

Part E – National Standard Setters and Professional Accountancy Organizations

General regarding key changes to the new auditor’s report and implementation of the new and revised auditor reporting standards

Question 1

In your view, to what extent has the following information provided in the new auditor’s report been useful?

| Whether information provided in the new auditor’s reports is useful | Very useful | Useful | Limited value | Not useful | No particular view |
|---|---|--------|---------------|------------|--------------------|
| Key audit matters (i.e., matters that were of most significance in the audit of the financial statements of the current period) | | x | | | |
| | <p>What we have heard from practitioners</p> <p>Some practitioners indicated that KAMs have helped the audit team to define the audit risk and focus work effort. The reporting of KAMs has added a level of cost to the audit.</p> <p>What we have heard from directors/preparers</p> <p>Directors we spoke to were generally positive about KAM reporting, considering this promotes transparency. Key benefits identified include early and healthy discussions on key matters and increased engagement with the audit committee.</p> <p>What we have heard from investors/users</p> <p>Some users considered that the reporting of KAMs increases transparency about the audit and gives additional comfort that the auditor understands and has addressed key issues. However, over time, KAMs are likely to become boilerplate and less useful. Other users continue to only read the auditor’s opinion and have not actively engaged with KAMs.</p> <p>Overall the NZAuASB agrees that reporting of KAMs is useful but do run the risk of boilerplate reporting over time (which will reduce its usefulness). In a COVID-19 reporting environment, KAMs may be less boilerplate.</p> | | | | |
| Changes to the presentation of the auditor’s report (i.e., opinion section required to be presented first, followed by the basis for opinion section) | x | | | | |

| Whether information provided in the new auditor's reports is useful | Very useful | Useful | Limited value | Not useful | No particular view |
|---|--|--------|---------------|------------|--------------------|
| | Investors remain most interested in the overall audit opinion. Re-ordering the report, with a focus on the opinion first, recognizes the importance of the opinion to users. | | | | |
| Including, when applicable, a separate section under the heading "Material Uncertainty Related to Going Concern" | | x | | | |
| | Some investors we spoke to noted that auditor's reports cover going concern matters well. | | | | |
| Affirmative statement about the auditor's independence and fulfillment of relevant ethical responsibilities, as well as identification of the relevant ethical requirements relating to the audit | | | x | | |
| | Investors we spoke to did not find the boilerplate reporting and identification of independence standards overly useful. Independence matters remain of key interest to users, who are looking to the financial statement disclosures around audit fees and the nature of services provided. | | | | |
| Descriptions of the respective responsibilities of the auditor and of management and those charged with governance | | | x | | |
| | <p>What we heard from users</p> <p>Not many users read this section of the report. There remains a view from readers that it would be better to remove bland, overly technical and boilerplate wording from the report.</p> <p>Explicitly stating the responsibilities of the auditor and those charged with governance related to going concern has not necessarily made any difference in addressing any expectation gap or tension between what is required to be disclosed by the preparer and the auditor's responsibilities related to going concern.</p> <p>Including the responsibilities relating to going concern in the auditors' report has also prompted much debate in New</p> | | | | |

| Whether information provided in the new auditor's reports is useful | Very useful | Useful | Limited value | Not useful | No particular view |
|--|--|--------|---------------|------------|--------------------|
| | Zealand as to what are the responsibilities related to going concern in an interim review engagement. | | | | |
| Section on "Other Information" that describes the auditor's responsibilities and work with respect to such information | | x | | | |
| | <p>What we heard from practitioners</p> <p>Auditors have grappled with how best to describe what information has or has not been read for consistency at the date of the auditor's report, raising further questions about what the auditor's responsibilities are in relation to other information, i.e. what does read for consistency really look like.</p> <p>What we heard from directors</p> <p>One positive impact noted by directors has been that, in some instances, the timetable for developing the annual report , was being brought forward to ensure the entire annual report was finalized when the auditor signed off on the financial statements.</p> <p>Broader comments</p> <p>As calls for reporting of broader non-financial information and extended external reporting evolves, the importance of defining the annual report and clearly articulating what matters are scoped as covered within the assurance opinion (and what level of assurance) and those that are not is likely to only increase.</p> | | | | |
| Name of the engagement partner | | x | | | |
| | Users responded positively to disclosure of the engagement partner's name. | | | | |

Question 2

In your jurisdiction, has there been any changes or modifications (e.g., new or different or incremental requirements) to the equivalent national standards of the new and revised auditor reporting standards of the IAASB?

[Please note, ISA 720 (Revised) that deals with "Other Information", is addressed in a separate section of this survey.]

| Changes or modification to national standards related to the new and revised auditor reporting standards | Yes | No |
|---|--|----|
| <p>ISA 700 (Revised), <i>Forming an Opinion and Reporting on Financial Statements</i> – in particular in relation to the new items of information in the auditor’s report as referred to in question 1, above</p> | <p>Yes</p> | |
| | <p>ISA (NZ) 700 (Revised) include the following additional New Zealand specific requirements that relate in particular to the matters addressed above:</p> <ul style="list-style-type: none"> • Additional disclosure related to independence matters • Auditors are required to report KAMs for a broader range of entities, specifically, FMC Reporting entities considered to have a higher level of public accountability which include registered banks, licensed insurers, licensed derivative issuers, licensed managed investment scheme (MIS) managers (for the financial statement of the MIS they manage, etc. (not limited to listed entities), • The name of the engagement partner shall be included in a broader range of auditor’s reports <p>NZ28.1 The auditor’s report shall include a statement as to the existence of any relationship (other than that of auditor) which the auditor has with, or any interest which the auditor has in, the entity.</p> <p>NZ30.1 For audits of complete sets of general purpose financial statements of FMC reporting entities considered to have a higher level of public accountability the auditor shall communicate key audit matters in the auditor’s report in accordance with ISA (NZ) 701.</p> <p>NZ 46.1 The name of the engagement partner shall be included in the auditor’s report on financial statements of FMC reporting entities considered to have a higher level of public accountability</p> <p>The NZAuASB took a phased approach to introducing a broader scope for KAM reporting in New Zealand. There are relatively few listed entities in New Zealand (approximately 170 entities when the requirements</p> | |

| Changes or modification to national standards related to the new and revised auditor reporting standards | Yes | No |
|--|---|----|
| | <p>were introduced), but many more entities with significant levels of public interest, including banks and insurers.</p> <p>Cognizant of the significant increase in time and resourcing necessary to implement KAM reporting, the NZAuASB agreed to require KAMs for listed entities first but then require KAMs to be reported for regulated entities with higher levels of public accountability two years later. This phased approach was intended to enable the firms to apply learnings from early adoption to a broader population of reports, and ease the resourcing pressure.</p> | |
| <p>ISA 701, <i>Communicating Key Audit Matters in the Independent Auditor's Report</i></p> | <p>Yes</p> | |
| | <p>ISA (NZ) 701</p> <p>Auditors are required to report KAMs for a broader range of entities, (not limited to listed entities),</p> <p>NZ5.1 This ISA (NZ) applies to audits of complete sets of general purpose financial statements of FMC reporting entities considered to have a higher level of public accountability and circumstances when the auditor otherwise decides to communicate key audit matters in the auditor's report. This ISA (NZ) also applies when the auditor is required by law or regulation to communicate key audit matters in the auditor's report.</p> | |
| <p>ISA 705 (Revised), <i>Modifications to the Opinion in the Independent Auditor's Report</i></p> | <p>Yes</p> | |
| | <p>ISA (NZ) 705</p> <p>Additional disclosure related to independence matters are also required in the description of the auditor's responsibilities when an auditor disclaims an opinion</p> <p>NZ 28(c) The statement about auditor independence and other ethical responsibilities required by paragraph 28(c) and NZ28.1 of ISA (NZ) 700 (Revised).</p> | |

| Changes or modification to national standards related to the new and revised auditor reporting standards | Yes | No |
|---|---|----|
| ISA 706 (Revised), <i>Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report</i> | | No |
| | <i>[Please provide additional information to support your answer (you may also attach or provide a link(s) to relevant material in this regard)]</i> | |
| ISA 570 (Revised), <i>Going Concern</i> | Yes | |
| | <p>ISA (NZ) 570 (Revised)</p> <p>NZ1.1 For the purposes of this ISA (NZ), a reference to “management” is taken to mean “management, and where appropriate, those charged with governance”.</p> <p>NZ1.2 In New Zealand, those charged with governance generally have responsibility for ensuring an entity meets its legal obligations in relation to the preparation of the financial statements. In these cases the process of financial reporting is usually delegated to management, but the responsibility for such matters remains with those charged with governance. In applying this standard the auditor shall apply professional judgement, using knowledge of the legal requirements and corporate governance practices of New Zealand as well as the particular engagement circumstances, to determine whether the requirements of this standard apply to management or those charged with governance or both.</p> <p>NZ13.1 In evaluating management’s assessment of the entity’s ability to continue as a going concern, the auditor shall consider the relevant period, which may be the same as or may differ from that used by management to make its assessment as required by the applicable financial reporting framework, or by law or regulation if it specifies a longer period. If management’s assessment of the entity’s ability to continue as a going concern covers less than the relevant period, the auditor shall request management to extend its assessment period to correspond to the relevant period used by the auditor.</p> | |

| Changes or modification to national standards related to the new and revised auditor reporting standards | Yes | No |
|--|--|----|
| | NZ13.2 Relevant period means the period of at least 12 months from the date of the auditor's current report. | |
| ISA 260 (Revised), <i>Communication with Those Charged with Governance</i> | Yes | |
| | <p>Communication requirements related to listed entities have been broadened to apply to a wider range on entities. ISA (NZ) 260 (Revised)</p> <p>NZ1.1 This International Standard on Auditing (New Zealand) (ISA (NZ)) deals with the auditor's responsibility to communicate with those charged with governance in an audit of financial statements. Although this ISA (NZ) applies irrespective of an entity's governance structure or size, particular considerations apply where all of those charged with governance are involved in managing an entity, and for FMC reporting entities considered to have a higher level of public accountability. This ISA (NZ) does not establish requirements regarding the auditor's communication with an entity's management or owners unless they are also charged with a governance role.</p> <p>NZ17.1 In the case of FMC reporting entities considered to have a higher level of public accountability, the auditor shall communicate with those charged with governance:.....</p> | |
| Any other national requirements – please specify | | No |
| | <i>[Please provide additional information to support your answer (you may also attach or provide a link(s) to relevant material in this regard)]</i> | |

Question 3

What actions have been taken in your jurisdiction to support the adoption and implementation of the new and revised auditor reporting standards (including, for example, practice guidance, support materials or training)?

| | |
|-------------|---|
| Description | Auditor reporting webpage Frequently asked questions |
|-------------|---|

[Description of the auditor's responsibilities webpage](#)

Question 4

If you are aware of additional practice guidance or support materials developed to support the implementation of the new and revised auditor reporting standards, it will be helpful to the IAASB if you can attach or provide a link(s) to such materials.

| | |
|---------------------------------------|---|
| Description and links (as applicable) | <p>XRB Alert 1 What can you expect from auditor reports in response to COVID-19</p> <p>XRB Alert 2 What is the impact on going concern disclosures in response to COVID-19</p> <p>XRB Alert 4 Auditor communication in the COVID-19 environment</p> |
|---------------------------------------|---|

Question 5

If you are aware of any information gathering or research activities that have been undertaken in relation to the implementation and impact of the new auditor's report, it will be helpful to the IAASB if you can attach or provide a link(s) to the related reports or documents.

| | |
|---------------------------------------|---|
| Description and links (as applicable) | <p>Key audit matters – A stock-take of the first year in New Zealand (Nov 2017)</p> <p>Enhanced auditor reporting – A review of the third year of the revised auditor's report (May 2020)</p> |
|---------------------------------------|---|

Issues or implementation challenges with the new and revised auditor reporting standards (other than pertaining to KAM or "Other Information", which are addressed in separate sections of this survey)

Question 6

Based on your experience and interactions with your constituents and stakeholders, are you aware of any issues or implementation challenges regarding the following elements of the new auditor's reports?

[Please note, KAM and "Other Information" are addressed in separate sections of this survey]

| Any issues or implementation challenges regarding certain elements of the new auditor's reports | Yes | No | No particular view |
|---|---|----|--------------------|
| Changes to the presentation of the auditor's report (i.e., opinion section required to be presented first, followed by the basis for opinion section) | | No | |
| | A matter arising is where the auditor's report is placed relative to the financial statements. Some are of the view that the auditor's report must precede the financial statements in the annual report. | | |

| Any issues or implementation challenges regarding certain elements of the new auditor's reports | Yes | No | No particular view |
|---|---|----|--------------------|
| Including, when applicable, a separate section under the heading "Material Uncertainty Related to Going Concern" | Yes | | |
| | <p>The interaction between the financial reporting requirements and the auditing standards has come under increasing scrutiny, especially in the COVID-19 reporting environment.</p> <p>In New Zealand, the New Zealand Accounting Standards Board has recently added additional going concern disclosure requirements, recognizing that specific going concern disclosure requirements would help preparers to provide relevant and transparent information to investors, both in the current circumstances and going forward.</p> <p>There was also an inconsistency in reporting a material uncertainty related to going concern in an interim review report (using an Emphasis of Matter heading under the requirements of NZ SRE 2410) and at the year end audit. The NZAuASB has recently updated NZ SRE 2410 to remove this inconsistency.</p> | | |
| Affirmative statement about the auditor's independence and fulfillment of relevant ethical responsibilities, as well as identification of the relevant ethical requirements relating to the audit | | No | |
| | <p>Some users commented that while concerns exist around the provision of non-assurance services, a boilerplate affirmative statement about independence and identification of the independence requirements was unhelpful.</p> | | |
| Descriptions of the respective responsibilities of the auditor and of management and those charged with governance | | No | |
| | <p><i>[You may use this box to provide additional information in relation to your answer (reasons, observations, etc.), as well as any suggestions]</i></p> | | |

| Any issues or implementation challenges regarding certain elements of the new auditor's reports | Yes | No | No particular view |
|---|---|----|--------------------|
| Name of the engagement partner | | No | |
| | [You may use this box to provide additional information in relation to your answer (reasons, observations, etc.), as well as any suggestions] | | |

Question 7

Based on your experience and interactions with your constituents and stakeholders, do you believe the differences between the following sections in the new auditor's report are clear and understandable: KAM, Material uncertainty related to going concern (MU related to GC), Emphasis of Matter (EOM) paragraphs and Other Matter (OM) paragraphs?

| Perceptions about differences between KAM, MU related to GC, EOM paragraphs and OM paragraphs | Yes | No | No particular view |
|--|---|----|--------------------|
| The differences between KAM, MU related to GC, EOM paragraphs and OM paragraphs are clear and understandable | | No | |
| | <p>Based on questions arising, the NZAuASB consider that there is a lack of clarity around the ongoing use of emphasis of matter paragraphs and how these interact with or differ from key audit matters.</p> <p>Increasingly, auditors are raising concerns that reporting a MURGC in an audit report includes less information than a close call KAM, whereas arguably reporting how the auditor responded to the MURGC is just as or even more important than when it is a close call.</p> <p>The challenge of highlighting increasing uncertainty in valuations when reporting key audit matters has also been raised. Questions have arisen as to whether the impact of COVID-19 can be a KAM, how KAMs should include COVID-19 related matters, how to elevate a KAM that has previously been reported as a KAM, but now has even more valuation uncertainty in the current financial statements because of COVID-19, and querying why an EOM cannot be used to assist or highlight a matter that the auditor considers</p> | | |

| | |
|--|--|
| | <p>is fundamental to a user’s understanding (even when it is also classified as a KAM).</p> <p>Public entities in New Zealand are routinely including information in their financial statements about the impact of COVID-19 on the entity (even if the impact has not been significant). Auditors in the public sector are routinely including an emphasis of matter paragraph with a cross reference to such disclosures where no KAMs are reported. However, this practice has not been consistently adopted across all sectors.</p> <p>Another matter relates to Going concern as a KAM (i.e. where there is no material uncertainty however the auditor considers matters to do with consideration of going concern meet the definition of a KAM). The auditor is required to include a cross reference to related disclosures in the financial statements, if any. In the circumstances where going concern matters are identified as a KAM, there may not be disclosures to cross refer to.</p> |
|--|--|

Question 8

Based on and further to your responses to the previous questions, if applicable, are you aware of any other issues or implementation challenges arising from the new and revised auditor reporting standards?

[Please note, KAM and “Other Information” are addressed in separate sections of this survey]

| Any other issues or implementation challenges | Yes | No | No particular view |
|--|-----|----|--------------------|
| Other issues or implementation challenges arising from the new and revised auditor reporting standards | | No | |
| | | | |

Key audit matters (KAM)

Question 9

In your view, has the communication of KAM enhanced the quality of audits performed?

| Views about the impact of the communication of KAM on the quality of audits performed | Yes | No | No particular view |
|---|-----|----|--------------------|
| The communication of KAM has enhanced the quality of audits performed | | | No particular view |

| | |
|--|--|
| | <p>While we have heard many favorable comments to support that KAM reporting is useful, there has been weak* to no evidence to either confirm that KAMs have improved audit quality and no evidence to suggest that audit quality has decreased as a result of KAM reporting. This is exacerbated by no easy or consistent way to measure or determine audit quality. A longer time frame may be necessary for any meaningful evidence based assessment of the impact of KAMs on audit quality.</p> <p>* "Assessing the impact of the new auditor's report", Hong Li, David Hay, David Lau</p> |
|--|--|

Question 10

Based on your experience, information gathering and interactions with your constituents and stakeholders, please indicate your perception about the degree to which the communication of KAM in the auditor's report **has provided benefits** to stakeholders as it relates to the following aspects:

| Perceptions about benefits arising from the communication of KAM in the auditor's reports | Significant | High | Moderate | Low | No particular view |
|--|---|------|----------|-----|--------------------|
| Enhanced communication among the auditor and management throughout the audit | | | | | x |
| | No particular comments received relating to the impact on communication between auditor and management | | | | |
| Enhanced frequency and robustness of communication among the auditor and those charged with governance | | x | | | |
| | Audit committee members have previously commented that a key benefit of the introduction of KAM reporting include early and healthy discussions on key matters and increased engagement with the audit committee. | | | | |
| Enhanced communication internally, among management and those charged with governance | | | | | x |
| | No particular comments received relating to the impact on internal discussions between management and those charged with governance. | | | | |

| Perceptions about benefits arising from the communication of KAM in the auditor's reports | Significant | High | Moderate | Low | No particular view |
|--|---|------|----------|-----|--------------------|
| Closer and more focused involvement in the audit by the engagement partner | | | | | x |
| | [You may use this box to provide additional information in relation to your answer – reasons, observations, etc.] | | | | |
| Enhanced understanding of the matters to which KAM relate, including the risks of material misstatement associated with the related items in the financial statements or the audit procedures performed in this regard | | | x | | |
| | KAMs do promote transparency about the audit process. Users have commented that this is a useful addition. KAM reporting is perceived as a large improvement over historical auditor's reports that included very limited information. The enhanced communicative value is seen as the largest benefit of KAM reporting. KAMs are also perceived to be of even increased value in the COVID-19 reporting environment. | | | | |
| Robustness of audit procedures (e.g., improved planning, more effective audit procedures to address the risks of material misstatement, improved documentation, etc.) | | | x | | |
| | Some practitioners indicated that KAMs have helped the audit team to define the audit risk and focus work effort. | | | | |
| Changes or enhancements to disclosures in the financial statements regarding the matters to which KAM relate | | | x | | |
| | Preparers have previously commented on the good work to improve or enhance disclosures in accounts as a result of KAM reporting. | | | | |
| In relation to other aspects (please specify) | | | x | | |

| Perceptions about benefits arising from the communication of KAM in the auditor's reports | Significant | High | Moderate | Low | No particular view |
|---|--|------|----------|-----|--------------------|
| | <p>Enhanced communication from the auditor</p> <p>There is a perception that reporting of KAMs has enhanced awareness about the audit process which may assist in reducing the expectation gap. Enhanced transparency about the audit process is perceived as a valuable step in addressing the expectation gap.</p> | | | | |

Question 11

Based on your experience, information gathering (including relating to auditor reports issued in your jurisdiction) and interactions with your constituents and stakeholders about the **descriptions of KAM** in auditor reports, indicate the extent to which you agree that the communication about the matters is:

| Description of KAM | Strongly agree | Agree | No particular view | Disagree | Strongly disagree |
|---|---|-------|--------------------|----------|-------------------|
| Concise (i.e., a relatively short description of the matter and how it was addressed by the auditor) | | | x | | |
| | The length of the description of KAMs was not particularly identified by investors/users. | | | | |
| Understandable (i.e., the description of the matter and how it was addressed is not overly technical) | | x | | | |
| | Positive feedback from investors suggest that KAMs reported are enhancing transparency. | | | | |
| Specific to the entity (i.e., boilerplate language was not used) | | | x | | |
| | Mixed views have been expressed by users. After the first year of reporting, users flagged a risk of boilerplate/routine reporting. In our follow up review in the third year of reporting, some investors did comment that the auditor's report generally is "too boilerplate". Some users found this helpful, others commented that they are less likely to focus on KAMs if they are the same each year. It was especially noted that KAMs that do not reflect the outcome of the procedures run a higher risk of boilerplate wording (instances where KAMs were | | | | |

| Description of KAM | Strongly agree | Agree | No particular view | Disagree | Strongly disagree |
|--------------------|----------------|-------|--------------------|----------|-------------------|
| | | | | | |

identical year to year were noted, other than numbers being changed). In some instances, users drew attention to examples where the KAMs do not appear at all specific to an entity, i.e., that they appear to be routinely copied and pasted from audit report to audit report.

However, investors have also commented that it is reassuring to see that where an entity changes auditor, the same KAMs are identified.

Practitioner view

It is likely that for entities in the same industries, and for an entity that operates in an environment that does not vary significantly year to year, that the types of KAMs will be similar, and that the audit procedures performed relating to those KAMs will remain consistent. I.e. KAMs may become routine during stable reporting conditions. It may not add value, to attempt to describe matters that remain consistent in different ways, just to avoid “boilerplate” reporting.

Regulator comments

The regulator has noticed that auditors and firms have taken the opportunity to distinguish themselves through their auditor’s reports. The auditor determines the best way to communicate based on the specific circumstances of the entity and the environment.

Question 12

Based on your experience, information gathering and interactions with your constituents and stakeholders about KAM, indicate the degree to which you agree with the following statements that represent **certain perceptions** about the communication of KAM in the auditor’s report:

| Certain perceptions about the communication of KAM in the auditor’s report | Strongly agree | Agree | No particular view | Disagree | Strongly disagree |
|---|----------------|-------|--------------------|----------|-------------------|
| Fewer KAM in the auditor’s report increase the confidence of stakeholders in the audit (and the financial statements) | | x | | | |
| | | | | | |

In both the reports reviewing the implementation of KAMs, the XRB and FMA used the opportunity to highlight that there are no wrong or right number of KAMs. Initially we did hear

| Certain perceptions about the communication of KAM in the auditor's report | Strongly agree | Agree | No particular view | Disagree | Strongly disagree |
|--|---|-------|--------------------|----------|-------------------|
| | <p>comments from various stakeholders suggesting that there was a potential for reading too much into the number of KAMs. Users are doing industry comparisons and questions do arise if the number/type of KAMs for one entity in an industry are different from other similar entities.</p> | | | | |
| More KAM in the auditor's report increase the confidence of stakeholders in the audit (and the financial statements) | | | | x | |
| | <p>If anything, the opposite view was heard initially.</p> | | | | |
| An individual KAM often relates to a specific item(s) presented or disclosed in the financial statements, which increases the confidence of stakeholders about that particular item(s) in the financial statements | | x | | | |
| | <p>Some users of auditor's reports did comment that KAMs provide a list of the key accounting matters that the auditor has identified and also provides additional assurance that those key issues have highlighted and addressed.</p> | | | | |
| The communication of KAM provides greater transparency about the audit that was performed – as a whole (i.e., not only in relation to the matters that are the subject of KAM) | | x | | | |
| | <p>Generally feedback received indicated that reporting of KAMs has resulted in greater transparency and has enhanced the communicative value of the report.</p> | | | | |
| KAM represent business risks or issues that need to be resolved by management | | x | | | |
| | <p>The NZAuASB did hear comments in the first year of adoption that indicated that there may be some users who may misinterpret that KAMs were matters to be resolved by the entity.</p> | | | | |
| In terms of the audit performed, KAM represent matters that have been | | x | | | |

| Certain perceptions about the communication of KAM in the auditor's report | Strongly agree | Agree | No particular view | Disagree | Strongly disagree |
|--|---|-------|--------------------|----------|-------------------|
| resolved (i.e., they are not unresolved audit issues) | | | | | |
| | Some users did comment that the audit opinion would be modified if any matter was unresolved. | | | | |

Question 13

The standard does not prohibit an auditor from communicating additional information about a KAM, and provides guidance to auditors on additional information that the auditor may consider communicating. The IAASB is aware that some trends have evolved globally on additional information that is variously communicated by auditors.

The IAASB is particularly interested in those instances where, in addition to the required information about why a matter is a KAM and how the matter was addressed in the audit, the auditor also communicated information about the outcome of the audit procedures or key observations with respect to the matter (i.e., what the auditor found or observed).

Based on auditor reports you have read, have you noticed that auditors provide additional information in terms of describing the outcome of the audit procedures or key observations with respect to KAM?

| Description of the outcome of audit procedures or key observations with respect to KAM | Yes | No | Uncertain |
|--|-----|----|-----------|
| I have noticed that auditors provide additional information in terms of describing the outcome of the audit procedures or key observations with respect to KAM | Yes | | |

Question 14

In our view, are descriptions of the outcome of the audit procedures or key observations with respect to KAM useful?

| Description of the outcome of audit procedures or key observations with respect to KAM | Very useful | Useful | Limited value | Not useful | No particular view |
|---|---|--------|---------------|------------|--------------------|
| Descriptions of the outcome of the audit procedures or key observations with respect to KAM | | Yes | | | |
| | Users have commented that reporting of outcomes of procedures is especially useful. | | | | |

Question 15

The IAASB's standards currently only require that KAM are communicated in the auditor reports of listed entities. Jurisdictional requirements may require that auditors communicate KAM for certain other entities. Auditors may also decide to voluntarily communicate KAM in auditor reports of other entities.

In your view, should the communication of KAM be mandatory for entities other than listed entities?

| Communicating KAM in auditor reports of entities other than listed entities | Yes | No | No particular view |
|--|--|----|--------------------|
| For public interest entities (recognizing that "public interest entity" may be a jurisdictional determination) | Yes | | |
| For all entities (i.e., in all instances where an audit of financial statements is performed) | | | No particular view |
| For certain specific types of entities | | No | |
| | Regulated entities considered to have higher levels of public accountability including registered banks, licensed insurers and retirement schemes. | | |

Question 16

Based on and further to your responses to the previous questions, please provide any additional views about other issues or implementation challenges relating to KAM or how you believe the communication of KAM can be improved.

Please provide input

Other information section of the auditor's report

Question 17

Other information comprises financial and non-financial information in the annual report, other than the financial statements and the auditor's report thereon. For example, depending on law, regulation or custom in a jurisdiction, other information may include: the directors' report, audit committee report, corporate governance statement, and management commentary.

When other information is included in the annual report, the auditor's report includes an "Other Information" section which is required to include a statement that management is responsible for the other information, identify the other information, clarify that the auditor's opinion does not cover the other information, provide a description of the auditor's responsibilities, and to either state that the auditor has nothing to report or describe any uncorrected material misstatement of the other information.

Based on your observations, has the "Other Information" section provided users of financial statements with greater clarity or transparency about the other information included in the annual report?

| Greater clarity or transparency about the other information | Yes | No | No particular view |
|---|---|----|--------------------|
| In my/our view, the “Other Information” section in the auditor’s report has provided users with greater clarity or transparency about the other information included in the annual report | | | x |
| | <p>In New Zealand, it is common practice for no or little of the other information to be available at the time that auditor reports are signed.</p> <p>There is a large amount of variation as to how the other information is identified and described in the “Other Information” section of the audit report.</p> <p>Few users commented on the information value of the “Other Information” section.</p> | | |

Question 18

In your jurisdiction, has there been any changes or modifications (e.g., new or different or incremental requirements) to the equivalent national standard of ISA 720 (Revised), *The Auditor’s Responsibilities Relating to Other Information*, or any additional practice guidance or support materials related to other information?

| National standards, practice guidance or support materials related to other information | Yes | No |
|--|---|----|
| Changes or modifications (e.g., new or different or incremental requirements) to the equivalent national standard of ISA 720 (Revised) | Yes | |
| | <p>A separate section with a heading “Other Information” is required for an audit of financial statements of an FMC reporting entity considered to have a higher level of public accountability, not just for listed entities. (Refer to ISA (NZ) 720 (Revised) paragraph NZ21.1)</p> <p>In New Zealand, written representations are to be obtained from those charged with governance, not from management. (NZ13.1)</p> | |
| Additional practice guidance or support materials related to other information as it applies in your jurisdiction | Yes | |

| | |
|--|---|
| | The XRB website includes FAQs related to Other Information. |
|--|---|

Question 19

Based on your experience with external or corporate reporting within your jurisdiction, what types of information is generally considered to be other information?

| | |
|-----------------------------|---|
| Please provide input | <p>The description of other information varies but includes descriptions such as:</p> <p>“includes the Annual Shareholder Review and the information included in the information included with the consolidated financial statements and audit reporting in the Annual Financial Results.”</p> <p>“includes the reports of the Chief Executive and the Chair, disclosures relating to strategy, corporate governance, businesses and statutory information.”</p> <p>“includes operating, market and regulatory overviews, management commentary and disclosures relating to corporate governance and statutory information”</p> <p>“the annual report, which includes information other than the consolidate financial statements and auditor’s report”</p> |
|-----------------------------|---|

Question 20

Based on your experience and interactions with your constituents and stakeholders, is it clear that the auditor’s opinion on the financial statements does not extend to the other information included in the annual report (i.e., that no form of assurance conclusion is being expressed on the other information)?

| No assurance on the other information | Yes | No | No particular view |
|--|-----|----|--------------------|
| It is clear that the auditor’s opinion on the financial statements does not extend to the other information included in the annual report | x | | |
| <i>[You may use this box to provide additional information in relation to your answer (reasons, observations, etc.), as well as any suggestions]</i> | | | |

Question 21

Has it come to your attention or are you aware that there are issues being experienced relating to which other information the auditor has read and considered, or should have read and considered, or relating to the description of the auditor’s responsibilities regarding the other information?

| Issues or implementation challenges regarding the “Other Information” section | Yes | No | No particular view |
|---|--|----|--------------------|
| Identifying which other information the auditor read and considered? | Yes | | |
| | There is inconsistency in the way in which auditor’s reports identify other information. | | |
| Instances where certain information should have been part of the other information that was read and considered by the auditor, but wasn’t? | | | |
| | <i>[You may use this box to provide additional information in relation to your answer (reasons, observations, etc.), as well as any suggestions]</i> | | |
| The required description of the auditor’s responsibilities regarding the other information? | Yes | | |
| | In many instances, the new section on “Other Information” is practically challenging for the auditor. There are three variations for reporting, in many instances the client only develops the “other information” at the last minute. It is therefore easy for the practitioner to find themselves, inadvertently, using a technically incorrect approach. Given the auditor’s limited responsibilities for the “Other Information”, practitioners find it disappointing when regulator findings related to “Other Information” negate all the good effort taken on the audit. <i>[You may use this box to provide additional information in relation to your answer (reasons, observations, etc.), as well as any suggestions]</i> | | |
| Any other issues or implementation challenges regarding other information (please specify)? | | | |
| | | | |

Additional information communicated in the auditor’s report (i.e., in addition to what is required in terms of the new and revised Auditor Reporting Standards)

Question 22

In your jurisdiction, if not otherwise required, has there been demand for additional information to be included in the auditor’s report to enhance users’ understanding of the audit that was performed:

| Additional information that could be included in the auditor's report | High demand | Some demand | No demand | No particular view |
|--|--|-------------|-----------|--------------------|
| Information about materiality as applied by the auditor in conducting the audit | | Yes | | |
| | Some users commented that it is useful to have materiality disclosed. Some audit firms report information about materiality in the auditor's report. | | | |
| Information about the scope of the audit (i.e., the auditor's approach to the audit) | | Yes | | |
| | Some audit firms report information about the scope of the audit | | | |
| Information about the auditor's procedures relating to management's going concern assessment | | | | x |
| | <p>Users did not specifically identify a need for this, however this feedback was received prior to the COVID-19 reporting season.</p> <p>Information about the auditor's procedures relating to going concern may inadvertently unbalance the report towards going concern matters. (This feedback was heard relative to discussions related to the interim review report).</p> | | | |
| Information about other aspects (please specify) | | x | | |
| | Users identified that the value of audit would be best communicated in highlighting the level of challenge and the robustness of the conversations between auditor and those charged with governance. | | | |

Other types of engagements

Question 23

In addition to audits of financial statements, professional accountants perform other types of engagements for which assurance reports are issued. These include review engagements (e.g., a review of interim financial information) and other assurance engagements (e.g., assurance on greenhouse gas statements).

In your view, should the assurance reports for other types of engagements contain elements similar to those in the auditor's reports on an audit of financial statements, such as the structure of the report i.e., opinion/conclusion first, and the communication of key matters that would, in the context of those engagements, be similar to KAM?

| Assurance reports for other types of engagements | Yes | No | No particular view |
|---|--|----|--------------------|
| Review engagements, including reviews of interim financial information | Yes | | |
| | <p>The NZAuASB have issued NZ SRE 2410 (Revised) which incorporates many of the elements of the revised auditor report (i.e. reordering with the conclusion first, naming the engagement partner, independence statements and consistently using a heading “material uncertainty related to going concern”). These changes promote consistency in practice, and different use of terminology.</p> <p>The NZAuASB does not agree that the reporting of Key Audit matters should be included in the review report because it is not considered appropriate given the limited nature of the procedures performed in a review engagement.</p> <p>The NZAuASB also does not consider that a separate section on “Other Information” should be required for interim review engagements. There is often less “other information” reported at the interim stage.</p> | | |
| Other assurance engagements (e.g., assurance reports on greenhouse gas statements or so-called ISAE 3000 (Revised) assurance engagements) | | | x |
| | <p>In terms of assurance reports on extended external reporting, user demand for assurance is still emerging. The NZAuASB has previously commented to the IAASB that a more flexible report, that may include more long form reporting, may be more useful. There is less inconsistency (i.e. no MURGC inconsistency in other reporting that requires urgent action).</p> <p>It is unclear how KAMs would apply to other assurance engagements, if a more long form report were to be used, as referenced in ISAE 3000 (Revised) or what criteria would be used to identify key assurance matters.</p> <p>Consistently moving the opinion/conclusion as the first paragraph would most likely be well</p> | | |

| | |
|--|---|
| | received by users, who have indicated that this remains the key piece of information they are looking for. However, the NZAuASB has previously commented on the limitations related to a binary opinion in the EER space. |
|--|---|

Any other input or feedback (including in relation to the effects of the COVID-19 pandemic)

Question 24

The COVID-19 pandemic has had wide ranging impacts for society and business. The unpredictable circumstances in this environment have created pressures and challenges for entities when preparing their financial statements, as well as for auditors in obtaining sufficient appropriate audit evidence and considering the impact on the auditor’s report.

Have you noted or experienced any specific effects or challenges in relation to the following elements of the auditor’s report (when applicable to a specific audit engagement)?

| Comments relating to the effects of the COVID-19 pandemic | Yes | No | Uncertain |
|---|---|----|-----------|
| Modifications to the auditor’s opinion, i.e., a qualified opinion, adverse opinion or disclaimer of opinion (and the related basis for opinion) | Yes | | |
| | <i>More examples of modifications to the auditor’s opinion, e.g. Qualified opinions due to an inability to count stock or unable to obtain sufficient appropriate evidence to support assumptions and estimates used to determine the recoverable amount of goodwill and intangible assets. Disclaimer of opinion due to an inability to obtain sufficient, appropriate audit evidence as to whether the going concern assumption is appropriate and the carrying value of assets</i> | | |
| Inclusion of a separate section in the auditor’s report under the heading “Material Uncertainty Related to Going Concern” | Yes | | |
| | An increase in the number of MURGC paragraphs | | |
| Communication of key audit matters (KAM) in the auditor’s report | yes | | |
| | There has been an increase in both the number of KAMs and the nature of the KAMs reported. There has been an increase in the number of | | |

| Comments relating to the effects of the COVID-19 pandemic | Yes | No | Uncertain |
|--|-----|----|-----------|
| | | | |
| Inclusion of an Emphasis of Matter Paragraph (i.e. used by the auditor to draw attention to a matter presented or disclosed in the financial statements) | Yes | | |
| | | | |

“close call” KAMs, as well as KAMs related to impairment of assets and KAMs dealing with an event subsequent to balance date.

In addition, the length of the KAMs have increased, with auditors noting the nature and extent of audit evidence they had to gather, but not necessarily due to additional or new KAMs being identified.

Various methods have been used to flag the additional level of uncertainty resulting from COVID. The New Zealand regulator provided guidance to the firms that COVID matters should not be a KAM on its own.

The ordering of KAMs is also of increasing importance as auditors make use of variation in presentation to place emphasis on matters arising in the COVID environment.

Wide ranging views and approaches in practice. More practitioners (or preparers) want to use an EOM to highlight valuation uncertainty.

For example, valuers now include a material uncertainty clause in property valuation reports used to support property values. These caveats are referenced in the financial statement disclosure, to highlight the caveats, and there are differing views as to the need to include an EOM to draw attention to those caveats in the auditor’s report by way of EOM. Another view is that those valuations always include uncertainty, and so highlighting uncertainty may detract from the opinion.

Another example is the inclusion of an EOM highlighting increased levels of inherent uncertainty in accounting estimates and judgements applied by management, with

| Comments relating to the effects of the COVID-19 pandemic | Yes | No | Uncertain |
|--|---|----|-----------|
| | | | |
| Inclusion of an Other Matter Paragraph (i.e. used by the auditor to refer to a matter that is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report) | | No | |
| | <i>[You may use this box to provide additional information in relation to your answer – reasons, observations, suggestions, etc.]</i> | | |
| The “Other Information” section of the auditor’s report (i.e. relating to information in the annual report, other than the financial statements and the auditor’s report thereon) | | No | |
| | <i>[You may use this box to provide additional information in relation to your answer – reasons, observations, suggestions, etc.]</i> | | |
| Any other challenges or matters to be highlighted | | No | |
| | <i>[You may use this box to provide additional information in relation to your answer – reasons, observations, suggestions, etc.]</i> | | |

Question 25

Please provide any further views, observations or suggestions you may have in relation to the auditor’s report (and why).

| | |
|-------------------------|--|
| Additional input | |
|-------------------------|--|

