

NZAuASB responses to IAASB Work Plan Survey questions (submitted by online survey tool)

Section I – Respondent Information

Question 1

We would like to know to which stakeholder group you belong, i.e., from which perspective are you providing feedback?

- Monitoring Group member
- Investor, analyst or a user of financial or other reporting
- Those Charged with Governance
- Preparer of financial or other reporting
- Regulator or oversight authority
- [National Standard Setter](#)
- Accounting firm
- Public sector organization
- Professional Accountancy Organization or other professional organization
- Academic
- Individual

Question 2

Please provide the following information about your organization (if applicable) and other contact information:

- Your organization's name (or leave blank if you are completing the survey in your personal capacity) [External Reporting Board](#)
- Your name and job title/role
- Your email address

Question 3

Please indicate the geographical profile which best represents your situation, i.e., from which geographical perspective are you providing feedback?

- Global
- [Asia Pacific](#)
- Europe
- Middle East and Africa
- North America
- South America

Question 4

Do you agree with our view that the Board's standard-setting projects currently underway (i.e., Audits of Less Complex Entities, Audit Evidence, Fraud, Going Concern and Implications for IAASB Standards of IESBA's project on the Definitions of Listed Entity and Public Interest Entity) at the commencement of 2022 should remain public interest priorities and therefore be completed?

- [Yes / No](#)
- If no, which projects should not be continued and why not?

[Going concern is a key topic, and the NZAuASB would urge the IAASB to consider if it is possible to start work as soon as possible, recognizing that this topic needs to be addressed across the reporting ecosystem. We urge the IAASB to continue to work closely with the IASB, and not only to focus on the development of an exposure draft to revise the auditing standard.](#)

[Enhancing professional scepticism is clearly in the public interest, both in the application of the ISAs and the Code of Ethics, but we encourage the IAASB to reconsider how this may be best achieved given the limited time and resourcing available and the large number of important issues, e.g., rather than a separate work stream, continuing to embed a focus on professional scepticism in all work streams.](#)

Question 5

Please rank the relative importance of the eight topics in the table above to yourself or your organization (with 1 being the highest priority).

- List with 8 topics – you can only select a topic once by assigning a number (from 1 to 8) to each topic.
- Please provide your rationale and views on the needs and interests that would be served by undertaking such work, why certain topics are relatively more important to you or your organization and any other relevant information to the IAASB)?

1- [Assurance for Climate Change Disclosures](#)

[The Financial Sector Climate-related Disclosures and Other Matters Amendment Bill currently before the New Zealand Parliament proposes to introduce mandatory climate-related disclosures \(CRD\) for most listed issuers and large: banks, non-bank deposit takers, insurers, and investment managers. It requires disclosures to be made in accordance with climate standards to be issued by the XRB. The Bill has assurance implications, in that elements of the disclosures will be required to have independent assurance.](#)

[The XRB is aware of similar developments in other jurisdictions with growing use of TCFD reporting requirements, and related assurance engagements, and therefore considers that this project is of global importance.](#)

[While the recent EER assurance guidance issued by the IAASB supports more consistent application of ISAE 3000 \(Revised\), we consider that many jurisdictions will soon be needing an assurance standard on climate disclosures. We recommend that development of a global, framework neutral climate disclosure standard is in the public interest, to continue to drive both consistent high-quality climate reporting and assurance.](#)

We consider that the ongoing relevance of the IAASB will be questioned if this topic is not prioritized. We see a risk that other players could dominate global assurance developments, if the IAASB does not remain, or is not seen to be, active as climate reporting and assurance develop at pace and will likely only accelerate in the lead up and then after the COP26 conference at the end of 2021.

2- Using the work of an auditor's expert

Corporate reporting is changing. As financial (and non-financial) reporting becomes increasingly prevalent and complex, reliance on and use of experts is only increasing. As broader reporting matters are rapidly changing, where new types of expertise will be required to be accessed, guidance to promote consistency on how to navigate where to find and determine who is a most appropriate expert, will be increasingly important.

The NZAuASB recently issued an explanatory guide "Evaluating the Appropriateness of a Management's Expert's Work" recognizing the need for more guidance. The Financial Markets Authority has also identified auditor's use of experts as an area of focus for their audit quality reviews during this period.

3- Responding to Assessed Risks

Given the recent revision of ISA 315, Identifying and Assessing the Risks of Material Misstatement, we consider it would be beneficial to enhance the coherence of the suite of ISAs, making the standard more relevant.

4- Analytical procedures

The impact of technology is having a significant impact on how analytical procedures are planned and performed. The NZAuASB considers this to be a medium priority to enhance the relevance of the standard in today's environment, i.e. the current standard is not broken however could be enhanced or supplemented by additional non-authoritative guidance to reflect new and emerging trends and respond to global regulatory concerns.

5- Audit Sampling

The impact of technology is increasingly having a significant impact on the need for and relevance of sampling. The NZAuASB therefore considers there will be a need at some stage to enhance the relevance of ISA 530.

6- Review of interim financial information

We have previously highlighted the need for the IAASB to update ISRE 2410 which is not in clarity format. Before the COVID-19 pandemic, the NZAuASB undertook a limited scope project to update NZ SRE 2410, the New Zealand equivalent standard to ISRE 2410, which is in clarity format, with a focus on aligning the interim review reporting requirements with the revised auditor reporting requirements, as appropriate. A key matter arising from this project was around the auditor's responsibilities related to going concern at the interim review stage. This matter was recognized by the IAASB staff in developing COVID guidance.

We are aware that this is an issue in other jurisdictions, as the NZAuASB worked closely the Australian standard setting board during this project, which highlighted a need for even further clarity, and have also been monitoring the requirements in the UK which have recently been revised.

We recommend that it is in the public interest for the IAASB to promote consistency in practice around the world on an increasing number of matters at the interim review stage. However, given the limited resourcing, we consider that the most urgent matter is that relating to going concern.

This could be scoped within or as a follow up to the IAASB's work effort on going concern, and therefore may not need to be a separate project.

7- Joint audits

Joint audits are not prevalent in New Zealand and therefore clarifying practice in this area has very little, relevance for our jurisdiction. However, we recognize that this is a topic of importance in other jurisdictions.

8- Assurance for XBRL

We agree that assurance for XBRL needs to be on the list given the increasing focus on digital reporting of financial information under various reporting frameworks, and the international efforts to standardise this. The need for assurance follows on from those developments in the reporting space and we would support a project being started if there is demand from other jurisdictions.

Question 6

Are there any other topics that are more important than the eight topics in the table above that should be prioritized ahead of these? If so, please explain what the topic is, what topic(s) should it be prioritized ahead of, and why (including your views on the needs and interests that would be served by undertaking such work)?

Ongoing viability of the auditing profession

There is ever increasing pressure on the ongoing viability and profitability of audit, which may result in a decrease in the number of audit firms and auditors due to decreasing profitability and increasing compliance costs. New Zealand is currently facing a shortage of audit staff, exacerbated by the travel restrictions imposed because of the pandemic. The attractiveness of the profession, including the ability to attract and retain staff, may continue to come under pressure as regulators drive to take control of the standard setting and enforcement landscape and drive for a more rules based audit. A focus on broader reporting and assurance over important topics like climate change, gender equality, slave labour, etc. have broad appeal to the next generation of accountants and assurance practitioners who are seeking a sense of purpose in their work. A similar need to ensure the ongoing attractiveness of the profession to young people was noted in CAANZ's publication "Talking Talent in audit".

Assurance on non-financial information

Assurance on non-financial information more broadly than climate related disclosures remains a key emerging area. As recently reported by IFAC, a new study reveals a lack of standardization in sustainability assurance and that low quality assurance is an emerging investor protection and financial stability risk.

The NZAuASB has previously expressed and remains strongly of the view that the distinction that is made in the assurance framework between financial and non-financial information will come under additional pressure into the future. Our prior experience highlighted the challenges of having separate assurance requirements over financial and non-financial information when developing a New Zealand standard on the audit of service performance information. As types of integrated reporting continues to evolve, we consider it is timely to reconsider the framework. This was not included in the 8 identified topics but the NZAuASB recommends prioritising this alongside the assurance on climate reporting.

Corporate reporting is changing. Increasing demand for non-financial information may also increase the need for greater collaboration by the IAASB with other assurance providers (non-accounting) and assurance frameworks (for example the international conformity assessment framework established through ISO and international trade agreements) and this collaboration should be a priority.

Question 7

Are there any specific topics or issues related to a targeted requirement(s) or issue(s) that could be a candidate for the narrow scope maintenance of our standards (other than what you have already addressed)? If so, please explain what the topic or issue is, which standard it relates to, why this is limited in scope, and why this should be prioritized?

While the NZAuASB recommends a more holistic review of ISRE 2410, we recognize that only one of the above topics may be included in the IAASB's work plan. A pressing matter, that was identified in New Zealand of particular concern, are the implications for going concern for interim review engagements.

Given that the IAASB has identified going concern for audits as a priority, we consider that this specific aspect of ISRE 2410 could be a good candidate for a narrow scope amendment, increasing efficiencies to expand and deal with going concern matters at both interim and year end in close proximity. Going concern was one of the most pressing matters arising when the NZAuASB looked at revising the New Zealand equivalent standard.