

## NZAuASB Board Meeting Summary Paper

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<b>AGENDA ITEM NO.</b>	3.1
<b>Meeting date:</b>	3 December 2020
<b>Subject:</b>	Discussion Paper Fraud and Going Concern
<b>Date:</b>	27 October 2020
<b>Prepared by:</b>	Misha Pieters and Peyman Momenan

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### Agenda Item Objectives

1. For the Board to APPROVE a submission in response to the IAASB's discussion paper.

### Background

2. The IAASB is seeking a response by **12 January 2021** to their Discussion Paper to explore the expectation gap on matters relating to fraud and going concern in an audit of financial statements and.
3. The XRB held a virtual roundtable on November 25th to obtain views from all participants in the financial reporting ecosystem. Key themes and observations from the breakaway rooms are attached at agenda item 3.2. Staff have developed a draft submission, and continue to reflect on the feedback received in preparing an indicative draft response.
4. In addition, staff attended the roundtable events hosted by the AUASB on this topic and continue to share feedback received.

### Matters to Consider

5. Board members are asked to provide thoughts and additional comments on the developing draft submission. The submission is due to the IAASB before the next NZAuASB meeting in February. Based on the feedback from the Board, staff will update the submission and determine an appropriate process to finalize.

### Material Presented

Agenda item 3.1	Board Meeting Summary Paper
Agenda item 3.2	Notes from roundtable events
Agenda item 3.3	Draft response to the IAASB



NZ AUDITING  
AND ASSURANCE  
STANDARDS BOARD

12 January 2021

Willie Botha  
Technical Director  
International Auditing and Assurance Standards Board  
545 Fifth Avenue, 14<sup>th</sup> Floor  
New York, 10017  
USA

Dear Willie,

***IAASB Discussion Paper: Fraud and Going Concern in an Audit of Financial Statements***

Thank you for the opportunity to comment on this Discussion Paper (DP). We submit the feedback from the New Zealand Auditing and Assurance Standards Board (NZAuASB).

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

The NZAuASB commends the IAASB's initiative to explore ways to narrow the expectation gap on these two important topics in its role as the standard setter while also highlighting the role of all participants in the financial reporting ecosystem.

*The New Zealand context*

While New Zealand has not had neither high profile corporate scandals or collapses nor specific parliamentary reviews into the audit profession, the XRB has been actively monitoring the numerous reviews and activities from around the world related to both the topics of fraud and going concern. The NZAuASB strongly agrees that all participants in the financial reporting ecosystem have an important role to play to narrow the expectation gap and build trust in reporting.

In New Zealand, there has been a co-ordinated effort between the New Zealand Accounting Standards Board (NZASB) and the NZAuASB to consider matters related to going concern. In February of 2020, the two boards held a joint meeting to explore going concern matters specifically. Further prompted by the COVID-19 pandemic and growing calls for additional reporting around going concern matters, the NZASB added specific going concern disclosure reporting requirements in New Zealand where an entity's going concern assessment has involved the application of significant judgement and/or the consideration of material uncertainties about the outcomes of future events or conditions, effective for accounting periods ending on or after 30 September 2020. This co-operative approach has informed the response to this consultation paper.

In addition, the NZAuASB considered going concern matters in detail in its project to revise the standard on interim reviews, especially exploring matters related to enhancing communication of responsibilities on going concern matters in the auditor's report. The learnings from this project also helped to inform the response to this consultation paper.

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*Outreach*

In formulating this response, the NZAuASB hosted a virtual roundtable event, seeking feedback from assurance practitioners, preparers, regulators, professional bodies, academics and investors.

*Overarching comments*

The NZAuASB strongly agrees that the IAASB cannot address the expectation gap on its own and is therefore very supportive of this initiative, both with a focus on what can be done in the assurance standards as well as highlighting the role of others to promote ongoing co-operation between all participants in the financial reporting ecosystem.

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

Yours sincerely,

**Robert Buchanan**  
**Chairman**

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**Submission of the New Zealand Auditing and Assurance Standards Board**

**IAASB Discussion Paper: *Fraud and Going Concern in an Audit of Financial Statements***

**1a) In regard to the expectation gap what do you think is the main cause of the expectation gap relating to fraud and going concern in an audit of financial statements?**

**Response:**

The NZAuASB considers the analysis of the various causes of the expectation gap to be helpful and that the knowledge gap, performance gap, evolution gap and hindsight gap are all causes of the expectation gap. However, the Board considers the main causes of the expectation gap relating to fraud and going concern differ.

*Fraud*

At our roundtable event, most participants noted the knowledge gap is a key contributor to the expectation gap. Concepts such as reasonable assurance, materiality, risk-based auditing etc can be very difficult to explain. Understanding the ambiguity in these concepts and the implications of such ambiguity for audit engagements require in-depth technical knowledge of auditing. This contributes to the knowledge gap of what the public expects from auditors. This knowledge gap is hard to reduce. Some of the participants further believed that auditors cannot clearly explain what their role is in detecting fraud, and this may also contribute to the knowledge gap.

Another factor that may contribute to the knowledge gap is that some of the public expectations of auditors in relation to fraud are made in a vacuum of cost-benefit analysis. Without knowing the cost of meeting these expectations, and who is expected to meet them, it is difficult to talk about the expectation gap in a realistic sense. A cost-benefit analysis is needed to enable meaningful discussions about user expectation.

The roundtable participants also agreed that there is an evolution gap in relation to prevention and detection of fraud. There may be a place for evolution about what is meant to be reported on, as the economic environment changes. However, everything should not be put on the shoulders of external auditors. It is vital that all those within the financial reporting eco-system do their part to meet evolving expectations.

Management and those charged with governance, who hold the primary responsibility for preventing and detecting fraud, have a particularly significant role to play. It would be impractical for auditors to meet these expectations without specific disclosures and statements regarding management's responsibilities for implementing systems that are adequate to prevent and detect fraud. Of equal importance is those charged with governance's responsibility for creating and maintaining a corporate culture and identity conducive to integrity, as well as implementing and overseeing adequate controls to mitigate the risk of management override of controls.

At our roundtable event, participants' views were that there is also a performance gap in case of financial reporting fraud perpetrated by senior members of management. ISA 240, *the Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*, clearly stipulates that such instances of fraud should be a key focus for auditors. Instances of major financial reporting frauds must be duly studied, and lessons learned shared between both auditing standard setters and audit practitioners.

Views were mixed about whether the expectation gap relating to auditor's identification of instances of misappropriation of assets can be contributed to the knowledge gap or performance gap. In certain

types of audit engagements, such as public sector audits and audit of not for profit entities, a primary expectation of users is that funds provided to auditee entities are spent for legitimate purposes is. Such expectations specially apply to activities undertaken by senior management or other influential individuals within the auditee organisation.

It was also noted that audit procedures may not be targeted at detecting fraud. Auditors rarely come across instances of fraud perpetrated by employees in their auditing careers and external audit procedures rarely find actual instances of fraud. This makes training auditors to be good at detecting fraud difficult. Furthermore, most instances of fraud perpetrated by employees are discovered by an entity's system of internal controls (e.g. Internal auditors), not by external auditors and their audit procedures. This is to be expected as detecting small scale frauds requires in depth knowledge of and continuous involvement in the day to day activities of the entity. External auditors seldom have such knowledge or involvement in the day to day activities of the entity. It may be unreasonable to expect auditors to be more successful at identifying actual instances of misappropriation of assets than an entity's internal controls.

The auditing standards recognise that management of an entity may conclude that it is not cost effective to implement certain controls (e.g. management accepts the higher risk associated with a lack of segregation of duties)<sup>1</sup>. The auditing standards require auditors to mitigate this increased risk of fraud by adjusting their risk assessment. However, it is unclear if it is reasonable to expect auditors to be able to compensate for the inadequate controls with cost-effective audit procedures. Clear communication of such strategic choices and the associated risks by management to those charged with governance, and where appropriate, to users is required if the expectation gap relating to these types of fraud is to be meaningfully narrowed.

#### Going concern

At our roundtable event, 57% of participants identified the knowledge gap as the main cause of the expectation gap relating to going concern. 10% of participants consider that the performance gap was the main cause, 13% considered the evolution gap the main cause. 20% of participants considered that the knowledge gap, the performance gap and the evolution gap apply equally.

While users of the audit report may want and therefore expect that the auditor is providing a level of confidence in the future viability of the business, auditors are focussed on obtaining evidence related to management's assessment of the use of the going concern basis of accounting. Users may have unrealistic expectations as there are significant limitations on what the auditor can realistically do. (i.e. to expect assurance on the future viability of an entity is somewhat unrealistic, especially in light of the scope of an audit and what is currently required to be reported by the preparer under the financial reporting framework). There are significant inherent limitations to the level of confidence and assurance that auditors can contribute to matters related to going concern, given that going concern assessments are necessarily forward looking (i.e. involve crystal ball gazing).

Going concern expectations are called into question when an entity collapses. There are various reasons that result in an entity collapsing, including black swan external events or internally generated collapses as a result of poor management and/or weak controls indicative of an incorrect business model or overly aggressive or optimistic risk appetite. Auditor's should not be blamed for poor management decisions, however, do have a role to play in challenging management on overly

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<sup>1</sup> Paragraphs A32 and A33 of ISA 240, *the Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

optimistic assumptions, in circumstances where management is unwilling to acknowledge, or be transparent, when an entity may be in difficulty.

Developments in extended external reporting (EER), especially EER with a focus on strategy and risk reporting have a longer timeframe perspective and may provide more contextual information about the ongoing viability of a business. Users are increasingly interested in this type of reporting. The evolution in reporting may enable assurance to evolve to better meet users' needs. Reporting requirements of this nature continue to evolve, and in many instances are not mandatory, or do not fall within the scope of the audit. The NZAuASB consider it important for such reporting not to be seen as a compliance activity. As the EER reporting requirements continue to evolve, entities mature in the controls and reporting process, and assurance may be voluntarily sought or required.

**1b) In regard to the expectation gap in your view what could be done by the IAASB and/or others (please specify), to narrow the expectation gap related to fraud and going concern in an audit of financial statements?**

**Response:**

The NZAuASB recommends different responses to start to narrow the expectation gaps related to fraud and going concern:

Fraud

The 'evolution expectation gap' related to fraud will not be narrowed by standard-setting alone—it will require efforts from all participants in the financial reporting ecosystem.

Management and those charged with governance play a key role in preventing fraud by fostering an appropriate corporate culture and implementing effective internal controls. Adopting appropriate strategies for preventing fraud is likely to be far more effective than trying to identify instances of perpetrated fraud.

In New Zealand, about 60% of all instances of identified fraud in 2020 with values greater than NZD 100,000 are attributed to weak internal control.<sup>2</sup> Of particular importance is the risk of management override of controls. Indeed, with very few exceptions, most of the major fraud cases in the past 50 years that had catastrophic results for the victim organisations were perpetrated by senior members of management circumventing or overriding seemingly sound systems of internal control.<sup>3</sup> Those charged with governance's responsibility to implement and oversee adequate and appropriate procedures to mitigate the risk of management override of controls is of crucial significance.

In order to meet evolving expectations in relation to fraud, it is important that there are appropriate reporting requirements on the effectiveness of internal control relating to prevention and identification of fraud. This is clearly beyond the IAASB standard setting mandate and would require collaboration between all participants in the financial reporting ecosystem.

Better training of auditors can help to narrow the performance gap. Limited on the job learning opportunities mean that there must be a stronger focus on formal training on fraud. It may be beneficial to train auditors in forensic accounting skills and fraud awareness. Sharing knowledge between audit firms can help to improve professional knowledge to better identify, assess and respond to risks of fraud in the financial statements. While this is mostly outside of the scope of the IAASB's standard

<sup>2</sup> [Fraud Barometer](#), KPMG NZ, September 2020.

<sup>3</sup> Management Override of Controls: The Achilles' Heel of Fraud Prevention, American Institute of Certified Public Accountants, 2016.

setting work, it is important for the IAASB to work closely with the International Accounting Education Standards Board (IAESB) to address this issue which would help to narrow the performance gap.

It is also important to learn from practice. In New Zealand all the public sector entities are required to report all instances of identified fraud to their auditor, regardless of the perceived materiality of the incident. The Office of Auditor-General analyses these cases and uses it to better train public sector auditors in being fraud aware.

#### Going concern

In many instances, the preparer is not aware of their obligations and responsibilities to appropriately assess the appropriateness of the ongoing use of the going concern basis of preparation, especially in smaller entities. The auditor is therefore in a position where they are educating the preparer on their responsibilities in the first instance. In this sense, there is a performance gap by directors and management that needs to be addressed as a priority. We recognise that this is mostly outside of the scope of the IAASB's standard setting work.

Those charged with governance and management need a better understanding of their obligations, more requirements and guidance about how to undertake a robust assessment of their entities ability to continue in the foreseeable future, and about what disclosures are appropriate and when so as to keep users well informed. More requirements or guidance for the preparer (and users) as to what going concern means, what is a material uncertainty, what is a close call, how to make this assessment and what to disclose is seen as the matter requiring the most urgent attention.

We encourage the IAASB to work with the accounting standard setters and others to clarify the concept of going concern across all of the standards. An unexpected benefit of the COVID pandemic, is the close focus on going concern matters, requiring in depth discussions between auditor, management and those charged with governance and an increasing awareness of the respective responsibilities. Preparers are disclosing more than they have in the past, in the COVID environment, but these disclosures should be made more routinely. Management is however generally reluctant to disclose uncertainty and what assumptions were made around going concern matters.

The NZAuASB encourages the IAASB to continue to explore a collaborative approach with accounting standard setters and regulators to develop a more holistic solution for addressing the expectation gap by management, those charged with governance, the regulator and the auditor related to going concern. Limits on what the reporting entity is disclosing places significant restrictions on how an audit can evolve to better meet user needs. The entity has the primary responsibility for assessing the entities ability to continue as a going concern and for assessing the appropriateness of the use of the going concern basis of accounting. In the first instance, the financial reporting requirements should require more information about going concern.

#### **2a) Should the auditor have enhanced or more requirements with regard to fraud in an audit of financial statements? If yes, in what areas?**

##### **Response:**

At our roundtable event, 28% of participants agreed that the auditors should have enhanced or more requirements with regards to fraud in an audit of financial statements, 14% thought that the requirements are appropriate and 52% believed that a separate engagement would be a more appropriate response (7% of participants had no opinions).

The overall view was that auditing standards related to fraud may not require an overhaul, as underlying principles are appropriate, but may instead require certain relevant standards, in particular ISA 240, be updated, clarified and enhanced. Currently there is some confusion about what is expected from auditors in ISA 240. For example, ISA 240 includes as an example of misappropriation of assets involving an employee who colludes with a competitor by disclosing technological data in return for payment<sup>4</sup>. It is unclear how an auditor is expected to identify this type of fraud. It is likely that only forensic investigation procedures (such as surveillance of the employee's activities) are capable of identifying such instances of fraud.

Also, some of the specific requirements in ISA 240 may require updating. For example, our outreach activities and discussion with auditors and auditor oversight bodies have not identified any instances of fraudulent financial reporting identified by journal testing over the past few years. This indicates a need to reassess the effectiveness and relevance of required journal testing in light of practical experience. The focus on journal testing may be detracting from other high-risk areas.

Participants also strongly supported training auditors in forensic skill and fraud awareness as well as providing further guidance in ISA 240 on when to involve forensic specialists. Some of the participants noted that forensic specialists are often only involved when there is a suspected instance of fraud. This does not seem appropriate, especially for engagements with a high risk of fraudulent financial reporting (e.g. issuers with complex structures operating in industries with complicated financial reporting practices and opportunity for management to commit financial reporting fraud).

With technological advances there may be a greater capacity to detect fraud through data analytics and other analytical tools. The NZAuASB encourages the IAASB to consider how auditors can better employ emerging technologies to enhance auditor performance regarding fraud as part of the IAASB's [technology](#) project. Feedback from our stakeholders is that the IAASB's initiative to provide non-authoritative guidance on how auditors may use technology in harmony with auditing standards can be particularly helpful in this area. However, it was also noted that technology is not a panacea and that technology would have been unlikely to help auditors to detect the Carillion and Wire Card frauds. Appropriate risk identification and in-depth knowledge of the entity, its industry and the environment it operates in are required to notice fraud-indicating red flags.

**2b) Is there a need for enhanced procedures only for certain entities or in specific circumstances?**

**If yes:**

- (i) For what types of entities or in what circumstances?**
- (ii) What enhancements are needed?**
- (iii) Should these changes be made within the ISAs or outside the scope of an audit (e.g., a different engagement)? Please explain your answer**

**Response:**

As explained above, the majority of participants in our roundtable favoured a separate engagement outside the scope of an audit. The example commonly provided was engagements to evaluate effectiveness of internal controls as required by the Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act) in the USA. Although concerns were also raised that in New Zealand, implementing such engagements may be cost prohibitive. This may only be viable for large public interest entities.

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<sup>4</sup> Para A5, ISA 240.



On whether auditing standards must require more to be done in relation to non-material fraud, 65% of participants assessed the current standard as adequate, 23% believed that more needs to be done while 13% expressed no opinion.

- 2c) Would requiring a “suspicious mindset” contribute to enhanced fraud identification when planning and performing the audit? Why or why not?**  
**(i) Should the IAASB enhance the auditor’s considerations around fraud to include a “suspicious mindset”? If yes, for all audits or only in some circumstances**

**Response:**

At our roundtable event, 72% of participants did not agree that requiring a “suspicious mindset” will contribute to enhanced fraud identification, while 28% of participants agreed with such a move. Those opposing believed that professional scepticism is adequate and appropriate to describe the quality auditors must possess to be able to respond competently to risks of fraud.

It was noted that adopting a presumptive doubt approach may logically require authentication of records and documents (one has to assume records are not authentic until otherwise proven) which would fundamentally change the very nature of an audit engagement. It was also noted that introducing such a concept may have a detrimental impact on the relationship between auditors and management and may reduce the level of management cooperation with the audit.

However, other participants supported requiring a suspicion mindset, specifically in relation to management risk of override of controls. Requiring a suspicious mindset may prompt the auditors to more vigorously respond to such significant risks thus reducing the likelihood of them being unable to identify material financial reporting frauds.

- 2d) Do you believe more transparency is needed about the auditor’s work in relation to fraud in an audit of financial statements? If yes, what additional information is needed and how should this information be communicated (e.g. in communications with those charged with governance, in the auditor’s report, etc.)?**

**Response:**

At our roundtable event, some participants called for greater transparency from auditors in relation to identified significant controls’ deficiencies and weaknesses. Views were expressed that it may be appropriate for auditors to report significant internal control deficiencies as a KAM in the auditor report.

Others called for additional information to be disclosed by management, e.g. management assessment of risk of fraud. Such additional information, where relevant, could prompt commentary from auditors in their report.

Requiring disclosure of materiality judgements in the auditor report was another suggestion.

Opposing views were that auditor reports are already too long and too difficult to understand. Concerns were also raised about auditor liabilities for including more in their auditor report.

There was consensus however that if there is more to be said in the auditor report it has to be bespoke and tailored to the audited entity and not boiler plate statements with little specificity to the entity.

- 3a) Should the auditor have enhanced or more requirements with regard to going concern in an audit of financial statements? If yes, in what areas?**

**Response:**

At our roundtable event, 50% of participants agreed that the preparers' requirements should be enhanced as a priority, 39% agreed that both the preparer and auditor's requirements should be enhanced as a priority, 11% thought that the requirements are appropriate and 0% agreed that the audit requirements should be enhanced as a priority.

The NZAuASB considers that there are limitations on enhancing or adding more requirements for the auditor to narrow the expectation gap while reporting requirements for preparers remain relatively light. The NZAuASB strongly agrees that the primary responsibility for assessing the appropriateness of the use of the going concern basis of accounting lies with management and those charged with governance. The NZAuASB notes that there is already an entire auditing standard on the auditor's responsibilities related to going concern, while there are only two paragraphs in IAS 1 for the preparer.

The expectation gap around going concern has existed for many years. The IAASB tried to address this as part of the auditor reporting project but even then identified the need for stronger collaboration with the accounting standard setters.

In many instances, the auditor is taking on the role of educator to the preparer about their responsibilities. This drives the preparer to develop their thinking solely to provide evidence to the auditor, rather than as something that they are primarily responsible for.

There are limitations on how good the audit can get, given these inherent limitations, and the NZAuASB is strongly supportive of a focus on management disclosures as a priority. The NZAuASB is particularly interested in Sir Brydon's recommendations in the UK relating to resilience reporting to connect the dots with the director's responsibilities. The NZAuASB considers that in terms of addressing the evolution gap, users want both information and reassurance about the resilience of an entity. The NZAuASB has also observed comments that there appear to be fewer issues relating to going concern in jurisdictions where there is a strong emphasis on director's responsibilities.

It would be most useful for the auditing and accounting standard setters to work closely together to consider the spectrum of circumstances relating to going concern reporting from: very low risk; through increasing uncertainty up to the close call stage; where a material uncertainty exists and where it is no longer considered to be appropriate to use the going concern basis of preparation. We encourage the accounting and auditing standard setters to agree definitions for key cross over points on this spectrum and agree the triggers for disclosure at each of these stages and then reassess the auditor's responsibilities at each stage, depending on the applicable disclosure requirements. This work needs to happen in tandem, and therefore on balance the NZAuASB recommends that the focus be on a collaborative effort, not the ISAs in isolation. It is not appropriate to address this issue through the auditing standards without changes to the financial reporting requirements.

Historically, auditors have rarely had to deal with challenging going concern judgements. The current COVID-19 reporting environment is providing a rich "training" ground for practitioners, and an unexpected benefit is that the pandemic is also raising awareness by the preparer as to what their responsibilities are, and promoting more transparency about going concern assumptions.

*Time frame*

At our roundtable event 60% of participants do not consider that the time frame for the assessment should be extended beyond 12 months. 30% thought maybe or sometimes.

ISA 570 (Revised) *Going Concern* paragraph 13 requires the auditor to consider the same time frame as that used by management to make its assessment, as required by the applicable financial reporting

framework, but not less than twelve months from the date of the financial statements. IAS 1 refers to a period which is at least, but not limited to twelve months from the end of the reporting period. Our roundtable participants stressed that the assessment is linked to the reporting cycle (and interim reporting plays into this too) and the need for consistency with the financial reporting requirements. Auditor liability concerns, limitations on the value of extending the time period given the increasing uncertainty the longer the time period where highlighted, and questions raised as to how the benefits of extending the time period would outweigh the costs.

In New Zealand, the NZAuASB has extended the relevant period for consideration by the auditor in ISA (NZ) 570 (Revised) to a period of at least twelve months from the date of the auditor's report. Historically the New Zealand auditing standards referred to the 12 months from the date of the auditor's report. Therefore, this is established best practice in New Zealand. Given the recent focus on going concern matters, the NZAuASB considers that audit quality may be significantly enhanced where the auditor's assessment covers a minimum of twelve months from the date of the current auditor's report. This would mean that the auditor has considered the appropriateness of the use of the going concern basis of accounting up until the date that the audit is formally completed for the next period. We note that there has not been alignment in New Zealand between the accounting standards and the auditing standards in this regard.

The NZAuASB does not consider the time period should be extended, however perhaps the application material should have less of a focus on 12 months, as there are circumstances where this may vary, and we consider this is more in line with the extant position.

#### *Interim reviews*

The NZAuASB is of the view that the IAASB's interim review standard would benefit from a revision, especially to clarify what the auditor's responsibilities are related to going concern at the interim stage. This is important for jurisdictions where listed entities have an interim review. It is also relevant to the "12 month" period in the auditing standards. If an entity's basis of preparation is being reconsidered by both management and the auditor every 6 months, this provides a more frequent flow of information to the user and provides a more timely update. The time frame for going concern considerations at the interim review stage should also be clarified, noting that the auditor will be required to conclude on the appropriateness of the use of the going concern basis of accounting at the annual reporting stage.

#### *Flowchart*

The NZAuASB has included a flowchart in the appendix to ISA (NZ) 570 (Revised), the flowchart is included in the appendix to this response. Practitioners have found the flowchart to be a useful visual guide to reporting on going concern issues and we recommend that such a flowchart be added to ISA 570.

### **3b) Is there a need for enhanced procedures only for certain entities or in specific circumstances?**

**If yes:**

**(i) For what types of entities or in what circumstances?**

**Response:**

The NZAuASB is not supportive of distinguishing requirements within the auditing standards based on the type of entity. We consider such an approach run the risk of widening the expectation gap even further.

**(ii) What enhancements are needed?**

**Commented [MP1]:** Does the board think that following the revised risk assessment approach in 315 would enhance the standard?

<<the UK has made changes to the UK [going concern standard](#) in September 2019. This included guidance on interpreting the term “going concern”, a focus on management bias, a definition of a material uncertainty related to going concern, a focus on risk assessment procedures and procedures to evaluate management’s assessment and requirements over the statement on the directors’ assessment of the longer term viability of the entity. In addition, the FRC recently noted that audit firms have [implemented additional measures](#) to enhance their evaluation of an entity’s going concern assessment.>>

- (iii) **Should these changes be made within the ISAs or outside the scope of an audit (e.g., a different engagement)? Please explain your answer**

**Response:**

The NZAuASB is particularly interested in Sir Brydon’s recommendations in the UK relating to resilience reporting. The NZAuASB considers that the expectation gap relating to going concern is fundamentally about users seeking more transparency over, and information about, business viability, and that the term “going concern” is therefore at the heart of the expectation gap. More information about business risk and strategy, some of which might already be reported in the directors’ report or included in management commentary, is key information to the user, however this is not required by the financial reporting requirements and is therefore not within the scope of the audit. If entities were required to report more information in the first instance, this would help to reduce the expectation gap where currently users are asking the auditor “why did you not tell us there was a problem”. The auditor can only report uncertainties that are disclosed by the entity.

Assurance over extended external reporting might play an important role in future, as reporting over EER and then EER assurance engagements continue to evolve.

**3c) Do you believe more transparency is needed**

- (i) **About the auditor’s work in relation to going concern in an audit of financial statements? If yes, what additional information is needed and how should this information be communicated (e.g. in communications with those charged with governance, in the auditor’s report, etc.)?**
- (ii) **About going concern, outside of the auditor’s work relating to going concern? If yes, what further information should be provided, where should this information be provided, and what action is required to put this into effect?**

**Response:**

At our roundtable event, participants were evenly split as to whether or not additional transparency is needed in the auditor’s report (34% thought yes, 31% thought no and 34% agreed thought sometimes).

As part of the NZAuASB’s outreach related to the auditor reporting post implementation review project, the Board heard from users of the auditor’s reports that auditors communicate well on matters related to going concern. As a result of the COVID-19 pandemic, in New Zealand we have seen an increase in the number of KAMs related to going concern, in the “close call” situations. As part of this broader outreach, we have also heard from users, that lengthy audit reports that include standardized wording are not useful, i.e. few users read the parts of the audit report that focus on management’s and/or auditor’s responsibilities that include generic standardized text. Based on this feedback, the NZAuASB considers that adding additional reporting requirements into the auditor’s report that is overly standardized is unlikely to have an impact on narrowing the expectation gap.

**Commented [MP2]:** What are the Board’s thoughts on requiring a KAM on going concern in all instances?

The NZAuASB explored ways to enhance the auditor's interim review report in detail as part of its domestic project to revise NZ SRE 2410. As part of this project, we sought views from all participants in the financial reporting ecosystem. While the project was focussed on interim review reports, a number of key themes emerging about communication of matters related to going concern are equally applicable to audits. These key themes include:

- A caution against a lengthy section on going concern in all instances. Such an approach was likely to unbalance the report, overly focussing on going concern matters and possibly even exacerbating the expectation gap, given that there is already a misconception of a guarantee.
- Preparers were especially concerned that such an approach may result in a self-fulfilling prophecy, making users nervous about going concern even in circumstances where going concern risks were low. If the IAASB were to develop further reporting requirements on going concern matters, it is important that such an approach not leave the user hanging, i.e. must conclude on the matter if you are highlighting the matter to the user.
- A counter argument is that the auditor is not concluding on the ability of the entity to continue as a going concern, and should avoid a focus or wording that may imply as much
- Listing procedures performed is not overly useful as users are most interested in whether the auditor found anything. The auditor is already required to report a material uncertainty related to going concern or a KAM in the close call situations.

Auditors consider that the reporting requirements relating to going concern have become overly complex as a result of the introduction of KAMs as well as MURGC or EOM paragraphs. Practitioners consider that more granular detail is provided in KAM reporting than in the reporting of a MURGC paragraph. This seems counter balanced in their view. If the auditor is reporting a MURGC, by nature it is a KAM. The practitioners consider that it is appropriate to report the same details as are reported for a KAM, including how the matter was addressed by the auditor.

On balance, the NZAuASB does not consider that adding more transparency about the auditor's work related to going concern into the auditor's report will assist in reducing the expectation gap. A different way to communicate with users may be more effective than using different technical headings that many users may not necessarily understand. Education included in the auditor's report has historically been the way in which standard setters have tried to narrow the expectation gap. This has had t very little effect as such language is generally not read by the user who does not see value in adding boilerplate, standardized text about the auditor's responsibilities or is too technical to be clearly understood.

The NZAuASB does however see merit in promoting awareness and transparency about what the auditor's role is, together with what the responsibilities of management and those charged with governance are, related to assessing the appropriateness of the use of the going concern basis of accounting.

**4) Are there any other matters the IAASB should consider as it progresses its work on fraud and going concern in an audit of financial statements?**

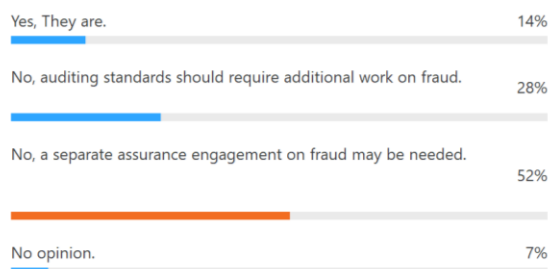
The NZAuASB encourages the IAASB to explore ways in which the auditor can better engage with the users of the audit report, both in terms of exploring the scope of the audit and during the annual general meetings. Broader engagement outside of the auditor's report may be a more effective way to promote a better understanding of what an audit is (provide an opportunity for auditors to "educate" users as to what it is they do) and for users to provide more information to auditors about how they wish the audit to evolve to start to narrow the evolution gap, bearing in mind trade-offs around cost and benefit.

## Feedback from November virtual roundtables

### Fraud:

Host is sharing poll results

1. Do you believe that the existing auditor's responsibilities are appropriate to meet the user expectations in relation to the identification of fraud in financial statements?



### **Theme 1: Audit is a black art**

The knowledge gap is with the external users of the financial statements. If something goes wrong the question is raised, "Where was the auditor?". Users don't understand the audit processes.

Expectations on the profession is "to stop major frauds occurring", so very clearly an expectation gap. The public has a very low tolerance for fraud. Audit procedures set too high, in the context of what the public expects, due to our risk basis.

Concepts such as reasonable assurance, materiality, risk-based auditing etc can be very difficult to explain. Understanding the ambiguity in these concepts and the implications of such ambiguity for audit engagements require in-depth technical knowledge of auditing. This contributes to knowledge gap of what public expects from auditors. This knowledge gap is hard to reduce.

There may be some misunderstanding about materiality and fraud e.g. is all fraud material by nature? More guidance for the reporting ecosystem is needed on this.

Don't think auditors explain what their role is in detecting fraud well. When talking to some audit partners even they cannot explain, or explain it incorrectly. They think fraud is about assets or liabilities that are missing. Most fraud is actually misrepresenting information in financial statements, that is the major part of most frauds.

### **Theme 2: Effective controls and proper corporate culture and governance prevents fraud**

Management and TCWG have the primary role for preventing and detecting fraud. There may be a place for evolution or growing up to what is meant to be reported on, as the economic environment changes. Management's responsibilities need to be disclosed properly. We should not be putting everything on the shoulders of external auditors, internal auditors need to up their game. Supportive of a focus here. Key question is whether the entities systems are adequate to prevent and detect fraud.

A separate engagement outside of the financial reporting audit might be one of the ways to address the expectation gap. A Sarbanes Oxley arrangement, with additional reporting and assurance on the

internal controls of the entity) may have some merit if it can be cost effective. Agreement that the internal control environment is key, although concern that in New Zealand, it would be too expensive to implement. Any regime would need to consider the New Zealand environment. More transparency would be good, as in many cases fraud is just swept under the carpet.

**Theme 3: Auditors simply not good at identifying fraud and sometimes it is unrealistic to expect them to be good at it, but they should not fail to identify financial reporting fraud**

Audit procedures may not be targeted at detecting fraud. Auditors are not very successful in detecting fraud. They rarely come across fraud in their auditing careers and external audit procedures rarely find actual instances of fraud. This makes training auditors to be good at detecting fraud difficult.

Most instances of fraud are discovered by an entity's system of internal controls (e.g. Internal auditors), not by external auditors and their audit procedures. This is to be expected as detecting fraud requires in depth knowledge of day to day activities of the entity and deep involvement in its activities. External auditors are seldom in possession of such knowledge and experience.

Auditors often identify weaknesses in an entity's internal controls and report it to those charged with governance. But they do not fully evaluate the implication of such weaknesses for their audit. With technological advances moving ahead there may be a greater capacity to detect fraud through data analytics and other analytical tools. Technology allows extent of testing to be increased. Expect answer to be yes, but genuinely do not know. If data manipulated technology may not help

Alternative view: a lot of people think technology will fix this– would technology have helped you find the Carillion and Wire Card frauds? Don't think so – need to look at where frauds happen – std is a bit deficient – too much focus on journal entries – fraud is not hiding in journal entries – what is objective – look at areas where fraud will occur. Auditors are clearly responsible for identifying financial reporting fraud. It is an unacceptable performance gap where they fail to identify financial reporting frauds. Such instances must be duly studied, and lessons learned is shared between both auditing standard setters and audit practitioners.

The alternative view expressed was that auditor's performance is rather good around fraud. Auditors are doing what they are required to do under the standards

Auditors could do better at having a better knowledge of what types of fraud may be likely to occur on an engagement.

**Theme 3.1: Auditor require better training to identify fraud**

Limited on the job learning opportunities mean that there must be a stronger focus on formal training on fraud. It may be beneficial to train auditors in forensic accounting skills and fraud awareness. There are so many fraud procedures that small and medium firms can learn from the Big 4.

It is important to learn from practice. In the public sector all entities are required to report all instances of identified fraud to their auditor, regardless of the perceived materiality of the incident. The OAG analyses these cases and uses it to better train public sector auditors in being fraud aware.

A similar approach can be adopted as part of qualifying and ongoing training for professional auditors.

We need to train future accountants on forensic skills. Since Massey University introduced a paper on this in 2016 student numbers have doubled for this paper. Academia should provide this training before there is formal training from an employer.

Forensic skills require a specific aptitude, i.e. educators cannot train a “suspicious mind”. However, training via exposure to new circumstances can help. Raised idea that the firms should chat with serious fraud office – bring them in talk to your auditors

Currently the training of accountants only teaches forensic skills as an elective. Technology will have an important role to play in this too.

**Theme 4: Misplaced blame on responsibility for fraud**

Auditors get the lion share of blame for fraud from media and users, while management and those charged with governance are responsible for preventing and detecting fraud.

This dynamic feeds the knowledge expectation gap about who is responsible for what.

**Theme 5: Expectations are unrealistic without a cost-benefit analysis**

Some of the public expectations of auditors in relation to fraud are made in a vacuum. Without knowing the cost of meeting these expectations, and who is expected to meet them, it is difficult to talk about expectation gap in a realistic sense. A cost-benefit analysis is really needed to enable meaningful discussions about expectation gap. Fee pressures limit how much the auditor can do. We also have an issue in New Zealand regarding auditor liability.

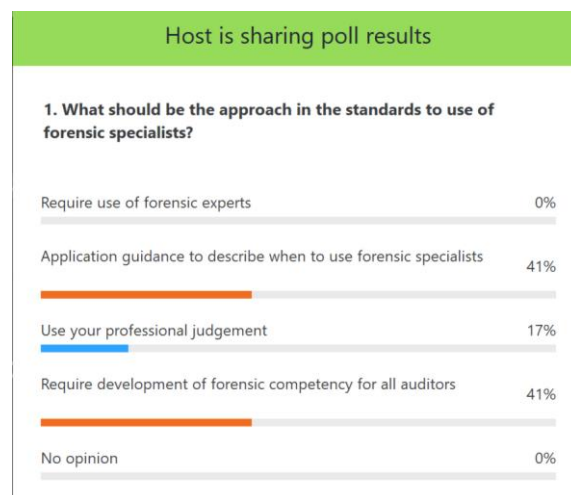
**Theme 6: Room for more involvement of forensic specialists in audits but opinions vary on how best to do this**

Forensic specialists are seldom, if ever, involved in planning and risk assessment of an audit engagement. They are often only involved when there is a suspected instance of fraud. This does not seem appropriate. Especially for engagements with a high risk of fraudulent financial reporting (e.g. issuers with complex structures operating in industries with complicated financial reporting practices and opportunity for management to committee financial reporting fraud).

However, it is not clear if it must be a requirement to use forensic specialists on all engagement. If there is such a need, it may be more practical to require a separate engagement on fraud (maybe an engagement on controls to prevent and detect fraud).

Use of specialists is expensive, so there is a cost/benefit trade off. More guidance needed about when to use a forensic specialist.

Not supportive of further segregating requirements for listed entities as this will risk only further widening of the expectation gap if there are different requirements for different entities.





### Theme 7: ISA 240 could be clarified

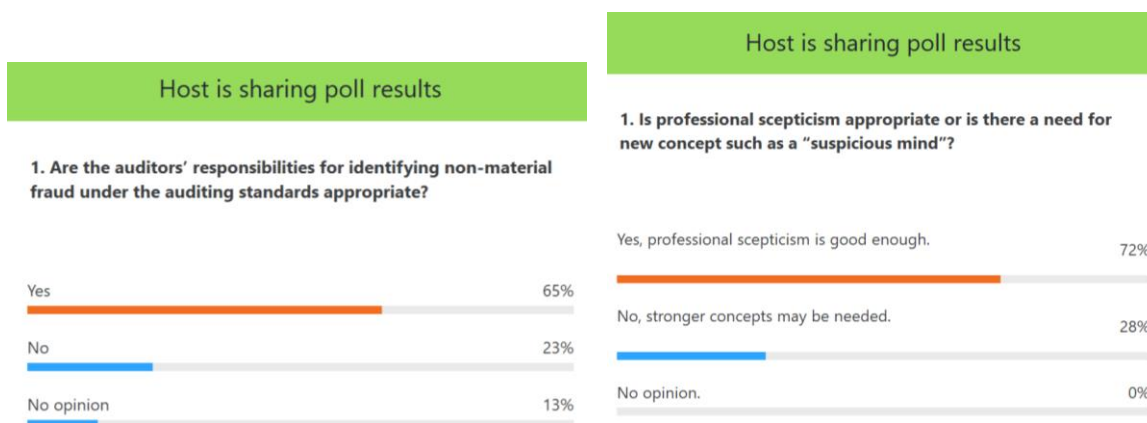
It is currently unclear what is expected from auditors. It is also out of date. For example, its focus on journal testing may be detracting from other high-risk areas.

Support for a risk-based focus. The culture in an organisation is very important and the auditor should consider that better when doing risk assessment for fraud indicators.

However, ISA 240 should not be expanded. Any attempt to address the expectation gap by expanding the scope of the audit through additional testing is doomed for failure. Adding more requirements, may only exacerbate a check list approach. Accounting standards are principles based, and auditing standards should be too.

Not in favour of “suspicious mindset”.

Not supportive of focus on non-material fraud. The medicine cannot be worse than the cure, time and cost will be wasted to prevent small frauds, this is not worthwhile.



### Theme 8: More transparency in the audit report

KAMs cover the key audit risks for the current year and going concern. I would like to see the fraud risk assessment there.

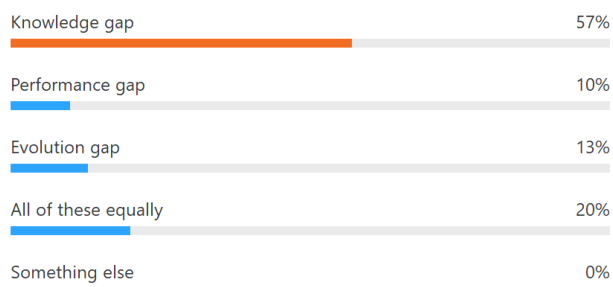
If auditors find issues with control environment – downplay in report to management – this is an underlying problem– auditors take role more serious in the controls space. Put in a KAM can't rely on control environment – why don't you call out not good internal controls in company – auditors reply we did report but management did not do anything – so we stopped reporting

What will additional transparency in the auditor's report do to help resolve the expectation gap? Already have a very complicated audit report – don't think this will help unless we have a better way of dealing with it.

## Going Concern:

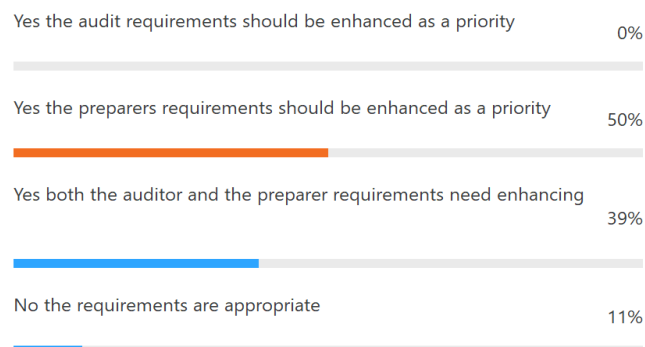
### Host is sharing poll results

#### 1. What do you consider to be the main cause of the expectation gap relating to going concern?



### Host is sharing poll results

#### 1. Should the requirements for auditors or preparers related to going concern be enhanced?



### Theme 1: First step is to pinpoint the preparers' responsibilities for going concern

- The auditor can only flag uncertainties that are disclosed in the financial statements. (
- It is important that there is a clear connect between the two sides. Misha flagged is there a need for enhancements in accounting standards about what GC might look like – scenario analysis etc? A resilience report would be a helpful way to go.
- It's about the business risks and strategy being clear. A lot of what is disclosed in the directors' report versus what the auditors disclose re: material uncertainties. Bad management decisions are not the fault of auditors.
- Need to get people to consider the risks and to report on those risks
- Need reporting to catch up to auditing. Assertion based. Auditor should not have to make statements that management is not required to make.
- Need to sort out the reporting requirements first. Until there are clear assertions and much more transparency around risks by management, then we can look at what the auditor does. Too much good news told. In our reporting, need to encourage telling the whole story. Need to share the good and the bad. Insufficient transparency with what the entity is doing.
- It's simple when GC is clear-cut. Management don't want to focus on fact that company may be in difficulty. Constant battle in terms of what will be disclosed. If management had to say more, reader won't be able to say 'you didn't tell us that there is a problem'.

This (COVID time) is a good time to discuss this. Companies will have made plans on how they are going to recover. For auditors it's hard to know how valid these plans are. As auditors we have been encouraging companies to disclose these assumptions, disclose the uncertainty. Management often reluctant to disclose uncertainty and what assumptions they made around them.

- Reporting framework needs to change - should require a statement from the entity about Going concern.
- This time last year the NZASB and NZAuASB met together to discuss going concern. The consensus was that too often the auditor has to approach management re: the GC judgement. The grey areas around GC led the NZASB to enhance the disclosure requirements in accounting standards.

- Definitely an expectation gap. Expectation that if something is likely to happen, that we'll tell people about it though audit reporting. But it's a bit like the fraud discussion – it comes down to the information that preparers should be providing in the financial statements. In NZ we already went down that track, which is positive. But it comes back to what the entity is disclosing in this space, first and foremost
- Directors need to make judgement about GC. Financial statements need to be leading the way in terms telling the users about going concern.
- Accounting standards should align with the auditing standards on going concern
- Not appropriate to address this issue through the auditing standards without changes to the reporting requirements, these need to be made in tandem.

**Theme 1.1: New NZ requirements for additional disclosure in the financial statements is well received**

- More disclosure is seen with new accounting standards
- Covid has helped – more disclosure than in the past. Extra disclosure has been helpful.
- There is room for lots more in-depth discussion around this. COVID has demonstrated that you need to work together in addressing issues when there is a crisis. This highlights the eco-system point – informal interaction as well as a formal standard setter approach.
- We are seeing more disclosures now under COVID, but more disclosures should be made more frequently, and more routinely.
- There are however inconsistencies within the NZ financial reporting requirements (between the for-profit and PBE standards, and between the various tiers). More consistency is needed.

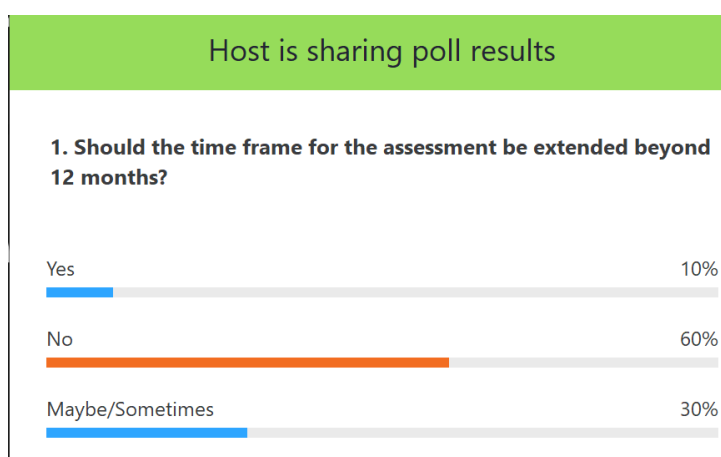
**Theme 2: Definition of Going Concern is a key contributor to Knowledge GAP**

- Think there is a real knowledge gap around what the term going concern means. – among all users including auditors and preparers.
- Hard to see how the user can understand going concern when preparer and auditor have differing views.
- Standards use thresholds, don't think they are well described. Material uncertainty, significant uncertainty. Differing views between groups as well as within groups.
- Going concern “old fashioned” term. Business viability.
- layman does not understand the term itself, what does going concern mean?
- A need to clarify the concept of going concern – knowledge gap. Is it going concern, or going concern basis of accounting. They should be the same but are not. Is it do with having enough cash to survive a year, or is it to do with being a sustainable business?
- Need to align definition of GC across the standards .

**Theme 3: No value in extending the going concern look out period from 12 months from the auditor report date to a longer term**

- we looked at a 5 year impairment forecast – part year 2 or 3 guess work. Extending time frame not help. how finance going forwards – yes info about strategy – risk disclosures already in FS. To predict going concern longer – not meet cost/benefit (
- NZ ahead – date of audit report-good starting point – should be international. Anything more than 1 year is hard. 5 years is too long. (Baqir Hossein, CAANZ, professional body)
- clarify foreseeable future – can see in 1 or 2 years time – shareholder loan repay \$300m – highlight in financial statements – more guidance for auditor on foreseeable future

- Should not extend assessment period to medium and long term- auditors cannot assure the future. Cost vs benefit to consider.
- GC can be anticipated, calculated, forecasted. So auditors can have more guidance to help them in their audit work; but not more than 12 months. Anything beyond that would have to be in a different type of format. Practically, 12 months from the date of the audit report. (more than 12 months) Can get into the realms of speculation – has to be an evidence-based judgement.
- Auditor liability is to be considered
- Paper is saying that want to keep auditors' responsibility re: timing of GC consistent with management's responsibility. Could say: let's do 18 months – but what would be the quality of this information?
- Any crystal ball gazing is challenging, so important that there is level of transparency in making these judgements. Assuming that will remain in business, make similar level of sales, etc. There would be a whole lot of assumptions sitting behind the prospects of an entity. Comes down to information that entities are required to provide. The more relevant info a user has, the better. The audit is about the past, any expectation about the future is built on expectations developed from the past. However, as COVID has shown us, the past cannot predict the future. At the moment we don't know what will happen in the next 2 weeks, never mind a period beyond 12 months.
- The assessment is tied to the reporting cycle. Interim reporting plays into this too.



**Theme 4: Separate engagement and statement on going concern (e.g. resilience statement): might be a good idea under certain circumstances**

- Value add. Like the idea of taking it into a viability statement/EER. Missing the preparer statement.
- Not needed for every company – when trigger the need for it
- Newly listed companies have to forecast – but they can't forecast new engagement not value
- if forecast over a few years – waste of time and money.
- sustainability – local govt 10 year plans, central govt sustainability – every 3 or 5 years. Fiscal sustainability OAG audit it.
- Not familiar, but would be good if entities provided this information to users, and would be good if there was assurance. Shows that entity gave consideration to prospects, etc.
- A resilience report would be a helpful way to go.

- It would be a useful report to have. Need to consider what is reasonable and auditable. Directors could present sunshine when there are dark clouds. Auditability is an issue, because subjective document. Auditor might ask why didn't put these uncertainties in, and management would say it's not material, not likely to happen.
- In Australia – whether the auditor's report should cover the directors' report as well. GC – realistic assumptions etc. Broadening out the auditor's scope would be the only way to address these areas. Need to ask – have business risks been clearly articulated by the directors?

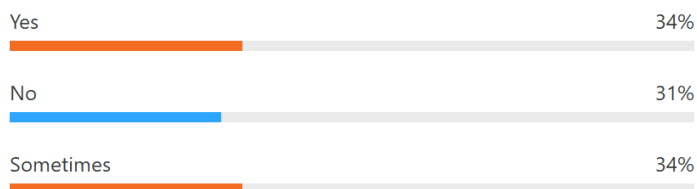
**Theme 5:** More transparency in the auditor report? Mixed views but definitely no more boiler plate is needed

🗳️ Polls

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Host is sharing poll results

**1. Is more transparency needed in the auditor's report?**



- Not sure can be another page in auditor report – but no one look at. Maybe this is what the auditor has done. More nuanced picture to the users of different levels of material uncertainty so they can understand more.
- we did some work on the interim financial report – no statement about going concern – users got confused
- Requirement in all auditor reports -could work- if public expect a going concern disclosure in the audit report
- Transparency should be provided by management and those charged with governance. Not sure if the requirements on this group are right. Then whether it's subject to audit or whether outside of audit. Need to consider what is auditable. The more we can do to help the reader, the user of info, to have some level of assurance, the better.
- Don't add more information to the audit report – don't need more boiler plate. Push back on management and for them to report their assessment – auditors not to add new information.
- Transparency aspects – don't want 'boiler plate' – more and more wording going into the audit report. Maybe additional guidance is of more value than adding more words to the audit report. Transparency extends through to the way particular areas of the audit are performed.
- Management report to TCWG on findings in the audit and what can do better are more helpful for internal use than what is in the audit report.
- There is a knowledge gap, so is a need for more but when is enough enough?

- Need to find a better way to engage with users than through the auditor's report. (Especially given the broad range of users, both those with very limited knowledge and those who better understand the purpose and scope of audit)
- The auditor is an ally of the Board in challenging management to be sure that have provided the appropriate information for their report.
- Not keen on GC in all instances just for the sake of it

**Theme 6: Material uncertainty and KAM**

- Transparency – Can we talk more about the material uncertainty and close calls. Some confusion about what we talk about and when we talk about it. KAMs vs MURGC
- issue more material uncertainty statements in public sector – OAG powers to report – get entity to import disclosures – we can pull back emphasis of matter paragraph. Going concern is sensitive, for many PS function carries on every if entity does not. There is a subtlety with going concern in PS.
- audit team with clients discuss – we have seen a lot more material uncertainty this year due to Covid-19 – a lot of push back to clients, Covid-19 a good trigger. The emphasis should be on the entity's disclosure, are they telling the right story?
- have in one place – standard KAM – different potential conclusions – difficult with current options in different places
- Need more guidance to move from KAMs to GC in the audit report. When KAM paragraph is no longer applicable, need to deal with the GC issue in the audit report. Dealing with normal circumstances and not just Covid. The Auditing Standards Board needs to play a greater role here. It would be interesting to hear the auditor's perspective on this (no auditor in this discussion group).
- Material uncertainty re: GC. Material uncertainty has less prescriptive requirements about what is disclosed in the audit report to explain that uncertainty.  
KAM – not an area of concern for the auditor to articulate what has been the most significant – often will reflect the risks of the entity but not always
- Material uncertainty re: GC – not sure if it should be a KAM. May need to be there as well as disclosure that there is material uncertainty re: GC. Being addressed through the Auditor Reporting project.
- KAM – value added – because it is transparent as to what auditors are facing during the current audit.
- KAM – hard to understand. For the user does it mean there is a problem in the audit or just that it took time during the audit? The more the auditor talks about KAMs and the more the auditor talks about new material then it increases the reputational risk of the entity.
- Might help [having a permanent KAM on GC in the auditor report], depending on how it's worded. Some people don't read the audit report because it's standard wording and not easy reading. A lot of Legal/legislative wording. It's unfortunate that we live in litigious society. Audit reports started out being extensive, then became more boiler plate as years went by. Everyone looks at others' audit report, learns from that. Wording is a bit formal, not phrased in way that non-financial person would understand.
- On Transparency, auditor reports are not written from the perspective of users, Auditing Standards on audit report must ensure that users perspectives are also taken into account when describing the content and the language of the auditor report.
- No point in having a standard GC KAM in all audit report just for the sake of it.

- too many options – close call, MU, qualification , disclaimer too many options– a reporter will not get the difference?

**Theme 7:** Being too aggressive on going-concern disclosure and auditor opinion may cause “self-fulfilling” failures and it increases auditor risks

- There is a self-fulfilling prophecy element. This may cause “back room deals” between auditors and the company which may not produce the best outcome
- The difficulties users have is if there is a corporate collapse and there are no “flags”. Users expect warning signs that a collapse could occur and not a clean audit on healthy financials. But I acknowledge that you do not want to be self-fulfilling.
- Auditor liability must be considered

## NZAuASB Board Meeting Summary Paper

**AGENDA ITEM NO.** 4.1  
**Meeting date:** 3 December 2020  
**Subject:** Meeting with invited guests  
**Date:** 20 October 2020  
**Prepared By:** Misha Pieters

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### Agenda Item Objectives

1. To explore assurance matters with broader stakeholders.

### Background

2. We have invited the following guests with the objective of exploring views and perspectives on assurance matters including:
  - a. the impact of COVID-19 and uncertainty, and
  - b. carbon related disclosures.
3. The following guests have been invited to join the Board in person and/or virtually from 11.45 am until 12.30 pm. Those attending in person have been invited to continue discussions over lunch to 1.15 pm.

Invited guest	Perspective	Expected
Bruce Robertson	JB Were Auckland	In person
Stephen Layburn	Corporate lawyer	In person
Stephen Hudson	Macquarie	To dial in
Andy Bowley	ForBarr	To dial in
Blair Cooper	ACC	To dial in

### Matters to discuss

4. We have invited the guests to share matters of interest around the reporting season, COVID-19 disclosures, key audit matters and other assurance matters.



**Recommendation**

5. We recommend that the Board note the suggested matters to discuss and to consider if there are any other matters to add.

**Material Presented**

Agenda item 4.1

Board summary meeting paper