

NZAuASB Board Meeting Agenda

15 February 2023

9:15 am to 5.00 pm, XRB offices, Wellington

Apologies: Mark Maloney

Est. Time	Item	Topic	Objective		Page	Supplementary
	B: PUBLIC SESSION					
9.30am	1	<u>Board Management</u>				
	1.1	Action list	Approve	Paper	3	
	1.2	Chair's report	Note	Verbal		
	1.3	AUASB Update	Note	Verbal		
	1.4	Update from CE	Note	Verbal		
10.15am	2	<u>Environmental scanning</u>			<i>Anna</i>	
	2.1	International Update	Note	Paper	4	
	2.2	Domestic Update	Note	Paper	10	
	2.3	December Update for XRB	Note	Paper	13	
10.45am	<i>Morning tea</i>					
11:00am	3	<u>Update from XRB Chair</u>	Note	Verbal	<i>Michele</i>	
12.00pm	4	<u>IAASB update</u>			<i>Lyn/Sylvia</i>	
	4.1	Update and reflections from Lyn Provost	Note	Verbal		
	4.2	IAASB report (December)	Note	Paper		3
12.30pm	<i>Lunch</i>					
1:30pm	5	<u>IAASB Strategy and Work Plan</u>			<i>Sharon</i>	
	5.1	Summary paper	Note	Paper	25	
	5.2	Draft response	Consider	Paper	27	
	5.3	IAASB consultation paper	Note	Paper		15
2:00pm	6	<u>NZAuASB workplan update</u>			<i>Misha</i>	
	6.1	Summary paper	Consider	Paper	31	
	6.2	2022/23 Prioritisation plan	Note	Paper	34	
	6.3	2022/23 work plan updated	Note	Paper		42
	6.4	2023/24 Prioritisation plan	Consider	Paper	37	
	6.5	2022-2027 plan	Note	Paper		47
3:00pm	7	<u>Engagement team and group audits</u>			<i>Lisa</i>	
	7.1	Summary paper	Consider	Paper	40	

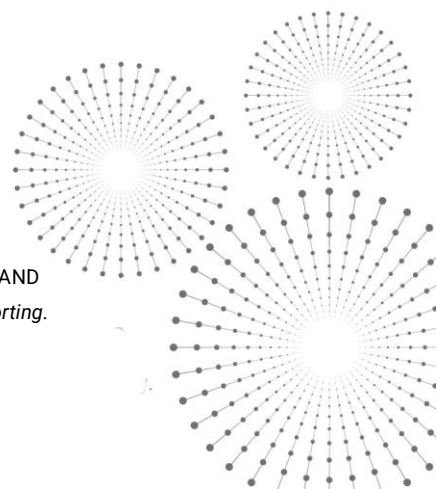
Est. Time	Item	Topic	Objective		Page	Supplementary
	7.2	Update	Consider	Paper	42	
	7.3	ET-GA text pending PIOB approval	Note	Paper		53
3.15pm	<i>Afternoon tea</i>					
3.30	8	<u>Technology</u>			<i>Anna</i>	
	8.1	Summary paper	Consider	Paper	48	
	8.2	Update	Consider	Paper	51	
4.00 pm	9	<u>Amendments to audit and review standards as a result of the revision to IAS 1 Presentation of Financial Statements</u>			<i>Bruce</i>	
	9.1	Summary paper	Note	Paper	57	
	9.2	Amending standard	Approve	Paper	59	
	9.3	Signing Memorandum	Approve	Paper	67	
4.15pm	10	<u>Enhancing Audit Quality Report</u>			<i>Bruce</i>	
	10.1	Summary paper	Note	Paper	70	
	10.2	Report	Consider	Paper	72	

Next meeting: 5 April 2023, Virtual

NZAuASB Action list

Following December 2022 meeting

Meeting Arose	Board Action	Target Meeting	Status
June 2022	Update when APESB issues non-assurance services standard	Feb 2023	APESB NAS standard issued Dec 2022.
June 2022	Engage with FMA to understand and consider developing FAQ on materiality	Feb 2023	Verbal update
Oct 2022	The IAASB issued an exposure draft of narrow scope amendments which will not preclude the application of the LCE standard for all group audits and are expected to issue the standard in Dec 2023.	Feb 2023	Verbal update
Dec 2022	To develop an amending standard for the illustrative reports included in the ISAs (NZ) for approval at February meeting to update the ISAs (NZ) appropriately.	Feb 2023	Amending standard for approval at agenda item



NZAuASB Board Meeting Summary Paper

AGENDA ITEM NO. 2.1
Meeting date: 15 February 2023
Subject: International Update
Date: 31 January 2023
Prepared By: Anna Herlender

 Action Required **For Information Purposes Only**

Agenda Item Objectives

1. This Update summarises the significant developments relevant to accounting and auditing from international organisations published since 14 November 2022.

Background

2. The form of the update has been changed:
 - Appendix 1 includes list of organisations which websites were reviewed for updates.
 - Appendix 2 includes list of publications and updates that might be of interests to the NZAuASB.
 - NZAuASB environmental scans focus on topics relating to auditing and assurance matters. Supplementary Paper Agenda Item 2.3 includes the wider environmental scan that was prepared for XRB Board purposes.

Hot topics

3. The following articles are of the most relevance for the NZAuASB:

Hot topic 1

“Continuing with the Development of Global Ethics and Independence Standards for Sustainability Reporting and Assurance”, 19 December 2022”.

The IESBA approved two new projects:

- Sustainability Project that will focus on profession-agnostic independence standards for all sustainability assurance practitioners and will focus also on specific ethics provisions relevant to sustainability reporting and assurance
- Experts Project that will focus on specific ethics and independence provisions relating to the use of experts in audit and assurance engagements, including sustainability assurance engagements.

The IESBA aims to approve the exposure drafts in Q3/Q4 2023 and the final standards in Q4 2024.

[IESBA-December-2022-Sustainability-Update.pdf \(ifac.org\)](#)

Hot topic 2

“Monitoring Group Reports on Progress to Implement Recommendations to Strengthen the International Audit and Ethics Standard-Setting System”, 2 December 2022.

The Monitoring Group reported on strengthening PIOB Oversight and governance role, including moving the standard setting boards nomination process to PIOB. The Monitoring Group is also making progress on funding arrangements and staffing.

[Monitoring Group Reports on Progress to Implement Recommendations to Strengthen the International Audit and Ethics Standard-Setting System \(iosco.org\)](https://iosco.org)

Hot topic 3

Corporate Sustainability Reporting Directive (CSRD) was published on 14 December 2022 and entered into force on 5 January 2023. [Official text read here](#). The sustainability information will be subject to assurance by an accredited independent auditor or certifier from 2025. Accountancy Europe published FAQs: all you need to know about the Corporate Sustainability Reporting”, 23 November 2022.

[FAQs: all you need to know about the Corporate Sustainability Reporting Directive - Accountancy Europe](#)

Appendix 1 List of organisations reviewed for updates

International Standard Setting Bodies

1. Monitoring Group
2. Public Interest Oversight Body (PIOB)
3. International Auditing and Assurance Standards Board (IAASB)
4. International Ethic Board for Accountants (IESBA)

International Audit and Assurance Regulator Forums

5. International Forum of Independent Audit Regulators (IFIAR)
6. International Organisation of Securities Commissions (IOSCO)

International Professional Bodies

7. International Federation of Accountants (IFAC)
8. Association of Chartered Certified Accountants (ACCA)

Developments in local jurisdictions

Australia

9. Auditing and Assurance Standards Board (AASB)

Europe

10. European Parliament and Council
11. Accountancy Europe

United Kingdom

12. Financial Reporting Council (FRC)
13. Institute of Chartered Accountants in England and Wales (ICAEW)
14. Institute of Chartered Accountants of Scotland (ICAS)

United States

15. Securities and Exchange Commission (SEC)
16. Public Company Accounting Oversight Board (PCAOB)
17. American Institute of Certified Public Accountants (AICPA)
18. Center for Audit Quality (CAQ)

Canada

19. Canadian Public Accountability Board (CPAB)
20. Canadian Auditing and Assurance Standards Board (AASB)
21. Chartered Professional Accountants Canada (CPA Canada)

Insights from practitioners and other publications

22. Insights from practitioners
23. Other articles

Appendix 2: Relevant publications and updates identified

Monitoring Group

“Monitoring Group Reports on Progress to Implement Recommendations to Strengthen the International Audit and Ethics Standard-Setting System”, 2 December 2022, [Read here](#). Included in Hot Topic 2.

International Auditing and Assurance Standards Board (IAASB)

Guidance and Support Tools

Fact Sheet: “Quality Management and Group Audits: Highlighting Certain Aspects of Interaction Between ISA 220 (Revised) and ISA 600 (Revised)”, 15 December 2022, [Read more here](#).

Non-Authoritative Guidance: “Amendments to IAS 1 and the Impact on the ISAs: Disclosure of Material Accounting Policy Information”, 16 November 2022, [Read more here](#).

Consultations

Proposed Strategy and Work Plan for 2024-2027, 11 January 2023, [Read more here](#). Also refer to Agenda Item 5.1

Proposed Part 10, Audits of Group Financial Statements of the Proposed ISA for Audits of Financial Statements of Less Complex Entities, , 24 January 2023, [Read more here](#).

Status of IAASB projects:

[IAASB projects \(iaasb.org\)](https://iaasb.org)

International Ethics Standards Board for Accountants (IESBA)

Publications

“IESBA Technology Working Group Phase 2 Report”, 18 November 2022, [Read here](#).

Updates

“Continuing with the Development of Global Ethics and Independence Standards for Sustainability Reporting and Assurance”, 19 December 2022, [Read here](#). Included in Hot Topic 1.

“IESBA Plans Global Roundtables on Sustainability Project”, 17 January 2023, [Read here](#).

Status of IESBA projects:

[IESBA projects \(ethicsboard.org\)](https://ethicsboard.org)

International Federation of Accountants (IFAC)

Guidance and Support Tools:

“The Risk Identification and Assessment Process: Tips on Implementing ISA 315 (Revised 2019)”, 15 December 2022, [Read here](#).

Reports and surveys:

“A Global Guide for Professionalisation in Public Sector Finance”, 17 November 2022, [Read here](#)

“Educational Programming to Emerging Trends”, 30 November 2022, [Read here](#).

“Expanding Roles in Sustainability and Digital Transformation Priorities for Professional Accountants in Business and the Public Sector”, 12 December 2022, [Read here](#).

“The Benefits and Challenges of Smaller Accountancy Practice Digitisation”, 4 January 2023, [Read here](#).

Articles:

“Why breaking the Vicious Circle of Corruption is Difficult but Essential”, 21 November 20s2, [Read here](#)

“Case Study: Integrated Profit and Loss Accounting at Natura & Co”, 9 December 2022, [Read here](#).

“Board Oversight of Sustainability and ESG”, 9 December 2022, [Read here](#).

“In the International Fight Against Corruption, Audit Contributes to the Success of SDGs”, 6 January 2023, [Read here](#).

“Deploying Emerging Technology to Fight Corruption”, 13 January 2023, [Read here](#).

Auditing and Assurance Standards Board in Australia (AUASB)

Highlights of November 2022 Meeting, 1 December, 2022, [Read here](#).

“AASB-AUASB Joint Research Report on Climate-Related Disclosures and Assurance in the Annual Reports of ASX Listed Companies”, 19 December 2022, [Read here](#)

“Perception of Audit Quality by Audit Committee Chairs in Australia”, 20 December 2022, [Read here](#).

“Supporting Auditors in Enhancing Audit Quality”, 20 December 2022, [Read here](#).

European Union (EU)

News: **Corporate Sustainability Reporting Directive (CSRD)** was published on 14 December 2022 and entered into force on 5 January 2023. [Official text read here](#). Included in Hot Topic 3.

Press Release: **EFRAG submitted the first set of draft ESRS to the European Commission** on 22 November 2022. The European Commission will now consult EU bodies and Member States on the draft standards, before adopting the final standards as delegated acts in June 2023. [Read here](#).

Accountancy Europe

Survey results: “Comparing European corporate governance models”, 17 November 2022, [Read here](#).

Publication: FAQs: all you need to know about the Corporate Sustainability Reporting”, 23 November 2022, [Read here](#). Included in Hot Topic 3.

Position Paper: “Audit Committees’ Role in Fighting Fraud – Recommendations”, 30 November 2022, [Read here](#)

Position Paper: “Key Factors to Develop and use Audit Quality Indicators”, 13 January 2023, [Read here](#).

Financial Reporting Council (FRC)

“What makes a good environment for auditor scepticism and challenge”, 23 November 2022, [Read here](#).

“Review of Stewardship Reporting 2022, 24 November 2022, [Read here](#).

“Policy Paper: Competition in audit market”, 1 December 2022, [Read here](#).

“Feedback Statement: Firm-level Audit Quality Indicators Consultation”, 6 December 2022, [Read here](#).

“What makes a Good Annual Report and Accounts”, 13 December 2022, [Read here](#).

“FRC launches Audit & Assurance Sandbox”, 14 December 2022, [Read here](#)

Public Company Accounting Oversight Board (PCAOB)

“PCAOB Proposes a New Quality Control Standard”, 18 November 2022, [Read here](#)

“Spotlight: Staff Update and Preview of 2021 Inspection Observations”, 8 December 2022, [Read here](#)

“Post-Implementation Review of AS 2501, Auditing Accounting Estimates, Including Fair Value Measurements; Amendments to Auditing Standards for Auditor’s Use of the Work of Specialists”, 8 December 2022, [Read here](#)

“PCAOB Proposes New Standard for the Auditor’s Use of Confirmation”, 20 December 2022, [Read here](#)

American Institute of Certified Public Accountants (AICPA)

“Enhance audit quality from the top down. New auditing standard: Statement on Auditing Standards (SAS) No. 145, Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement”, January 2023, [Read here](#).

Center for Audit Quality (CAQ)

“Jumpstart Your Digital Assets Journey: A Tool for Audit Committees”, November 2022, [Read here](#)

“Audit Partner Pulse Survey, Fall 2022”, November 2022, [Read here](#)

“2022 Audit Committee Transparency Barometer”, 30 November 2022, [Read here](#)

“Audit Committee: The Kitchen Sink of the Board”, 30 November 2022, [Read here](#)

“Audit Committee Composition Changing Amid Expanded Scope and Emerging Risks, According to New Report from Deloitte and the Center for Audit Quality”, 13 January 2023, [Read here](#)

Insights from practitioners

“Investors continue to prioritise climate action despite lacking trusted information”, 6 December 2022, [Read here](#)

Tech Trends 2023, Deloitte, 6 December 2022, [Read here](#).

Other articles

“Obtaining an understanding of soft controls relating to an audit of financial statements. Impact of culture and behaviour on the risk assessment”, 15 December 2022, Koninklijke Nederlandse Beroepsorganisatie van Accountants, [Read here](#).

NZAuASB Board Meeting Summary Paper

AGENDA ITEM NO. 2.2
Meeting date: 15 February 2023
Subject: Domestic Update
Date: 31 January 2023
Prepared By: Anna Herlender

Action Required

For Information Purposes Only

Agenda Item Objectives

1. This update summarises the significant developments relevant to accounting and auditing from New Zealand organisations published since 14 November 2022. This agenda item is for information purposes of the Board.

Hot topics

2. The following articles are of most relevance for NZAuASB:

Disciplinary outcomes relating to Wynyard audit by PwC

“The Financial Markets Authority (FMA) - Te Mana Tātai Hokohoko notes the New Zealand Institute of Chartered Accountants (NZICA) has released its disciplinary decisions arising from the 2015 PwC audit of the formerly NZX-listed Wynyard Group.

The FMA complained to NZICA after developing significant concerns about PwC’s audit of Wynyard¹, following a routine audit quality review completed in August 2017. The FMA referred PwC’s two audit partners responsible for the Wynyard audit (the Engagement Lead Partner and the Engagement Quality Review Partner) to NZICA’s Professional Conduct Committee.”

[NZICA publishes disciplinary outcomes relating to Wynyard audit by PwC | Financial Markets Authority \(fma.govt.nz\)](#)

Content of Environmental Scan – Domestic

1. The Financial Market Authority (FMA)
2. The Chartered Accountants Australia and New Zealand (CA ANZ)
3. The Institute of Directors (IoD)
4. Other publications

The Financial Market Authority (FMA)

FMA releases 2022 CPA Australia and NZICA accredited body reports, 2 December 2022

“The reports contain the findings of the FMA’s monitoring assessments of NZICA and CPA Australia for the period 1 July 2021 to 30 June 2022. The FMA did not have specific concerns relating to NZICA’s or CPA Australia’s compliance during the review period.”

[Accredited-body-report-2022-CPA-Australia.pdf \(fma.govt.nz\)](#)

[Accredited-body-report-2022-NZICA.pdf \(fma.govt.nz\)](#)

Hot Topic: NZICA publishes disciplinary outcomes relating to Wynyard audit by PwC, 21 December 2022

“The Financial Markets Authority (FMA) - Te Mana Tātai Hokohoko notes the New Zealand Institute of Chartered Accountants (NZICA) has released its disciplinary decisions arising from the 2015 PwC audit of the formerly NZX-listed Wynyard Group.”

[NZICA publishes disciplinary outcomes relating to Wynyard audit by PwC | Financial Markets Authority \(fma.govt.nz\)](#)

Ease of Doing Business Survey , 23 January 2023

“The FMA commissioned FiftyFive5 to conduct research among key stakeholders to understand the effectiveness of their interactions with the FMA and satisfaction with the services provided.”

[FMA Ease of Doing Business Survey 2022](#)

The Chartered Accountants Australia and New Zealand (CA ANZ)

New sustainability guide for not-for-profits and charities, 17 November 2022

“A new playbook offers actionable insights for not-for-profits and charities which have a critical role in the transition to a sustainable future.”

[New sustainability guide for not-for-profits and charities | CA ANZ \(charteredaccountantsanz.com\)](#)

Climate risk in financial statements, 28 November 2022

“In brief:

- The impact of climate risks on financial statements is increasing
- Critical accounting estimates is the financial statement area that is most impacted by climate risks
- The reporting of climate risks in financial statements is most prevalent in the utilities and energy industries”

[Climate risk in financial statements | CA ANZ \(charteredaccountantsanz.com\)](https://www.charteredaccountantsanz.com/Climate-risk-in-financial-statements)

The Institute of Directors (IoD)

No relevant updates

Other publications

No relevant updates.

Agenda item 2.3 Supplementary Paper – the most recent XRB environmental update.

Memorandum

Date: 30 November 2022
 To: XRB Board Members
 From: Judith Pinny
 Subject: Environmental Update

Recommendation¹

1. I recommend that the Board NOTES the International and Domestic update for the period 21 October 2022 to 29 November 2022.

Purpose and impact

2. The purpose of the Environmental Update is to identify emerging issues and provide an update on developments in the financial and climate reporting landscape of strategic interest to the XRB Board.
3. Items with strategic impact on the XRB:

International

- (a) Both [Manifest Climate](#) (66%) and WBCSD (78%) reviews still find a large degree of alignment with TCFD.
- (b) The [Australian Treasury](#) is consulting on empowering sustainability reporting legislation.

Trans-Tasman

- (c) CA ANZ has released a [Sustainability guide](#) for Not-for-profits and charities.

Domestic

- (d) The [Auditor-General](#) has written to Parliament about the lack of public accountability for government spending. The Deputy Auditor-General has also written to the Productivity Commission on public accountability.
- (e) The FMA annual review of [Audit Quality](#) shows that based on compliant audit files, overall Audit Quality (72%) is slightly down on last year (76%) but has showed improvement over the 5 year trend (from a base of 62% in 2018).

¹ This memo refers to the work of the International Accounting Standards Board (IASB) and uses registered trademarks of the IFRS Foundation (for example, IFRS[®] Standards, IFRIC[®] Interpretations and IASB[®] papers). It also refers to the work of the International Sustainability Standards Board (ISSB).

- (f) The Government is developing a [Māori Climate Platform](#) to enable Māori-led climate action, planning, and solutions that build climate resilience.
- (g) MfE is consulting on the Market Governance of [NZ ETS](#) with the FMA likely to become the regulator. International solutions for accounting for ETS and other approaches are lagging behind.

International

IFAC: Global regulatory report

- 4. The October 2022 report: [IFAC Global Regulatory Report October 2022](#)

IFRS Foundation Trustees: Due Process Oversight Committee (DPOC) meeting

- 5. The DPOC met in Seoul on 26 October 2022 and, *inter alia*, discussed the the process for improving the international applicability of the SASB standards—the DPOC approved the ISSB issuing an exposure draft to request feedback on the proposed process and methodology for updating US-based references in the SASB standards for more internationally applicable references, rather than an exposure draft containing a full mark-up of the proposed amendments. Following consideration of the feedback to the exposure draft, the staff will make a draft of the amendments available on the IFRS Foundation website, consistently with the process described in paragraphs 3.31–3.33 of the Due Process Handbook, to allow stakeholders to review the amendments before the ISSB finalises them.

Trustees meeting-summary-with-DPOC at end

Manifest Climate: Disclosure benchmark review

- 6. Manifest Climate’s review of over 3,000 organizations in 65 countries finds that 66% are somewhat aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), the world’s premier climate reporting framework. However, a deeper review of over 100 companies finds only 49% include decision-useful information. This suggests that although climate-related financial disclosure is increasing, it is only decision-useful about half the time. The report explores disclosure alignment and decision-usefulness across sectors and by specific TCFD recommendations. It also features a deep-dive on the decision-usefulness of financial institutions’ disclosures.
- 7. Highlights are available in [Appendix 1](#).

[Disclosure Benchmark Review - Manifest Climate](#)

WBCSD²: Review of sustainability reporting

- 8. WBCSD recently released their 2022 review of sustainability reporting. They assess reports against a framework that they have developed (Sustainability Business Council

² World Business Council for Sustainable Development.

use that framework here in NZ for assessing their members' reports) Page 12 has the key findings from this year - 78% referenced the TCFD recommendations.

<https://www.wbcsd.org/contentwbc/download/12378/184755/1>

[Back to International](#)

Federal Council, Switzerland: Mandatory climate reporting becomes law

9. In November 2022, the Federal Council of Switzerland passed legislation to require mandatory reporting on climate for large Swiss entities from 1 January 2024.
10. Entities covered by the climate disclosure law are public companies, banks, and insurers with 500 or more employees and at least CHF ³ 20m (NZD\$34m) in total assets or more than CHF 40m (NZD\$68m) in revenue.
11. Public reporting involves disclosures not only on the financial risk that a company incurs as a result of climate-related activities, but also on the impact of the company's business activities on the climate. In addition, the company has to describe the reduction targets it has set for its direct and indirect greenhouse gas emissions, and its transition plan.

[Federal Council mandatory climate disclosures from 1 January 2024](#)

Australian Treasury: Consultation on proposed Sustainability Standards empowering legislation

12. The Government has committed to ensuring large businesses provide Australians and investors with greater transparency and accountability when it comes to their climate-related plans, financial risks, and opportunities.
13. The Exposure Draft Legislation seeks to amend parts of the Australian Securities and Investment Commission Act 2001 that will empower the Australian Accounting Standards Board to deliver sustainability standards to meet the Government's commitment.
14. Submissions are due on 16 December 2022.

[Empowering the AASB to deliver sustainability standards | Treasury.gov.au](#)

[Back to International](#)

Trans-Tasman

CA ANZ: Sustainability guide for Not-for-Profits and Charities

15. CA ANZ have issued the "Purpose People and Planet Playbook" with Craig Fisher, our

³ Swiss Francs.

XRAP Chair, assisting in its development. Craig said: "We try to get them to look at sustainability in a more holistic manner, through an ESG or SDG lens, not just focusing on the environmental perspective"

[Purpose People and Planet Playbook CA ANZ](#)

[Back to Domestic](#)

Domestic

Auditor-General: Failing Public Accountability for Government Spending

16. John Ryan, Auditor-General says there is an urgent need to take action on the lack of accountability to NZers on projects such as the Three Waters reforms, the Covid Recovery Fund, the Provincial Growth Fund, and Māori health and education.
17. A study was commissioned by the Auditor-General to investigate concerns that Māori have low levels of trust in the public sector. Haemata consultancy interviewed Māori representing iwi, hapū, whānau, public servants, professionals, academics and recipients of public services.
18. The Auditor-General's view was that Government and public sector must "front up" and take responsibility for their failings. In the public sector, there is a lack of consequence for failure to meet Māori outcomes, particularly at senior management levels. Participants spoke of cases where senior managers continued to be rewarded with higher remuneration despite continually failing to achieve positive outcomes for Māori.
19. The Auditor-General has written to Parliament's Speaker expressing his concern about a lack of transparency and accountability over the spending of public money on new initiatives.
20. The Auditor-General had already highlighted concerns about the Covid Response Fund and the Provincial Growth Fund – but he says the problems are more widespread. A law change is needed to ensure a cohesive picture of how \$150 billion a year of public money is spent and what has been achieved as a result.
21. Deputy Auditor-General, Greg Schollum, has written to the Productivity Commission calling for a wider first-principles review of public accountability across all of government.
22. In essence, public accountability is about public organisations demonstrating to Parliament and the public their competence, reliability, and honesty in their use of public money and other public resources, says Schollum.
23. The Office of the Auditor-General says the review should go beyond the public management system. "Any such review should start with the nature of the relationship between the public, Parliament, and central and local government," Schollum argues.

"The review could include, for example, a focus on what is needed to ensure that Parliament and the public are appropriately engaged and informed about the outcomes government is intending to achieve, how they will achieve these outcomes, and what progress is being made."

[Back to Domestic](#)

[Auditor-General Calls for Wide-Reaching Review of Failing Public Accountability](#)

FMA: Audit Quality Monitoring Report 2021/22

24. The FMA has released its audit quality report for the year to 30 June 2022, which showed that overall audit quality had improved in the last 5 years, although there remained inconsistency between firms. The proportion of compliant audit files dropped to 72%, from 76% last year.

25. Climate-related Risk and Disclosures are covered on pages 22-23:

XRB has issued the draft Standard for Climate Disclosure, which will become effective by December 2022. The FMA will provide information on our expectations for keeping the appropriate records and how we are monitoring the regime. The FMA's website is regularly updated with new content on CRD.

26. Business Desk article reviewing the report is available in [Appendix 2](#).

[2022-Audit-Quality-Monitoring-Report.pdf \(fma.govt.nz\)](#)

[Back to Domestic](#)

MfE: Māori Climate Platform

27. The Government is developing a Māori Climate Platform in partnership with tangata whenua to enable Māori-led climate action, planning, and solutions that build climate resilience.

28. A 10 member Ministerial Advisory Committee has been appointed to engage a broad range of Māori perspectives to lead the design of the Māori Climate Platform. The Committee is co-chaired by Dayle Takitimu (Ngāti Porou, Te Whānau ā Apanui) and Mike Smith (Ngāpuhi, Ngāti Kahu).

[Platform to support Māori-led climate action | Ministry for the Environment](#)

[Back to Domestic](#)

NZ Herald: New Sustainability Loans with social and cultural targets

29. The BNZ and Ātihau-Whanganui Incorporation have announced a new agribusiness

Sustainability Linked Loan, covering not only traditional environmental targets, but also includes social and cultural targets for the first time.

[BNZ inks a Māori agribusiness deal that includes social and cultural targets - NZ Herald](#)

MBIE: Sustainability Reporting in NZ

30. This July 2021 report provides the MBIE perspective on Sustainability reporting, notwithstanding that this environment is moving at pace. Of current interest is MBIE's view on Sustainability Reporting under mātauranga Māori:

Government would benefit from learning from mātauranga Māori (Māori cultural intelligence) and has legislative obligations to partner with Māori in developing corporate reporting standards. Many Māori businesses and iwi trusts voluntarily report on wider ESG outcomes⁴ For example, Ngāti Hauā Iwi Trust use tangata, taiao and tikanga (people, environment, and culture) to report on activities and achievements such as the distribution of pataka kai, revitalisation of te reo Māori and restoration of whenua. In addition, section 55ZW of the Zero Carbon Act requires public entities to report using TCFD derived aspects. Many iwi trusts are already leaders in sustainably managing environmental resources and creating value for their communities.

Similarly, many Māori businesses already operate with long time horizons and wider social and environmental aspirations, where looking after the land, supporting their communities, and regenerating ecosystem services is a core part of their mahi. Māori businesses and iwi trusts that embody mātauranga Māori frameworks offer a fundamentally different approach to large scale, profit driven, and unsustainable business models; the rest of the economy could learn a lot from the way the Māori economy operates. Further work is needed to consider how the Crown can partner with Māori to embrace mātauranga Māori principles and practices in sustainability reporting requirements. This would need to consider how flexibility could be given to high performing Māori businesses that operate under Te Ao Māori frameworks, and the need for alignment with international sustainability reporting frameworks.

[International developments in sustainability reporting \(mbie.govt.nz\)](#)

MfE: Market Governance of the NZ ETS - Consultation

31. The buying and selling of New Zealand Units under the Emissions Trading Scheme (ETS) is set to become regulated somewhat similarly to financial products under the Financial Markets Conduct Act 2013. The FMA is expected to be appointed as regulator. Submissions are due by 24 December 2022.
32. In relation to NZUs, the Ministry for the Environment (MfE) proposes a much narrower and more tailored definition of material information for prohibitions on insider trading, which would apply where a person holds material non-public information about

⁴ Examples are Raukawa Settlement Trust, 2020; Ngāi Tahu, 2020; Te Runanga a Iwi o Ngāpuhi, 2019.

government policy only.

[Improving market governance of the New Zealand Emissions Trading Scheme](#)

33. With International Boards currently pausing their accounting ETS projects it might be time for an increased profile of this topic. In March 2016, the IPSASB paused its work on its Consultation Paper on Emissions Trading Schemes, awaiting progress on the IASB's Pollutant Pricing Mechanisms (PPM) project.
34. ETS was last discussed as an agenda topic at the IASB in April 2016. Note that IFRIC 21 *Levies* has a scope exemption for ETS.
35. PPM was a potential project for the IASB's Third Agenda Consultation in 2021 and made the list of the top 7 projects that the stakeholders wanted added to the IASB's agenda. However, it was relegated to the "reserve list" of projects. The IASB noted that this project would overlap with the ISSB's work. See pp 31-32 of the [IASB Feedback Statement](#).

[Back to Domestic](#)

Companies (Directors Duties) Amendment Bill 2021

36. The Companies (Directors Duties) Amendment Bill is a member's bill from Hon. Duncan Webb, Labour) introduced on 23 September 2021. Section 131 of the Companies Act, which imposes a duty on a director to act in good faith and what the director believes is the best interests of the company.
37. The Bill proposes to clarify by amending to Section 131, that a company director, in acting as the mind and will of the company, can take actions that take into account wider matters other than the financial bottom-line. This may include matters such as the principles of te Tiriti o Waitangi, environmental impacts, good corporate ethics, being a good employer, and the interests of the wider community.'
38. The [Companies \(Directors Duties\) Amendment Bill](#) passed its first reading on 9 November 2022 and has now been referred to the Select Committee.
39. The closing date for submissions on the Bill is 8 January 2023.

Government: Introduction of Open Banking

40. In July 2021, the Government agreed to establish a consumer data right framework (CDR) which would require data holders like banks to ensure New Zealanders can gain access to a wider range of products and services that better meet their needs. In November 2022 the Government announced that banks will be the first sector to

implement the mechanism, so that consumers can require data holders to share their information with third parties.

41. Open banking changes what banks can do with customer information. This has an impact on risk for the banking sector, and their customer community. Whilst the benefits of a "better deal" for customers, the risk of information being used for unsolicited purposes also increases.
42. Open banking is a requirement on the Australian-owned banks' parent companies in Australia and is already a feature of the banking system in the UK.
43. The Government expects open banking to be introduced in two years, after consultation on the draft legislation.

[Govt moves to introduce open banking to give customers a better deal | Beehive.govt.nz](#)

Newsroom: Climate leasing

44. This article covers some cutting edge thinking on how to compensate homeowners for their home. Professor Jonathan Boston covers direct compensation, capped compensation and principal residence only compensation.
45. The fourth option, climate leasing, emerges from work by Belinda Storey⁵, which began in 2016 when she was visiting her family's holiday home on Cook's Beach in the Coromandel.
46. Walking along the beach, she knew she would want to carry on using the house, even though she knew it was doomed. In fact, she could imagine continuing to go there pretty much until the waves lapped at the door.
47. She thought about the different stages of managed retreat, from insurance retreat, when insurance companies no longer offer cover, through credit retreat (when you couldn't get a mortgage or a loan), through infrastructure retreat (when local roads, water supplies, schools and medical facilities moved).
48. Storey did some modelling which suggested properties would hold their sale value for longer than you might expect, with prices for an individual house dropping gradually towards zero as the retreat deadline came close, and only then falling rapidly.
49. Her compensation model, which she calls "climate leasing", involves the government offering compensation to convert the ownership model for people with properties in areas zoned for eventual managed retreat from freehold to fixed-term leasehold.

[Long-term Leases To Ease Pain Of Forced Climate Retreat](#)

⁵ Member of the XRB's External Advisory Panel and Managing director of Climate Sigma.

2022 Climate risk reports

Westpac – separate report

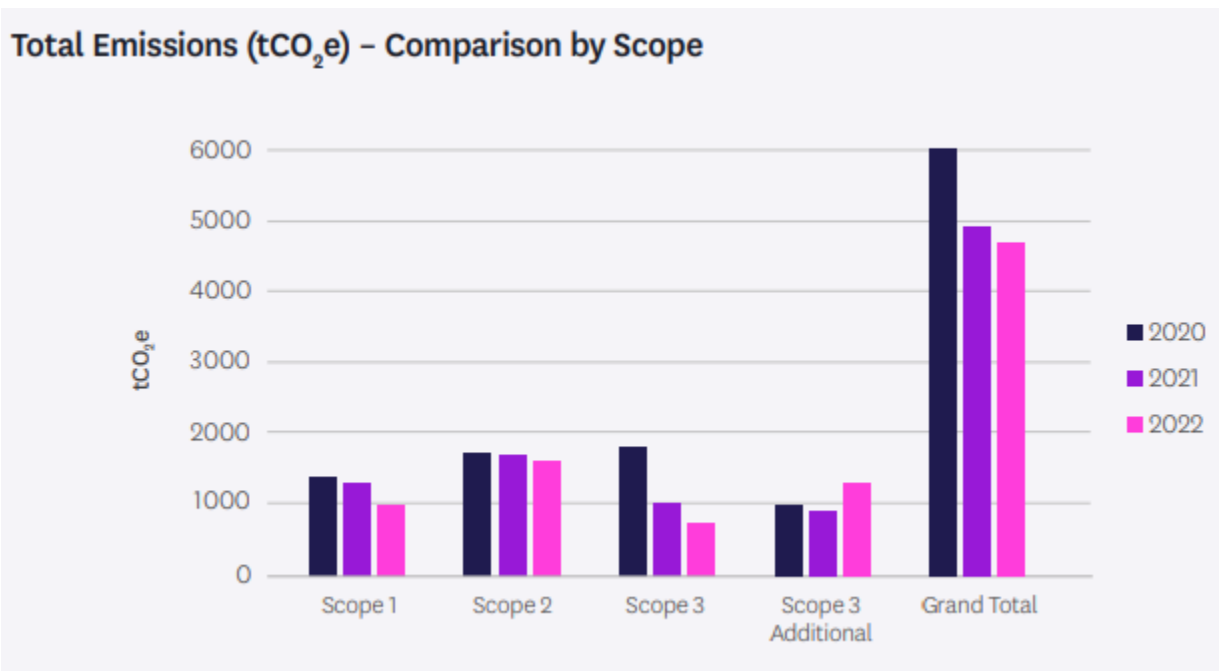
50. Westpac has produced a 15pp Climate risk report. The table below of the Direct Operational Footprint is harder to comprehend than the graph of Total GHG emissions that follows. Also of interest is the Climate change portfolio resilience table copied below.

Direct operational footprint

Table 5: Operational emissions¹⁹

	2022	2021	2020
Scope 1 ²⁰	988.26 tCO ₂ e	1,315.32 tCO ₂ e	1,419.92 tCO ₂ e
Scope 2	1,615.14 tCO ₂ e	1,730.23 tCO ₂ e	1,763.88 tCO ₂ e
Scope 3 ²¹	Mandatory: 740.46 tCO ₂ e Additional: 1,314.24 ²² tCO ₂ e	Mandatory: 995.56 tCO ₂ e Additional: 919.02 tCO ₂ e	Mandatory: 1,827.75 tCO ₂ e Additional: 1,002.50 tCO ₂ e
Total	4,658.12 tCO₂e	4,960.13 tCO₂e	6,014.05 tCO₂e

Total Emissions (tCO₂e) – Comparison by Scope



Climate change portfolio resilience

The table below shows the proportion of lending secured by properties exposed to a heightened natural coastal hazard risk from sea level rise under a 4 degrees Celsius warming scenario.²⁶

SEGMENT	APPROXIMATE SHARE OF SECTOR PORTFOLIO			COMMENT
	FY22	FY21	FY20	
Residential mortgages	2.1%	2.3%	2.3%	Westpac NZ's exposure has remained relatively stable and reflective of a well-diversified portfolio.
Commercial property lending	2.1%	2.2%	2.1%	
Agricultural lending	3.4%	3.4%	2.9%	

Westpac - NZ Agribusiness Climate Change Report

51. This report presents the summarised findings of research commissioned by Westpac and carried out by the Agribusiness and Economics Research Unit at Lincoln University, examining the physical and transition risks and opportunities presented by climate change to NZ's primary sector (focusing on dairy, sheep/beef, and horticulture) to 2050, as well as the sector's vulnerabilities and potential actions to address the effects of climate change.

[Westpac NZ Agribusiness Climate Change Report 2022](#)

Toyota Sustainability Report 2022

52. Toyota NZ don't specifically mention TCFD but they do make some of the disclosures that will be required in NZ CS 1. Toyota received limited assurance over the report. Toyota covers "Supporting a Just Transition" on page 8.

[Toyota Sustainability Report 2022](#)

Zespri Annual Report 2022

53. Zespri⁶ addresses its Climate change within its Annual report.(Pp38-39) The disclosure of GHG emissions is an interesting example, and is copied below.
54. The corporate emissions (which are relatively low) are separated from the rest of Zespri's Scope 3 emissions relating to shipping which are high and increasing at 443,800 and central to getting their kiwifruit product to overseas markets.
55. Total Scope 3 emissions are the total of all their Scope 3 emissions (443,500 + 1100 for 2021/22) but this isn't obvious to the uninformed user. Their intensity metrics (emissions per kg of fruit shipped, and per tray equivalent) put the figures in context but are understated as they don't include Scope 3 Corporate emissions from Table 2.

[Zespri-Annual-Report-2021-22.pdf](#)

[Zespri-Climate-Change-Adaptation-Plan.pdf](#)

⁶ Zespri International Ltd is the world's largest marketer of kiwifruit.

Zespri's disclosure of GHG emissions

Our total supply chain emissions account for ~2kg of CO₂-e emissions per kg of kiwifruit consumed⁴. Shipping continues to be a significant contributor to this, and with a larger crop to transport and pandemic-associated global supply chain issues including shipping congestion to navigate through increased specialised charter vessels, our overall shipping emissions increased by 19% in 2021/22.

*Table 1. Zespri's Industry Shipping Emissions from New Zealand sourced fruit**

Industry emission source	Unit	2021/22	2020/21*	2019/20*
Shipping	t CO ₂ -e	443,800	374,300	315,900
	kg CO ₂ -e per kg of fruit shipped	0.7	0.7	0.6
	kg CO ₂ -e per Tray Equivalent (TE)	2.5	2.3	2.1

* Scope 3 emissions, prepared in accordance with ISO 14064-1:2018 organisational reporting standard. 2020/21 and 2019/20 emissions have been recalculated using updated methodology consistent with 2021/22. The figures have been subject to Limited Assurance.

Zespri has also undertaken a detailed review of the way we calculate energy consumption related to shipping, and as a result we have updated our methodology to ensure that we continue to align with leading industry practices. The shipping emissions for the 2019 and 2020 seasons (*Table 1*) have been recalculated using this updated methodology.

Keeping our corporate emissions low

After a year of lockdowns and travel restrictions, our teams have started to reconnect with our markets. Our staff emissions from travel have increased slightly from last year. Although our corporate emissions still remain 87% lower than our initial baseline year, we are taking measures to ensure these remain as low as possible, including reviewing the company's travel policy.

*Table 2. Zespri Corporate Emissions**

Scope	Emission Source	tCO ₂ -e		
		2021/22	2020/21	2019/20
Scope 1	Vehicle fuel	200	100	300
Scope 2	Office electricity	300	300	300
Scope 3	Air Travel	500	300	7,800
	Staff mileage and taxis	100	100	200
Total Zespri corporate emissions		1,100	800	8,600

* Prepared in accordance with ISO 14064-1:2018 organisational reporting standard. The figures have been subject to Limited Assurance.

Appendix 1:

[Back to Text](#)

Manifest Climate: Disclosure Benchmark Review



[Back to Text](#)

NZAuASB Board Meeting Summary Paper

AGENDA ITEM NO.	5.1
Meeting date:	15 February 2023
Subject:	IAASB Strategy & Work Plan 2024-2027
Date:	30 January 2023
Prepared By:	Sharon Walker

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Agenda Item Objectives

1. The objective of this agenda item is for the Board to agree the key themes and content for the XRB submission on the IAASB's Strategy and Work Plan 2024-2027.

Background

2. The IAASB released its proposed strategy and work plan in January 2023. The proposed strategy seeks to accelerate the actions laid out in the 2020-2023 strategy with a focus on standard setting that supports the performance of high quality audit and assurance engagements.
3. It outlines 4 strategic objectives:
 - Support the consistent performance of quality audit engagements by enhancing auditing standards in areas where there is the greatest public interest need.
 - Establish globally accepted standard(s) for assurance on sustainability reporting.
 - Strengthen coordination with the IESBA and other leading standard setters and regulators to leverage better collective actions in the public interest.
 - Create more agile, innovative ways of working in line with the Monitoring Group's reform vision.
4. The proposals describe the standard setting work required to support the strategy, focussing on developments that best contribute to meeting the needs of stakeholders in the external reporting ecosystem, while balancing timeliness with quality.
5. Comments on the proposed strategy and work plan are to be submitted by 11 April 2023.

Matters to Consider

6. We have prepared bullet point responses to the IAASB's questions identifying the key themes we propose to raise in our response. Our initial thinking is outlined in agenda item 5.2.
7. We will monitor the deliberations of the AUASB when they consider the IAASB strategy and work plan at their March 2023 meeting.

Planned Engagement Activities

8. We are cognisant of the many requests and demands on stakeholders to respond to various consultations. We have considered how best to engage with stakeholders to obtain their views on

the consultation, particularly the prioritisation of future projects, to confirm our views are representative of those stakeholders. Our outreach plan:

- Publication on the XRB website, with a link to a short survey.
- Include an update in our March “need to know” series, with polling questions.

Recommendations

9. We recommend that the Board agree the key themes and content for the XRB submission to the IAASB.

Material Presented

Agenda item 5.1 Board Meeting Summary Paper

Agenda item 5.2 Draft response - key themes

Supplementary papers

Agenda item 5.3 IAASB Consultation Proposed Strategy and Work Plan 2024-2027

IAASB Consultation – Strategy & Work Plan 2024-2027

Key themes for response

1. Do you agree with our proposed goal, proposed keys to success and stakeholder value proposition?

- Overall, supportive of the proposed goal, keys to success and stakeholder value proposition.
- The current SWP includes a stakeholder value proposition focussed on independence, standards that are free from bias and transparency. This is an important part of any standard setting process and is missing from the proposed SWP. For international standards to be adopted, it is critical that the IAASB is, and is seen to be, an independent standard setter, transparent and operating free from bias, especially in the context of developing profession agnostic standards. We suggest that IAASB carry this stakeholder value proposition through to its proposed SWP.

2. Do you agree with our proposed strategic drivers as the key environmental factors that drive the opportunities and challenges impacting our ability to achieve our goal?

- Agree with the identified proposed strategic drivers.
- Consultation paper indicates that regulators and oversight bodies are increasingly asking for more specificity of requirements in standards for increased enforceability to help drive improved performance. We challenge the premise that more specificity in auditing standard requirements will improve performance. Our regulator's audit quality monitoring report did not identify deficiencies in the standards. Accordingly, we consider additional implementation support could assist with consistency of and improved performance.
- We urge the IAASB not to underestimate the value of implementation support to achieve consistent application of the standards. We consider that providing implementation support that provides for clear and consistent application of the standards will go a long way to allaying regulator concerns around the specificity of requirements. We consider that the IAASB is best placed to develop this implementation guidance, but as a national standard setter welcome the opportunity to collaborate more closely.
- Like the IAASB, firms are facing resourcing pressures. It is important for firms to be given space and time to implement new standards and to train their staff to use those standards.
- Developing and maintaining stakeholder relationships is crucial to wide acceptance of standards (beyond core professional accountants). Think broadly about who and how to engage with the broader range of stakeholders, especially in the context of developing standards that are profession agnostic. For standards to become globally accepted we must not alienate other players in the market, rather we must be open to learning from their experiences.
- The sustainability space is fast moving area, with established players. In order to obtain broad support of its standards, the IAASB will need to develop profession agnostic standards. We encourage the IAASB to ensure its due process is profession agnostic,

including non-accountants in the membership of the board and task forces and in broad consultation from the project proposal stage.

- The IAASB will also be faced with the challenge of linking the sustainability assurance standard to a quality management standard built around the accounting profession and not adopted by broader assurance practitioners who use different standards.

3. Do you agree with our proposed strategic objectives and proposed strategic actions?

- We agree with the proposed strategic objectives and proposed strategic actions.
- Establishing globally accepted standards for assurance on sustainability reporting will require the IAASB to think broadly. There are assurance standard setters in this space that already have established standards, including ethical standards. In order to become the recognised leader in this space, IAASB will need to explore what can be learnt from these established assurance practices and collaborate with a far broader range of stakeholders in order to gain wider acceptance. In NZ we have been developing a standard for assurance over mandatory GHG emissions reporting, taking care to take an inclusive approach that can learn from others, recognizing that assurance practitioners in this area is broader than professional accountants.
- We support the continued close relationship between IAASB and IESBA. Global support of an international sustainability standard may be dependent on the IESBA's ability to develop an ethics standard that is truly profession agnostic.

4. Do you support the identified possible new standard setting projects as set out in Table B within the area of audits and reviews (A to K)? Please share your views on the individual topics, including, if relevant why certain topics may be relatively more important to you, your organization or within your jurisdiction?

- 330 – given the recent revision of 315, it would be beneficial to enhance the coherence of the suite of ISAs, making the standard more relevant. We consider revision to ISA 330 to be of the highest priority among the identified possible projects.
- 501, 505, 520, 530 Technology is changing the way the audit is performed. It is important that these standards remain current, either through targeted updates or issuing of non-authoritative material that addresses the use of technology in these areas. A benefit of issuing non-authoritative material is that it does not require the same amount of board time and could be developed in partnership with NSS.
- 620 we consider use of experts to be a high priority across all assurance, not just limited to the audit of historical financial statements and ISA 620. We do see the use of experts as an area in the other assurance standards that needs to be addressed.
- 720 we support targeted revisions to ISA 720 to address issues arising from the auditor reporting PIR.
- 2410 we consider 2410 is long overdue for revision by the IAASB into the clarity format. A key matter that has raised many questions in NZ is around the auditor's responsibilities related to going concern at the interim review stage.

- Joint audits are not prevalent in NZ. Accordingly, clarifying practice in this area has very little relevance for our jurisdiction.

5. Do you support the identified possible new standard setting projects as set out in Table B within the area of sustainability and other assurance engagements (L and M)? Topic L further standards for assurance on sustainability reporting would involve addressing multiple topics (as part of possible multiple projects). Please provide your views about likely candidate topics for further standards.

- In the area of an international assurance standard on sustainability we continue to advocate for development of a global, framework neutral assurance standard that is informed by engagement with all types of assurance practitioner (i.e., profession agnostic).
- Looking forward would like to see a standard that deals with assurance over integrated reporting, i.e., financial information and non-financial information presented together in the same report. We do not believe that it will serve to global market to perform assurance engagements on different types of subject matter in accordance with different standards and to report in separate assurance reports in the long term.
- Use of XBRL is not prevalent in NZ, however, we would support a project on assurance over XBRL if there is demand from other jurisdictions, given the increasing focus on digital reporting of financial information under various reporting frameworks, and the international efforts to standardise this.

6. Are there other topics that we should consider as new standard-setting projects? If so, please indicate whether any such topics are more important than the topics identified in Table B, and the needs and interests that would be served by undertaking work on such topics.

- None identified

7. Our draft strategy and work plan emphasises throughout the importance of close coordination with our sister- Board, the IESBA. What are your views about whether and, if so, how coordination could be enhanced in terms of opportunities for ongoing or complementary actions that would better serve the public interest? Suggestions could entail standard-setting work, engagement with stakeholder groups, and improved ways of working, among others.

- As both the auditing/assurance and the ethical standards setter in NZ, we are very aware of the need for coordination between the boards. Aware of the challenges encountered when there are differences/conflicts in the standards. Fully supportive of close coordination with the IESBA. It will be challenging for the IAASB to develop profession agnostic standards that link to the IESBA Code in its current form, i.e., the IESBA sets ethical standards for accountants.
- Have found the joint IAASB/IESBA NSS sessions to be very useful in the past.

8. Are there any other matters that we should consider in finalising our strategy and work plan?

- None identified

NZAuASB Board Meeting Summary Paper

AGENDA ITEM NO. 6.1

Meeting date: 15 February 2023

Subject: Action and implementation Plan Update

Date: 1 February 2023

Prepared By: Misha Pieters

Action Required

For Information Purposes Only

Agenda Item Objectives

- For the Board to:
 - NOTE the update on the NZAuASB 2022/23 prioritisation plan.
 - CONSIDER the 2023/2024 prioritisation plan.
 - NOTE the 2022-2027 NZAuASB action plan to support the XRB's strategy.

Background

- The XRB's statement of intent (SOI) 2022-2027 included the following priority assurance related actions:
 - Assurance over non-financial disclosures including Greenhouse gas assurance engagements.
 - Audit of Service Performance Information.
 - Audit quality reforms in New Zealand.
- The NZAuASB 2022-2027 action plan is included in the supplementary papers for context as we reflect on the progress made in the 2022/23 year and plan for the 2023/24 year.
- The XRB will finalise its statement of performance expectation for the 2023/24 period in March.

Matters for consideration

2022/23 performance

- The key achievements to date are reflected in the prioritisation schedule at agenda item 6.2 in green. A column has been added to reflect indicative resourcing.
- The key actions that have not yet progressed (which is a summary of outstanding matters from the more detailed 22/23 work plan at agenda item 6.3) include:

Not yet progressed	Status
Impact of climate reporting on audit	Too early – defer.
Guidance on materiality	Monitoring.
Identify research topics beyond KAM reporting	None identified for June 2023.
Māori engagement based on XRB treaty obligations	Too early – defer.

Host roundtable discussions to promote factors affecting audit quality and value of audit if appropriate	To develop project plan on value of audit (XRB board led). Defer.
Consult on adoption of LCE standard. IAASB standard expected 2024	Defer.
Digitisation project	Project to progress in 2023

7. Board members are asked to NOTE the 2022/23 update.

2023/24 performance

8. We have advanced planning for the 2023/2024 period and include a prioritisation schedule for the period at agenda item 6.4.
9. The key strategic intentions and priority areas for assurance remain:
 - a. Assurance over climate statements – with the possible extension of mandatory assurance currently open for consultation by MBIE, including the possibility that the XRB be given the mandate to stagger mandatory assurance requirements for various parts of the climate statement. This topic will dominate our work plan efforts over the 2023/2024 period as what will be subject to mandatory assurance is defined, and international developing assurance standards emerge. Once our mandate is clearer, resourcing and prioritisation will be adjusted accordingly, and our standard setting policies will need to be updated. The XRB has learnt much about profession agnostic standards in the GHG assurance project, and we plan to ensure that our learnings are well understood by international standard setters. We plan to attend IESBA’s roundtable discussions in Sydney in March. We are planning for ways to engage with other national standard setters on the topic of assurance, ethics, and quality management over the period. The work plan therefore includes plans for a climate assurance summit. We have commenced preliminary planning by inviting Mark Babington, FRC and IESBA task force chair to visit New Zealand at a convenient time.
 - b. Service Performance Information – Once we finalise revisions to NZ AS 1 *The Audit of Service Performance Information*, we plan to support implementation by issuing guidance and turn to develop an exposure draft for review engagements.
 - c. Value of Audit – (previously described as audit quality reforms). There has been considerable international and domestic activity examining trust and confidence in external reporting, including audit quality and the independence of audit firms. The XRB will continue to monitor and work with the key stakeholders in the reporting supply chain to consider how the issues identified could impact New Zealand and how best these should be addressed in New Zealand. As the IAASB prepares to issue exposure drafts on the topics which impact across the reporting supply chain like going concern and fraud, we plan to commission research exploring perceptions on the value of audit and then host a panel discussion on the topic to explore the issues and consider how best to proceed in New Zealand.
10. We continue to be aware of the impact that technology is having on audit and assurance. If a specific need is identified, we have included a line item on technology in the work plan to develop thought leadership on this topic, contingent on a specific aspect being identified.
11. In addition to issuing auditing and assurance standards, our mandate requires us to liaise with international or national organisations that perform functions that correspond with those conferred to the XRB. This is reported under output 5 in the XRB’s statement of performance

expectation and service performance information. I have added a line item in the prioritisation schedule to capture this item. Key matters to note include:

- a. We have maintained a New Zealand member on the IAASB, with Greg Schollum appointed for three years. We have a [technical advisory group](#) that will provide input to Greg ahead of every IAASB meeting, with practitioner representatives from across the big four and mid-tier and public sector. If any Board member wishes to participate in any advisory panel discussion on any of the specific IAASB agenda items, please do let staff know which topic is of specific interest to you.
 - b. We continue to plan to attend national standard setters' meetings if these are held, and/or regional roundtable discussions. However, it is currently unclear whether the NSS meetings will be held in May 2023 or on an ongoing basis. We have held initial discussions with Canada and Australia and are exploring ways to continue to engage with like minded standard setters. This is another reason for plans to host a sustainability assurance summit, to enable us to engage, share our learnings and learn more about what other standards setters are doing, given our focus on profession agnostic standards.
 - c. The NZAuASB chair is currently on the advisory panel to the IAASB's sustainability task force.
12. The project to digitise the XRB's standards will directly impact on assurance priorities and resourcing as we plan to digitise the standards by June 2024.
13. We are also continuing to explore research topics as XRB develops a research plan.
14. **Board members are asked to CONSIDER the Prioritisation plan for 2023/2024 and to provide comments.**

Material Presented

Agenda item 6.1	Board Meeting Summary Paper
Agenda item 6.2	2022/23 prioritisation plan
Agenda item 6.3	2022/23 work plan update (supplementary papers)
Agenda item 6.4	2023/24 prioritisation plan
Agenda item 6.5	NZAuASB action plan 2022-2027 (supplementary papers)

Domestic Project	2022/2023 planned action	Status	Priority	Key deliverable	Due date
GHG assurance standard	Engage with GHG panel, Develop ED and guidance, outreach , analyse feedback and issue standard	On track	High	Issue ED	Dec 22
				Issue standard	June 23
Climate reporting	Develop guidance on implications of climate reporting on audit of financial statements	Possibly too early	TBD	Issue guidance	Defer
Climate/broader assurance	Understand scope of information that may require assurance and who is undertaking that work	Yet to start	High	NZ landscape document	June 2023
Audit of Service Performance Information	Engage with advisory panel, develop ED, perform outreach, assess responses, issue standard	On track	High	Issue ED	Dec 22
				Issue standard	Aug 23
Assurance over capital raising	Analysis of feedback on ED and issue standard	On track to approve in Dec	Medium	Finalise standard	Dec 2022
NZ Definition of a public interest entity	Webinar complete. Analysis of feedback on ED. Issue standard	Gazetted	Medium	Finalise NZ standard	Oct 2022
Research report on KAMs in COVID	Commissioned research to publish a report	Issued	Medium	Publish report	Oct 2022
Guidance on auditor reporting for RBNZ	Consult with practitioners and develop FAQ	FAQ published	Medium	Issue FAQ	Oct 2022
Materiality FAQ	Respond to issue identified by FMA	Monitoring	Medium	Issue FAQ	TBD
Monitor inspection findings	Report highlighting XRB standard response to quality matters	At agenda 10	Low	Issue report	Feb 2023
QM Conforming amendments PES 1	Finalise standard	Gazetted	Low	Issue standard	August 2022
Post implementation review of SAE 3100	Engage on issues arising on the application of SAE 3100	Complete	Low	Feedback statement	Feb 23

IAASB projects

IAASB project	2022/23 action	Status	Priority	Key deliverable	Due date
Sustainability assurance	Monitor developments, consult/respond as appropriate. ED expected September 2023	On track	High	Build NZ strategy for climate assurance	Next year
Going Concern	IAASB ED to be approved March 2023 (no longer Dec 2023)	On track	Medium	Submission deferred to next year	Q3 2023
Audit Evidence	IAASB ED approved Sep 2023, issued October. Submissions due April 2023	On track	Medium	Submission	Q2 2023
Fraud	IAASB ED to be approved September 2023 (delayed from initial expectations)	On track - XRAP input	Medium	Monitoring	Next year
Strategy and work plan	IAASB approved Dec 2022	On track	Medium	Submission	Feb 2023
Audits of Less Complex Entities	IAASB ED on group audits approved in Dec 2022	Revised plan	Low	Submission	Q2 2023
Implications of PIE on ISAs	Consider NZ implications	Submission finalised	Low	Submission	Oct 2022
	Monitor track 2	On track	Low	ED expected Sept 2023	Next year
Implementation of revised Group standard	Promote awareness of revisions	Need to know webinar (Aug)	Low	Fact sheet	Feb 2023
Technology	No specific action	None	None	None	None
Guidance on application of IAS 1	Update the Example audit reports throughout the suite of ISAs (NZ)	On track	Low	Approve amending standard in Feb 2023	Feb 2023
Participate in NSS meetings/regional groups/advisory groups/task forces	IAASB membership maintained Sustainability advisory panel participation Status of NSS meeting to be determined	Ongoing Ongoing TBD	High	TBD	TBD

- *New line items highlighted*

IESBA projects

IESBA projects	2022/2023 action	Status	Priority	Key deliverable	Due date
Sustainability reporting and assurance	Monitor and influence IESBA deliberations	On track	High	TBD	TBD
Fees and NAS Rollout	Promote awareness of changes	Need to know webinar CA ANZ audit conference November	Medium	Need to know Webinar (Aug) Fact sheet (cheat sheet) (Aug)	August 2022 Nov 2022
Strategy	IESBA to approve consultation in March 2023	Not yet started	Medium	Submission	Q2 2023
Technology related changes to the Code	IESBA approved standard in Dec 2022. PIOB to approve in March	Submission complete Update NZAuASB Feb 23	Low	NZ standard	June 2023
Engagement Team/Group Audits	IESBA approved standard in Dec 2022. PIOB to approve in March	Submission complete Update NZAuASB Feb 23	Low	NZ standard	April/June 2023
Technology non-authoritative guidance	Monitor and raise awareness	TBD	Low	None	None
Tax planning and related services	IESBA approved exposure draft No action as outside mandate	None	None	None	None
Participate in NSS meetings/regional events	Non NSS meeting likely Participate in Sydney sustainability roundtables	On track	High	TBD	March 2023

- New line items highlighted

Domestic Project	2023/2024 planned action	Resource	Priority	Key deliverable	Due date
Assurance engagements over greenhouse gas emission disclosures	Issue standard Issue implementation guidance	Available	High	Standard Guidance	July 23 H1 2024
XRB strategy for sustainability assurance	Monitor MBIE decision on scope of assurance and international assurance standards developments. Develop project plan accordingly.	To manage	High	Updated policy document Project plan	July 23 TBD
Monitor assurance of climate statement/GHG/impact of climate on financial statements and KAMs	First reporting Dec 23 – see who is assuring what and what we can learn	To manage	TBD	Possible report	June 2024
Audit of Service Performance Information	Issue standard and implementation guidance to support first time adoption	Available	High	Issue standard Issue guidance	Aug 23 H1 2024
Review of Service Performance Information	Develop review engagement ED	Available	Medium	Issue ED	June 2024
Technology	If appropriate develop technology project plan in conjunction with advisory group of practitioners	Constrain	TBD	Thought leadership	TBD
Value of audit	Monitor inspection findings Commission research on the perceptions of the value of audit Host panel discussion on the value of audit	To manage	High	Possible report	H1 2024
Commission research	Identify additional research topics	TBD	TBD	TBD	TBD
Update standard setting policies and convergence and harmonisation policy	Revise EG AU2 Overview of Auditing and Assurance Standard Setting Process Update harmonisation/convergence policy	Available	High	Revised policies	Q3 2023
Māori engagement	Learnings based on XRB board decision on treaty obligations	To manage	Medium	TBD	TBD
Digitisation of assurance standards	XRB initiative	To manage	High	Digitised standards	June 2024

IAASB

IAASB	2023/24 action	Resource	Priority	Key deliverable	Due date
Sustainability assurance	ED expected September 2023	Available	High	XRB Submission	By March 2024
Going Concern	ED to be approved March 2023	Available	Medium	XRB Submission	Aug 2023
Audit Evidence	Final standard expected to be approved first half of 2024	Available	Medium	Adopt in New Zealand	Next year July 2024 (depending when issued)
Fraud	IAASB ED exposure period H1 2024	Available	Medium	Submission	June 2024
Audits of Less Complex Entities	IAASB to approve LCE standard Dec 2023	To manage	Low	Develop consultation doc on adoption of LCE standard for New Zealand	March/June 2024
Implications of PIE on ISAs	IAASB approve track 1 – expected June 2023	Available	Low	Adopt in New Zealand	Oct 2023
	Monitor development of track 2 ED	Available	Low	Submission	Sometime 2024
Technology	Monitor	None	None	None	None
Participate in NSS meetings/regional groups/advisory groups/task forces/host international meetings	IAASB membership maintained Host sustainability assurance summit	To manage	High	Event	

IESBA

IESBA	2023/2024 action	Resource	Priority	Key deliverable	Due date
Sustainability reporting and assurance	IESBA ED ethics and independence issues for sustainability assurance expected to be approved in September 2023	Available	High	Submission	By March 2024
Experts Project	IESBA ED expected to be approved Q3/Q4 2023	Available	High	Submission	By June 2024
Technology non-authoritative guidance	Monitor and raise awareness	None	Low	None	None
Tax planning and related services	IESBA approved exposure draft No action as outside mandate	None	None	None	None
Implementation of NAS and Fees	Monitoring and raise awareness	TBD	Low	None	TBD
Implementation of PIE definition	Monitoring and raise awareness	TBD	Low	None	TBD
Long association post implementation review	Monitoring and raise awareness	TBD	Medium	TBD	TBD
Participate in NSS meetings/regional groups/advisory groups/task forces/host international guests	Host Mark Babington, IESBA sustainability Task Force chair Host sustainability assurance summit	To manage	High	Events	Nov 2023

NZAuASB Board Meeting Summary Paper

AGENDA ITEM NO.	7.1
Meeting date:	15 February 2023
Subject:	Engagement team definition and Group Audits
Date:	18 January 2021
Prepared By:	Lisa Thomas

Action Required

For Information Purposes Only

Agenda Item Objectives

1. To UPDATE the Board on the IESBA's project *relating to the Definition of Engagement team and Group Audits*.

Background

2. In February 2022 the IESBA issued the exposure draft *Proposed Revisions to the Code Relating to the Definition of Engagement Team and Group Audits* with the following two main objectives:
 - To align the definition of the term "engagement team" in the Code with the revised definition of the same term in ISA 220 (Revised)¹ while ensuring that the independence requirements in the International Independence Standards (IIS) were clear and appropriate and apply only to those individuals within the scope of the revised definition who must be independent in the context of the audit engagement; and
 - To revise the IIS so that they are robust, comprehensive, and clear when applied in a group audit context, including with respect to independence for non-network component auditors.
3. The XRB's submission was generally in support of the proposals. The following specific areas were raised:
 - Encouraging the IESBA to simplify the drafting and include illustrative examples and/or flowcharts due to the complexity and technical nature of the proposals.
 - Concerns raised by the professional body that there may be some practical and unintended consequences from the independence proposals, for example expanding the independence requirements may drive some firms to not undertake component work or from utilising component auditors outside of their network.
 - To include further guidance on how the role of experts fits within the definition of engagement team or audit team member and to consider the impact of the use of experts

¹ ISA 220 (Revised) *Quality Management for an Audit of Financial Statements*

in Part 4B² due to our expectation that the use of experts is likely to increase in the context of reporting Environmental, Social and Governance information and assurance.

- To clarify the example provided to evaluate a self-review threat when a limited scope engagement is performed.
4. All feedback was considered by the IESBA at its September and December 2022 meetings and the final standard was approved in December 2022 meeting and is now with the Public Interest Oversight Board (PIOB) for approval.

Matters to Consider

5. Agenda item 6.2 provides an update to the Board of the key changes made to the exposure draft in finalising the standard. Our preliminary recommendation is that there are no compelling reason changes are needed in the New Zealand context.
6. The Board is asked for views on this preliminary recommendation.
7. Once the standard is issued, we will make a final recommendation and if no compelling reason changes are identified we will request that the Board approve the issue of the revisions in New Zealand (at either the April or June meetings).

Material Presented

Agenda item 7.1	Board Meeting Summary Paper
Agenda item 7.2	Issues Paper
Agenda item 7.3 - Supplementary Papers	Marked Up Exposure Draft IESBA December 2022 meeting (pending PIOB approval)

² Handbook of the International Code of Ethics for Professional Accountants (Including International Independence Standards), Part 4B Independence for Assurance Engagements Other than Audits and Review Engagements

Issues Paper: Definition of Engagement Team and Group Audits

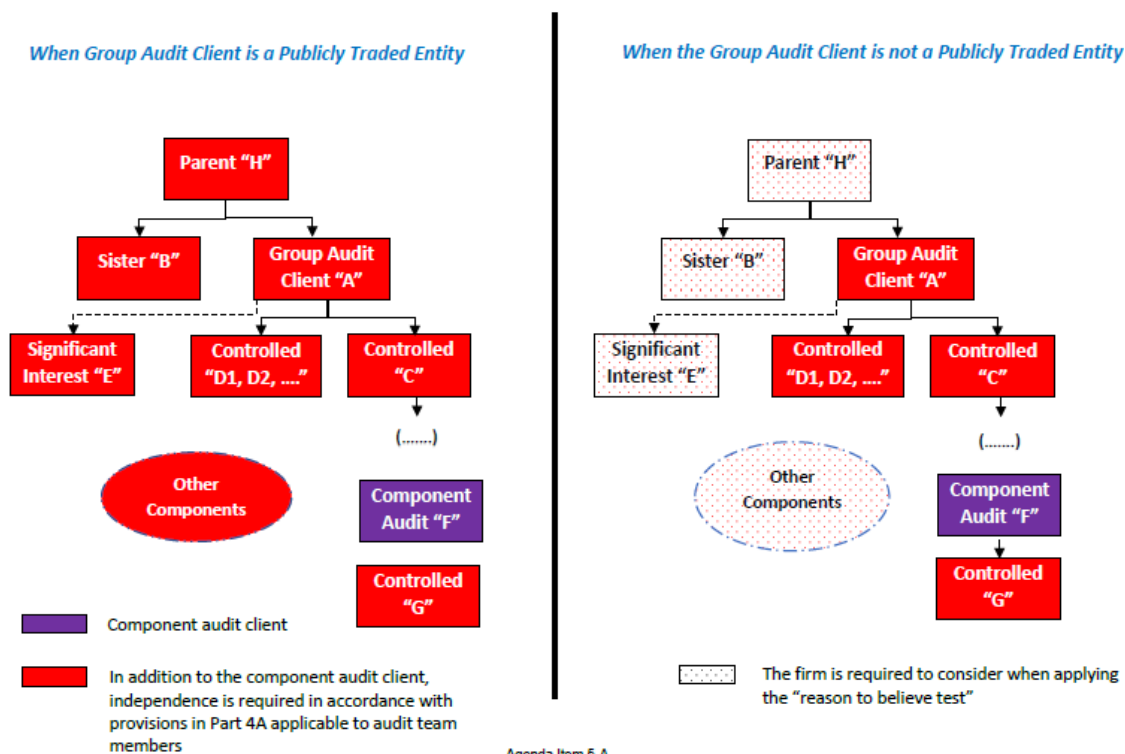
1. The IESBA received 49 comment letters across various stakeholder groups and regions. Respondents were generally supportive of the proposed changes to the definition of engagement team. In finalising the standard, some changes were made to address stakeholders' concerns raised on the independence requirements for group audits, including the addition of new requirements and application guidance.
2. The most significant of the changes relate to the independence requirements of individuals of a component audit firm outside of the group audit firm's network.
3. The IESBA discussed commissioning the development of non-authoritative guidance to provide greater clarity and address complexity concerns.

Independence Principles Applicable to Individuals Involved in the Group Audit

4. The extant Code's independence requirements for individuals from a component audit firm from *within* the group audit firm's network, require that they must comply with the same independence requirements that apply to the engagement team of the group audit firm.
5. With the change in the definition of engagement team in ISA 220 (Revised)¹ the independence requirements of individuals from a component audit firm from *outside* of the group audit firm's network needed to be clarified.
6. In the exposure draft the IESBA took the view that regardless of whether an individual from a component audit firm came from *within* or *outside* of the group audit firm, the individual should be subject to the same independence provisions. IESBA took the view that work from an individual from outside of the group audit's firm contributed to the group audit opinion, just as much as individuals from within the group audit firm. This view also aligned with the change in the engagement team definition in ISA 220 (Revised) that treats all individuals performing audit procedures on the engagement as engagement team members, regardless of whether they are from a component firm within or outside of the group firm's network.
7. Respondents were generally supportive of the independence approach for the group auditor firm, its network firms and individuals in the group audit team who are from, or engaged by, the group auditor firm or a network firm. Concerns were raised however regarding the independence requirements for component audit firms and individuals *outside* of the group auditor firms network. There were concerns that the proposals would negatively impact small or medium practice's, lead to market concentration and impact audit quality.
8. Respondents highlighted that while the component audit firm *outside* of the group auditor's firm's network only need to be independent of the component audit client, the individuals from the component audit firm outside of the firm's network who are involved in the group audit are required to be independent of the related entities of the group audit client. Below is an illustration of the proposals in the exposure draft.

¹ ISA 220 (Revised) *Quality Management for an Audit of Financial Statements*

Independence Considerations in the ED for Individuals Involved in the Group Audit



9. Respondents noted that whilst the independence requirements of component audit firm from outside of the network mainly related to the component client, they would still need to have a system to monitor the independence of the individuals involved in the group audit. It was felt this was an inconsistent approach and burdensome and asked the IESBA to consider a more balanced approach.
10. Upon reflection the IESBA considered that the cost of implementing a system to support independence compliance of individuals of component audit firms outside of the group audit firms network, could be disproportionate relative to the likelihood of threats created. In addition, the significance of the compliance task would take away resources and time from the component firm's audit work and therefore potentially adversely impact audit quality.
11. Therefore, the IESBA agreed that applying the same independence requirements to individuals of audit team members, within and outside of the group audit firms network would not be in the public interest.
12. To finalise the standard three options were explored to develop a proportionate approach. The options explored whether the group audit team members from a component audit firm from *outside* of the group audit firm's network should be independent in accordance with the provisions of Part 4A² in relation to:
 - The component audit client and the entity whose group financial statements the group auditor firm expresses an opinion.
 - Entities that are:
 - i. Controlled by the group audit client, and
 - ii. Belong to the chain of control of the component audit client

² Handbook of the International Code of Ethics for Professional Accountants (Including International Independence Standards), Part 4A Independence for Audit and Review Engagements

- To all controlled entities of the group audit client.
13. The options considered were not seen as resulting in a lower standard of independence for certain groups but rather that by considering the different circumstances and applying a more targeted approach would lead to the same outcome regarding independence.
 14. On balance, option 2 was the preferred option, in that it captured the entities and components within the group where the greatest threats lie with respect to the independence of the group audit team members.
 15. For other entities within the group, the “reason to believe”³ principle should be applied.
 16. To support the “reason to believe” requirement, additional guidance has been included to focus the audit team member on the type of relationships or circumstances that might compromise independence.

Breach of Independence by a Component Auditor Firm

17. A number of changes were made in the area of a breach of independence by a component auditor firm. These included:
 - A new paragraph to clarify that the purpose of the application guidance on breaches by a component auditor firm is for the group auditor firm to determine whether it can use a component auditor firm’s work if a breach has occurred at the component auditor firm.
 - Alignment of the process to address breaches of independence. Concerns were raised that the process proposed for a component auditor firm within the group audit firm’s network was less restrictive than for a non-network firm, as it allowed for the group engagement partner to determine the action. The IESBA agreed with these concerns and aligned the process, resulting in the component firm whether from inside or outside the group auditor firm’s network determining the actions. In addition, for breaches at component auditor firm with the group auditor firm’s network, guidance has been included that paragraphs R400.80 to R400.89 of the extant Code also apply to the group auditor firm in relation to the group audit, as applicable.
 - Clarification that communication by a component auditor firm to the group engagement partner regarding the component auditor firm’s assessment of the significance of the breach and any action proposed or taken is to be communicated in writing.
 - A change to the actions by the group engagement partner upon receipt of a communication regarding a breach. The IESBA agreed that the partner would not have the information available to “evaluate the impact of the breach on the component auditor’s objectivity” but rather it would only be able to “review the component auditor firm’s assessment of the significance of the breach and its impact on the component auditor’s objectivity”.
 - Additional application material in line with the extant Code to help a component auditor firm to evaluate the significance and impact of a breach and any actions that might be taken to address the breach satisfactorily.
 - Consideration of the communication of breaches by a component audit firm to Those Charged with Governance (TCWG) of the group audit client. The IESBA concluded that a breach by a component audit firm within a group audit firm’s network should be communicated in accordance with paragraph R400.84 of the extant Code as the policies and procedures of the group auditor firm’s network are relevant to the considerations

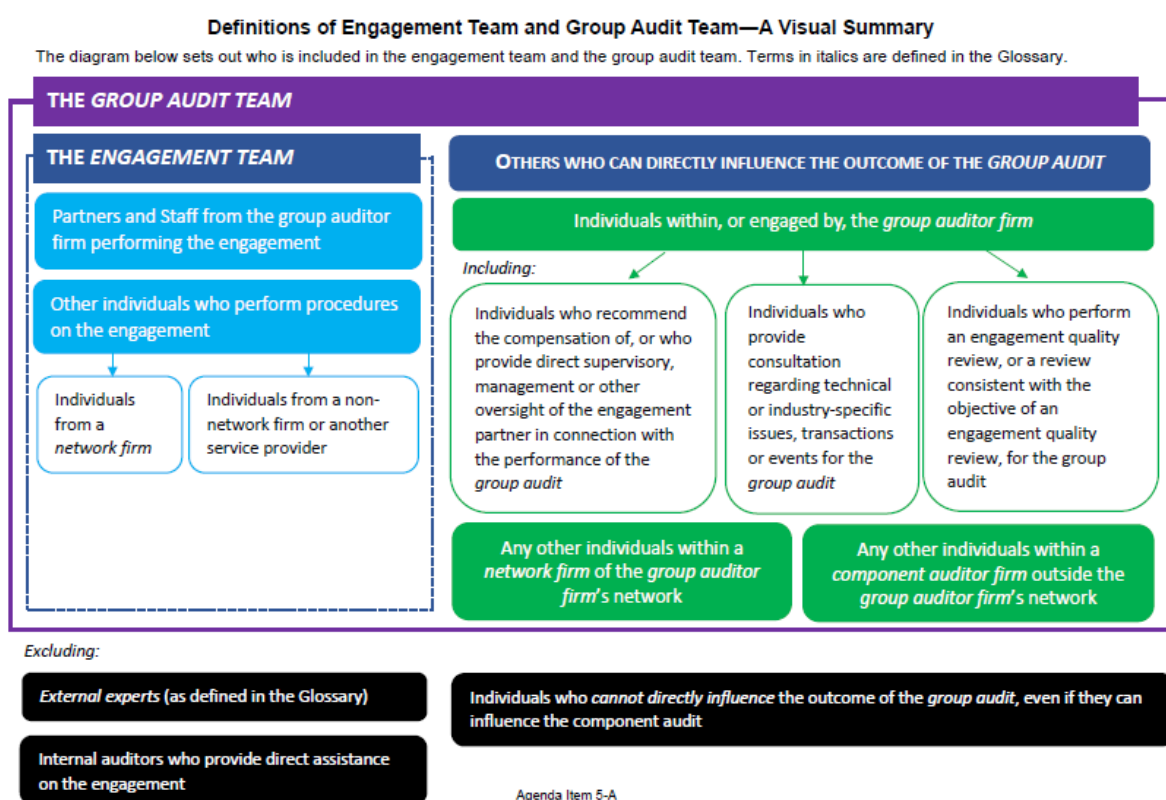
³ The principle of “reason to believe” is the application of the concepts of ‘having an enquiring mind’ and ‘reasonable and informed third party’ from the Conceptual Framework in Part 1 of the Handbook of the International Code of Ethics for Professional Accountants

by TCWG regarding the group auditor firm’s independence. As a component auditor firm outside of the network has its own quality management system addressing breaches, discussions should focus on the actions proposed or taken to address the breach, and whether the group auditor firm will use other means to obtain necessary audit evidence.

Addressing the concerns raised in the NZAuASB Submission

Complexity of definitions and role of experts

18. The XRB’s submission emphasised that the proposals were complex and would benefit from the use of examples or flowcharts. We also specifically raised the complexity of the role of experts in the engagement team and how the use of further examples would be beneficial.
19. The Taskforce developed the following diagram (from the IESBA September papers) to be considered if the IESBA commissions non-authoritative material to support the implementation of the provisions.



20. We anticipate that the IESBA will issue Staff Frequently Asked Questions to explain the approach to experts with respect to the definitions of engagement team and audit team.

The role of experts in sustainability related services

21. The NZAuASB in its submission encouraged the IESBA to consider the impact of the use of experts in Part 4B⁴ of the Code with an increase in demand for reporting Environment, Social and Governance information.
22. One of the priority areas for the IESBA in its Strategy and Work Plan for 2024-2027 is reporting and assurance of sustainability information. Therefore, whilst outside the remit of the Engagement Team and Groups project, the independence considerations of experts providing

⁴ Handbook of the International Code of Ethics for Professional Accountants (Including International Independence Standards), Part 4B Independence for Assurance Engagements Other than Audits and Review Engagements

sustainability related services will be addressed as part of the IESBA future standard setting activities.

Self-Review Threat for provision of Non Assurance Services

23. The XRB’s submission raised that the self-review threat application guidance was not clear. The example included was for when audit work was limited to a specific line item such as inventory. The example stated:

*“the evaluation of the self-review threat would include non-assurance services that form part of or affect the accounting records or the financial information **related to the accounting for, or the internal controls over, inventory.**”*

24. We raised that it was unclear whether the intent of the words “*related to the accounting for, or the internal controls over inventory*” extended to other line items in the financial statements that the inventory balance impacted on, such as creditors and cost of goods sold, or if it is strictly the inventory line item of the financial statements.
25. This was not addressed by the Task Force. We do not consider that we need to make a compelling reason change to address this.

Summary of other revisions made in finalising the standard

26. The following is a summary of other revisions made by the IESBA in finalising the standard:

- A new section has been included for two-way communication between the group auditor firm and a component auditor firm regarding compliance with the relevant ethical requirements to compliment the requirements in ISA 600 (Revised)⁵. Application guidance has been included providing examples of what matters might be communicated.
- A new paragraph has been added to clarify the period during which the independence of a component audit firm outside of the group audit firm’s network is required.
- Application material determining whether an audit partner at a component is a key audit partner has been elevated to a requirement.
- Improvements for clarity and more examples have been added of prohibited services by the component audit firm outside the group auditor firm’s network with respect to the component client, when the group audit client is a public interest entity.
- Further scenarios relating to changes in component audit firms have been added as application material including where:
 - A firm has provided a NAS to a component audit client prior to the period covered by the group financial statements.
 - A firm has provided a NAS to a component audit client prior to becoming the component auditor firm in a Public Interest Entity (PIE) group.
 - The group audit client later becomes a PIE.
- A new paragraph has been added to address the scenario of when an entity that is not a related party becomes a component within the group audit client. The auditor shall follow R400.71-R400.76 of the Code for a merger or acquisition.
- Other clarification changes included enhance guidance regarding the provisions prohibiting a component auditor firm outside the group auditor firm’s network from

⁵ ISA 600 (Revised) *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*

holding financial interests in, and having loans involving, the group audit client, and where the component audit client is not a PIE but the group audit client is a PIE.

Compelling Reason Test

27. We recommend that the XRB adopt these amendments for issue in New Zealand, adjusting only for the usual changes to adopt the IESBA text into PES 1⁶. Staff have considered the comments raised in the NZAuASB submission and subsequent changes made by the IESBA to the exposure draft. Based on this, our preliminary recommendation, pending final approval of the standard for issue by the PIOB is that is no compelling reason changes are needed in the New Zealand context.

⁶ PES 1, International Code of Ethics for Assurance Practitioners (including International Independence Standards (New Zealand)).

NZAuASB Board Meeting Summary Paper

AGENDA ITEM NO.	8.1
Meeting date:	15 February 2023
Subject:	IESBA Technology-related changes to the Code of Ethics
Date:	25 January 2023
Prepared By:	Anna Herlender

Action Required

For Information Purposes Only

Agenda Item Objectives

1. To UPDATE the Board on the IESBA's project Technology-related changes to the Code of Ethics.

Background

2. In February 2022, the IESBA issued the Exposure Draft [Proposed-Technology-related-Revisions-to-the-Code](#). The aim of the exposure draft was to future proof the Code for a rapidly changing technology environment.
3. The most relevant to NZAuASB were proposals to strengthen the International Independence Standards:
 - Acknowledgement that accounting and bookkeeping services can either be manual or automated with new application material to prompt firms' consideration of how technology functions and whether the technology is based on expertise or judgements of the firm or a network firm when determining whether an automated bookkeeping service is "routine or mechanical".
 - Clarified that non-assurance services provisions apply when providing, selling, reselling or licencing technology
 - Provided a description of IT systems services that is broad in scope and goes beyond design and implementation
 - Enhanced clarity about IT systems services that result in the assumption of a management responsibility therefore are prohibited for all audit clients: hosting audit client's data and operating audit client's network security, business continuity or disaster recovery functions
 - Withdrawing the presumption that providing certain IT system services, for example "off-the-shelf" accounting and financial information reporting software, do not usually create a threat as long as individuals within the firm do not assume a management responsibility
 - Highlighted the following services that might create a self-review threat therefore are prohibited for audit clients that are public interest entities (PIEs):

- Designing, developing, implementing, operating, maintaining, monitoring or updating IT systems.
 - Supporting an audit client's IT systems, including network and software applications.
 - Implementing accounting or financial information reporting software, whether or not it was developed by the firm or a network firm
- Application of independence provisions of the Code to assurance engagements on non-financial information, for example ESG including greenhouse gas statements
4. The NZAuASB considered the proposed changes at its April and June 2022 Board meetings in order to finalise the XRB's [submission](#).
 5. To recap, the XRB was supportive of the proposed changes. The submission included specific comments on:
 - a. Reliance on the output of technology (the need for an accountant to understand what technology is doing, technology should be tested and evaluated on continuing basis, role of the employing organisation or firm)
 - b. Complex circumstances
 - c. Prohibition of hosting services
 - d. Example of self-review threat when providing an assurance engagement.
 6. The IESBA received 50 comment letters. Submissions expressed support for the proposed technology related revisions to the Code. Five main areas were identified for further revisions to finalise the standard:
 - a. Professional skills
 - b. Confidentiality
 - c. Complex circumstances
 - d. Use of technology
 - e. Close business relationships
 - f. Hosting services.
 7. The IESBA approved the technology related revisions to the Code at the December 2022 meeting. The standard will be issued globally subject to PIOB approval which is expected in April 2023. The effective date of the revisions will be 15 December 2024.

Matters to Consider

8. We analysed the changes made to the proposals in finalising the standard with reference to:
 - a. the revisions included in the IESBA agenda for December 2022 meeting:
 - i. [Agenda-Item-5E-Technology-Project-Proposed-Text-Mark-Up-from-Extant.pdf \(ifac.org\)](#)
 - ii. [Agenda-Item-5D-Technology-Project-Proposed-Text-Mark-up-from-ED.pdf \(ifac.org\)](#)
 - iii. [Agenda-Item-5B-Technology-Project-Draft-Basis-for-Conclusions.pdf \(ifac.org\)](#)
 - b. the IESBA deliberations during December 2022 meeting available on IESBA's YouTube channel.

9. Our analysis, at agenda item 8.2, provides an update on the additional changes made by the IESBA and concludes that the XRB's recommendations were addressed by the IESBA in finalising the standard.

Recommendations

10. Our preliminary recommendation is that there are no compelling reason changes in the New Zealand context. The Board is asked for views on this preliminary recommendation.
11. Once the standard is issued, we will make a final recommendation and if no compelling reason changes are identified we will seek approval to issue the revisions in New Zealand (target June meeting).

Material Presented

Agenda item 8.1	Board Meeting Summary Paper
Agenda item 8.2	Issues Paper

Issues Paper: IESBA Technology-related changes to the Code of Ethics

Analysis of the main changes comparing to the revisions proposed in the Exposure Draft

1. The six key areas of change made by the IESBA in finalising the technology-related changes are:
 - Professional skills
 - Confidentiality
 - Complex circumstances
 - Use of technology
 - Close business relationships
 - Hosting.

Professional skills

2. The Exposure Draft proposed to add that a professional accountant needs to have “interpersonal, communication and organisational skills”.
3. Based on feedback received, the IESBA clarified that “interpersonal, communication and organisational skills” are only examples of accountant’s professional skills. The IESBA also recognised that the level and type of knowledge and skills required will vary depending on the activity performed by a professional accountant.

Confidentiality

4. The Exposure draft included a guidance paragraph to prompt professional accountants to secure confidential information during entire data governance cycle. It also included new definition of confidential information in the Glossary.
5. The IESBA received many comments relating to confidentiality resulting in the following additions:
 - The extant requirement to comply with the principle of confidentiality was split into two requirements: to set out the circumstances under which a professional accountant should respect confidentiality and to set out circumstances in which a professional accountant cannot use or disclose confidential information.
 - A new circumstance was added to emphasise that a professional accountant’s duty of confidentiality applies despite information being publicly available, whether properly or improperly. The IESBA added this circumstance to reaffirm the professional accountant’s duty of confidentiality begins once information is provided on a confidential basis and continues until permission to disclose or use such information is given. This approach avoids a professional accountant trying to determine if a duty of confidentiality exists once the information is publicly available and trying to determine whether disclosure occurred properly or improperly.

- Additional guidance was developed when confidential information might be used by a professional accountant, including for training purposes, research or benchmarking studies.

Complex circumstances

6. The Exposure Draft proposed guidance on the relevant facts and circumstances that give rise to complex circumstances and how a professional accountant might manage such challenges.
7. After reviewing submissions, the IESBA decided to incorporate the complex circumstance guidance as part of exercising professional judgement when applying the conceptual framework. This was to recognise that complex circumstances are one of the factors to consider when professional judgment is exercised. Additionally, drafting enhancements were made to make the description of complex circumstances easier to understand and apply.

Use of technology

8. The Exposure Draft introduced examples of matters to be considered to identify threats that arise when a professional accountant relies on technology and examples of factors to consider whether reliance on technology is reasonable or appropriate for the intended purpose.
9. To address comments raised by stakeholders, the IESBA:
 - Redrafted the section regarding threats arising from use of technology and grouped examples of circumstances relating to self-interest and self-review threats. A specific reference was added to consider if a professional accountant has access to an expert with sufficient understanding of the technology.
 - Added a paragraph that evaluation of the level of threat associated with the use of the technology depends on the employing organisation and its working environment, for example level of oversight and internal controls.
 - Enhanced introductory requirements that a professional accountant use professional judgement to consider appropriate steps when considering use of the technology. The example factors now include consideration if a professional accountant has access to an expert, considerations relating to controls over technology and prior experience with the technology.

Close business relationships

10. The Exposure Draft proposed to re-draft examples of close business relationship to be specific that selling or reselling client's products or services and vice versa constitutes a close business relationship. It also proposed a new example of a close business relationship i.e., when a firm and a client jointly develop a product or solution to be sold or licenced to third parties. The ED also

included an important prompt that providing, selling, reselling or licencing technology constitutes non-assurance services (NAS), therefore section 600 of the Code¹ applies in these circumstances.

11. Based on the feedback received during submission process, the IESBA:
 - Added an additional example that licencing products or solutions to or from a client might create a close business relationship depending on the facts and circumstance.
 - Expanded the prompt, that providing, selling and reselling or licencing technology constitutes a NAS, to entities that provide services to audit clients. The prompt was re-drafted to emphasise that the service constitutes a NAS if there are relevant facts and circumstances.

Hosting

12. The Exposure Draft proposed a prohibition on services relating to hosting on an audit client's data because these services assume management responsibility.
13. In response to comments received, the IESBA specified that storing and managing data is covered by the term of hosting services and added examples of when a specific method or purpose of hosting would assume a management responsibility. The IESBA also specified that transmission of data provided by an audit client during the course of an audit does not result in an assumption of a management responsibility.

Other matters

14. The IESBA included some other minor re-wording changes to finalise the standard including: transparency (about limitations inherent in the services provided by a professional accountant), ethical leadership, "routine or mechanical" services, and IT system services.

Analysis of how the revisions correspond to comments included in NZAuASB submission

15. The XRB submission included recommendations that were "nice to have" rather than critical.
16. Staff analysis of the changed wording indicates that most of the recommendations were addressed. Below is the detailed analysis of how the IESBA changes correspond to NZAuASB comments.

Reliance on the output of technology

17. NZAuASB raised three comments on the reliance of technology.

Comment 1: The need for an accountant to understand what technology is doing

18. Comment 1 related to the fact that it is not realistic to expect a professional accountant to understand all specific details of how the technology functions. The XRB's recommendation was to

¹ Section 600 – Provision of Non-Assurance Services to an Audit Client

be clear that the proposed examples of factors included in paragraph 220.7 A2 of ED are helpful to get comfort that the technology might be relied on.

19. The IESBA added an introductory paragraph and re-worded the leading sentence in the examples: “R220.8 A professional accountant who intends to use the output of technology, whether that technology was developed internally or provided by third parties, shall exercise professional judgment to determine the appropriate steps to take, if any, in order to fulfill the responsibilities set out in paragraph R220.4.”

“220.8 A1 Factors to consider when a professional accountant intends to use in determining whether reliance on the output of technology is reasonable include: [...]”

20. The changed wording reflects the spirit of the XRB recommendation.

Comment 2: Technology is tested and evaluated on a continual basis

21. The XRB encouraged the IESBA think beyond new technology and suggested adding an additional factor that technology should be tested and evaluated on a continuing basis if it is fit for the purpose.
22. The IESBA did not add the suggested additional factor, however adjusted the proposed example by removing the word “new”, which results in a meaning that technology regardless if it is new, needs to be appropriately tested for the intended purpose. Therefore, our recommendation was effectively addressed:

“Whether the ~~new~~ technology used has been appropriately tested and evaluated for the purpose intended”.

Comment 3: Role of employing organisation or the firm

23. We recommended the drafting recognise the fact that a professional accountant engaged by an employing organisation might rely on technology specialists within the organisation.

The IESBA noticed that this is effectively addressed by the following point:

“The firm’s oversight of the design, development, implementation, operation, maintenance, monitoring, ~~or~~ updating or upgrading of the technology”.

However, the other enhancement made by the IESBA also refers to our comment:

- The IESBA included reference to an expert within organisation:
“Whether the ~~professional~~ accountant’s has the ability, or has access to an expert with the ability, to understand the output from the technology use and explain the technology and its appropriateness for the context in purpose intended which it is to be used.”
- An additional paragraph was included in the section regarding threats resulting from the use of technology that refers to the role of employing organisation:

“300.7 A4 The professional accountant’s evaluation of the level of a threat associated with the use of technology might also be impacted by the work environment within the employing organization and its operating environment. For example:

- Level of corporate oversight and internal controls over the technology.
- Assessments of the quality and functionality of technology that are undertaken by a third party.
- Training that is provided regularly to all relevant employees so they obtain and maintain the professional competence to sufficiently understand, use and explain the technology and its appropriateness for the purpose intended.”

Complex circumstances

24. The XRB noted that the proposed complex circumstances wording was general in nature and would benefit from additional guidance or non-authoritative material.
25. The IESBA re-drafted the complex circumstances section to make it easier to understand and apply and linked it to professional judgement. The IESBA noted the XRB’s comment and committed to provide non-authoritative guidance as appropriate.

Hosting services

26. The XRB agreed with the prohibition on hosting services, noting that providing examples of assuming management responsibility is a de facto prohibition. We encouraged clarification that hosting data for a permissible service does not result in assuming management responsibility.
27. To address this point, the IESBA added that transmission of the data obtained in the course of audit does not assume management responsibility:
“The collection, receipt, transmission and retention of data provided by an audit client in the course of an audit or to enable the provision of a permissible service to that client does not result in an assumption of management responsibility.”

Provision of Non-Assurance Services to Assurance Clients

28. The XRB recommended the addition of an example of a self-review threat created when an assurance report is issued on a report generated by IT system.
29. The IESBA included a relevant example:
“Designing, developing, implementing, operating, maintaining, monitoring, updating or upgrading IT systems and subsequently issuing an assurance report on subject matter information, such as elements of non-financial information, that is prepared from information generated by such IT systems”.

Compelling Reason Test

30. We recommend that the XRB adopt these amendments for issue in New Zealand, adjusting only for the usual changes to adopt the IESBA text into PES 1². Staff have considered the IESBA's responses to comments raised in the XRB's submission and subsequent changes made by the IESBA to the exposure draft. Based on this, our preliminary recommendation, pending final approval of the standard for issue by the PIOB is that is no compelling reason changes are needed in the New Zealand context.

² PES 1, International Code of Ethics for Assurance Practitioners (including International Independence Standards (New Zealand))

NZAuASB Board Meeting Summary Paper

AGENDA ITEM NO.	9.1
Meeting date:	15 February 2023
Subject:	Amendments to Auditing and Review Engagement Standards as a Result of the Revision to NZ IAS 1 Presentation of Financial Statements
Date:	18 January 2023
Prepared By:	Bruce Mcniven

Action Required

For Information Purposes Only

Agenda Item Objectives

1. The objective of this agenda item is to:
 - a. Update the Board on the effects on the assurance standards arising from the amendments made to NZ IAS 1 requiring entities to disclose *material accounting policy information* rather than their *significant accounting policies*.
 - b. Request approval of the amending standard, *Amendments to Auditing and Review Engagement Standards as a Result of the Revision to NZ IAS 1 Presentation of Financial Statements* ("Standard") and the signing memorandum.

Background

2. Amendments made by the IASB to *IAS 1 Presentation of Financial Statements* require for-profit entities (Tier 1 and 2) to disclose their *material accounting policy information* rather than their *significant accounting policies*. This change flows through to NZ IAS 1¹ which has been issued by the NZASB. This change is effective for annual periods beginning on or after 1 January 2023.
3. Although our audit and review standards are framework neutral, references to financial statements prepared in accordance with NZ IFRS and their *significant accounting policies* are found throughout the auditing and review standards.
4. On 16 November 2022, the IAASB issued [non-authoritative guidance](#) on this matter that provides an example wording change to update example auditor's reports throughout all IAASB standards.
5. Based on the guidance, Staff have reviewed the assurance standard suite and have determined that updates are required to: 1 illustrative audit engagement letter, 25 illustrative audit reports, 1 illustrative review engagement letter, and 3 illustrative review reports.
6. A list of standards that will be amended is shown in the draft amending *Standard* at agenda item 9.2.

¹ NZ IAS 1, Paragraph 10

7. Because the amendments to standards are sufficiently minor or narrow in scope, we have packaged them together in one amending Standard.
8. We do not consider that a formal public consultation/engagement is necessary for this Standard, because:
 - a. The amendments are minor conforming changes in nature, essentially to align with a revised accounting standard.
 - b. No changes have been made to the requirements of any standard.
 - c. The proposed changes to appendices which are illustrative in nature and there is no requirement for an auditor/reviewer to follow Illustrations in any standard.
 - d. The NZASB has already gone through a consultation/engagement process on NZ IAS 1, and the terminology change (from *significant accounting policies* to *material accounting policy information*) has been accepted through issuance of the revised NZ IAS 1 standard.
 - e. It is of no value to the standard setting process for a consultation/engagement process to be undertaken and there would be no beneficial results from such a process.
 - f. The IAASB concluded that the changes to illustrative reports are editorial in nature and that the IAASB did not need to vote on changes or seek public consultation.
 - g. We do not consider that [section 22\(1\)](#) of the Financial Reporting Act 2013 requires that we consult because we do not consider that these amendments have any substantive affect for the above mentioned reasons.

Recommendations

9. We recommend that the Board APPROVE:
 - a. *Amendments to Auditing and Review Engagement Standards as a Result of the Revision to NZ IAS 1 Presentation of Financial Statements* for issue at agenda item 9.2; and
 - b. The signing memorandum at agenda item 9.3

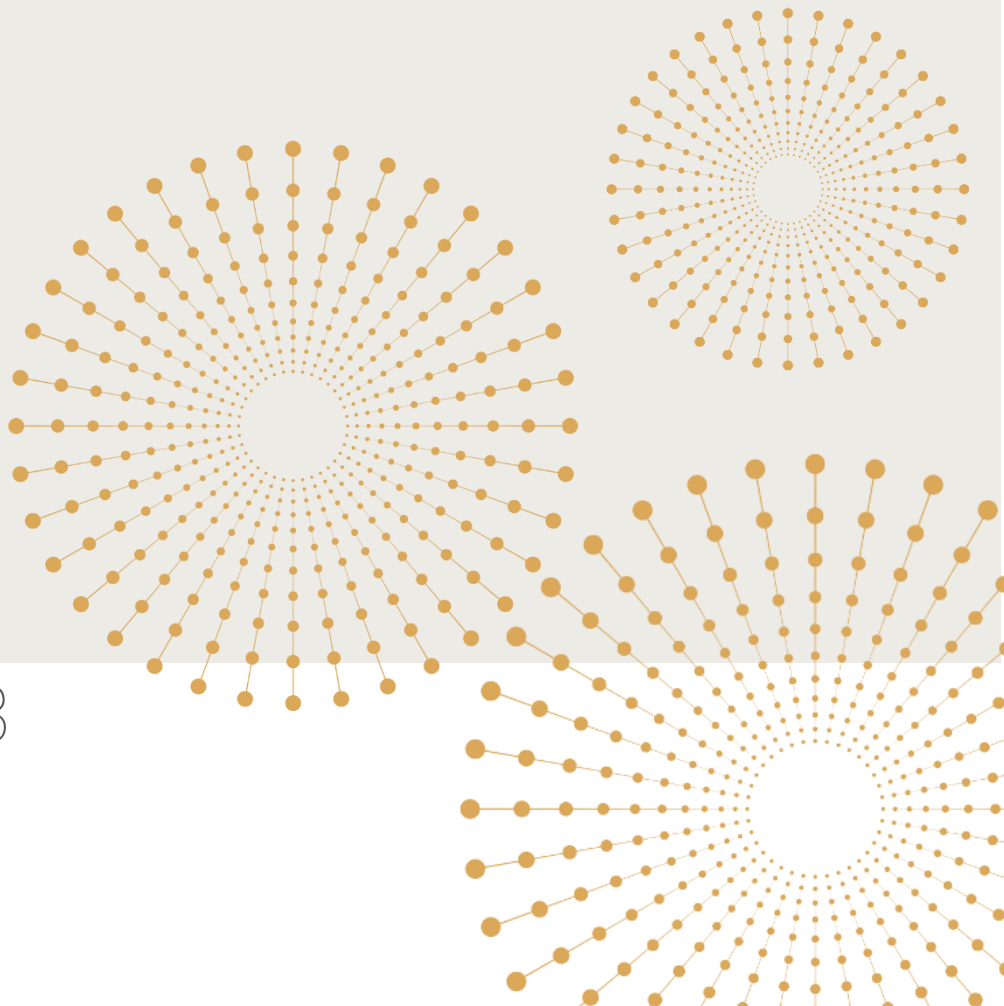
Material Presented

Agenda item 9.1	Board Meeting Summary Paper
Agenda item 9.2	<i>Amendments to Auditing and Review Engagement Standards as a Result of the Revision to NZ IAS 1 Presentation of Financial Statements</i>
Agenda item 9.3	Signing Memorandum

Amendments to Auditing and Review Engagement Standards as a Result of the Revision to NZ IAS 1 Presentation of Financial Statements

Applicable for periods beginning on or after 1 January 2023

Issued Feb 2023





Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

AMENDMENTS TO AUDITING AND REVIEW ENGAGEMENT STANDARDS AS A RESULT OF THE REVISION TO NZ IAS 1 PRESENTATION OF FINANCIAL STATEMENTS

This Standard was issued on [DATE] February 2023 by the New Zealand Auditing and Assurance Standards Board of the External Reporting Board pursuant to section 12(b) of the Financial Reporting Act 2013.

This Standard is secondary legislation for the purposes of the Legislation Act 2019, and pursuant to section 27(1) of the Financial Reporting Act 2013 takes effect on [DATE] February 2023.

An auditor that is required to apply this Standard is required to apply the Standard in accordance with the application date which is set out in Part C. However, early adoption is permitted on a voluntary basis.

This Standard has been issued to reflect the amendments necessary to auditing and review engagement standards as a result of the revision to NZ IAS 1 *Presentation of Financial Statements*.

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**AMENDMENTS TO AUDITING AND REVIEW ENGAGEMENT STANDARDS AS A RESULT
OF THE REVISION TO NZ IAS 1 PRESENTATION OF FINANCIAL STATEMENTS**

Issued by the New Zealand Auditing and Assurance Standards Board

CONTENTS

	Page
A: Introduction	4
B: Amendments to Auditing and Review Engagement Standards as a Result of the Revision to NZ IAS 1 Presentation of Financial Statements	5
C: Application date.....	7

A: Introduction

This Standard contains amendments to the auditing and review engagement standards as a result of the revision to NZ IAS 1 *Presentation of Financial Statements*. A tabular presentation format has been used to show the amendments to the standards. Underline and strikethrough are used to indicate changes.

These amendments affect the following standards:

- ISA (NZ) 210 *Agreeing the Terms of Audit Engagements*
- ISA (NZ) 510 *Initial Audit Engagements – Opening Balances*
- ISA (NZ) 570 *Going Concern*
- ISA (NZ) 600 *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*
- ISA (NZ) 700 (Revised) *Forming an Opinion and Reporting on Financial Statements*
- ISA (NZ) 705 (Revised) *Modifications to the Opinion in the Independent Auditor's Report*
- ISA (NZ) 706 (Revised) *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*
- ISA (NZ) 710 *Comparative Information – Corresponding Figures and Comparative Financial Statements*
- ISA (NZ) 720 (Revised) *The Auditor's Responsibility Relating to Other Information*
- ISRE (NZ) 2400 *Review of Historical Financial Statements Performed by an Assurance Practitioner who is Not the Auditor of the Entity*

B: Amendments to Auditing and Review Engagement Standards as a Result of the Revision to NZ IAS 1 Presentation of Financial Statements

Ref.	Amendments to the Standards
ISA (NZ) 210	<i>Agreeing the Terms of Audit Engagements</i>
Appendix 1	<p>[<i>The objective and scope of the audit</i>]</p> <p>You²³ have requested that we audit the financial statements of ABC Company, which comprise the statement of financial position as at December 31, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant <u>material</u> accounting polices <u>policy information</u>.</p> <p>²³ Throughout this letter, references to “you,” “we,” “us,” “management,” “those charged with governance” and “auditor” would be used or amended as appropriate in the circumstances.</p>
Various standards, as disclosed below	<i>Appendices to Various ISAs (NZ) which will require the same update</i>
<ul style="list-style-type: none"> • ISA (NZ) 510 <i>Initial Audit Engagements – Opening Balances</i>: Appendix, Illustration 2 • ISA (NZ) 570 <i>Going Concern</i>: Appendix, (various Illustrations) • ISA (NZ) 600 <i>Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)</i>: Appendix 1 • ISA (NZ) 700 (Revised) <i>Forming an Opinion and Reporting on Financial Statements</i>: Appendix, (various Illustrations) • ISA (NZ) 705 (Revised) <i>Modifications to the Opinion in the Independent Auditor's Report</i>: Appendix, (various Illustrations) • ISA (NZ) 706 (Revised) <i>Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report</i>: Appendix 3 & Appendix 4 	<p>Opinion</p> <p>We have audited the financial statements of ABC Company (the Company), which comprise the statement of financial position as at December 31, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant <u>material</u> accounting polices <u>policy information</u>.</p>

Ref.	Amendments to the Standards
<ul style="list-style-type: none"> • ISA (NZ) 710 <i>Comparative Information – Corresponding Figures and Comparative Financial Statements:</i> Appendix, (various Illustrations) • ISA (NZ) 720 (Revised) <i>The Auditor's Responsibility Relating to Other Information:</i> Appendix 2, (various Illustrations) 	
ISRE (NZ) 2400	<i>Review of Historical Financial Statements Performed by an Assurance Practitioner who is Not the Auditor of the Entity</i>
Appendix 1	<p>[<i>The objective and scope of the review</i>]</p> <p>You²¹ have requested that we review the general purpose financial statements of ABC Entity, which comprise the statement of financial position as at December 31, 20X1, and the statement of comprehensive income, statement of changes in equity and <u>statement of cash flows</u> statement for the year then ended, and a summary of significant material accounting policies <u>policy information</u> and other explanatory information.</p> <p>²¹ Throughout this letter, references to “you,” “we,” “us,” “management,” “those charged with governance” and “auditor” would be used or amended as appropriate in the circumstances.</p>
Appendix 2, (various Illustrations)	<p>We have reviewed the accompanying financial statements of ABC Entity, which comprise the statement of financial position as at December 31, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant material accounting policies <u>policy information</u> and other explanatory information.</p>

C: Application date

This Standard shall apply for audits and reviews of financial statements for periods beginning on or after 1 January 2023. Early adoption is permitted on a voluntary basis.

Date: 15 February 2022

To: Michele Embling, Chair External Reporting Board

From: Marje Russ, Chair NZAuASB

Subject: Certificate Signing Memorandum:
Amendments to Auditing and Review Engagement Standards as a Result of the Revision to NZ IAS 1 Presentation of Financial Statements

Introduction

1. In accordance with the protocols established by the XRB Board, the NZAuASB seeks your approval to issue *Amendments to Auditing and Review Engagement Standards as a Result of the Revision to NZ IAS 1 Presentation of Financial Statements*.

Background

2. Amendments made by the IASB to IAS 1 Presentation of Financial Statements require for-profit entities (Tier 1 and 2) to disclose their *material accounting policy information* rather than their *significant accounting policies*. This change amended NZ IAS 1¹ issued by the NZASB, effective for annual periods beginning on or after 1 January 2023.
3. The audit and review standards are framework neutral, however illustrative examples, that refer to *significant* accounting policies of financial statements prepared in accordance with NZ IFRS, are found throughout the auditing and review standards.
4. In November 2022, the IAASB issued non-authoritative guidance that illustrates updates to the example auditor's reports throughout all IAASB standards.

Domestic process

5. Based on the guidance from IAASB, it has been determined by the NZ AuASB that updates are required to: 1 illustrative audit engagement letter, 25 illustrative audit reports, 1 illustrative review engagement letter, and 3 illustrative review reports, across nine auditing standards and one review standard in New Zealand.
6. We do not consider that formal public consultation is necessary because:
 - The amendments are editorial in nature, to align with a revised accounting standard.

¹ NZ IAS 1, Paragraph 10

- No changes have been made to the requirements of any standard, rather change appendices which are illustrative in nature.
 - In 2019, the NZASB consulted on revisions to NZ IAS 1, and the terminology change (from *significant accounting policies* to *material accounting policy information*) when revising NZ IAS 1.
 - The IAASB concluded that the changes to illustrative reports are editorial in nature and did not vote on changes or seek public consultation.
 - We are unlikely to receive any comments, therefore see no value add.
7. We do not consider that [section 22\(1\)](#) of the Financial Reporting Act 2013 requires that we consult because we do not consider that these amendments have any substantive affect for the above mentioned reasons.

Australian process and harmonisation with Australia

8. The Auditing and Assurance Standards Board (AUASB) will be undertaking the same process, replacing *significant accounting policies* with *material accounting policy information* in the illustrative letters/reports throughout the AUASB standards. Their project is in progress at the time of writing this memorandum. A Project Plan was approved by the AUASB in their November 2022 meeting. The AUASB will not be undertaking a public consultation on this project.
9. It is anticipated that there will be no harmonisation differences between New Zealand and Australia in relation to these amendments.

Privacy

10. The Financial Reporting Act 2013, section 22(2) requires that the External Reporting Board consult with the Privacy Commissioner where an accounting or assurance standard is likely to require the disclosure of personal information. No such consultation is required in relation to this standard.

Due process

11. The due process followed by the NZAuASB complied with the due process requirements established by the XRB Board and in the NZAuASB's view meets the requirements of section 12(b) of the Financial Reporting Act 2013.

Consistency with XRB Financial Reporting Strategy

12. The adoption of this standard is consistent with one of the key strategic objectives set by the XRB Board for the NZAuASB to adopt international auditing and assurance standards, as applying in New Zealand unless there are compelling reasons not to.

Other matters

13. There are no other matters relating to the issue of this standard that the NZAuASB considers to be pertinent or that should be drawn to your attention.

Recommendation

14. The NZAuASB recommends that you sign the attached certificate of determination on behalf of the XRB Board.

Attachments

- *Amendments to Auditing and Review Engagement Standards as a Result of the Revision to NZ IAS 1 Presentation of Financial Statements*
- Certificate of determination
- Approval certificate

Marje Russ

Chair NZAuASB

NZAuASB Board Meeting Summary Paper

AGENDA ITEM NO.	10.1
Meeting date:	15 February 2023
Subject:	Enhancing Audit Quality Report
Date:	2 February 2023
Prepared By:	Bruce Mcniven

Action Required

For Information Purposes Only

Agenda Item Objective

1. To NOTE the report *Enhancing Audit Quality* report prior to issue.

Background

2. The NZAuASB's Work Plan for 2022-2023 includes a focus on leading, to ensure that stakeholders understand the purpose and value of XRB standards, which are informed by international developments. A key priority area is a focus on audit quality. One action is to monitor the quality review results, and respond as appropriate. As part of the focus on leading, the work plan states that we will promote an understanding of factors that affect audit quality.
3. To date, we have not made much progress in reaching our objectives in the key priority area of audit quality in the 2022/23 period. This area is broader than the report included in this agenda item. However, one specific planned action in our Prioritisation Plan for 2022/2023 is to issue a report highlighting the XRB's standard response to quality matters, so is a step towards reaching our objectives.

Update

4. We have prepared a report following the release of the FMA's Audit Quality Monitoring Report in November 2022 (for the year ended 30 June 2022).
5. Issuing auditing standards that support consistent performance of quality audits is our core function. The standard setting focus, globally and locally, is focussed on areas where there is the greatest public interest need.
6. Based on our monitoring activities, we have not identified a specific need for a local response. The purpose of this report is to communicate recent pronouncements and upcoming projects with a focus on audit quality, including our standard setting activities relevant to the findings in the FMA's Audit Quality Monitoring Report.
7. In preparing this report, we have also taken into account the AUASB Bulletin "Supporting Auditors in Enhancing Audit Quality" from [December 2021](#) and [December 2022](#) and the "[AUASB Board Chair Response to ASIC Reports](#)" from October 2022.

8. The structure of the report is as follows:

- a. Introduction
- b. Recent pronouncements that enhance audit quality
- c. International developments and future initiatives
- d. Observations from the FMA's Audit Quality Monitoring Report
- e. Appendix with Links to further information and implementation support

Recommendations

9. Subject to any discussion at the meeting or editorial comments, we recommend that the Board notes the issue of the Report, at agenda item 10.2, for publication.

Material Presented

Agenda item 10.1	Board Meeting Summary Paper
Agenda item 10.2	<i>Enhancing Audit Quality</i> Report

Enhancing Audit Quality

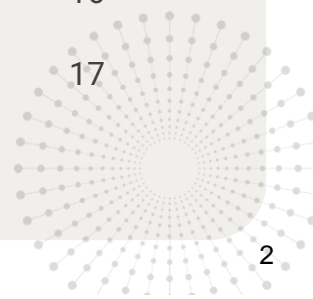
Aotearoa New Zealand Auditing Standards –
supporting Auditors to perform high quality
audits

2023

Contents



Introduction	3
About us and our role in enhancing audit quality	3
Why have we produced this report?	3
The FMA's Audit Quality Monitoring Report	3
Recent pronouncements to enhance audit quality	4
Quality management standards	4
Independence requirements	5
Risk assessment	5
Use of a management's expert	6
International developments and Future initiatives	7
International standard setting developments & audit quality	7
Future initiatives	7
Observations from the FMA's Audit Quality Monitoring Report	8
Professional and Ethical Standards	9
Risk assessment	10
Audit evidence	12
Going concern	13
Fraud	14
Professional judgement and scepticism	15
Climate related risks	16
Appendix	17



Introduction

About us and our role in enhancing audit quality

High quality auditing standards that are applied consistently are foundational to supporting audit quality. As **Aotearoa New Zealand's standard setter**, we issue auditing and assurance standards, which include professional and ethical standards.

In recent years, we have issued several revised standards, which align with those developed by the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA) to drive enhancements in audit quality.

We have also issued guidance material to assist in consistent application.

As Aotearoa New Zealand's standard setter we monitor all audit quality indicators to inform our standard setting activity.

To do this, we regularly engage with auditors, the Financial Market Authority's - Te Mana Tātai Hokohoko (FMA), and others to determine if our current auditing standards are contributing to enhanced audit quality, or if guidance or amendments are necessary to assist with consistency of interpretation and application.

Why have we produced this report?

We have produced this report to connect with the audit profession and the regulator to promote audit quality.

We analysed the outcome of the FMA's Audit Quality Monitoring Report so that we might identify any specific New Zealand issues that require a standard setting response.

The first section highlights recent revisions to standards, guidance and upcoming projects, to provide a snapshot of the key changes that focus on audit quality enhancements.

In the second section we outline recent standard setting activities that are of most relevance to the findings in the FMA's Audit Quality Monitoring Report as we explored whether any

further standard setting response is needed.

We recognise that professional judgement and professional scepticism play a key role in a quality audit. The importance of documenting the audit procedures performed and significant matters arising during the audit, the conclusions reached, and significant professional judgements made in reaching those conclusions in accordance with the auditing standards cannot be emphasised enough.

The FMA's Audit Quality Monitoring Report

Under the Auditor Regulation Act 2011, the FMA must report each year on the outcomes of the audit quality reviews they performed on the systems, policies and procedures of registered audit firms and licensed auditors in the preceding financial year.

This process does not include reviews of audits undertaken by Qualified Auditors registered under the Financial Reporting Act 2013, who are not licensed and thus are excluded from the

Auditor Regulation Act 2011. Therefore the results of the FMA's Report may not be representative of audit quality more broadly.

The latest **FMA Audit Quality Monitoring Report ("Report")** covers the year ended 30 June 2022 and was published in November 2022. The Report includes the results of the reviews of 7 audit firms and 25 audit files.

Recent pronouncements to enhance audit quality

The following section provides an overview of recently issued auditing standards that contribute to high quality audits, and related guidance, to assist with consistency of application.

Quality management standards

With a focus on audit quality, the XRB has issued **revised quality management standards** which apply from 15 December 2022.

The revised quality management standards:

- Enhance the robustness of firms' systems of quality management through various means, including:
 - Introducing a more proactive and tailored approach to managing quality.
 - Increasing firm leadership responsibilities and accountability, and improving firm governance.
 - Promoting rigorous monitoring of the system of quality management and remediation of deficiencies.
- Modernise the standard for an evolving and increasingly complex environment, including addressing the impact of technology, networks, and use of external service providers.
- Improve the scalability of the standard.
- Set more robust criteria for firms to apply when determining which engagements should be subject to an Engagement Quality Reviewer (EQR).
- Establish the objective of an EQR.
- Clarify the nature, timing and extent of the EQR.

- Enhance the requirements for the eligibility of the individuals who perform the review.
- Revise ISA 220³ to strengthen aspects of quality management for individual engagements by focusing on the identification, assessment and response to quality risks in a broad range of engagement circumstances.

The suite of revised quality management standards consist of:

- PES 3¹ which requires firms to design, implement and operate a system of quality management. This PES also deals with the firm's responsibility to establish policies or procedures addressing engagements that are required to be subject to engagement quality reviews. PES 3 applies to all firms that perform audits or reviews of financial statements, or other assurance or related services engagements.
- PES 4², which covers the appointment, eligibility and responsibilities of the EQR, and the performance and documentation of the engagement quality review.
- ISA (NZ) 220 (Revised)³ which includes specific responsibilities of the auditor regarding quality management at the engagement level for an audit of financial statements, and the related responsibilities of the engagement partner.

A dedicated **Quality Management page** on the XRB's website contains implementation support for auditors.

Independence requirements

In order to address the perception that the delivery of Non-Assurance Services (NAS) by auditors impairs independence, the **NAS Provisions of PES 1**⁴ were revised.

This revision clarifies and addresses the circumstances in which firms and network firms may or may not provide a NAS to an audit or assurance client. The revision includes a prohibition on the provision of NAS that might create a self-review threat to an audit client that is a public interest entity (PIE). In New Zealand we have clarified the high threshold that needs to be met before tax planning or tax advisory services may be provided.

In addition, to also improve audit quality and independence, there have been **revisions to the Fee-Related Provisions of PES 1**.

The revision addresses threats to independence created by fees paid by an audit client (including fees for services other than audit), fee dependency, and communication of fee-related information to those charged with governance and to the public.

A further **revision to PES 1 provides guidance to address the eligibility of an individual to serve in an Engagement Quality Reviewer (EQR) role**, focusing on the critical attribute of objectivity. It provides examples of circumstances where threats to the objectivity of an assurance practitioner appointed as an EQR might be created.

The Revised PES 1 is applicable for audits for periods beginning on or after 15 December 2022.

Risk assessment

ISA (NZ) 315 (Revised 2019)⁵ is applicable for accounting periods beginning on or after 15 December 2021.

The revised standard requires a more robust risk assessment and thereby a more focused response to those identified risks. This enhanced focus on risk assessment further supports procedures in ISA (NZ) 540 (Revised)⁶.

To understand the control activities component, auditors are now required to identify controls that address risks of material misstatement at the assertion level. They include:

- Controls that address a risk the auditor determines to be a significant risk;
- Controls over journal entries, including non-standard journal entries used to record nonrecurring unusual transactions or adjustments;
- Controls for which the auditor plans to test operating effectiveness in determining the nature, timing and extent of substantive testing. (These controls include controls that address risks for which substantive procedures alone do not provide sufficient appropriate audit evidence); and

- Other controls the auditor considers are appropriate for them to meet the objectives of obtaining audit evidence that provides an appropriate basis for:
 - a) the identification and assessment of risks of material misstatement, whether due to fraud or error, at the financial statement and assertion levels; and
 - b) the design of further audit procedures in accordance with ISA (NZ) 330, *The Auditor's Responses to Assessed Risks*.

The revised standard also includes considerations in relation to information technology (IT) including identifying risks arising from the use of IT and general IT controls that address those risks.

We have developed dedicated **implementation support pages** to assist auditors in implementing:

- [ISA \(NZ\) 315 \(Revised 2019\)](#) and
- [ISA \(NZ\) 540 \(Revised\)](#)

Use of a management's expert

We recently issued Explanatory Guide (EG) Au10 ***Evaluating the Appropriateness of a Management's Expert's Work***.

EG Au10 enhances audit quality by providing additional guidance to the auditor on:

- (a) The circumstances under which a management's expert may be used and the nature of that work;
- (b) The auditor's considerations in determining whether to use the work of a management's expert as audit evidence in carrying out the responsibilities of the auditor with respect to an entity's financial statements or other historical financial information; and
- (c) The auditor's considerations in determining the information to be used as audit evidence.



- ¹ [PES 3, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*](#). PES 3 is equivalent to International Standard on Quality Management 1 (ISQM 1)
- ² [PES 4, *Engagement Quality Reviews*](#). PES 4 is equivalent to International Standard on Quality Management 2 (ISQM 2)
- ³ [ISA \(NZ\) 220 \(Revised\), *Quality Management for an Audit of Financial Statements*](#)
- ⁴ [PES 1, *International Code of Ethics for Assurance Practitioners \(including International Independence Standards\) \(New Zealand\)*](#)
- ⁵ [ISA \(NZ\) 315 \(Revised 2019\), *Identifying and Assessing the Risks of Material Misstatement*](#)
- ⁶ [ISA \(NZ\) 540 \(Revised\), *Auditing Accounting Estimates and Related Disclosures*](#)

International developments and Future initiatives

International standard setting developments & audit quality

The XRB's auditing and ethical standards are consistent with standards issued by the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA).

The IAASB and the IESBA continues to focus on enhancing international standards in the public interest and considers international regulators' inspection findings and feedback as key considerations.

The XRB monitors the Work Plan of the IAASB and the IESBA, and provides input to any redevelopment of the auditing and ethical standards.

The standard setting process is documented in EG Au 2, **Overview of the Auditing and Assurance Standard Setting Process**.

Recent standards relevant to audit quality, issued by the IAASB and the IESBA and adopted by the XRB, are discussed throughout this report.

Future initiatives

The XRB will continue to engage with the FMA, auditors and other stakeholders to identify initiatives to assist with enhancing audit quality.

Projects to enhance audit quality that the XRB are working on in 2023 in conjunction with the IAASB's Work Plan, include.

- Revision to ISA 500, ***Audit Evidence***
- Revision to ISA (NZ) 240, ***The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements***
- Revision to ISA (NZ) 570 (Revised), ***Going Concern***

More information on each of these projects is discussed later on in this report, in the section Observations from the FMA's Audit Quality Monitoring Report.

Consultation documents and requests for comment are uploaded to our website. Sign up to our Auditing and Assurance Alert to receive notifications of our upcoming consultations, as well as future assurance standard releases, at xrb.govt.nz/sign-up/

If you have any feedback or suggestions, please contact us directly at assurance@xrb.govt.nz

Observations from the FMA's Audit Quality Monitoring Report

Observations from the FMA's Audit Quality Monitoring Report

This section provides commentary on findings from selected focus areas mentioned in the FMA's Report and how the XRB standard setting activities supports audit quality in those areas.

The Appendix to our report provides links to further information and implementation support.

Professional and Ethical Standards

FMA findings

The Report noted the findings in the area of professional and ethical standards, including amongst other matters:

- An audit firm identified exceptions in its independence declaration process through its internal monitoring process. This deficiency was noted as significant by the FMA. Some staff at the audit firm disclosed financial interests in restricted entities, breaching the firm's independence policy.
- An identified breach of rotation of key audit partners and engagement quality reviewers.
- No clear evidence of regular messaging to staff to promote quality.

- Not performing checks to confirm the accuracy and completeness of annual independence declarations.

In terms of the new Quality Management Standards, there will be an expectation for audit firms to:

- Monitor new quality management systems locally, and not discharge responsibilities elsewhere.
- Evidence compliance with the new standards.
- Monitor resource levels to ensure they can maintain their current level of service and have the necessary capacity to meet the new requirements.

Standard setting activities

These findings do not indicate shortcomings or defects with the Professional and Ethical Standards in place at the time of the FMA's review.

As discussed earlier in this report, a new and revised suite of Quality Management Standards became applicable from 15 December 2022. In PES 3 (Revised), **Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements**, the monitoring and remediation processes have been extensively enhanced.

These enhancements include:

- A new focus on monitoring the system of quality management as a whole;
- A new framework for evaluating findings, identifying deficiencies, and evaluating identified deficiencies; and
- Robust remediation actions over identified deficiencies.

A new standard, PES 4, **Engagement Quality Reviews**, specifically addresses the appointment and eligibility of the Engagement Quality Reviewer (EQR), and what is expected of an EQR, including how their involvement is to be documented. Furthermore, PES 1 has been amended provide guidance that supports PES 4 in addressing the eligibility of an individual to serve in an EQR role, focusing on the critical attribute of objectivity.

The XRB has developed a dedicated **implementation support webpage** to assist auditors in implementing these new and revised quality standards.

The extent to which an entity pays its audit firm for Non-Assurance Services (NAS) is often seen as a key indicator of a possible threat to the auditor's independence. In addition, threats to independence can be created by fees paid by an audit client (including fee dependency).

Revisions to the NAS and Fee-Related Provisions of PES 1 have been issued to strengthen the independence standards.

Risk assessment

FMA findings

A number of issues of non-compliance with auditing standards were found in the risk assessment area, compared to other audit areas reviewed by the FMA. The Report also noted:

- One instance where the auditor did not obtain sufficient audit evidence in relation to the risk assessment.
- One instance where the auditor had included in the Key Audit Matters section of the auditor's report, that the controls were tested or assessed for operating effectiveness. However, the auditor performed only a walkthrough of the entity's processes and controls, and did not formally test any controls.
- Several instances where the auditor documented that their approach is to test the functional effectiveness of the controls, while they were only assessing the controls for design effectiveness.
- One instance where the auditor revised their risk assessment, but this was not updated on the audit file. As a result, the work performed and evidence gathered were not in line with the risk assessment documented on the audit file.

Standard setting activities

These findings do not indicate shortcomings or defects with ISA (NZ) 315 (Revised) **Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment**, or any other assurance standard, in place at the time of the review.

One of the reasons for the latest revision of this standard was to clarify what is expected from auditors in relation to internal controls. Under the version of ISA (NZ) 315 (Revised) applicable during the FMA review cycle, the auditor was required to identify “controls relevant to the audit”. The latest standard, ISA (NZ) 315 (Revised 2019), now provides specificity on this matter.

The revised standard also includes the following:

- Guidance on understanding the entity’s system of internal control;
- Increased specificity on controls, which the auditor must identify, that address risks of material misstatement; and
- Considerations in relation to information technology (IT) including identifying risks arising from the use of IT and general IT controls that address those risks.

The XRB issued ISA (NZ) 315 (Revised 2019) in April 2020. The revised standard is applicable for periods beginning on or after 15 December 2021.



The XRB has developed a dedicated **implementation support webpage** to assist auditors in transitioning from the previous standard to ISA (NZ) 315 (Revised 2019). This webpage contains links to resources and guidance for implementation of ISA (NZ) 315 (Revised 2019).

Audit evidence

FMA findings

A lack of sufficient appropriate audit evidence impacts the quality of an audit. An auditor should base their opinion on evidence gathered during the audit. This evidence should be sufficient and should cover all material areas of the financial statements.

The documentation on the audit file should be clear and detailed enough to demonstrate the procedures performed by the audit team, the evidence obtained, and the conclusion reached.

The auditor also needs to ensure that all working papers are appropriately reviewed to ensure they are accurate and provide appropriate sufficient audit evidence to support the auditor's opinion.

The Report noted the following findings in relation to Audit Evidence:

- Reliance on evidence obtained in the prior year that was not rolled forward to the current year.
- Insufficient documentation on using the work of experts.
- Where audit firms have software with auditing programmes and templates designed to enable the auditor to perform procedures, the auditors did not complete the templates and procedures appropriately, and only answered "completed", without further details on what evidence was obtained.

Standard setting activities

These findings do not indicate shortcomings or defects with ISA (NZ) 500, *Audit Evidence* or ISA (NZ) 501, *Audit Evidence – Specific Considerations for Selected Items*, or any other assurance standard in place at the time of the FMA's review.

The Explanatory Guide Au10, ***Evaluating the Appropriateness of a Management's Expert's Work*** was issued in August 2020. The guidance specifically addresses what auditors may need to consider when they determine whether to use the work of a management's expert as audit evidence, and the circumstances under which a management's expert may be used and the nature of that work.

ISA 500 is currently being revised by the IAASB and it is proposed that the revised standard will:

- Provide a principles-based approach to considering and making judgments about information intended to be used as audit evidence and evaluating whether sufficient appropriate audit evidence has been obtained;
- Enhance and clarify the auditor's responsibilities when using information intended to be used as audit evidence that has been prepared by a management's expert;
- Modernise ISA 500 to be adaptable to the current business and audit environment, while considering scalability for different circumstances, including the entity and the auditor's use of technology, such as automated tools and techniques; and
- Emphasise the role of professional scepticism when making judgements about information intended to be used as audit evidence and evaluating the audit evidence obtained.

The **exposure draft** has been released for comment in New Zealand, the comment period closes 15 March 2023.

Going concern

FMA findings

Findings from the Report in relation to going concern included:

- In one file, It was not clear what audit procedures were performed on the projected cashflows to determine whether the entity would be able to continue as a going concern. The auditor did not obtain sufficient and appropriate audit evidence to support their specific considerations (including assumptions and judgements) and conclusion.
- The auditor did not ask management to extend its assessment to at least 12 months from the date of issuing the auditor's report, as required by the standard.
- The disclosures in the financial statements did not clearly disclose the events or conditions that cast significant doubt on the entity's ability to continue as a going concern.

Standard setting activities

These findings do not indicate shortcomings or defects with ISA (NZ) 570 (Revised), **Going Concern**, or any other assurance standard in place at the time of the FMA's review.

The IAASB is currently working on a project to revise targeted areas of ISA 570 (Revised), with the aim to:

- Promote consistent practice and behaviour and facilitate effective responses to identified risks of material misstatement related to going concern;
- Strengthen the auditor's evaluation of management's assessment of going concern, including reinforcing the importance, throughout the audit, of the appropriate exercise of professional scepticism; and
- Enhance transparency with respect to the auditor's responsibilities and work related to going concern where appropriate, including strengthening communications and reporting requirements.

When available, the exposure draft will be released for comment in New Zealand. We expect this to occur from April 2023.

Fraud

FMA findings

In the analysis of individual file reviews, the Report noted that the audit area relating to fraud had a similarly high number of issues of non-compliance with auditing standards as the area of Risk Assessment. Findings in relation to Fraud included:

- The auditor did not clearly describe the incentives and opportunities related to fraud; they documented the risks that existed but did not elaborate as to what those specific risks were in relation to the entity.
- Where the auditor rebutted the risk associated with the recognition of revenue due to fraud, they did not document this assessment.
- The auditor rebutted the risk of fraud relating to management override of controls, which is not allowed by the auditing standards.
- There was no evidence of the discussions held between the auditor and the rest of the audit team with regards to the risk of material misstatements due to fraud. It was not clear what fraud risk factors the audit team considered and what the conclusions were regarding the risk of material misstatement due to fraud.
- The auditor did not assess all identified risky journal entries. There was also no documentation on file to confirm the validity or authority of the preparers identified by the firm's analytical tool.

Standard setting activities

These findings do not indicate shortcomings or defects with ISA (NZ) 240, ***The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements***, or any other assurance standard in place at the time of the FMA's review.

The IAASB is currently working on a project to revise ISA 240. In revising this standard, the IAASB aims to:

- Clarify the role and responsibilities of the auditor for fraud in an audit of financial statements.
- Promote consistent behaviour and facilitate effective responses to identified risks of material misstatement due to fraud through strengthening ISA 240 to establish more robust requirements and enhance and clarify application material where necessary.
- Enhance ISA 240 to reinforce the importance, throughout the audit, of the appropriate exercise of professional scepticism in fraud-related audit procedures.
- Enhance transparency on fraud-related procedures where appropriate, including strengthening communications with those charged with governance and the reporting requirements in ISA 240 and other relevant ISAs.

The IAASB project proposal for the revision of ISA 240 also includes specific consideration for the required fraud-related audit procedures regarding journal entries and revenue recognition. When available, the exposure draft will be released for comment in New Zealand.

Professional judgement and scepticism

FMA findings

The exercise of professional judgement and scepticism is critical in any audit, and a fundamental requirement of the auditing standards.

Professional judgement and scepticism is critical in deciding how an audit is conducted, including making sure that the right specialist skills or knowledge is available. When professional judgement and scepticism is not exercised effectively, audit quality may suffer.

Findings noted in the Report related to the application of the auditor's professional judgement and scepticism, including assessment and testing of key assumptions used in fair value and going concern assessment.

Auditors should be sceptical when assessing management estimates and be able to demonstrate through their audit documentation how they challenged management on the appropriateness of their key assumptions used, such as substantial revenue growth rates, discount rates or terminal growth.

Appropriate and sufficient audit evidence should be obtained to support the significant judgements made by management.

Standard setting activities

The findings are not indicative of deficits or shortcomings in the assurance standards in place at the time of the FMA's review.

Current projects of the IAASB to enhance professional judgement and scepticism, include revisions of:

- ISA 240 ***The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements***. In revising this standard, the IAASB aims to enhance ISA 240 to reinforce the importance, throughout the audit, of the appropriate exercise of professional scepticism in fraud-related audit procedures.
- Targeted areas of ISA 570 (Revised) ***Going Concern***, which includes the aim of strengthening the auditor's evaluation of management's assessment of going concern, including reinforcing the importance, throughout the audit, of the appropriate exercise of professional scepticism.
- ISA 500 ***Audit Evidence***, to, amongst other things, emphasise the role of professional scepticism when making judgements about information intended to be used as audit evidence and evaluating the audit evidence obtained.

Climate-related risks

FMA findings

The FMA's Report states that to respond to climate change risks in the audit of financial statements, auditors should have a good understanding of:

- Laws and regulations regarding climate change.
- How climate risk is impacting certain entities and industries.
- How climate risks impact accounting.

The auditor should also consider the potential risk of material misstatement of the financial statements due to climate change. Where auditors identify risks, they must determine an appropriate audit response to assess if the risks have a material impact on the financial statements.

Over the coming years the FMA expects that their monitoring of audit files will include consideration of climate risks where they have a material impact on financial statements.

Standard setting activities

In October 2020, the IAASB issued a **Staff Audit Practice Alert** to highlight areas of focus related to the consideration of climate-related risks when conducting an audit of financial statements.

The climate reporting standards, **Aotearoa New Zealand Climate Standards ('NZ CS')**, were issued in December 2022 and are yet to be applied. Under the Financial Market Conducts Act, a climate reporting entity's Greenhouse Gas ('GHG') disclosures, prepared in accordance with NZ CS, are required to be subject to an assurance engagement for accounting periods that end on, or after, 27 October 2024.

In December 2022, the XRB released an **exposure draft for the assurance standard on GHG emissions disclosures**. It is proposed that the final assurance standard will be issued by June 2023 to allow assurance practitioners time to read and understand the requirements and ensure that they are able to comply with them in accordance with this timeframe.

This will be a temporary, narrow scope standard, which applies only to the current mandatory assurance engagement requirements of the Act. The proposed standard is intended to fill a gap, until we know more about the scope of assurance, any licensing regime and whether the developing international standards will be locally relevant for our regime.



Appendix

Further information and implementation support

Links to further information and implementation support

FMA Audit Quality Management Report

Report for year end 30 June 2022, issued November 2022

<https://www.fma.govt.nz/assets/Reports/2022-Audit-Quality-Monitoring-Report.pdf>

Audit & Assurance Standards Framework

This framework sets out the standards for audit and assurance engagements in New Zealand

<https://www.xrb.govt.nz/standards/assurance-standards/how-we-set-our-standards/auditing-and-assurance-standards-framework/>

Quality Management Standards & Professional and Ethical Standards

Professional and Ethical Standards

<https://www.xrb.govt.nz/standards/assurance-standards/professional-and-ethical-standards/>

XRB Staff guidance: summary of the prohibitions relating to the provision of non-assurance services.

<https://www.xrb.govt.nz/dmsdocument/4609>

IESBA Q&A Revised Non-Assurance Services Provisions of the Code

<https://www.xrb.govt.nz/dmsdocument/4568>

Implementation Support for Quality Management

<https://www.xrb.govt.nz/standards/assurance-standards/support-and-resources/focus-areas/>

Risk assessment

ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

<https://www.xrb.govt.nz/standards/assurance-standards/auditing-standards/isa-nz-315-revised/>

Implementation Support for ISA (NZ) 315 (Revised 2019)

<https://www.xrb.govt.nz/standards/assurance-standards/support-and-resources/>

Audit evidence

ISA (NZ) 500, *Audit Evidence*

<https://www.xrb.govt.nz/standards/assurance-standards/auditing-standards/isa-nz-500/>

ISA (NZ) 501, *Audit Evidence – Specific Considerations for Selected Items*

<https://www.xrb.govt.nz/standards/assurance-standards/auditing-standards/isa-nz-501/>

EG Au10, *Evaluating the Appropriateness of the Management's Expert's Work*

<https://www.xrb.govt.nz/dmsdocument/3873>

XRB Exposure Draft for revision of *Audit Evidence* standard

<https://www.xrb.govt.nz/consultations/assurance-standards-in-development/open-for-comment/audit-evidence/>

IAASB project page for revision of *Audit Evidence* standard

<https://www.iaasb.org/consultations-projects/audit-evidence>

Going concern

ISA 570 (Revised), *Going Concern*

<https://www.xrb.govt.nz/standards/assurance-standards/auditing-standards/isa-nz-570-revised/>

Going concern flowchart

<https://www.xrb.govt.nz/dmsdocument/4633>

IAASB project page for revision of Going concern audit standard

<https://www.iaasb.org/consultations-projects/going-concern>

Fraud

ISA (NZ) 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

<https://www.xrb.govt.nz/standards/assurance-standards/auditing-standards/isa-nz-240/>

IAASB project page for revision of Fraud audit standard

<https://www.iaasb.org/consultations-projects/fraud>

Climate related risks

Exposure Draft for the Assurance over GHG Emissions Disclosures

<https://www.xrb.govt.nz/consultations/assurance-standards-in-development/open-for-comment/assurance-over-ghg-emissions-disclosures/>

IAASB Staff Practice Alert, *The Consideration of Climate-Related Risks in an Audit of Financial Statement*

<https://www.iaasb.org/publications/consideration-climate-related-risks-audit-financial-statement>



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