XRB's statutory functions under section 12 of the Financial Reporting Act 2013 are to:

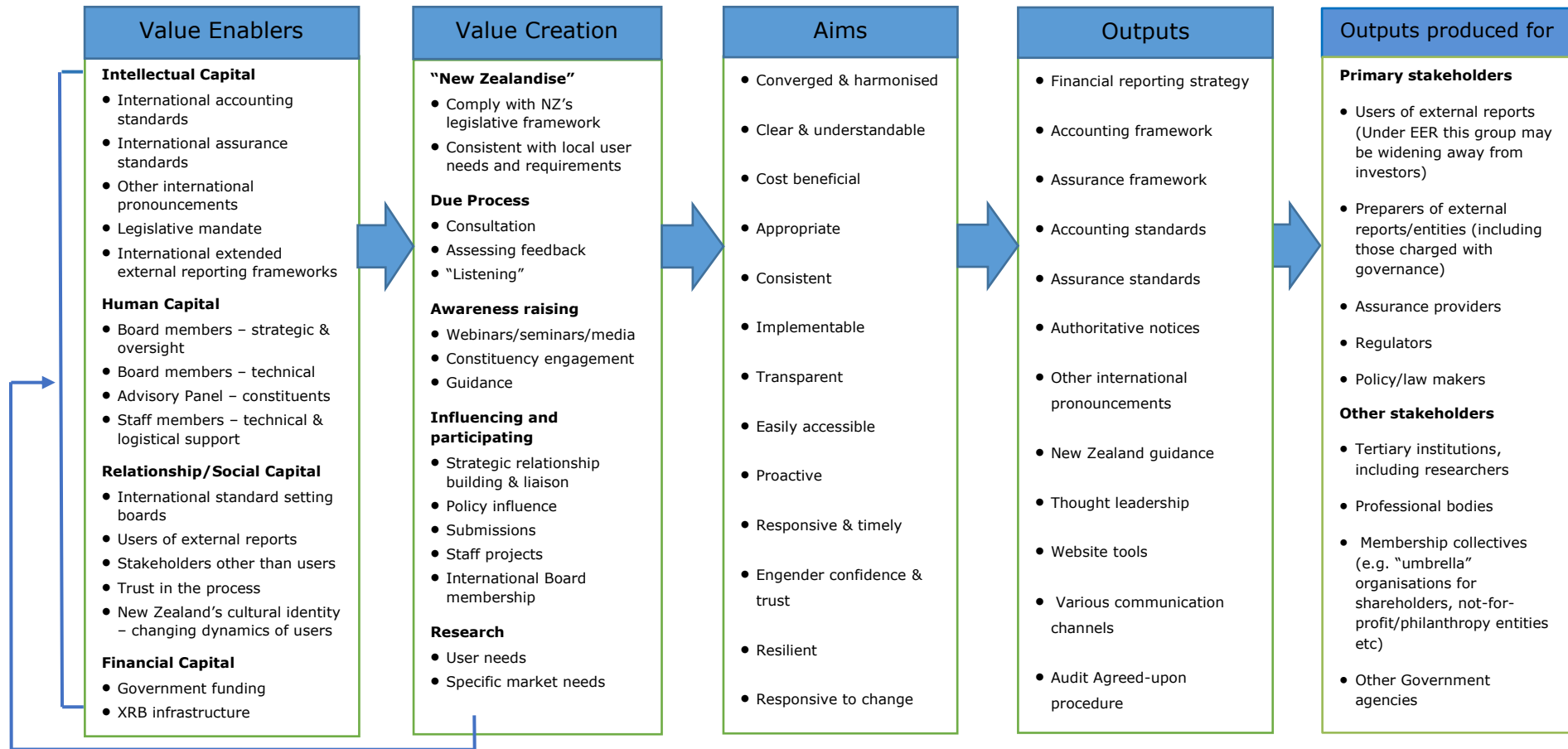
- Develop and implement strategies for financial reporting standards and auditing & assurance standards, and tiers of financial reporting.
- Prepare and issue financial reporting standards;
- Prepare and issue auditing & assurance standards; and
- Liaise with national and international organisations that correspond with, or are similar to, the XRB.

The XRB's organisational structure³



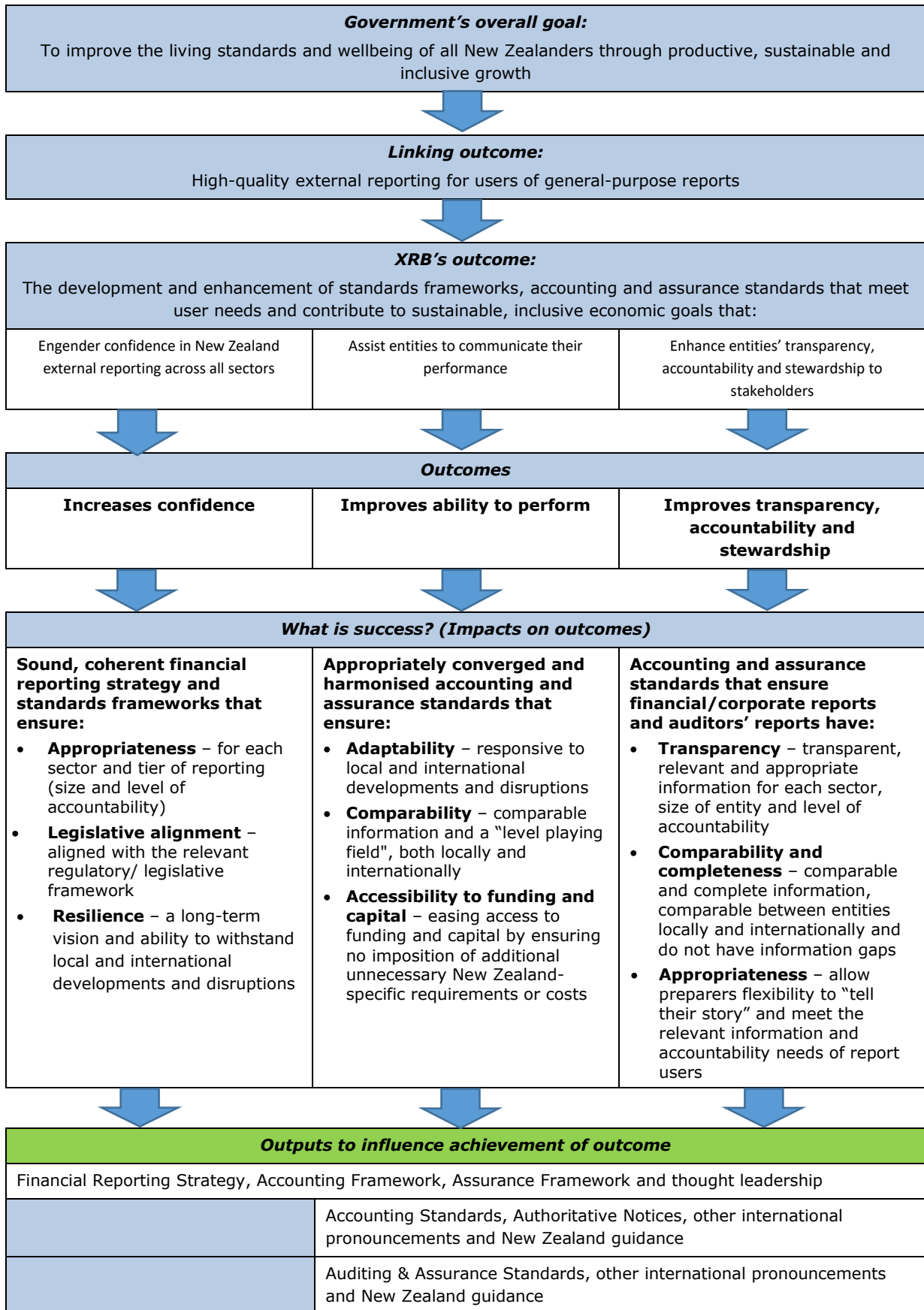
³ The XRB will consider the need for an additional Committee if its mandate is extended under S17(2).

Our Value Adding Model



Value enablers	<ul style="list-style-type: none"> Resources and relationships used in our value creation process.
Value creation	<ul style="list-style-type: none"> Processes utilised, together with the value enablers, to deliver outputs to our stakeholders; and Learnings from our processes become feedback into our value enablers.
Aims	<ul style="list-style-type: none"> Objectives driving the delivery of our outputs.
Outputs	<ul style="list-style-type: none"> Services created by our value adding model and contributing to our outcome goal.

XRB's Outcome and Output Performance Framework



Strategic Priorities – 2020-2025

The XRB’s outcome goal in the period 2020-2025 will be achieved through several specific strategies, as set out below:

Overarching Strategy – Broad strategic approach	
<ul style="list-style-type: none"> Maintaining the existing financial reporting strategy including the two-sector, multi-standards, multi-tier Accounting Standards Framework Continuing, as appropriate, the convergence and harmonisation approach for both accounting and auditing & assurance standards Responding to the changing international environment and external reporting landscape Work with stakeholders to consider the mandate of the XRB in the setting of EER standards and guidance 	
Specific Strategy	To be achieved by....
<p>Specific Strategy 1:</p> <p>Standards are Fit-for- Purpose</p>	<p>Enduring policy of sector-specific standards and Tier Structure.</p> <p>Maintaining a financial reporting strategy and standards frameworks that are:</p> <ul style="list-style-type: none"> Reliable and require infrequent changes; Consistent with NZ’s legislative frameworks; and Responsive to legislative changes and stakeholder input Appropriate policy of international convergence and harmonisation. <p>Maintaining existing financial reporting and auditing & assurance standards (and associated pronouncements) so that:</p> <ul style="list-style-type: none"> They are of high quality; They remain consistent with international standards, as appropriate; and There is local relevance and acceptance. <p>Enhancing existing financial reporting and auditing & assurance standards (and associated pronouncements) by:</p> <ul style="list-style-type: none"> Identifying and addressing any New Zealand-specific deficiencies or gaps; and Expanding, where necessary, the XRB’s legal mandate in relation to the issue of standards in order to provide for the integrated reporting of an entity’s performance or position in terms of both financial and non-financial information <p>Ensuring transparent due process and consultation.</p> <p>Reviewing the existing “standard taker” policy, understanding the ramifications of change and discussing with policy makers.</p>

<p>Specific Strategy 2:</p> <p>Standards are Evidence-Informed as to User Needs</p>	<p>Undertaking organised research into the financial and non-financial information needs of users of our standards:</p> <ul style="list-style-type: none"> • As a basis for enhancing the financial reporting framework or specific standards; • To inform efforts to influence the work of the international standard-setting boards; • To respond to developments in extended external reporting; and • To provide thought leadership.
<p>Specific Strategy 3:</p> <p>High-Quality Global Standards Applicable in New Zealand</p>	<p>Seeking to influence the work of the international boards during appropriate stages of standards development to ensure high-quality global standards that are both applicable in New Zealand and in the public interest:</p> <ul style="list-style-type: none"> • Using targeted “influencing strategies” specific to each international board; and • By participating, building relationships, and, where appropriate, being represented on international boards. <p>Anticipating, monitoring and responding to major disruptions and developments in the international standard-setting structures and environment, particularly in the audit market, and ensuring that stakeholders are well informed. The XRB remains alert to the need for any resultant changes in strategies and/or actions.</p> <p>Maintaining and enhancing regional relationships with like-minded countries, to ensure New Zealand’s influence in the region</p> <p>Re-considering the most effective investment of resources in respect of our influencing strategies, whether this be at the commencement of the standard-setting process, the end of the standard-setting process or working more closely with regional groups. This activity needs to be sustainable and in the public interest in a constrained resource environment.</p>
<p>Specific Strategy 4:</p> <p>Standards Developed Collaboratively with Constituency</p>	<p>Developing standards in a collaborative manner with the constituency by:</p> <ul style="list-style-type: none"> • Implementing new engagement strategies (perhaps “labs” or “think tanks”) to enhance the depth and breadth of constituency engagement (including all participants in the financial reporting process); and • Increasing awareness raising activities across all participants of the financial reporting process, throughout the lifecycle of developing standards, including detailing “why the change”. <p>Promoting the awareness, understanding and implementation of EER among New Zealand constituents by:</p> <ul style="list-style-type: none"> • Maintaining a proactive approach to EER, considering investor versus broader stakeholder requirements; • Continuing to respond demands for EER by working with stakeholders to consider the mandate of the XRB in the setting of EER standards and guidance. <p>Working with other agencies, including other standard setters, to ensure any external reporting and assurance gaps are identified, understood,</p>

	<p>researched if necessary and addressed. In particular investigating the opportunity to extend the mandate as envisioned by S17(2) of the FRA in order to provide for the integrated reporting of an entity's performance or position in terms of both financial and non-financial information.</p> <p>The XRB and the technical boards working together to create the power of "one voice" and the full utilisation of our "levers" in the constituent's awareness of the legislative nature of the standards ensuring consistent, timely and effective implementation.</p> <p>Providing a thought leadership role involving bold thinking, being proactive and facilitating meetings with key stakeholders to make a difference.</p> <p>Encouraging, facilitating and supporting other relevant organisations to provide appropriate training and professional development activities relating to external reporting.</p>
<p>Specific Strategy 5: Capable, High-Performing and Financially Prudent Organisation</p>	<p>Maintaining a high-performance culture to achieve the XRB's outcome goals in a rapidly changing environment.</p> <p>Operating in a financially prudent manner with particular focus on developing a robust Vote bid for the 2021/22 financial year as the XRB runs down its reserves to ensure a new level of funding to support the functions of the XRB to effectively contribute to its stated outcome goals</p> <p>Establish clear milestones and funding needs if the XRB mandate should be extended</p> <p>Establishing and maintaining the necessary level of capability (both Board and staff) needed to deliver the outputs.</p> <p>Strengthening, widening and improving the relationship matrix.</p> <p>Seek specialist digital capability to provide timely and expert advice on technological improvements to XRB's output.</p>

Strategic challenges/risks and mitigating actions

Risk management is an integral part of the XRB's strategic planning process.

Key risks	
<i>Strategic risks</i>	<i>Operational risks with strategic implications</i>
<ul style="list-style-type: none"> • International standard setters cease to exist, produce standards too narrowly focused for New Zealand purposes or failure of the global standard-setting initiative; • Standards not acceptable to constituency/ stakeholders and therefore not applied; • Loss of trust in financial reporting and the systems to which we are part thereof; • Standards do not result in high-quality, user-focussed, multi-sectoral external reporting; • Loss of trust/reputation/credibility of the XRB as a standard setter. 	<ul style="list-style-type: none"> • Inability to attract/retain diverse and highly qualified Board members (loss of governance/technical resources); • Inability to attract/retain diverse and highly qualified staff (loss of management/ technical resources); • Insufficient funding to carry out legislative mandate, or support changes in response to international changes; and • Failure of operational infrastructure.

Mitigating Actions	
<i>Strategic</i>	<i>Operational</i>
<ul style="list-style-type: none"> • Active involvement in key international processes in the review of standard-setting structures and the trust in financial reporting; • Involvement at appropriate stages in key projects with international boards; • Formation and maintenance of regional alliances; • Constituency/stakeholder outreach: <ul style="list-style-type: none"> ○ Focused on New Zealand-specific issues; ○ Working collaboratively with stakeholders (including other government agencies) to fill gaps and voids in external reporting; • Relevant standards frameworks; • Transparent due process; • User-acceptance tested by research and post-implementation reviews; • Active environmental scanning and appropriate timely actions; and • Early planning and discussion if structural amendments are needed to respond to standard-setting changes. 	<ul style="list-style-type: none"> • Effective ministerial and governing ministry relationships; • “No surprises” strategy; • Effective brand management, including awareness raising of our role and work output; • Effective governance processes; • Prudential management; • Good employer policies; • Maintain a modern infrastructure to ensure maximum efficiency; and • Maintain a continuous improvement strategy.



NZ AUDITING
AND ASSURANCE
STANDARDS BOARD

DATE: 9 July 2020

TO: Members of the New Zealand Auditing and Assurance Standards Board

FROM: Peyman Momenan

SUBJECT: **International Update**

Introduction

1. This Update summarises the significant news of the IAASB, other national auditing standards-setting bodies and professional organisations for the Board's information, June and July 2020.

Covid 19 Guides

Some guidance for auditors and preparers on how to respond to the impacts of SARS 2 virus.

- The IAASB: [Covid-19 pandemic-related guidance on Review Engagements on Interim Financial Information](#)
- The IAASB: [COVID-19 pandemic-related guidance on auditing accounting estimates and related disclosures](#)
- CPA Canda and IACPA: [Audit and assurance alert: SOC 1 and SOC 2 issues arising from COVID-19](#)
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International Federation of Accountants (IFAC)

1. There have been no significant developments related to audit and assurance to report in the period.

Anti-Fraud Collaboration (AFC):

1. When corporate scandals occur, the root cause can often be traced back to an organization's weak ethical culture. According to a [new white paper](#) from the Anti-Fraud Collaboration, implementing robust and regular assessments of corporate culture can help to deter and detect fraud, enabling leadership to take proactive steps to address problems before they result in scandal.
2. Improved accounting policies and internal controls are key for stemming fraud and reducing the number of financial restatements, according to a new report from the Anti-Fraud Collaboration. The report, [Addressing Challenges for Highly Subjective and Complex Accounting Areas](#), compiles leading-practice recommendations from dozens of company executives, corporate directors, auditors, and regulators who attended two 2016 workshops to discuss ways to help deter fraud and enhance financial reporting.

International Auditing and Assurance Standards Board (IAASB)

1. The IAASB Ongoing projects (refer to appendix 1)
2. The IAASB hosted two different webinars on consultations that are currently open for public comment. The recordings of these webinars can be found on the IAASB's website as listed below.

The first webinar was hosted on June 10, 2020 and covered the current [Public Consultation on Proposed Guidance: Extended External Reporting \(EER\) Assurance](#). The recording and presentation slides of this session can be found [here](#).

The second webinar was hosted on June 11, 2020 and covered the recently released [Exposure Draft of Proposed ISA 600 \(Revised\), Special Considerations—Audits of Group Financial Statements \(Including the Work of Component Auditors\)](#). The recording and presentation slides of this session can be found [here](#).

International Ethics Standards Board for Accountants (IESBA)

1. There have been no significant developments related to audit and assurance to report in the period.

Accountancy Europe (AE) (former FEE)

1. [This AE articles](#) provides an overview of how access to the European accountancy profession is regulated. The main difference is between auditors who are regulated at EU level, and accountants and advisors, whom national governments decide on their regulation. This means that the EU protects the title 'auditor', defines how to qualify, and remain qualified and the reserved activities that only auditors can carry out. For accountants and advisors, there are vast differences within Europe on how matters are dealt with, for example protected titles, registration, professional bodies' membership or public oversight.
2. [AE asked 18 people](#) from practice, including regulators and audit committee chairs, how they view working with multidisciplinary teams. Based on their insight AE conclude the following:
 - multidisciplinary audit teams contribute to high-quality audits
 - auditors benefit from experts' input, especially from internal ones
 - firms should further develop their capability to work with internal experts
 - firms should stay multidisciplinary to meet evolving expectations from the audit
 - auditors' priorities remain audit quality, the public interest, independence and ethics.
3. AE together with other organisations such as ACCA, Climate Disclosure Standards Board, The Institutional Investors Group on Climate Change published [a joint statement on the revision of the Non-Financial Reporting Directive \(NFRD\)](#). In summary they propose the revision should:
 - Expand the scope of NFR
 - Require disclosure of non-financial information in the annual management report
 - Strengthen the social and governance aspects
 - Set minimum mandatory reporting requirements
 - Build on existing reporting initiatives
 - Respect the International role of reporting standards
 - Ensure legislative consistency

Public Interest Oversight Board of IFAC (IPIOB)

1. There have been no significant developments related to audit and assurance to report in the period.

International Integrated Reporting Council (IIRC)

1. In the wake of unprecedented economic disruption due to the COVID-19 pandemic, many companies are rethinking their fundamentals and assessing how their corporate purpose, strategy and business model will drive long-term success. To support businesses in this uncertain environment, the International Federation of Accountants (IFAC), International Integrated Reporting Council (IIRC), and the Association of International Certified Professional Accountants (the unified voice of the American Institute of CPAs (AICPA) and the Chartered Institute of Management Accountants (CIMA)) released [new guidance for Chief Financial Officers \(CFOs\) and finance teams to navigate their organizations toward long-term value creation.](#)

Global Reporting Initiative (GRI)

1. GRI has launched a range of new resources to help companies integrate the Culture of Health for Business (COH4B) Framework within their sustainability reporting.

[COH4B](#) is a holistic framework, endorsed by GRI, on the role of companies in impacting the health and wellbeing of their employees and stakeholders. It was developed in 2019 by a group of leading companies, non-profits and academia in the United States, with support from the Robert Wood Johnson Foundation.

International Forum of Independent Audit Regulators (IFIAR)

1. IFIAR Member regulators from around the world met by video conference on May 26 with representatives from the six largest global audit firm networks (GPPC*) to discuss the GPPC network's responses to the COVID-19 crisis. The GPPC provided IFIAR Members with an outline of the challenges their networks and the companies they audit are facing in the area of financial reporting and audit due to the impact of COVID-19.

IFIAR Chair, Frank Schneider, noted the importance of the continued engagement between IFIAR and external stakeholders such as the GPPC going forward: "Continued engagement between all those involved in the financial reporting ecosystem is vitally important during these uncertain times. The GPPC outlined the challenges that are currently faced by preparers and auditors in a financial landscape that has been dominated by the impact of COVID-19 on businesses around the world, and the steps being taken in response. IFIAR continues to stress the importance of audit firms' compliance with the relevant auditing standards during this crisis, as investors and other stakeholders depend more than ever on accurate information. IFIAR Members will continue to share information on how the regulatory environment is adapting to the crisis – and we are grateful to IFIAR Members and the GPPC for the continued dialogue in this respect".

International Organization of Supreme Audit Institutions (INTOSAI)

1. There have been no significant developments related to audit and assurance to report in the period.

International Organization of Securities Commissions (IOSCO)

1. There have been no significant developments related to audit and assurance to report in the period.

Australia

The Australian Auditing and Assurance Standards Board (AUASB)

1. A revised version of AUASB Guidance Statement GS 009 Auditing Self- Managed Superannuation Funds was approved for issue by the board and will be made available via the AUASB Website next week after final editorial changes are made.

2. The AUASB approved a Consultation Paper exposing the IAASB's Proposed ISA 600 Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors); and Proposed Conforming and Consequential Amendments to Other Auditing Standards. The AUASB agreed to an 80-day exposure period, with responses to the Consultation Paper required by 4 September 2020. A Webinar jointly hosted with the NZAuASB to inform stakeholders about the proposed standard is scheduled for 23 June 2020
3. The AUASB approved an updated version of ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. The revised standard aligns with the equivalent standard approved by the New Zealand Auditing and Assurance Standards Board and addresses feedback on the proposed revised standard exposed in 2019. The revised standard is effective for financial reporting periods commencing on or after 1 July 2020, with early adoption permitted and will be released shortly via the AUASB website.
4. The AUASB considered the submissions and the disposition of responses received from stakeholders on Exposure Draft 01/20 Proposed Standard on Related Services ASRS 4400 Agreed Upon Procedures Engagements. The AUASB provided input into the way forward on the finalisation of the proposed standard, including requesting an Australian amendment to ISRS 4400 Agreed Upon Procedures Engagements in relation to restriction of use of an Agreed-Upon Procedures Report. This amendment, which is consistent with the extant version of ASRS 4400, was considered to be a potential compelling reason reflecting principles and practices considered appropriate in maintaining or improving engagement quality in Australia. A draft Revised ASRS 4400 will be brought back to the AUASB for approval at a future meeting.
5. The AUASB received an update on international projects that will be discussed at the forthcoming IAASB June 2020 meeting, including an update on the Quality Management standards, Audit Evidence and Technology projects.
6. The AUASB provided feedback on additional guidance soon to be issued in response to technical matters arising from the COVID-19 epidemic, including in relation to the auditor's responsibility regarding Director's solvency declarations in the financial report

United Kingdom

FRC

1. On 6th of July, the FRC announced its [principles for operational separation](#) of the audit practices of the Big Four firms.

The objectives of operational separation, which is world leading, are to ensure that audit practices are focused above all on delivery of high-quality audits in the public interest, and do not rely on persistent cross subsidy from the rest of the firm. Our desired outcomes include:

- Audit practice governance prioritises audit quality and protects auditors from influences from the rest of the firm that could divert their focus away from audit quality;
- The total amount of profits distributed to the partners in the audit practice does not persistently exceed the contribution to profits of the audit practice;
- The culture of the audit practice prioritises high-quality audit by encouraging ethical behaviour, openness, teamwork, challenge and professional scepticism/judgement; and
- Auditors act in the public interest and work for the benefit of shareholders of audited entities and wider society.

These final principles follow extensive discussions with the audit firms. The FRC is now asking the Big 4 firms to agree to operational separation of their audit practices on this basis and to provide a transition timetable to complete implementation by 30 June 2024 at the latest.

An implementation plan should be submitted to FRC by 23 October 2020. The FRC will then agree a transition timetable with each firm.

Thereafter the FRC will publish annually an assessment of whether firms are delivering the objectives and outcomes of operational separation.

2. Audit firms have introduced a range of additional measures to enhance their evaluation of companies' going concern assessments, since the start of the Covid-19 emergency, according to

a [review](#) initiated and undertaken by the Financial Reporting Council (FRC).

The FRC's review covered the going concern policies and procedures of the seven largest UK audit firms required in accordance with ISA (UK) 570. The review found that the additional policies and procedures introduced were appropriate and reasonably consistent across the firms.

Audit firms have increased the extent of required consultations and central guidance for audit teams, and have had regular communications with them, to ensure consistency in the audit of going concern. These additional measures also increased the level of challenge to company boards and management about their key assumptions, stress testing and disclosures in the financial statements.

Boards are responsible for assessing whether a company is a going concern and whether any material uncertainties to going concern exist. Going concern assessments have become significantly more difficult for many companies and their auditors, given the uncertainties about the impact of Covid-19, the extent and duration of social distancing measures and the impact on the economy.

The FRC's review follows updated [guidance issued to companies and auditors](#) in March and a recent FRC [Lab report](#) on going concern, risk and uncertainty.

Institute of Chartered Accountants in England and Wales

1. 19 May 2020: ICAEW and the Institute of Chartered Accountants of Scotland (ICAS) have today jointly published free-to-access guidance for owners and directors of SMEs to assess the prospects of their business in the wake of COVID-19.

The guidance has been written by experts at ICAEW and ICAS, two leading chartered accountancy bodies, to aid the many small and medium-sized businesses that have been affected by the coronavirus crisis as they prepare their accounts.

Company directors are required each year to assess whether the business is a going concern when drawing up their annual accounts, and this should cover at least the 12 months from the date the accounts are to be approved by the directors. But coronavirus has had a dramatic change on the performance and prospects of many businesses, leaving some under threat, and accounts will have to reflect its impact.

The publication explains to business owners and directors the importance of forecasting cash flow and how to reflect the impact of COVID-19. Additionally, it provides suggestions on how to work with auditors and accountants during the pandemic, including the need to provide evidence which shows that conclusions reached regarding going concern are reasonable.

The PDF guide can be downloaded free [here](#).

The Charity Commission

2. The Charity Commission continues to update its webpage containing [Coronavirus \(COVID-19\) guidance for the charity sector](#).

Association of Chartered Certified Accountants (ACCA)

1. The ACCA expressed support for the FRC's principles for operational separation of audit practices. The state says that

'The FRC has acted decisively in support of audit quality and the public interest. 'ACCA maintains its support for multi-disciplinary firms, and today's announcement is consistent with this aim. The FRC principles, if implemented fully, should address broader market concerns over audit independence and embed strong oversight over firms' arrangements to deliver high quality audit. They should also bring about much greater transparency than at present over the financial fortunes of the audit business.

'Today, the FRC has made a very timely move, in the light of ongoing broader concerns with regard to audit quality with recent development in the EU. We expect other regulators will also be watching with interest, along with the European Commission which has audit reform firmly on its agenda.

'We note that the announcement currently only covers the Big Four. ACCA awaits with interest to see if future proposals will include mid-tier firms and how this will affect them.'

2. *The Road to Recovery* updates ACCA's March [Covid-19 global survey: inside business, impacts and responses](#), and shows that over the last three months the situation has not improved for SMEs with almost 60% now citing customer purchases as having stopped or decreased. SMEs' cashflow also follows a similar trajectory, with 53% of SME respondents indicating this is now a problem, compared to 46% in the March survey. SMEs are also more pessimistic about their revenue predictions, with 85% predicting negative revenue compared to the last year. Nearly one quarter of SMEs are still focussed on the short-term period, compared to a tenth of their larger counterparts, due to SMEs having to manage their operating fundamentals to survive.

United States of America

Public Company Accounting Oversight Board (PCAOB)

1. The PCAOB published [an information update for Audits Involving Cryptoassets](#).

American Institute of Certified Public Accountants (AICPA)

1. With Artificial Intelligence (AI) increasingly impacting business and auditors, [Chartered Professional Accountants of Canada](#) (CPA Canada) and the [American Institute of CPAs](#) (AICPA) have partnered to produce two new white papers on the topic. The two publications, [A CPA's Introduction to AI: From Algorithms to Deep Learning, What You Need to Know](#) and [The Data-Driven Audit: How Automation and AI are Changing the Audit and the Role of the Auditor](#), are aimed at audit professionals and others seeking information on how AI will evolve the role of the auditor as well as the audit itself. They also explore the change in mindset required for auditors to meet the challenges and take advantage of the opportunities that come with the introduction of AI.

Center for Audit Quality (CAQ) - (affiliated with AICPA)

1. – As investors increasingly make decisions based on company-reported environmental, social, and governance (ESG) information, audit firms can enhance the reliability of this reporting, according to the Center for Audit Quality (CAQ). In a new report, [The Role of Auditors in Company-Prepared ESG Information: Present and Future](#), the CAQ outlines how investors are using ESG information and the evolving, more prominent role of auditors in advancing the reliability, comparability, and relevance of this reporting. Like the audits of financial statements and internal control over financial reporting, third-party assurance from a public company audit firm enhances the reliability of ESG information presented by companies to investors and other stakeholders. A McKinsey & Company [study](#) found that nearly 7-in-10 investors (67%) said that sustainability audits should be as rigorous as financial audits. "Auditors bring the independence, expertise, and experience necessary to enhance the reliability of ESG reporting as this information plays a heightened role in investment strategies," said Julie Bell Lindsay, CAQ Executive Director. "Auditors have long played a role in the reliability of traditional financial information, and they can do the same with ESG information." COVID-19 has further accelerated the focus on ESG information. Investors are increasingly seeking information on public company ESG practices in response to COVID-19, especially employee health and work environments. Moreover, most ESG funds across all asset classes performed better than non-ESG funds during the first four months of the year, according to [data from Morningstar Direct](#).

Canada

Canadian Auditing and Assurance Standards Board (AASB)

1. The AASB discussed the International Auditing and Assurance Standards Board's (IAASB) proposals for the way forward in relation to audit evidence, including a proposal to revise International Standard on Auditing (ISA) 500, *Audit Evidence*.
2. The AASB provided input to the IAASB members from Canada on the IAASB Audits of Less Complex Entities (LCE) Working Group's proposal to start developing a separate standard on this topic. Matters discussed included the overarching principles proposed for the IAASB to use when developing a separate set of standards.
3. The AASB provided input to the IAASB members from Canada on issues related to the IAASB's project to revise standards for quality management at the firm and engagement level, including engagement quality reviews. Issues discussed related to proposed International Standard on Quality Management (ISQM) (formerly International Standard on Quality Control) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* included:
 - revising the definition of "quality risk" to include the concept of "reasonable possibility";
 - replacing all references to "factors" with "conditions, events, circumstances, inactions or actions";
 - clarifying the risk assessment process through practical examples in the application material; and
 - encouraging the adoption of the suite of quality management standards as a package.

Issues discussed related to proposed ISQM 2, *Engagement Quality Reviews* included:

- aligning the IAASB provisions related to the objectivity of the engagement quality reviewer and proposed revisions to the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) addressing objectivity of appropriate reviewers.

Issues discussed related to ISA 220 (Revised), *Quality Management for an Audit of Financial*

Statements included:

- revising the engagement resources section in ISA 220 (Revised) to account for circumstances where engagement team resources may not be assigned by the firm, but rather obtained directly; and
- providing a general illustrative example of a situation when resources may not be assigned by the firm, other than that of a group audit engagement.

The AASB also discussed a one-year deferral of the standards' effective date to December 15, 2022. This would account for COVID-19's impact on firm activities.

The IAASB expects to approve final proposed ISQM 1, ISQM 2, and ISA 220 (Revised) at its September 2020 meeting. The AASB expects to approve the Canadian equivalent standards at its January 2021 meeting.

CPA Canada

1. There have been no significant developments related to audit and assurance to report in the period.

Project	Overview of the project and its current status
<p>Quality Control</p> <p>Has update for the period</p>	<p>Objective of the Project: Initial activities in scoping the project will focus on whether there is a need to revisit specific aspects of the quality control standards to enhance clarity and consistency of their application. This may include restructuring ISQC 1, additional requirements or guidance within the standard or additional guidance in support of the standard. Specific aspects within ISQC 1 and ISA 220 being explored include, governance, engagement partner responsibilities, engagement quality control reviews, monitoring, remediation, alternative audit delivery models and specific issues pertaining to small- and medium-sized practices</p> <p>Background and current status: The proposed changes to QC were included in the IAASB Audit Quality ITC. The ITC response period is closed now. From May to September 2016, the various Working Groups analysed the comment letters to the Overview and detailed ITC, reviewed feedback from outreach activities, and developed project proposals for quality control that were presented at the September 2016 IAASB meeting.</p> <p>The IAASB considered the Quality Control Other Working Group's (QCOWG) proposals in respect of:</p> <ul style="list-style-type: none"> • Setting the objective of an engagement quality control (EQC) Revising the definition of an EQC review; • Determining the scope of the engagements subject to an EQC review; and • The execution of an EQC review. <p>At its March 2017 meeting, the IAASB discussed matters to do with the eligibility of the engagement quality control reviewer.</p> <p>QC-Firm Level</p> <p>In June 2017 the Board discussed the Quality Control Task Force's (QCTF) recommendations on the possible revisions to ISQC 1, a result of incorporating a quality management approach (QMA) into ISQC 1, that included a discussion of a working draft of ISQC 1 (Revised) and how the proposals are expected to change firm behaviors. The Board was supportive of the overall direction proposed by the QCTF and emphasized the importance of outreach with a variety of stakeholders to seek input on the practicality of the proposals. The Board also encouraged the QCTF to develop guidance and examples to accompany the revised standard in order to explain the implementation and application of the standard.</p> <p>In its September 2017, the Board discussed the Quality Control Task Force's (QCTF) recommendations on the possible revisions to ISQC1 in relation to documentation of the system of quality management. The Board was supportive of the QCTF's proposals and suggested various refinements. Some of the key proposals were as follow:</p> <ul style="list-style-type: none"> • the proposal to retain the requirement for an EQC review for all audits of financial statements of listed entities, i.e., not only for general purpose financial statements

- the proposals in relation to other engagements for which the firm determines that an EQC review is required (see here for details)
- the objective of ISQC 2, including whether it is appropriate to locate the responsibilities of the EQC reviewer in ISQC 2, instead of ISA 220
- the IAASB supports the proposal to remove the reference to “team” from the definition of an EQC reviewer, and instead explain the use of a team in the application material supporting the appointment of the EQC reviewer
- the proposed requirements and application material in relation to the eligibility of the EQC reviewer.

The Board also discussed the QCTF’s recommendations in relation to EQC reviews that would be incorporated in ISQC 1 and the proposed new standard, ISQC2. The Board confirmed that the purpose of the EQC review is to evaluate the significant judgments made by the engagement team. In addition to various recommendations to further enhance and clarify the various requirements and application material, the Board encouraged the QCTF to improve the robustness of the requirement relating to the scope of the engagements subject to EQC review.

In December 2017, the Board discussed a first read of the proposed exposure draft of ISQC 1 (Revised) 5 and was broadly supportive of the direction of the standard. The Board focused on the scalability of the standard, clarifying the interrelationship of the components, and the appropriate placement of the governance and leadership component. As well as requesting the Task Force to clarify the meaning of deficiencies and major deficiencies, the Board asked that a framework be developed for assessing deficiencies in the system of quality management and requested clarification of how such deficiencies may impact the achievement of the overall objective of the standard. The Board also asked the Task Force to reconsider the threshold for the identification of quality risks and encouraged the Task Force to explore the development of appropriate guidance to accompany the proposed exposure draft that addresses the application of the standard to a spectrum of firms.

The Board discussed the exposure draft (ED) of proposed ISQC 1 (Revised)1 and was supportive of the direction that the Quality Control Task Force was taking the standard, noting the improvement in the readability and understandability overall. The Board encouraged the Quality Control Task Force to consider whether there are further opportunities to address scalability, including further refinement and simplification of the standard, where possible. The Board also discussed changing the title of the standard

In finalizing the ED in December 2018, the Board discussed the definition of deficiencies and bringing more emphasis to positive findings from the firm’s monitoring activities and how they may be used in the system of quality management. The Board also discussed the requirement for the firm to establish additional quality objectives beyond those required by the standard and further clarifying the identification and assessment of quality risks. In addition, the Board suggested further simplification of the requirement addressing communication with external parties, although in general agreed to retain an explicit reference to transparency reports in the requirement. The Board also discussed network requirements or network services, and

adjusted the requirement to clearly reflect the expectations of the firm regarding the effect of network requirements or network services on the firm's system of quality management.

The Board supported the Quality Control Task Force's recommendations regarding matters to be addressed in the Explanatory Memorandum, including the proposed questions.

In September 2019, the Board discussed the comment letters received on certain areas of the Exposure Draft (ED) of ISQM 1 (ED-ISQM 1)3 relating to the quality management approach, implementation challenges, the components and structure of the standard and the firm's risk assessment process. The Board concurred that four significant themes had emerged from the comments: scalability; prescriptiveness; addressing firms who do not perform audit or assurance engagements; and challenges with implementation. The Board, in general, supported proposals to address the structure of the standard and clarify the nature of the components and how they interrelate. The Board also supported addressing the granularity of the quality objectives, introducing quality risk considerations, and refining the required responses. The Board agreed with the ISQM 1 Task Force's proposals to simplify the firm's risk assessment process, including addressing concerns about the threshold for the identification of quality risks. The Board did not support the proposal to develop a separate standard for quality management for related services engagements and encouraged exploration of other ways to address scalability concerns. The ISQM 1 Task Force will take these comments into account in preparing revised drafting and issues for discussion at the December 2019 IAASB meeting.

In December 2019, the Board continued to discuss the key issues highlighted by respondents to the Exposure Draft (ED) of ISQM 13 (ED-ISQM 1) including the scalability, complexity and prescriptiveness of the standard. appropriate tailoring of the system of quality management for their circumstances and the making sure the standard that can be applied in all circumstances.

The Board supported the changes to the structure of the standard, adjusting the quality objectives and responses in the components to be more streamlined and the revisions to the drafting and presentation of the standard to simplify and improve the readability of the standard. The Board also agreed with proposed revisions to the firm's risk assessment process, including introducing factors to consider in identifying and assessing quality risks.

The Board supported the ISQM 1 Task Force's proposals to embed a risk-based approach in the monitoring and remediation component, improve the selection of engagements for inspection such that it is more risk-based, and further clarify the framework for evaluating findings and identifying deficiencies.

In its March 2020 meeting, the IAASB discussed a full draft of proposed ISQM 1. The IAASB particularly focused on the identification and assessment of quality risks, external communications, findings and deficiencies, the inspection of completed engagements, service providers, and the annual

evaluation of the system of quality management. The IAASB also discussed the meaning of the effective date of proposed ISQM 1.

The IAASB broadly supported the proposals and encouraged the ISQM 1 Task Force to further simplify the identification and assessment of quality risks, clarify the definition of deficiencies, and enhance the standard to encourage communication externally. With respect to the evaluation of the system of quality management, the IAASB also suggested adopting a less binary conclusion about the system of quality management to encourage a positive approach to evaluating the system.

The ISQM 1 Task Force will present certain sections of proposed ISQM 1 to the IAASB via videoconference on April 8, 2020.

The Board discussed revisions to a number of areas of proposed ISQM 1,1 including how the standard addresses public interest, the firm's risk assessment process, the definitions of deficiencies and findings and key aspects of monitoring and remediation, information and communication, service providers, relevant ethical requirements and the evaluation of the system of quality management. The Board in general supported the proposals. The Board encouraged the ISQM 1 Task Force to continue developing the definitions of deficiencies and quality risks, and also requested the Task Force to clarify certain requirements related to the firm's risk assessment process. In supporting the proposals to address external communications, the Board suggested that the requirement focus on the firm's determination of when it is appropriate to communicate with external parties.

Update for the period

In June 2020, the Board discussed revisions to certain areas of proposed ISQM 1,1 including the firm's risk assessment process, resources, relevant ethical requirements, monitoring and remediation, and the evaluation of the system of quality management. The Board also discussed external communications, in particular the firm's communication with those charged with governance when performing an audit of financial statements of a listed entity. The Board supported the proposals, and encouraged the ISQM 1 Task Force to further simplify the approach to human resources, in particular the application material explaining the firm and engagement team responsibilities in addressing the competence and capabilities of individuals assigned to the engagement team. The Board also provided varying comments on external communications, although was generally supportive of the direction proposed by the ISQM 1 Task Force. The ISQM 1 Task Force will present a full draft of proposed ISQM 1 for IAASB approval via videoconference in September 2020.

Quality Control – Engagement Level

In December 2017, The IAASB supported the direction of the proposed changes to ISA 220.4 In particular, the Board supported the proposed changes that emphasize that the engagement partner is responsible and accountable for audit quality. The Board encouraged the ISA 220 Task Force to consider,

as it progresses revisions to ISA 220, how the proposed changes will strengthen the performance of quality audits.

The Board discussed a draft ED of proposed ISA 220 (Revised)² and was supportive of the proposed changes. The discussions focused on whether changes were needed to the objective of the standard and the wording of the requirement regarding the engagement partner being “sufficiently and appropriately involved.” The Task Force plans on presenting the ED of proposed ISA 220 (Revised) for approval by the Board at the December 2018 meeting.

In December 2018 the Board supported the requirement for the firm to establish policies or procedures addressing limitations on the engagement partner moving into the role of engagement quality reviewer, including the reference to a cooling-off period in the application material. The Board agreed that stakeholder views were needed relating to the objectivity of the engagement quality reviewer and a cooling-off period and supported the ISQM 2 Task Force’s recommendation for including specific questions in the Explanatory Memorandum on this matter to be developed in coordination with the IESBA. The Board also clarified the requirement for notifications by the engagement quality reviewer to the engagement partner and, when applicable, individual(s) within the firm, as well as the documentation requirements.

The Board discussed the requirements that address firm policies or procedures, the role of the engagement partner vis-à-vis other members of the engagement team and the difference between the usages of the phrases “the auditor shall determine” and “the auditor shall be satisfied.” The board also discussed how best to clarify the requirement addressing communications from the firm about the firm’s monitoring and remediation process.

In September 2019, the Board discussed the comment letters received to ED-ISA 2205 and the ISA 220 Task Force’s proposals for addressing the key issues respondents raised. The Board supported the fundamental principle that the engagement partner has overall responsibility for managing and achieving quality and being sufficiently and appropriately involved in the engagement. The Board also supported clarifying the requirement addressing circumstances when the engagement partner assigns procedures or tasks to other engagement team members, the principles underpinning the proposed engagement team definition and proposals to address scalability of the requirements to audits of larger or more complex entities. The ISA 220 Task Force will take these comments into account in preparing revised drafting and issues for discussion at the December 2019 IAASB meeting.

The Board generally supported the ISA 2205 Task Force’s proposals to clarify the engagement team definition, to make clear that the engagement team can ordinarily depend on the firm’s system of quality management, and to better deal with large, complex audit engagements. The Board also discussed professional skepticism, the stand-back provision and the documentation requirements. The ISA 220 Task Force will consider the comments received in preparing a revised full draft of proposed ISA 2202 for discussion at the March 2020 IAASB meeting.

	<p>In March 2020 The Board discussed clarifications to distinguish requirements that are the sole responsibility of the engagement partner and those the engagement partner is permitted to assign to another engagement team member and the meaning of “resources made available by the firm” in the case of engagement team members who are external to the firm, among other matters.</p> <p>Updated for the period:</p> <p>In June 2020, the Board discussed amendments to proposed ISA 220 (Revised)⁴ to clarify how to treat component auditors that are not directly engaged by the firm. The ISA 220 Task Force will present a full draft of proposed ISA 220 (Revised) for IAASB approval via videoconference in September 2020</p>
<p>Group Audits– ISA 600</p> <p>No Update for the period</p>	<p>Objective of the project: Determining the nature of the IAASB’s response to issues that have been identified, relating to Group Audits, from the ISA Implementation Monitoring project and outreach activities, inspection reports from audit regulators, discussion with NSS and responses to the IAASB’s Work Plan consultation (i.e., whether standard-setting activities are appropriate to address the issues, and if so, whether specific enhancements within ISA 600 or a more holistic approach to the standard would be more appropriate).</p> <p>Background and current status: The IAASB commenced work on one aspect of this project relating to the responsibilities of the engagement partner in circumstances where the engagement partner is not located where the majority of the audit work is performed in December 2014. A Staff Audit Practice Alert on this aspect was published in August 2015. Information gathering on the broader aspects of group audits commenced in March 2015.</p> <p>The issues identified and discussed at the IAASB meetings form part of a combined Invitation to Comment on Enhancing Audit Quality in the public interest which was issued in December 2015 and is open for comments till May 16, 2016. The ITC is now closed. From May to September 2016, the various Working Groups analysed the comment letters to the Overview and detailed ITC, reviewed feedback from outreach activities, presented the results to IAASB at the September 2016 IAASB meeting.</p> <p>In its June 2017 meeting, the IAASB received an update on the activities of the GATF. The IAASB supported the proposal of the GATF to engage more directly with the QCTF, ISA 220 TF and ISA 315 (Revised)³ TF, to help ensure that the requirements in those standards provide appropriate connection points between those projects and ISA 600.⁴ The IAASB also supported the proposal of the GATF to publish a short project update and asked the GATF to consider topics that are related to standards not under revision, for example, materiality and audit evidence.</p> <p>In December 2017, the Board received a presentation about the interconnections between ISA 600 and other ongoing projects, and how the Task Force is monitoring the activities of the other task forces, providing input and considering implications of changes in the other standards on ISA 600.</p>

In March 2019, the Board was updated on the work performed by the Group Audit Task Force since the start of the project to revise ISA 600¹ and was asked for its views on issues related to scoping a group audit, the definitions, and the linkages with other ISAs. The Board continued to support developing a risk-based approach for scoping a group audit and generally supported the Group Audit Task Force's approach on the definitions and the issues that were presented in relation to the responsibilities of the group engagement partner, acceptance and continuance, understanding the group and its components, understanding the component auditor, identifying and assessing the risks of material misstatement and responding to assessed risks, the consolidation process, communication between the group auditor and component auditors, and evaluating the audit evidence obtained. These and other issues need to be further developed in the context of the risk-based approach and changes made to other of the IAASB's International Standards. The Group Audit Task Force will continue to work on the issues related to scoping a group audit, the definitions and other issues identified in the [Invitation to Comment](#), and will present it for further discussion at the June 2019 IAASB meeting.

In June 2019, the Board was updated on the ISA 6003 Task Force's progress since the March 2019 meeting and discussed the public interest issues that the ISA 600 Task Force identified, the ISA 600 Task Force's proposals with respect to the risk-based approach to scoping a group audit, and the special considerations related to auditing a group. The Board also discussed indicative drafting related to the risk-based approach to scoping a group audit and the special considerations related to proposed ISA 220 (Revised).⁴ Generally, the Board was supportive of the approach taken but had suggestions on the way forward and the indicative drafting. The ISA 600 Task Force will take these comments into account and will present further drafting at the September 2019 meeting. The ISA 600 Task Force will also continue its outreach to key stakeholders and coordinate with IESBA and other IAASB Task Forces as needed.

In September 2019, the Board was updated on the work of the ISA 600 Task Force since the June 2019 meeting, including the outreach performed and the feedback received from the IAASB's Consultative Advisory Group. The Board discussed, among other matters, the updated public interest issues, a draft of a significant part of the standard and the ISA 600 Task Force's proposals with respect to the scope and structure of the standard, materiality considerations in a group audit and a proposed stand-back requirement. The ISA 600 Task Force will take these comments into account in preparing revised drafting and issues for discussion at the December 2019 IAASB meeting.

In December 2019, the Board was updated on the work of the ISA 600 Task Force since the September 2019 meeting, including the outreach performed, and discussed a full draft of the proposed revised standard (except the appendices). The draft of proposed ISA 600 (Revised)¹ included updated requirements and application material on sections that were presented to the

¹ International Standard on Auditing (ISA) 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

	<p>Board in September 2019 and new requirements and application material on, among other matters, materiality, communications with component auditors and documentation.</p> <p>The ISA 600 Task Force will take the Board's comments on the proposed revised standard into account and will present an updated version for approval for public exposure at its March 2020 meeting. The Task Force will discuss the conforming amendments and the appendices to proposed ISA 600 (Revised) in the January 23, 2020 Board teleconference.</p> <p>In March 2020, after making amendments in response to the IAASB's comments received during the meeting, the IAASB approved the Exposure Draft (ED) of proposed ISA 600 (Revised)¹ and related conforming and consequential amendments for public exposure with 18 affirmative votes out of the 18 IAASB members present. The ED will be issued in mid-April with a comment period of 120 days.</p> <p>In finalizing the ED, the IAASB continued to discuss whether it is sufficiently clear how the standard described the involvement of component auditors. On balance, the IAASB was satisfied that the draft sets out acceptable proposals on all significant areas for this project and that it is appropriate to proceed to seek stakeholder views whether the proposals could be effectively implemented.</p> <p>The IAASB also discussed possible matters to be addressed in the explanatory memorandum that will accompany the ED.</p>
<p>Professional Scepticism</p> <p>No Update for the period</p>	<p>Objective of the project: To make recommendations on how to more effectively respond to issues related to professional scepticism.</p> <p>Background and current status: The IAASB commenced its initial information gathering on the topic of professional scepticism in June 2015. The issues identified and discussed at the IAASB meetings are part of the Invitation to Comment on Enhancing Audit Quality in the Public Interest which was issued in December 2015 and is open for comments till May 16, 2016.</p> <p>The working group is comprised of representatives from the IAASB, the International Ethics Standards Board for Accountants (IESBA), and the International Accounting Education Standards Board (IAESB) to explore the topic of professional scepticism, enabling the three independent standard-setting Boards to consider what actions may be appropriate within their collective Standards and other potential outputs to enhance professional scepticism.</p> <p>Together with the Quality Control and ISA 600-Group Audits project, this project is part of the Audit Quality Enhancements Coordination Group (AQECG). The AQECG intends to coordinate the various inputs to the invitation to comment developed at the individual working group level, and take a holistic approach as to how the matters are presented in one invitation to comment. From May to September 2016, the various Working Groups analysed the comment letters to the Overview and detailed ITC, reviewed feedback from outreach activities, presented the results to IAASB at the September 2016 IAASB meeting.</p>

	<p>Subsequent to the December 2016 IAASB meeting, the joint PSWG held a teleconference to discuss matters related to potential changes to the concept/definition of professional scepticism in the ISAs. The March meeting papers are available here.</p> <p>In June 2017 meeting, the IAASB received an update on the activities of the Professional Skepticism Working Group (PSWG) and the Professional Skepticism IAASB Subgroup since the last Board meeting in March 2017. The Board supported the release of a communication to update stakeholders about the actions and current status of the PSWG’s work. The Board also discussed the concept of “levels” of professional skepticism and supported the recommendations of the Professional Skepticism IAASB Subgroup not to introduce the concept into the ISAs.</p> <p>The IAASB discussed the Professional Skepticism Subgroup’s analysis and related conclusions regarding different “mindset” concepts of professional skepticism and the use of the words in the ISAs in its December 2017. The Board supported the conclusions of the Subgroup, including that the current concept of the attitude of professional skepticism involving a “questioning mind” continues to be appropriate and should be retained within the ISAs. The IAASB Professional Skepticism Subgroup will liaise as needed with the Professional Skepticism Joint Working Group.</p> <p>In September 2018 meeting, The Board received an update on the activities of the IAASB’s Professional Skepticism Subgroup (Subgroup) since March 2018. The Chair of the Subgroup also presented the Board with a draft publication that seeks to highlight the IAASB’s efforts to appropriately reflect professional scepticism into the IAASB standards as well as other relevant news and information on professional skepticism, including collaboration with the International Ethics Standards Board for Accountants (IESBA) and International Accounting Education Standards Board (IAESB). The Board supported the issuance of the publication and future publications of this nature.</p>
<p>Data Analytics</p> <p>No Update for the period</p>	<p>Objective of the project: The objective of the Data Analytics Working Group (WG) is to:</p> <ul style="list-style-type: none"> A) Explore emerging developments in audit data analytics; and B) Explore how the IAASB most effectively can respond via International Standards or non-authoritative guidance (including Staff publications) and in what timeframe. <p>Background and current status: Information gathering on data analytics began in April 2015 and the Data Analytics Working Group will continue with its planned outreach activities in future. The DWAG published its first publication “The IAASB’s Work to Explore the Growing Use of Technology in the Audit” in June 2016.</p> <p>At the March meeting, the IAASB received a video presentation of a panel discussion among members of the DAWG that was presented at the International Forum of Independent Audit Regulators Inspections Workshop.</p>

	<p>The Chair of the DAWG provides an update on the project in February 2017 on the IFAC website.</p> <p>In its June 2017 meeting, the IAASB received a presentation of high-level observations from respondents to the IAASB's Request for Input: Exploring the Growing Use of Technology in the Audit, with a Focus on Data Analytics. It was noted that respondents supported the IAASB in undertaking this work and encouraged continued active participation of the Data Analytics Working Group in other current standard-setting projects of the IAASB underway.</p>
<p>Emerging External Reporting Update for the period No the</p>	<p>Objective of the project: The objective of the Integrated Reporting Working Group (IRWG) is to:</p> <ul style="list-style-type: none"> A) Explore emerging developments in integrated reporting and other emerging developments in external reporting; B) Gather further information on the demand for assurance, the scope of the assurance engagement and the key assurance issues; and C) Explore how the IAASB most effectively can respond via International Standards or non-authoritative guidance (including Staff publications) and in what timeframe. <p>Background and current status: At its September 2014 meeting the Innovation WG proposed, and the IAASB agreed to establish a WG to specifically monitor the developing interest in integrated reporting and the demand for assurance on integrated reports. This includes initial thinking on the nature of such engagements, including the scope of the assurance engagement, the suitability of the criteria, and other matters related to assurance on integrated reports. The Board considered the draft working paper prepared by the IRWG Supporting Credibility and Trust in Emerging Forms of External Reporting in its June 2016.</p> <p>The Discussion Paper was issued in August 2016.</p> <p>In its June 2017 meeting, the IAASB received a presentation about the high-level observations from the comment letters received to the Discussion Paper, Supporting Credibility and Trust in Emerging Forms of External Reporting. It was noted that respondents generally supported the development of guidance on how to apply existing international assurance standards rather than developing new standards, and that the IAASB should continue to provide thought leadership on assurance issues and coordinate its work with other relevant organizations.</p> <p>The Board received an update on the project in December 2017. It was noted that the grant agreement with the World Business Council for Sustainable Development (WBCSD) was finalized for the funding of the project and that the Project Proposal and Feedback Statement has been finalized to be published on the IAASB's website. The board also received an update on the plan for developing the framework for the non-authoritative guidance for EER during the next year, including the required research to be gathered and the establishment of a Project Advisory Panel (PAP).</p> <p>In its September 2018 meeting, the EER Task Force presented the remaining Phase 1 'issues' that were not presented in June alongside a first draft of the Phase 1 guidance. The Board noted the need for the guidance to demonstrate</p>

its full alignment with the requirements of ISAE 3000 (Revised), 5 and for the EER Task Force to provide further explanations about any guidance that goes beyond the requirements and application material in ISAE 3000 (Revised). The EER Task Force expects to receive further input from stakeholders during its forthcoming series of discussion events and will present a revised draft of the guidance to the IAASB in December 2018.

In December 2018 The EER Task Force presented an updated version of the Phase 1 draft guidance, which reflects changes to address feedback received from the IAASB at the September 2018 IAASB meeting, and from other stakeholders, including in relation to a 'materiality process' and assertions as they relate to the characteristics of suitable criteria. The Board noted that the draft guidance had significantly improved since discussions at the September 2018 meeting, but that further work on the drafting is enquired. The Board will discuss a further version on a teleconference in January 2019 before the draft guidance is published for public comment.

In March 2019, the Board approved for public comment Phase 1 of the draft guidance in January 2019. At its March 2019 meeting, the Board discussed several challenges related to Phase 2 of the guidance. The challenges include: determining the scope of an EER assurance engagement; communicating effectively in the assurance report; exercising professional skepticism and professional judgment; obtaining the competence necessary to perform the engagement; and obtaining evidence in respect of narrative and future-oriented information. The Board's deliberations of the challenges concerned were facilitated through breakout sessions, after which each breakout group reported back to the Board in a plenary session. The EER Task Force will consider the inputs that were received in progressing the development of Phase 2 of the guidance for further discussion at the June 2019 IAASB meeting.

In June 2019, the Board was updated on the work of the EER Task Force on the challenges allocated to Phase 2 of the project. These challenges include: determining the scope of an EER assurance engagement; obtaining evidence in respect of narrative and future-oriented information; exercising professional skepticism and professional judgment; obtaining the competence necessary to perform the engagement; and communicating effectively in the assurance report. The Board discussed views on the EER Task Force's initial proposals to address each of these challenges in the Phase 2 guidance. The EER Task Force will consider the inputs received from the Board, together with responses to the Phase 1 EER Consultation Paper in so far as they impact the Phase 2 guidance, in developing the draft Phase 2 guidance, which will be presented for discussion at the September 2019 IAASB meeting.

In September 2019, the Board received an overview of the comment letters received on the EER Assurance Consultation Paper. The Board discussed respondents' comments on the Consultation Paper, that included the draft Phase 1 guidance, and the EER Task Force's proposals for addressing the comments. The Board also discussed the initial drafting of the Phase 2 guidance developed to date by the EER Task Force. A revised draft of the

	<p>combined Phase 1 and Phase 2 guidance will be presented to the Board, for approval of an exposure draft at the December 2019 IAASB meeting.</p> <p>In December 2019, the Board approved the combined restructured and redrafted non-authoritative EER Guidance, Special Considerations in Performing Assurance Engagements on Extended External Reporting, for public consultation. The consultation period will be 120 days from the date of publication. In finalizing the draft Guidance for public consultation, the Board agreed to emphasize that the guidance is non-authoritative and is not required to be read in its entirety, but is a useful reference source in applying particular requirements of the Standard. The Board also clarified the possible approaches to the use of framework criteria and entity-developed criteria and included additional guidance on fraud and on misstatements that might affect the practitioner's assessment of the control environment.</p>
<p>Agreed-Upon Procedures</p> <p>No Update for the period</p>	<p>The objective of the project is to:</p> <p>A) Revise International Standard on Related Services (ISRS) 4400, Engagements to Perform Agreed-Upon Procedures Regarding Financial Information in the Clarity format; and</p> <p>B) Consider whether standard-setting or other activities may be appropriate for engagements that use a combination of procedures derived from review, compilation and agreed-upon procedures engagements (also known as "hybrid engagements"), in light of the existing standards that may be applicable to these services in the IAASB's current suite of standards.</p> <p>Background and current status: During consultations on the IAASB's 2015-2019 Strategy and the related 2015-2016 Work Plan, many stakeholders expressed the need to revise ISRS 4400 to meet the growing demand for agreed-upon procedure engagements. In response to the stakeholders' comments, the IAASB established a working group to explore issues involving agreed-upon procedure engagements. The issues identified and discussed at the IAASB meetings will be used to revise ISRS 4400 and possibly develop new standard(s) or guidance that would address engagements where there is a combination of agreed-upon procedures and assurance.</p> <p>The Agreed-Upon Procedures (AUP) Working Group presented a first draft of its Discussion Paper, <i>Exploring the Growing Demand for Agreed-Upon Procedures Engagements and Other Services and the Implications for the IAASB's Standards</i>, to the Board in June 2016. The IAASB provided the AUP Working Group with input to enhance the Discussion Paper and suggested that the paper pose a question to explore whether the IAASB should develop guidance on multi-scope engagements. The AUP Working Group will present a revised draft of the Discussion Paper at the September 2016 IAASB meeting.</p> <p>In its September 2017 meeting, the Board discussed the feedback received on the Discussion Paper and approved a standard-setting project proposal to revise ISRS 4400, subject to clarifications around the use of judgment, independence, restriction of the report of factual findings and required documentation.</p> <p>In its September 2018 meeting, The Board approved the ED of ISRS 4400 (Revised)³ for public exposure. In finalizing the ED, the Board agreed that</p>

	<p>independence is not required for an AUP engagement and that the AUP report would include statements addressing circumstances when the practitioner is (or is not) required to be independent, and whether the practitioner is (or is not) independent. The ED will be issued in early November with a 120 day comment period.</p> <p>In June 2019 the Board received an overview of the responses to proposed ISRS 4400 (Revised)² (ED-4400). The Board discussed, among other matters, respondents' comments on the application of professional judgment when performing procedures, the independence disclosure requirements, and the effective date.</p> <p>The Board also acknowledged areas of broad support, including not including a precondition for the practitioner to be independent, using the term "findings" and requiring an explanation of this term in the engagement letter and the AUP report, not requiring or prohibiting a reference to the practitioner's expert in the AUP report, and not requiring a restriction on use or distribution of the AUP report. The AUP Task Force will deliberate the Board's input and will present the first read of the post-exposure ISRS 4400 (Revised) to the Board in the second half of 2019.</p> <p>The Board approved ISRS 4400 (Revised)² with 17 Board members voting for approval and one vote against. The revised ISRS will be effective for agreed-upon procedures engagements for which the terms of engagement are agreed on or after January 1, 2022. Once the PIOB's confirmation that due process was followed is received, the Board will formally release the standard. In finalizing ISRS 4400 (Revised), the Board carefully deliberated the effective date and continued to focus on issues relating to compliance with independence requirements.</p>
<p>No Update for the period</p>	<p>In March 2019 the Board discussed a proposed Discussion Paper (DP), <i>Audits of Less Complex Entities: Exploring Possible Options to Address the Challenges in Implementing the ISAs</i>. The discussion highlighted the shift in focus on complexity of the entity rather than its size in driving the ongoing discussions and activities to address issues and challenges in audits of less complex entities (LCEs). The Board was supportive of the DP's overall direction, noting the importance of the project and the need for action by the IAASB and others.</p> <p>The Board liked the simple, clear way the DP had been presented and noted it was appropriate for its key target audience (i.e., auditors of LCEs). The Board made suggestions for improvements, particularly with respect to the issues and challenges, the possible actions presented within the DP and the questions to be posed to respondents in order to obtain relevant and useful feedback. Proposed changes to the DP will be presented in a Board call on April 10th, with the final DP targeted to be published for public consultation before the end of April 2019.</p> <p>The Board discussed the feedback received to date related to audits of less complex entities, including from the Discussion Paper (DP), <i>Audits of Less Complex Entities (LCEs): Exploring Possible Options to Address the Challenges in Applying the ISAs</i>, and other related outreach. The key messages received from the feedback highlighted the strong support for the</p>

	<p>IAASB's work in this area, as well as the need for a timely and global solution. The Board asked the LCE Working Group to continue to analyze the feedback from stakeholders to help determine the most appropriate way forward, and it was agreed that further information gathering activities would continue until June 2020, at which time it is anticipated that a decision about the way forward will be made. As part of the proposal for work in this area, the IAASB had agreed that it was important to keep stakeholders informed of its progress in relation to its work on audits of LCEs. Accordingly, the Board agreed to publish a Feedback Statement in December 2019 detailing what the IAASB had heard from its consultation and related outreach.</p>
<p>Audit Evidence</p> <p>Has update for the period</p>	<p>The Board discussed the analysis undertaken by the Audit Evidence Working Group of the issues across the ISAs related to audit evidence and the use of technology more broadly, and the possible actions to address the issues. The Board concurred that guidance should be developed on the effect of technology when applying certain aspects of the ISAs, and that this should be actioned expeditiously.</p> <p>The Board also indicated that more extensive information gathering and research need to be undertaken to understand the issues related to audit evidence, so that the Board is fully informed of the issues in determining the need for revisions to ISA 5005 and possibly other related standards.</p> <p>In September 2019, the Board was provided with an overview of the development of the Audit Evidence Workstream Plan. The Audit Evidence Working Group will accordingly undertake further information gathering and research, and develop recommendations for possible further actions to be presented to the Board in the first half of 2020.</p> <p>Update for the period:</p> <p>In June 2020, the Board discussed the outcome of the Audit Evidence Working Group's information gathering and targeted outreach activities. Based on the feedback, the Board agreed with the Audit Evidence Working Group's conclusion that the listing of audit evidence related issues, as presented, is appropriate. The Board supported the Audit Evidence Working Group's recommendation to develop a project proposal to revise ISA 500,5 including conforming and consequential amendments to other standards, for approval at the December 2020 IAASB meeting, and to continue in the interim to evolve its approach, as presented, to progress the revision of ISA 500 (and conforming and consequential amendments to other standards). The Board also recommended that the Working Group publish a project update to inform stakeholders about the activities undertaken to date.</p>
<p>LCE</p> <p>Has update for the period</p>	<p>Update for the period:</p> <p>In June 2020, the Board discussed the LCE Working Group's recommendations for developing a separate standard for Audits of Less</p>

	<p>Complex Entities (LCEs) on the basis of overarching principles outlining how the separate standard could be developed.</p> <p>Notwithstanding the support for some of the overarching principles outlined, the Board requested the LCE Working Group to further consider how the separate standard could be developed so that it is standalone, while also clarifying the linkage back to the ISAs as appropriate. In doing so, the Board also encouraged further consideration of materials to help apply the separate standard, either within the standard (as application material) or outside as support materials. The Board highlighted the importance of the description of an LCE to help in developing the content of the separate standard. The Board encouraged a more prescriptive definition for the application of the standard, although the Board recognized there would always be a level of judgment in making this determination. On this basis, the Board supported that the LCE Working Group commence development of the separate standard as well as prepare a project proposal for approval at the December 2020 IAASB meeting.</p>
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Agenda Item 8.2



NZ AUDITING
AND ASSURANCE
STANDARDS BOARD

DATE: 9 July 2020

TO: Members of the New Zealand Auditing and Assurance Standards Board

FROM: Peyman Momenan

SUBJECT: Domestic Update

Introduction

1. This Update summarises the significant news from Financial Market Authority, New Zealand Institute of Chartered Accountants and other organisations for the Board's information, for the period June and July 2020.

Financial Markets Authority (FMA)

1. The Financial Markets Authority (FMA) has considered the need for regulatory relief in relation to director liability thresholds, following changes in Australia.

The Australian Government has, for a period of six months from 26 May 2020, relaxed the liability threshold for assessing the materiality of information to be disclosed to the market from a "reasonable person" test to one of "knowledge, recklessness or negligence" (civil proceedings). The move is to encourage Australian listed issuers to provide guidance and forward-looking information to the market, and to reduce the risk of "opportunistic" class actions for potential breaches of continuous disclosure obligations.

It is understood that the risks to directors from speculative class actions influenced the decision by the Australian Treasurer. It has been announced that litigation funders in Australia will need to be licensed.

The FMA believes New Zealand's current legislative settings, and the manner in which they are applied, remain appropriate for the COVID-19 environment, and should already afford listed issuers and their officers' sufficient protection to encourage disclosure.

2. The Financial Markets Authority (FMA) has published its [Auditor Regulation and Oversight Plan 2020-2023](#).

The plan sets out the areas the FMA will focus on as part of its role in reviewing the quality of Financial Markets Conduct Act audits, and contributing to the integrity and development of the audit profession.

The FMA's focus over the next three years will be in the following areas: improving audit quality, thematic reviews, auditing and accounting standards, developments in the audit profession, and monitoring accredited bodies.

3. Investor confidence has remained steady for the third year running, in spite of the volatility caused by COVID-19, a Financial Markets Authority (FMA) survey has found. The markets regulator today released its annual [Investor Confidence Survey](#), which was conducted between 5 and 14 May, during Level 3 lockdown. The survey found two-thirds of investors (66%) were confident in New Zealand's financial markets, in line with 65% of investors last year.
4. NZX met its statutory obligations as a licensed market operator for the period 1 January to 31 December 2019, according to the Financial Markets Authority (FMA)'s annual review.
The [NZX General Obligations Review](#), published by the FMA today, found that NZX complied with its market operator obligations during the review period. The FMA will continue to engage with NZX on areas where it considers improvements should be made.

The New Zealand Institute of Chartered Accountants

1. No update for the period.

CPA Australia

1. The CPA Australia published this article in relation to COVID-19: [How audits will look in the post-COVID-19 era](#)
2. [Australia test case for remote audits using technology](#)

The Institute of Directors (IoD)

1. Technology is critical during a crisis like COVID-19 to enable secure communications, remote access to data, virtual meetings and support business continuity. [This article](#) provides a reminder to those charged with governance of what they need to do in relation to using IT.
2. After much debate and a lengthy Parliamentary process, the new [Privacy Act](#) will come into force on 1 December 2020 to protect and promote individual privacy. Most organisations (referred to as agencies) will be subject to the Act including companies and government departments. The core framework of the Privacy Act 1993 has been retained, including the information privacy principles (although some of these have been updated to ensure they are fit for purpose).
3. [The board's role in a crisis](#) guide includes findings from interviews with chairs, board members and chief executives who have experienced major crises over the last 10 years. These crises include major natural disasters, reputational crises, market collapse, critical infrastructure failure, terrorist attacks, through to pandemic responses. The interviewees

covered sectors as diverse as banking, education, health, electricity, transport, mining, manufacturing, retailing, local government, and scientific research.



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Research Executive Summary
Volume 1 Issue 2

Blockchain Technology and the Accounting Profession: an Exploratory Study



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We acknowledge the tradition of custodianship and law of the Country on which the University of Sydney campuses stand. We pay our respects to those who have cared and continue to care for Country.

Blockchain Technology and the Accounting Profession: an Exploratory Study

Key Conclusions:

- Providing assurance services to clients using blockchain technology requires distinctive audit methodology.
- Key challenges in assuring systems and assets relating to blockchain include the lack of accounting and auditing standards; a regulatory framework; agreed governance principles for democratized blockchain network; ensuring integrity of data; the classification and reporting of cryptocurrencies, capitalization of technology development costs, and, developing skills base.
- Professional organizations and academic institutions in consultation with blockchain technology experts and accounting firms have started developing trusted blockchain credentials.



Abstract

Blockchain technology may require a distinctive audit methodology because it poses risks not seen before in the audit of financial statements. Regulatory frameworks; accounting standards and guidelines on the governance of blockchain applications to ensure data integrity; consistent classification and reporting of digital assets, and, trusted credentials, are either yet to be or in the process of being developed. Accountants do not see themselves becoming obsolete due to blockchain technology.

Introduction

At its core an accounting technology (ICAEW 2017), blockchain is expected to create new opportunities as well as risks to the accounting profession (Richins et al 2017). Conceptualised in 2009, blockchain is a decentralised public ledger that provides a secure infrastructure for transactions among unfamiliar parties without central authority (Dai and Vasarhelyi 2017; Tan and Low 2019). According to Tan and Low (2019, p.315), data or records are aggregated into blocks and these blocks are linked together through hashes. Arranging data in blocks chained by hashes enables detection of tampering of existing records. Able to deliver data integrity, immutability of transactions, absolute certainty over ownership and history of assets, and, efficient reconciliation, it is purported to improve collaboration, transparency and productivity (Deloitte 2016), create significant commercial and economic value (KPMG 2018), and, disrupt existing business models including that of accounting firms. Recognising the potential for new opportunities, first and mid-tier accounting firms are investing in resources and working in collaboration with technology partners.



Objectives

The main objective of the study is to investigate the influence of blockchain technology on accounting practices and the accounting profession. In particular, the study aims to, in the context of Australia:

1. analyse the influence of blockchain technology on auditing and assurance services, and,
2. identify the implications for accounting professional development and education.

Research Method

This study primarily used semi-structured interviews to collect data. There were twenty-eight participants including partners and managers of first and mid-tier accounting firms, thought leaders representing accounting and industry professional bodies and blockchain technology developers.



Main Findings and Implications for Practice

The following are the key findings as they relate to the aims of this exploratory study:

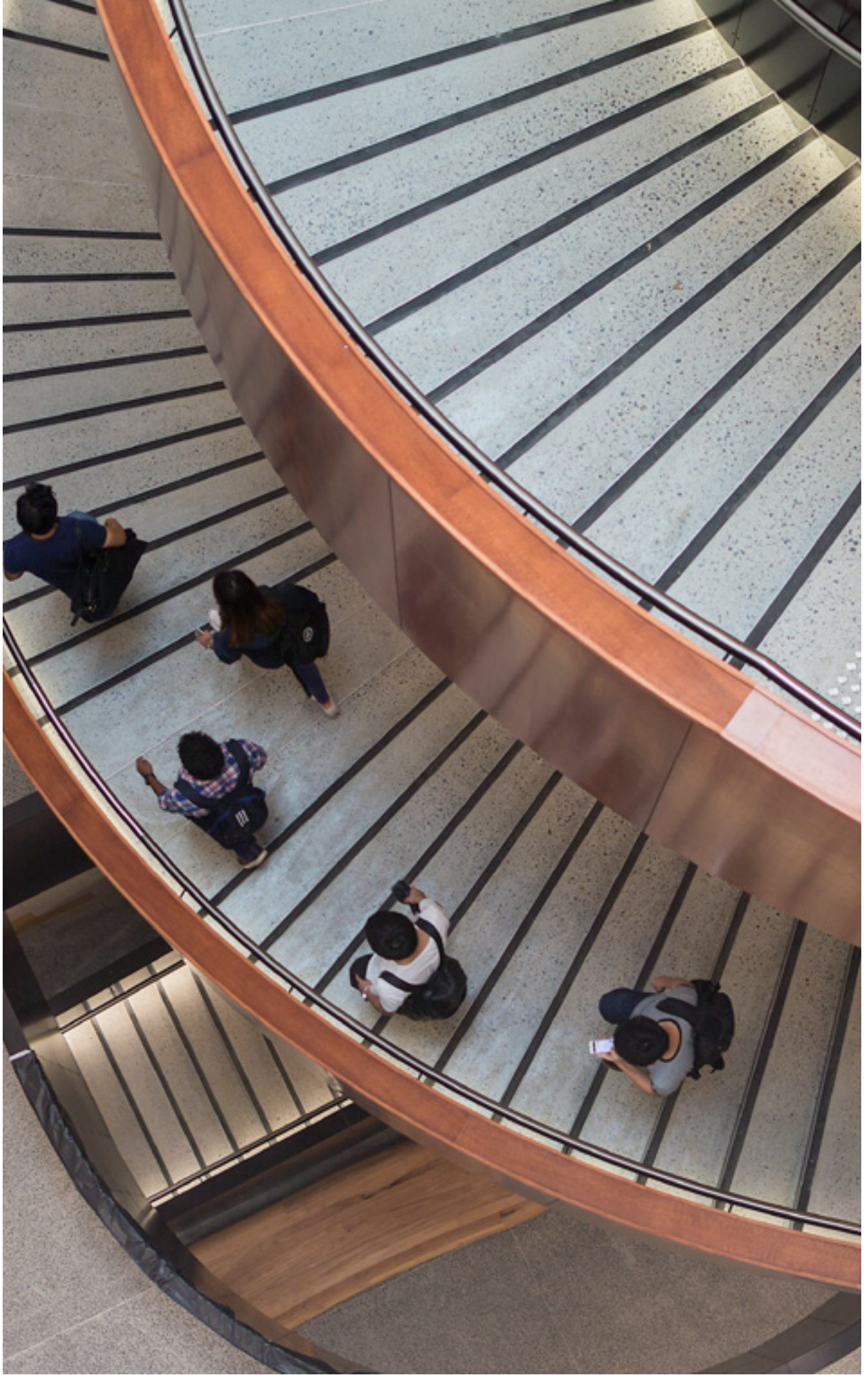
1. Influence of blockchain technology on auditing and assurance services -
 - a. Accounting firms in Australia recognise the potential impact of client use of blockchain technology on financial statement audits. Blockchain's unique features will influence client acceptance, engagement planning, risk assessment, audit evidence and reporting phases of audits.
 - b. First and second-tier accounting firms have either considered or obtained engagement with clients with a cryptocurrency business or that use a blockchain platform. Potential and actual clients involved in crypto business, however, are expected to be a minority relative to total number of clients.
 - c. There is a perception that blockchain technology has peculiar characteristics, which could require a distinctive audit methodology. Specifically, blockchain impacts on the whole information technology architecture, which entails an understanding of its effects on financial reporting systems.
 - d. Identified risks borne by the use of blockchain technology relate to the governance of blockchain applications, and democratization of the blockchain network; classification and reporting of cryptocurrencies, and, capitalization of blockchain technology development costs.
 - e. Obtaining sufficient, relevant and reliable evidence could be very resource-intensive to include both compliance and control-based verifications, and, substantive testing. The latter could require the auditor being part of the eco-system.
 - f. There is an identified challenge in the reporting of cryptocurrency in client's financial statements given the absence of accounting standards on cryptocurrency.
2. Implications for accounting professional development and education -
 - a. Accounting bodies in Australia recognize that accounting practitioners and students need to be familiar with blockchain technology, particularly, how it will impact on organization processes, governance and accounting practices.
 - b. Accounting and auditing standards relating to cryptocurrency and the use of blockchain technology, and, standards on interoperability of blockchain applications are yet to be developed or agreed upon.
 - c. As blockchain technology and its applications continue to evolve, government entities have been issuing guidelines and information. For example, Treasury has released an issues paper on the opportunities and risks arising from initial coin offerings (Treasury 2019), AUSTRAC (2018) has implemented new laws for digital currency exchange providers, and ASIC (2019) released information and guidelines on the evaluation of distributed ledger technology and on initial coin offerings and crypto-assets. ATO (2019) has provided guidance about the potential application of the Corporations Act 2001 to businesses that are considering raising funds through ICOs and guidelines on the tax treatment of crypto currencies.
 - d. With regard to recognising blockchain expertise, there are initiatives to grant micro-credentials through learning modules and online courses. RMIT for example, piloted a blockchain focused short course titled 'developing blockchain strategy' to mid-career professionals (DISER 2020).

Conclusions

Blockchain technology is perceived to potentially cause fundamental changes to the operation and management of business and financial transactions, inter-firm collaborations, the audit of financial statements and business models of accounting firms. For these changes to happen, regulatory frameworks and standards; adequate skills and capabilities, and, audit methodologies are required. It is still early days in Australia in regard to the use and impact of blockchain technology on business, financial and audit transactions. Work on this front is expected to ramp up with the recent release of national blockchain roadmap (DISER 2020).

Recognizing opportunities to develop and offer high value advisory services, accounting firms in Australia are already building blockchain capabilities and skills. Firms continue to pursue a technology-focused and multi-disciplinary approach to providing client services. There are education providers that are developing micro-credentials and introducing courses and modules on blockchain thereby contributing to skills development in Australia.

Blockchain technology is still evolving and yet to take a foothold in Australian businesses. Predictions that accountants and auditors will become obsolete because of blockchain are greatly exaggerated. There appears to be a strong view amongst practitioners that blockchain technology cannot replace, for example, judgments relating to financial transactions by accountants and auditors. In addition, the integrity of transactions on blockchain platforms would need to be verified. Blockchain applications once verified to be trust-worthy, are, however, expected to replace procedural and labor-intensive tasks like reconciliation of transactions.



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