

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

DATE: 13 January 2023

TO: External Reporting Board
New Zealand Auditing and Assurance Standards Board (NZAuASB)

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

SUBJECT: Report on IAASB December 2022 meeting

Introduction

1. This report provides an overview of the International Auditing and Assurance Standards Board (IAASB) Board meeting held on 5-9 December 2022 in New York.
2. This was Lyn's last meeting as a member of the IAASB as her six-year term came to an end. There was a lovely tribute to Lyn at the end of the meeting, with high praise for her leadership as a member of the Planning Committee and chairing various task forces, her insightful comments and practical perspective, and the huge contribution she has made to the IAASB during her tenure.
3. Key topics were:
 - Approval of the Strategy Consultation paper on the IAASB's proposed Strategy and Work Plan for the 2024-2027 period.
 - Further consideration of issues on going concern and fraud.
 - Consideration of issues relating to assurance on sustainability.
 - Consideration of proposed amendments to the ISAs and International Standards on Quality management (ISQMs) as part of the listed entity and PIE project.
 - Further consideration of feedback and issues on the proposed auditing standard for less complex entities (LCEs) and approval of the ED on Part 10 dealing with Audits of Group Financial Statements.

The full December meeting papers can be accessed [here](#).

Strategy Consultation Paper

4. The IAASB unanimously approved the draft Strategy Consultation Plan after considering the updated version addressing key matters raised on an earlier draft, including:
 - To be sensitive to complexities and time pressure being experienced by stakeholders. This was raised by several members, including Lyn, based on feedback from the XRB's reference group.
 - To be clear that first time implementation guidance will be developed for completed projects when appropriate to balance the competing demands with standards setting activities. An option may be to seek partners (for example national standard setters (NSS)) to assist in the development of

first-time implementation support material or other non-authoritative guidance.

- To include an action to consider more sustainable ways of working, including the development of appropriate policies, procedures, and measurements.
 - To give a clear steer towards priorities on standard setting projects going forward, recognising the need to be flexible in view of pressures in the market.
5. A summary of the IAASB's proposed planned actions and targeted milestones for 2024-2027 are noted in the **Appendix**.
 6. The IAASB published the Consultation Paper on the Strategy and Work Plan on 12 January 2023 with responses due by April 2023. Feedback received and initial proposed revisions of the Strategy and Work Plan will be considered at the June 2023 IAASB meeting and, subject to the nature and extent of comments received, the Strategy and Work Plan will be approved in December 2023.

Impact on the XRB

To note the IAASB's recent release of the Consultation Paper and to accordingly plan a response by April 2023. The strategy and work plan will also inform the XRB's work plan for planning purposes going forward. Also note that there may be an opportunity to further raise the profile of the XRB globally by partnering with the IAASB to develop non-authoritative guidance, should the XRB wish to do so.

Going Concern

7. The IAASB considered the remaining key issues identified in the project proposal, specifically for information from sources external to the entity and audit techniques – use of technology.
8. There was broad support for the proposed new requirement and application material for the auditor to evaluate the intent and ability of third parties or related parties when financial support of such parties is necessary to support management's assessment of going concern, including consideration of written representation. Lyn asked the Task Force to add a further two possible procedures to the application material based on comments received from the XRB's reference group, that is, to obtain legal representation and to discuss with the group auditor where applicable.
9. The IAASB also considered the changes made to the drafting paragraphs of ISA 570 (Revised), *Going Concern* in response to the IAASB's feedback at the September meeting, including:
 - i. Broad support for aligning and consistent use of the terminology in proposed ISA 570 (Revised) with the newly defined term "Material Uncertainty (Related to Going Concern)".

- ii. Concern from some about the proposal to delete the phrase “individually or collectively” where it is used in combination with events and conditions that “individually or collectively” may cast doubt on the entity’s ability to continue as a going concern and explaining the phrase in the application material instead.
- iii. Support for clarifying in the application material the meaning of “significant doubt”, i.e., that it exists when the individual or collective magnitude of identified events and conditions is such that the entity may be unable to meet its obligations and continue its operations for the foreseeable future unless management and governance bodies take remedial action.
- iv. Support for a new requirement to explicitly request management to update its assessment and for the auditor to perform audit procedures on the revised assessment when events or conditions that may cast doubt are identified that management has not previously identified or disclosed to the auditor.
- v. Support for the Task Force’s recommendation that it would not be operable to require the auditor to develop the auditor’s own expectation of management’s assessment of going concern, given the respective responsibilities of management and those of the auditor. This was in response to a PIOB comment at the September meeting. The PIOB member accepted the overall response.
- vi. General agreement with the proposal that the requirement to report on “close calls” in the Going Concern section of the audit report to only apply to listed entities, but not precluding the auditor to apply it to entities other than listed. The IAASB further agreed with the proposal to provide either a section on Going concern (when no material uncertainty exists) or a Material Uncertainty Related to Going Concern (MURGC) section (when a material uncertainty exists) that would apply in all instances.
- vii. Support for the revised requirement for the auditor to provide a description of matters in the context of the audit to alleviate the risk for the auditor providing original information about events or conditions that may cast doubt.
- viii. Mixed views on the proposal that a disclaimer of opinion is always necessary, and the auditor should not be required to provide further information about going concern or a MURGC in separate section of the auditor’s report. Lyn noted that in the public sector a disclaimer may not always be appropriate, for example, where there are split opinions over financial and non-financial information. Another example may be when records are lost and a disclaimer is provided but going concern matters are still relevant.
- ix. Overall support for the proposed conforming and consequential amendments.

10. The Going Concern Task Force intends to present an exposure draft for approval in March 2023.

Impact on the XRB

To note the above summary of the drafting proposals, including the new robust requirements and transparency reporting.

We have not identified any specific concerns at this stage to highlight to the XRB. However, members of the XRB's Technical Reference Group expressed some concern about the new requirements, specifically the disclosure requirement in the audit report noted in paragraph 8 (vii) above.

The XRB should continue to monitor the IAASB's progress and identify any issues to raise with the IAASB or as possible compelling reason changes for adoption in New Zealand. The XRB will need to decide whether the differential requirements would only apply to listed issuers in New Zealand or to FMC reporting entities with a higher level of public accountability, keeping in mind the listed entity and PIE project and that the differential requirements may be extended to PIEs (see the notes below from paragraph 27).

For planning purposes of the XRB's work plan, the IAASB's targeted milestones are for the exposure period to close before 2024 and for completion of the project in quarter one of 2024.

Fraud

11. The IAASB discussed the topics highlighted in its September 2022 meeting as well as selected new topics. Matters discussed included fraud and suspected fraud, transparency in the auditor's report and updated drafting.

Fraud and suspected fraud

12. The IAASB considered a flowchart and related scenarios to guide the auditor to respond appropriately when fraud or suspected fraud is identified, and that illustrates possible outcomes based on the audit evidence obtained.
13. The IAASB supported the Task Force's proposal that when fraud or suspected fraud has been identified, in all instances certain additional procedures should be performed. Key comments from the Board were that the scenarios are generally complete but not to make it complex, and to be clear about actual fraud and what the auditor should do.
14. There was overall support for the additional procedures with some other procedures noted to consider, including about the use of specialists, and to consult and escalate using the firm quality management system.

Transparency in the audit report

15. There was overall support for using the KAM mechanism as a filter to report on fraud risks, but some questions as to whether there will be two different processes, or whether it should be dealt with in ISA 701¹. The IAASB agreed the overall goal would be to create a cohesive KAM section.
16. The IAASB further deliberated the proposal to include a description of significant deficiencies in internal controls relevant to fraud in the audit report,

¹ ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

with several concerns raised by various members. The IAASB acknowledged that there is value in the proposal and what investors would like to see, but all parts of the eco system need to come together first to overcome the practical difficulties. The IAASB believes it would be worth to consider in the future but not part of this project.

17. The PIOB member noted that they were less encouraged by the IAASB's decision on this and that such reporting would be in the public interest, as it would reinforce good behaviour and improve the work effort. The IAASB Chair responded that due process was followed in exploring the idea but the IAASB recognises the practical difficulties that exists and that there is no critical mass of support at the moment. The key message the IAASB heard is to drive specific fraud related disclosures in the audit report which the Board is doing.

Updated drafting

18. There were no substantive comments raised on the updated drafting, other than suggestions to look at some of the wording and to consider whether all requirements can be operationalised, for example, the consideration of fraud risk relevant to revenue.
19. The IAASB will consider an updated draft of the proposed standard in March and June, with expected approval of the ED in September and a final standard in March 2025.

Impact on the XRB

To note the IAASB's intention to publish the ED in September, and to accordingly plan the XRB's work to follow its due process in exposing, performing outreach and adopting the standard in New Zealand. The IAASB's targeted milestones are for the exposure period to close in quarter one of 2024 and to complete the project in March 2025.

The biggest change proposed is the transparency requirements which are in response to what users want, whereas practitioners are generally opposed to it. Also, to note the decision not to report significant deficiencies in internal controls relating to fraud in the audit report. As noted above, the key message the IAASB heard from stakeholders is to put specific fraud related disclosures in the audit report, which the IAASB is doing.

The XRB should continue to monitor the IAASB's progress and identify any issues to raise with the IAASB or as possible compelling reason changes for adoption in New Zealand. A decision would need to be made about whether the differential requirements would only apply to listed issuers in New Zealand or to FMC reporting entities with a higher level of public accountability (keeping in mind the listed entity and PIE project and that differential requirements may be extended to PIEs (see the notes below from paragraph 27)).

Sustainability

20. This topic took a substantial part of the meeting as the project is a priority for the IAASB with an ambitious timeline. The Sustainability Assurance Task Force (SATF) put in a herculean effort before this meeting and presented the following parts of proposed ISSA 5000 for discussion:

- Update of Definitions (that were initially presented in September)
- Acceptance and continuance of the assurance engagement
- Evaluating the description of the applicable criteria
- Evidence and documentation
- Planning (including materiality)
- Accumulation and consideration of identified misstatements
- Risks of material misstatement.

21. There was overall support for the guiding principles the SATF used to determine which material is suitable to include in the standard, as follows:

- It addresses a priority area, is suitable for an overarching standard, and is framework neutral.
- It addresses “why” a procedure or action is needed, or “what” a requirement means or is intended to cover.
- Definitions were individually evaluated and were only included if the term requires an explanation to support consistent interpretation and application.
- Does not address a concept that a practitioner with knowledge of the assurance framework and sustainability reporting would be expected to be knowledgeable about.
- Does not address the “how” because it is typically more appropriate for methodology or first-time implementation guidance, and unlikely to drive a principles-based approach in the standard.

22. There was some concern about whether other professionals would be able to use the standard and if more detail would be needed. Lyn noted that a reference group of other professionals provides input, and that the reference groups have already met 3 times to provide feedback. The IAASB has also commenced talking with ISO and Accountability.

23. Another key concept discussed was the aggregation and disaggregation of the sustainability information for purposes of performing an assurance engagement.

- There was overall support for the proposed approach that ISSA 5000 should not be prescriptive about how the information should be aggregated or disaggregated for purposes of the assurance engagement, but to place responsibility on the practitioner to determine the aggregation or disaggregation of the information in a way that is appropriate in the circumstances of the engagement. However, there was some confusion about blurring lines between management’s disaggregation and the auditor’s consideration that needs attention.
- There was overall support that materiality should be set at the disaggregation level, with some caution about not requiring performance materiality and only addressing it in the application material.
- There was some confusion about the use of the term “disclosures about topics or aspects of topics” versus the use of “reported information”. The SATF will further reflect on the definition and the use of the terms to clarify the intent.

24. The IAASB had a robust discussion about the work effort when performing a risk assessment on a limited assurance engagement, and whether it should be based on the requirements in ISRE 2400² as proposed by the SATF, or ISAE 3410³. (ISAE 3410 is more specific and requires the assurance practitioner to identify and assess risk of material misstatement, whereas ISRE 2400 requires identifying information where a misstatement may occur). Overall, the IAASB agreed that there is merit with the SATF's proposal, which is more flexible, providing the work effort is at the right level, but that it may be necessary to further explore with stakeholders.
25. A big take away from the overall discussions are that the level of granularity and sources to use to develop the standard is about right. The PIOB member was very complimentary about the rapid progress that had been made and the good attention to making the standard understandable.

Preliminary Timeline

26. The preliminary timeline proposed is to approve an exposure draft in September 2023, to be exposed for a 120-day comment period, with the comment period closing in February 2024. The IAASB aims to approve the final pronouncement in the period Dec 2024-March 2025, depending on progress post exposure draft.

Impact on the XRB

To note the IAASB's intention to publish the ED in September 2023, and to accordingly plan the XRB's work to follow its due process in exposing, performing outreach and adopting the standard in New Zealand.

The XRB should continue to monitor the IAASB's progress and identify any issues to raise with the IAASB. The approach to developing the proposed standard may also be useful to consider as the XRB is developing its assurance standard on Green House Gas Statements. It would also be helpful to the IAASB for the XRB to share its experience and lessons learned in developing its assurance standard on Green House Gas Statements and Service Performance Information.

Listed Entity and Public Interest Entity (PIE) project

27. The IAASB considered and provided feedback on proposed amendments to the ISAs and International Standards on Quality management (ISQMs) as part of the listed entity and PIE project.

Background

28. The objective of this project is to achieve to best possible convergence between the definitions and key concepts underlying the definitions used in the revisions to the IESBA Code and the ISQMs and ISAs to maintain their interoperability. This includes considering:

² ISRE 2400, *Engagements to Review Historical Financial Statements*

³ ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*

- whether the differential requirements in the ISQMs and ISAs that apply to listed entities should apply to PIEs;
- adopting IESBA's definition of PIE in the ISQMs and ISAs, and
- replacing the definition of "listed entity" in the ISQMs and ISAs with the new definition of "publicly traded entity" in the IESBA Code.

Summary of discussion

29. There was overall support to tailor the objectives in ISQM1⁴ and ISA 200⁵ to include that the purpose of differential requirements is to "meet the heightened expectations of stakeholders regarding the audit engagement". This is to align it with the objective in paragraph 400.10 of the IESBA Code which refers to the heightened expectations regarding the independence of a firm performing an audit engagement. The IAASB agreed that the IAASB's standards address matters that are broader than auditor independence.
30. The IAASB further agreed with the proposal to supplement the CUSP Drafting Principles and Guidelines⁶ to provide specific examples of when it may be appropriate to consider differentiating a requirement in the ISAs based on the proposed objective.
31. The IAASB considered the case-by-case analysis of extant differential requirements in the ISQMs and ISAs and the proposal to extend requirements in the ISAs to PIEs. The proposal is to extend all the differential requirements that apply to listed entities to PIEs. A summary of the applicable requirements is:
- Communicating auditor independence to TCWG (ISA 260(Revised)⁷)
 - Providing transparency to intended users about auditor independence (ISA 700(Revised)⁸)
 - Communicating KAM (ISA 700(Revised), ISA 701))
 - Naming the engagement partner (ISA 700 (Revised))
 - Transparency about the other information (ISA 720 (Revised)⁹)
 - Communication with TCWG about the system of Quality Management (ISQM 1)
 - Engagements subject to an Engagement Quality Review (ISQM 1)
32. There was overall support for the proposal to extend the differential requirements to apply to PIEs, other than the requirements relating to transparency of other information in the audit report. There were also some mixed views about extending the engagements subject to an Engagement Quality Review to PIEs. It is proposed that respondents are specifically asked about these in the exposure draft.
33. There was overall support for including the list of factors to consider in evaluating the extent of public interest in the financial condition of an entity included in the IESBA Code and adopting the definition of PIE and publicly

⁴ ISQM 1, *Quality Management for Firms That Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

⁵ ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

⁶ Complexity, understandability, scalability, proportionality (CUSP) drafting principles and guidelines

⁷ ISA 260 (Revised), *Communication with Those Charged with Governance*

⁸ ISA 700 (Revised), *Forming and Opinion and Reporting on Financial Statements*

⁹ ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*

traded entity in the ISQMs and ISAs. However, there were mixed views about incorporating the definition of PIE as part of the requirements in the authority of ISQM 1 and ISA 200, and not as a definition in the Definition section, with several members asking for PIE to be included as a definition, as in the IESBA Code.

Next Steps

34. As part of this engagement, the PIE TF plans to enquire and obtain feedback about whether jurisdictions have already expanded the applicability of the requirements in the ISQMs and ISAs that apply to listed entities to other entities. It noted as an example that in New Zealand the differential requirements have been extended to apply to FMC Reporting Entities considered to have a higher level of public accountability.
35. The IAASB will consider these issues further at its June 2023 meeting. In addition, in March 2023, the PIE TF intends to present to the Board respondents' feedback from the public consultation for the proposed narrow scope amendments to ISA 700 (Revised) and ISA 260 (Revised) related to Track 1 of the project (comment period closed in October 2022).

Impact on the XRB

To note the IAASB's intention to extend the differential requirements that apply to listed entities to PIEs, and to consider the impact of this proposal on audits of PIEs in New Zealand. The largest impact would be to require an engagement quality review on all PIEs, which would capture all large not-for profits entities as well as large public sector entities that are not FMC reporting entities. The XRB did an exercise a couple of years ago to determine the impact of extending the differential requirements to all PIEs in New Zealand, and that work will provide useful input.

The XRB should continue to monitor the IAASB's progress and identify any issues to raise with the IAASB. It would be helpful to the IAASB for the XRB to share the experience of having extended the differential requirements to FMC reporting entities with a higher level of public accountability.

Less Complex Entities (LCEs)

36. The IAASB approved the ED on Part 10 of the proposed standard for LCEs dealing with Audits of Group Financial Statements. The ED will be released in January 2023 and comments to the IAASB are due mid-April 2023.
37. In finalising the ED, the IAASB supported the proposal to prohibit the use of the ISA for LCE when component auditors are involved, except when the component auditor's involvement is limited to circumstances in which a physical presence is needed (for e.g., attending a physical inventory count or inspecting physical assets).
38. The IAASB also discussed significant changes to PART A (the Authority) regarding jurisdictional thresholds. The IAASB overall agreed that examples of thresholds established in various jurisdictions may be useful as a reference point for jurisdictions in setting thresholds, and to include some examples in

the body of the Authority to demonstrate definitions or thresholds used in a broad range of economies.

39. The IAASB was overall happy with the direction of the proposed changes to Part 6 (risk identification and assessment), i.e. to have a more LCE specific approach for obtaining an understanding of the entity's system of internal control, including:

- combining the risk assessment and identification steps
- removing the requirement to explicitly understand the effect of inherent risk factors
- revising the requirement about the presumption of revenue recognition fraud to instead require an active determination of potential fraud risks resulting from types of revenue, revenue transactions or assertions
- other revisions for proportionality, for example, requirements from throughout the Part relating to control deficiencies have been combined into one requirement
- adding essential explanatory material (EEM), or clarified existing EEM, in several areas, to describe how requirements may be applied in a typical LCE.

40. The Task Force will continue the drafting of updates in further areas identified as in need of more significant revisions (e.g., engagement and firm level quality management, accounting estimates, documentation, planning activities) with the plan to discuss proposed revisions with the Board in March 2023. The Task Force intend to bring a revised draft of the full proposed standard (excluding Part 10, Group Audits) to the Board in June 2023.

Impact on the XRB

To note the IAASB's intention to publish the ED on ISA for LCE, Part on Group Audits in March 2023, and to accordingly plan the work of the XRB to follow its due process to coincide with the IAASB's timeline. The targeted milestone for completion of the ISA for LCE standard is during the first half of 2024.

The XRB should continue to monitor the IAASB's progress and identify any issues to raise with the IAASB. The XRB will also need to consider, if it adopts the standard for use in New Zealand, whether it would set further quantitative thresholds, and what those would be¹⁰. The XRB should refer to the Supplemental Guidance, when available, and the examples included in the Authority, to assist with this determination.

The IAASB is unlikely to re-expose the ISA for LCE standard. The XRB will need to consider and plan whether there is a need to publish a New Zealand ED after the IAASB standard is finalised.

¹⁰ Such a threshold could be, for example, to prohibit the use of the standard for audits of entities that report under tier 2 and above. (FMC reporting entities considered to have a higher level of public accountability and certain other PIEs in NZ are already scoped out of the standard)

Future meetings

The next IAASB meeting is scheduled for 5 – 9 March 2023 in New York. This will be Greg's Schollum's first meeting as a member of the IAASB and Sylvia will initially support him as his technical advisor. Lyn will provide a handover briefing in January 2023. Lyn expresses her thanks to the XRB for their support over the last six years.

APPENDIX: The IAASB's proposed planned actions and targeted milestones for 2024-2027

1. A summary of the IAASB's proposed planned actions and targeted milestones for 2024-2027 areas follows.

(a) Completion of current standard setting projects:

- Audit Evidence (revision of ISA 500) – Exposure period closes April 2023, completion first half of 2024
- Going Concern (revision of ISA 570(Revised)) – Exposure period closes pre-2024, completion first half 2024
- Implications for IAASB's standards of IESBA's project on listed entity and Pie – Exposure period closes pre-2024, completion second half 2024
- Fraud – Exposure period closes first half 2024, completion first half 2025.
- Overarching standard for Assurance on Sustainability Reporting – Exposure period closes first half 2024, completion second half 2024/first half 2025.

(b) Commencement of new projects (including any post -implementation reviews that may be undertaken):

- One new project in 2024
- Two or three new projects in 2025, and
- Depending on sequencing and progress of projects in the first three years, an additional new project in 2027.

2. The IAASB anticipates the next major project to be the revision of ISA 330, *The Auditor's Procedures in Response to Assessed Risk*. The next priority would be to focus on identified standards in the ISA 500 series, with the focus on updates relating to the impact of technology.

3. Other possible new standard setting projects that may commence in the 2024-2027 period are:

- Materiality (revision of ISA 320)
- Using the work of an Auditor's Expert (revision of ISA 620)
- Auditor's responsibilities relating to Other Information (revision of ISA 720)
- Review of Interim Financial Information (revision of ISRE 2410)
- Joint Audits (new standard)
- Further standards for assurance on Sustainability Reporting (new standards)
- Assurance on XBRL (new standard)

Consultation Paper
January 2023
Comments Due: April 11, 2023

*International Auditing and Assurance Standards
Board*

The IAASB's Proposed Strategy and Work Plan for 2024–2027

IAASB

**International Auditing
and Assurance
Standards Board**

About the International Auditing and Assurance Standards Board (IAASB)

We are a global independent standard-setting body that serves the public interest by setting high-quality international standards.

We believe that a single set of robust international standards contributes to enhanced engagement quality and consistency of practice throughout the world and strengthened public confidence in the global auditing and assurance profession. We set our standards in the public interest under the oversight of the Public Interest Oversight Board (PIOB).

About this Consultation

This consultation invites views from stakeholders on trends, developments or issues that we should consider in developing our Strategy and Work Plan 2024–2027.

This Consultation Paper comprises three sections:

- Section I – Request for Comments;
- Section II – Our Proposed Strategy for 2024–2027 (our proposed Strategy); and
- Section III – Our Proposed Work Plan for 2024–2027 (our proposed Work Plan).

Respondents are asked to provide views or suggestions in response to the questions in the Request for Comments section. If a respondent has no response to a particular question, that question may be skipped. When a respondent agrees with a position or approach or action indicated in this paper, it will be helpful for us to be made aware of this view as support for proposals cannot always be inferred when not stated.

We anticipate approving the Strategy and Work Plan in Q4 2023.

Chair's Foreword

Audit and assurance play vital roles in the world's economies. At its best, the opinion of audit and assurance practitioners enhance trust in markets and assist in efficient, sustainable resource allocation. This public interest mission is the reason that I, as a non-auditor, feel so passionately about the need to develop standards of the highest quality and relevance to underpin auditors' work.

The IAASB is now entering the fourth and final year of its current strategy. At this point, it is appropriate to pause and reflect on our current strategy's success. I also see the current moment as an opportunity to engage with our stakeholders on how to improve our work to ensure that the public interest is being best served through IAASB standards. Therefore, this Consultation Paper is meant to stimulate discussion and advice.



In many ways, this proposed Strategy builds upon the current strategy, with an emphasis on standards that enable the performance of high-quality engagements to enhance trust in markets. This proposed Strategy also comes at an exciting time for the IAASB and the International Ethics Standards Board for Accountants (IESBA) as we implement the Monitoring Group recommendations aimed at strengthening the independence and accountability of standard setting. This proposed Strategy, with the benefit of these reforms, will strengthen our ability to adapt to rapidly changing public interest demands. Our commitment in this proposed Strategy to developing a global baseline for sustainability assurance standards is maybe the strongest, but not exclusive, example of how we moved quickly to address emerging public interest requirements.

We know that we cannot act alone. The external reporting ecosystem depends on a range of participants—corporate preparers, board directors, investors, auditor and assurance practitioners, standard-setters, and regulators, among others. Our current strategy emphasized the need for enhanced outreach to all these groups. We will not step back from that level of engagement. This proposed Strategy also notes that the amount of standard-setting and regulatory initiatives across the world is only growing. We, in coordination with IESBA, will engage with our regulatory and standard-setting partners to help ensure that our coordinated actions strengthen trust in markets.

This proposed Strategy and Work Plan attempts to articulate these points and the specific actions that we will take over the next four years to achieve our goal.

We want to hear your views but are cognizant of the many requests and demands placed on our stakeholders. The pandemic has stretched capacity, and significant effort is underway to implement new standards. Therefore, please feel free to only respond to those parts of the consultation document that you feel most warrant attention or are most relevant to your work.

We value and need your input if we are going to fulfill our public interest mission.

Yours sincerely,

Tom Seidenstein

IAASB Chair

Section I: Request for Comments

We developed this Consultation Paper, informed by the activities highlighted in **Appendix 1**, to generate discussion with stakeholders on our proposed Strategy and Work Plan. We are presenting our stakeholders with a complete draft of our proposed Strategy and Work Plan and request stakeholders' feedback on this draft.

We ask that you respond directly to the questions below and provide the rationale for your answers, as well as specific suggestions, where appropriate. We appreciate all your feedback, and respondents may respond to all questions or only those questions where they have specific comments.

Questions

1. Do you agree with *Our Proposed Goal, and Our Proposed Keys to Success and Stakeholder Value Proposition* (see pages 5–6)?
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 (see pages 7–9)?
3. Do you agree with *Our Proposed Strategic Objectives* and *Our Proposed Strategic Actions* (see pages 10–14)?
4. Do you support the identified possible new standard-setting projects as set out in **Table B** (see pages 20–22) within the area of **audits and reviews** (numbered 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.
5. Do you support the identified possible new standard-setting projects as set out in **Table B** (see pages 20–22) within the area of **sustainability and other assurance engagements** (numbered 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.
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** (see pages 20–22), and the needs and interests that would be served by undertaking work on such topic(s).
7. Our proposed Strategy and Work Plan emphasizes the importance of close coordination with our sister-Board, IESBA. What are your views about whether and, if so, how coordination could be enhanced in terms of opportunities for joint 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.
8. Are there any other matters that we should consider in finalizing our Strategy and Work Plan?

Comments are requested by April 11, 2023. Respondents are asked to submit their comments electronically through our website (www.iaasb.org), using the “Submit a Comment” link. Please submit comments in both a PDF and Word file. First-time users must register to use this feature. All comments will be considered a matter of public record and be posted on our website.

Section II: Our Proposed Strategy for 2024–2027

We recognize the valuable role that high-quality, globally accepted audit, assurance and related services standards play in strengthening confidence in the external reporting ecosystem. That ecosystem comprises preparers (i.e., entities and their management), those charged with governance, users of externally reported information, auditors, assurance and other practitioners, international and jurisdictional standard setters, and regulators and oversight bodies.

With our standards used in approximately 130 jurisdictions throughout the world,¹ we recognize the positive impact that our standards make to the global economy. Our proposed Strategy is an opportunity to articulate how we fulfill our public interest mandate. By engaging with our stakeholders, this consultation provides an opportunity to benefit from our stakeholders' advice as to how we can continue to evolve our approach and our work to effectively serve markets. Our proposed Strategy, if approved, will serve as a beacon to guide us in terms of the impact that we will have on, and for our stakeholders.

Our Proposed Goal

To serve the public interest by:

Developing the globally accepted and leading audit, assurance, and related services standards enabling the performance of high-quality engagements that enhance trust in markets and evolve in a timely manner to meet rapidly changing public interest demands

Our goal represents the aspirational outcome that we strive to achieve. It has been set in the context of the environment in which we operate and the needs that we serve. The goal reflects our public interest mandate affirmed by the recent Monitoring Group reform recommendations and it also incorporates our consideration of relevant strategic drivers (see pages 7–9).

Our goal provides a barometer to evaluate our progress. Benefitting from the oversight of the PIOB, we will monitor whether our standards continue to be adopted and incorporated throughout the world, whether our work in new areas (including sustainability, technology, and complexity) achieve the broad respect of and use by stakeholders, and whether our commitment to the public interest remains unchallenged.

Our proposed Strategy describes our strategic objectives and resulting strategic actions as the best way to contribute to achieving our goal (see pages 10–14).

¹ These numbers have been determined from publicly available information provided by International Federation of Accountants (IFAC) about jurisdictions using, or committed to using, the ISAs, and are subject to change.

Our Proposed Keys to Success and Stakeholder Value Proposition

The following messages frame the broad lens of our strategic thinking.

Our Keys to Success

Achieving our proposed Strategy:

- Through our commitment to engage, listen and learn, and to lead and adapt in our global standard-setting responsibilities.
 - Through our people at the Board and Staff levels, utilizing their collective competencies, capabilities, and experience, and benefiting from their diversity to deliver global solutions.
 - By fostering confidence in the quality of our processes and the relevance and credibility of our standards, evidenced by the many jurisdictions using or committed to using our standards.
-

Our Stakeholder Value Proposition

- **Our standards:** Globally relevant, coherent, scalable, proportionate, operable, and adaptable for the future. Our standards support the consistent performance of quality engagements and are developed through activities that are timely and responsive to the needs of our stakeholders.
 - **Our engagement with our stakeholders:** Timely and meaningful dialogue with a broad range of stakeholders. Our general outreach program, and project-specific and other targeted outreach activities support connectedness with our stakeholders, enhance our responsiveness and influence our standard-setting activities. This includes, as appropriate, convening stakeholders to hold roundtables, or using other forms of targeted consultation to ensure that we use a variety of means to engage stakeholders in our activities.
 - **Our coordination with other standard setters:** Focused on the collective impact of the activities of standard setters in the external reporting ecosystem, at the global and jurisdictional levels, and the value of actions that are informed by interaction, coordination, and collaboration. Our standards are premised on firm or auditor / practitioner compliance with relevant ethical requirements. Therefore, we will continue our close coordination with IESBA.
 - **Our Work Plan:** Informed by deliberate processes and procedures for selecting and prioritizing our standard-setting activities. Our Work Plan is focused on where further development of the standards can best contribute to meeting users' needs, while balancing timeliness and quality.
 - **Our processes:** Rigorous and inclusive, yet agile, leveraging external resources where appropriate. We continuously review and improve our processes and ways of working to better facilitate delivery of our Work Plan and address external expectations.
-

Our Proposed Strategic Drivers

The strategic drivers identified below are the result of our consideration of environmental factors that drive the opportunities and challenges impacting our ability to achieve our goal. Understanding our key opportunities and challenges and balancing the needs of our stakeholders will drive the choices we make for the 2024–2027 Strategy period. The most significant strategic drivers that have shaped our proposed Strategy and Work Plan include:

Increased and More Diverse Demand for Our Standards

- **Heightened supervisory scrutiny.** Regulators and oversight bodies are key players in the external reporting ecosystem. They promote accountability and support the faithful performance of audits of financial statements and assurance engagements. Regulators and oversight bodies are increasingly asking for more specificity of requirements in standards for increased enforceability to help drive improved performance and to keep pace with increasing complexity of the business environment, and financial and other external reporting frameworks.
- **Impact of technology.** The impact of technology is multifaceted and includes the use of technology by entities in their business models, information systems and reporting processes. It also includes the use of technology by auditors and practitioners in undertaking audit, assurance, and related services engagements. In addition, disruptive technologies are potentially transforming these engagements and may require new or revised standards.
- **Sustainability reporting and other evolving areas for assurance engagements.** Sustainability reporting is a rapidly evolving area, moving from voluntary reporting commitments to requirements mandated across various jurisdictions. Alongside this, there is the need for assurance and a growing, urgent call to develop international standards on sustainability assurance. In addition, the broader focus on the role of non-financial information in capital and resource allocation decisions could prompt the need for assurance engagements on various and diverse topics.
- **Diverse demands across the spectrum of stakeholders reflecting the breadth of the global economy.** The world that our standards must contend with is getting increasingly complex and diverse. On one hand, stakeholders are calling for more concise ‘proportionality solutions’, such as for audits of financial statements of less complex entities. On the other hand, stakeholders are asking for new or enhanced standards that address specific elements of an audit or assurance engagement, or specific subject matter information or services, with more granular requirements and application material.

| | |
|--|---|
| | <ul style="list-style-type: none">• Supporting the implementation of our standards. We have been developing first-time implementation support materials for completed projects, as appropriate. Some stakeholders are of the view that, compared to the demands for standard setting, we should reduce the relative priority given to developing first-time implementation support materials, while other stakeholders are of the view that these activities add significant value for stakeholders and should be a focus area for us alongside our standard-setting activities. Seeking partners to assist in the development of first-time implementation support materials or other non-authoritative guidance (e.g., jurisdictional / national auditing standard setters (NSS)) is one suggestion received to balance competing demands. |
| <p>Confronting ‘headwinds’ to global adoption of standards</p> | <ul style="list-style-type: none">• Value of cooperation across independent standard-setting bodies. To enhance capital markets by reducing the cost of capital, stakeholders are increasingly expecting standard setters to be coordinated in their efforts. This includes international and jurisdictional standard setters for auditing, assurance, ethics, and financial, sustainability and other external reporting.² Standards informed by coordination have an increased likelihood of acceptance and adoption, reduce the burden on and enhance effectiveness for entities and practitioners, and reduce fragmentation.• Evolving expectations around sustainability assurance. Several jurisdictional and international organizations may develop sustainability assurance standards to local timelines which leads to fragmentation. Stakeholders emphasize the value of a global standard-setting solution that provides a baseline, as this would promote consistency, comparability, and transparency. Such a global baseline would need to be profession agnostic (i.e., whether the engagement is undertaken by a professional accountant practitioner or non-professional accountant practitioner).• Impact of and reasons for jurisdictions developing their own audit and assurance standards. There is an increasing trend of certain jurisdictions developing their own standards. Although jurisdictions often indicate that a global standard(s) is preferred, there are factors that drive the need for jurisdictions to develop their own solutions. These could include timeliness of delivering a standard(s), political and other jurisdictional pressures, and responding to a specific jurisdictional need. When developing their own solution, |

² At jurisdictional level, standards may result from the activities of legislative or regulatory authorities, or relevant local bodies with standard-setting authority.

jurisdictions may, for example, use our standards as a baseline but “add on” or develop their own alternative standard(s).

- **Increasingly complex to manage global engagement with new stakeholders.** As the business and reporting environment, and user needs within the financial and broader external reporting ecosystem, continue to evolve, our standard-setting activities need to be informed by existing and new stakeholders. This new reality requires specific attention to identify and stay connected with new stakeholders.

Changing Demands to Our Ways of Working

- **Implement the Monitoring Group reforms.** The Monitoring Group reforms were finalized and issued in July 2020. The transition planning was undertaken in 2020 and 2021, and the implementation commenced in 2022. Full implementation is expected to take a further three to four years and will require various changes at the Board and Staff levels, in how oversight by the PIOB is exercised over the Board’s activities, and in our processes (our standard-setting due process and our operating procedures).
- **Attract top talent at the Board and Staff levels.** The Monitoring Group’s reforms require different skills from Board members and Staff compared to the extant model. For example, the composition of the Board will change with a significant reduction in the number of practitioner members, the role of technical advisors will reduce, and projects will become primarily Staff led. In addition, the clear trend to maintaining workstreams and undertaking projects in both the traditional area of audits and reviews of financial statements, and sustainability and other assurance engagements, introduces a different dynamic for the talent required at the Board and Staff levels.
- **Increasingly tight timelines to meet heightened expectations.** Across the spectrum of increased and diverse demands and the matters relevant to the risk of fragmentation as noted above, there is a general theme of urgency – a need for timely action and the timely delivery of standard-setting solutions. Stakeholders’ expectations are changing about how long it should take to develop standards resulting in increasingly tight deadlines. On the other hand, stakeholders are asking for sufficient time to implement standards and absorb changes, and expect appropriate consideration of relevant issues as part of the due process to ensure quality.
- **Ability to leverage technology.** As noted above, the impact of technology is multifaceted. Leveraging technology provides opportunities to enhance the way we work, our processes and performance at the Board and Staff levels.

Our Proposed Strategic Objectives

Our proposed strategic objectives are the differentiating outcomes that address our strategic drivers and are necessary to achieve our goal. Our proposed strategic objectives (and related proposed strategic actions addressed in the next section) are the choices we made for the 2024–2027 Strategy period in working towards achieving our goal. This is what will focus our attention for selecting and prioritizing our standard-setting and related activities. In developing these proposed strategic objectives, we have deliberately been specific about what we commit to and what we believe is achievable based on our Board and Staff resources and our operating budget.

The diagram below depicts our proposed strategic objectives for the 2024–2027 Strategy period.



Proposed Strategic Objective 1: Support the Consistent Performance of Quality Audit Engagements by Enhancing Our Auditing Standards in Areas Where There Is the Greatest Public Interest Need

Setting auditing standards remains a key priority as we recognize the core role that audited financial statements play in contributing to trust and confidence in markets. This strategic objective assumes prioritizing the completion of the key audit engagement-related projects underway at the start of 2024. In addition, we will focus on the timely identification and progression of new projects in response to identified public interest demands.

Proposed Strategic Objective 2: Establish Globally Accepted Standard(s) for Assurance on Sustainability Reporting

Given the growing, urgent call to consider our international standards in relation to non-financial information and the rapidly evolving reporting and assurance requirements on sustainability in the European Union and elsewhere, we are committed to establish the preeminent and globally accepted standard(s) for assurance on sustainability reporting. Achieving this objective necessarily requires coordination and cooperation with a variety of stakeholders, including those who have not traditionally participated in our processes. It also includes liaison with other relevant standard-setting bodies, including but not limited to IESBA and the International Sustainability Standards Board (ISSB).

Proposed Strategic Objective 3: Strengthen Coordination with IESBA and Other Leading Standard Setters and Regulators to Leverage Better Collective Actions in the Public Interest

Although we and IESBA are independent of one another and have unique needs, the two Boards' standard-setting actions have a collective impact on the external reporting ecosystem. This strategic objective refers to maintaining and enhancing our coordination, while seeking opportunities for joint or complementary actions.

Other standard setters and regulators at the international and jurisdictional levels, and across the external reporting ecosystem, also have a shared interest in ensuring their standards complement each other. Timely and meaningful outreach, coordination and, as appropriate, collaboration is necessary to inform our work and to deliver on our mandate.

Proposed Strategic Objective 4: Create more Agile, Innovative Ways of Working in Line with the Monitoring Group's Reform Vision

The changes coming from the implementation of the Monitoring Group reforms and the growing need to maintain a balance between our focus on audits and reviews of financial statements, and sustainability and other assurance engagements, will require us to attract and retain talent at the Board and Staff levels to meet 'new' and different expectations. In addition, enhancing our processes is critical to our success, including using technology and appropriate resources to maximize the impact of our activities, thereby enabling us to respond on a timelier basis to issues and challenges.

Our Proposed Strategic Actions

Proposed Strategic Objective 1: Support the Consistent Performance of Quality Audit Engagements by Enhancing Our Auditing Standards in Areas Where There Is the Greatest Public Interest Need

Strategic Actions – We will:

- Progress and complete our projects underway at the start of the Strategy period (see our proposed Work Plan).
- Undertake information gathering and research activities to determine and initiate new projects for audits (or reviews) of financial statements during the Strategy period in accordance with the criteria as set out in our [Framework for Activities](#) (see our proposed Work Plan). We will progress new standard-setting projects in accordance with approved project proposals.
- Continue our focus on technology, professional skepticism and auditor reporting through our Consultation Groups and consider how best to respond to the broader public interest demands in these areas (also taking into account how these matters may be addressed in projects already underway or possible new projects).
- Develop timely first-time implementation support materials for completed projects, as appropriate. This may include action by us or facilitating and supporting action by others.
- Monitor the need for and initiate, as appropriate, post-implementation reviews of new or revised standards.
- Continue engagement and communication with our stakeholders through timely and meaningful outreach activities (including exploring and using different means of reaching and consulting our stakeholders) focused on:
 - Promoting the effective implementation of the International Standards on Auditing (ISAs), International Quality Management Standards (ISQMs), and the proposed ISA for Audits of Financial Statements of Less Complex Entities.
 - Understanding issues that affect our standards, including financial reporting issues, implementation challenges, the impact of technology and opportunities for collaboration to enhance engagement quality.
- Draft our standards in line with the complexity, understandability, scalability and proportionality drafting guidelines and principles, and the qualitative characteristics that standards should exhibit as set out in the [Public Interest Framework](#).

Proposed Strategic Objective 2: Establish Globally Accepted Standard(s) for Assurance on Sustainability Reporting

Strategic Actions – We will:

- Progress in a timely manner and complete our overarching standard for assurance on sustainability reporting (see our proposed Work Plan).
- Initiate further standards on sustainability assurance to complement our overarching standard during the Strategy period (see our proposed Work Plan). Selection of new topics will be done in accordance with the criteria as set out in our Framework for Activities.
- Monitor the need for, and develop as appropriate, timely first-time implementation support materials for our overarching standard. This may include action by us or facilitating and supporting action by others.
- Continue engagement and communication with our stakeholders through timely and meaningful outreach activities focused on:
 - Coordinating with other relevant standard-setting bodies, including IESBA in relation to international ethics standards, as well as international and jurisdictional bodies with responsibility for reporting or assurance requirements or standards.
 - Promoting the adoption and effective implementation of our sustainability assurance standard(s).
 - Understanding the issues that assurance practitioners and other stakeholders are facing with respect to sustainability reporting and assurance, and identifying coordination opportunities to enhance sustainability reporting within the external reporting ecosystem.

Proposed Strategic Objective 3: Enhance Coordination with IESBA and Other Leading Standard Setters and Regulators to Leverage Better Collective Actions in the Public Interest

Strategic Actions – We will:

- Maintain and enhance our coordination efforts with IESBA in the traditional area of audits and reviews of financial statements, as well as the area of sustainability and other assurance engagements. This includes at the Board, Task Force, Working Group and Staff levels, as well as in relation to project identification and scoping.
- Interact with the newly formed Stakeholder Advisory Council.³ The Stakeholder Advisory Council, which will serve both our work and that of IESBA, will be a fundamental part of our engagement with our stakeholders at a strategic level.
- Further enhance working relationships with regulators and audit and assurance oversight bodies to help understand their concerns, and further explore causal factors to address public interest issues.

³ The Stakeholder Advisory Council will commence its activities in 2024 and replaces our and IESBA's Consultative Advisory Groups as contemplated under the Monitoring Group reforms.

- Continue our two-way liaison with the International Accounting Standards Board (IASB) and the ISSB. This includes providing input on auditability and assurability matters of their new and revised standards, thereby contributing to the quality of external reporting.
- Explore new ways to expand our collaboration with international standard-setting bodies and NSS.

Proposed Strategic Objective 4: Create more Agile, Innovative Ways of Working in Line with the Monitoring Group's Reform Vision

Strategic Actions – We will:

- Continue to transform our processes to further enhance the timeliness and effectiveness of our standard-setting activities and implement the Monitoring Group reforms. This includes understanding and addressing any areas of interdependency (operational or otherwise) between us and IESBA to enable effective coordination.
- With the support of the PIOB's Nominating Committee's, build a diverse Board that will enable us to continue to have the necessary expertise to respond to evolving public interest demands, as well as 'new' and different expectations in line with the Monitoring Group reform criteria.
- Enhance our technical Staff capacity and competencies to enable an independent technical team to take day-to-day responsibility of project development, under Board supervision and direction.
- In expanding and building our Staff team, continue to focus on an approach that promotes diversity, equity, and inclusion.
- Foster an environment that is conducive to the retention of talent, through appropriate governance and leadership, and Human Capital support as it relates to career advancement and professional and personal development opportunities, and progressive human resources policies and procedures.
- Consider more sustainable ways of working, including the development of appropriate policies, procedures, and measurements.
- Use technology to enhance our processes and the accessibility of our standards.

Section III: Our Proposed Work Plan for 2024–2027

Our proposed Work Plan is focused on the ongoing, timely identification of new or emerging issues that may affect our global standards, and timely analysis and resolution of these identified issues.

Although past experience is an important input when doing forward planning, the implementation of the Monitoring Group reforms also brings some uncertainties around the full impact of those changes which may influence considerations such as available resources at certain times, the focus and number of new projects that can and should be undertaken, and the nature and timing of our project cycle.

Our proposed Work Plan assumes full utilization of our current resources and capacity (e.g., people, plenary time, and operating budget), and balances the current needs of different stakeholders. As the Work Plan period progresses, our Work Plan may change given the nature of the issues, the complexities of the projects, stakeholders' feedback, and new ways of working. In addition, we recognize the need to be flexible in view of pressures in the market in responding to our proposals or implementing our standards, and in responding to environmental changes. The latter includes changes that may be needed to accommodate capacity to address urgent or unexpected issues that arise and are not known at the time of approval of the Work Plan.

Balance Between Audits and Reviews, and Sustainability and Other Assurance Engagements

A key characteristic of our proposed Work Plan is maintaining a balance in terms of our focus on both the traditional area of audits and reviews of financial statements, and the evolving area of sustainability and other assurance engagements. This is reflected below by distinguishing between these two broad focus areas in the following sections under “Planned Actions for 2024–2027”:

- Progressing and completion of projects underway at the start of 2024 (pages 16–17, including **Table A**)
- Our next projects for the Work Plan period (pages 17–22, including **Table B**)

As has been highlighted for proposed Strategic Objective 1, setting auditing standards remains a key priority for us. Our Work Plan will continue to reflect the revision and development of auditing standards on a timely basis to respond to the changing environment and the needs of our stakeholders. In addition, proposed Strategic Objective 2 reflects that sustainability reporting and the assurance thereon are rapidly evolving to take a position alongside financial statements in the context of meeting the needs of intended users of an entity's general purpose external reporting. Therefore, standard setting focused on sustainability assurance engagements will also be a key priority for us. We are mindful that the attention to non-financial information more broadly may also prompt demands for other assurance engagements.

Planned Actions for 2024–2027

In 2021, we undertook a [Survey Consultation](#) to develop our 2022–2023 Work Plan (which was approved in December 2021). We drew on the results of that survey consultation and on other activities as highlighted in **Appendix 1** to develop our planned actions for 2024–2027.

Progression and Completion of Projects Underway at the Start of 2024

Based on the feedback received through our 2021 survey consultation,⁴ we plan to complete the projects underway at the start of 2024.

Table A below sets out the standard-setting projects that we will focus on progressing and completing in the Work Plan period. Refer to our [“Current Projects”](#) webpage that provides links to the project pages for more information about each project, including the project timeline and status of the project.⁵

| Table A: Completion of Current Standard-Setting Projects | Targeted Milestones ⁶ |
|--|---|
| AUDITS AND REVIEWS | |
| Audit Evidence (Revision of ISA 500)⁷ | Exposure period closed pre-2024 Completion: H1 2024 |
| Going Concern (Revision of ISA 570 (Revised))⁸ | Exposure period closed pre-2024 Completion: H1 2025 |
| Implications for IAASB Standards of IESBA’s Project on Listed Entity and Public Interest Entity – Track 2⁹ | Exposure period closed pre-2024 Completion: H1 2025 |
| Fraud (Revision of ISA 240)¹⁰ | Exposure period closes H1 2024 Completion: H1 2025 |
| SUSTAINABILBITY AND OTHER ASSURANCE ENGAGEMENTS | |
| Overarching Standard for Assurance on Sustainability Reporting (ISSA 5000)¹¹ | Exposure period closes H1 2024 Completion: H2 2024 / H1 2025 |

⁴ A [summary of the 2021 survey responses](#) was discussed at our September 2021 meeting.

⁵ The project page for each of our current projects provides a project timetable that includes targeted dates for project proposal, exposure draft and final approval of a standard(s).

⁶ Targeted milestones are our best estimate for how we will progress the various projects. As indicates at the start of the Work Plan, timelines are subject to change because of various factors that cannot be fully anticipated at the planning stage. Periods are indicated in half-years, for example “H1 2024” means the 1st half of 2024. H1 includes the period January through June, and H2 includes the period July through December of any calendar year.

⁷ ISA 500, *Audit Evidence*

⁸ ISA 570 (Revised), *Going Concern*

⁹ Our Listed Entity and Public Interest Entity project is being undertaken on two tracks as explained in Section VII of the approved [Project Proposal](#). Track 1 will be completed in 2023 and Track 2 will still be underway at the start of 2024.

¹⁰ ISA 240, *The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements*

¹¹ International Standard on Sustainability Assurance (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements*

Other Initiatives and Ongoing Activities

In addition to our standard-setting projects, the following initiatives and activities will also continue in the Work Plan period with dedicated Staff resources and Board plenary time as needed:

Ongoing Workstreams

- Technology, including our focused efforts on disruptive technologies.¹²
- Professional skepticism.¹²
- Auditor reporting.¹²

Implementation Support Activities

- We will continue to be alert to the need for developing timely first-time implementation support materials, mindful that there are competing demands and our efforts will continue to be prioritized for standard-setting projects. A determination will be made in the context of each project, taking into account, for example, the nature, extent and complexities of new concepts and principles introduced, or the impact of significant issues addressed in planned or proposed changes. First-time implementation support materials may be developed by us, or we may facilitate and support action by others. In addition, the development of other non-authoritative guidance will mostly be limited to responding to significant unanticipated developments in the environment or addressing significant targeted issues that have arisen that require a more immediate response than standard setting can provide.

Our Next Projects for the Work Plan Period

We will determine which new projects will commence during this Work Plan period in accordance with the criteria as set out in our Framework for Activities, including the appropriate time for a new project(s) to commence.

Criteria for Selecting and Prioritizing Topics to be Taken Up in Our Work Plan:

- A known public interest need or benefit for pursuing a project, taking account of the Public Interest Framework.
- Alignment with our goal, strategic drivers and strategic objectives.
- The other criteria for the selection of new projects or actions as set out in our Framework for Activities (i.e., the prevalence of the issue globally; Board action necessary to maintain or enhance quality of engagements; and urgency).
- The available resources, including Board capacity and Staff resources.

¹² The main function of our consultation groups is to provide input and support to task forces, working groups or Staff on relevant matters relating to technology, professional skepticism and auditor reporting, respectively. In addition, our efforts around disruptive technologies will be ongoing and are specifically focused on:

- Building processes and structures to support our disruption initiative;
- Maintaining and improving our knowledge about disruption trends and their implications for standard-setting and the public interest; and
- Sharing knowledge to improve audit and assurance quality and thereby improve reporting quality.

Planned activities on candidate topics for new projects involve information gathering and research as contemplated in our Framework for Activities.¹³ The nature, scope and timing of information gathering and research for a topic will be influenced by the criteria identified above, as well as the outcome of activities as the information gathering and research is undertaken. For example, initial fact finding to identify and understand the issues and challenges relating to a topic may reveal the need for more targeted information gathering such as through a public forum or roundtable(s), or to solicit views on identified matters through a discussion paper, consultation paper, request for input or a stakeholder survey. In such instances, the time for analysis of feedback and developing of recommendations will be extended, compared to another topic where the issues and challenges may be more readily apparent, and the topic can move faster through understanding, analysis, and recommendations. Based on the recommendations developed, we may decide to move to a project proposal to scope and formalize our standard-setting commitment for a new project, or that other action is warranted (e.g., development of non-authoritative guidance, or action by others and how we may coordinate and support action by others). In planning our detailed forward actions, we will always balance information gathering and research efforts with the need for timely action to address topics of significant and urgent public interest.

Appendix 2 provides a high-level overview of the key milestones of our ‘normal’ project cycle for the revision or development of a standard.

Commencement of New Projects as the Projects Already Underway Completes

Subject to anticipated Board capacity, Staff resources, and the progression and completion of projects underway at the start of 2024 (see **Table A**), there will be a build up to and commencement of new projects. In line with proposed Strategic Objective 4, we will seek opportunities to advance targeted timelines, for example, through efficiencies in processes or procedures within the project cycle or innovating with respect to the project cycle.

Recognizing initial expectations about the impact of changes as a result of implementation of the Monitoring Group reforms, we anticipate that the ‘new’ Board and Staff model will be able to accommodate around five to seven parallel standard-setting projects. The number of standard-setting projects is dependent on the ‘mix’ of those projects, i.e., not all projects can be major revisions of existing, or development of new, standards as contemplated in Component II of our Framework for Activities. A portion would need to be narrow scope maintenance of standards projects (see Component III of our Framework for Activities).

On balance, the following is expected in terms of commencement of new projects during the Work Plan period:

- One new project in 2024;
- Two or three new projects in 2025;
- One or two new project(s) in 2026; and
- Depending on sequencing and progress of projects in the first three years, an additional new project in 2027.

¹³ Staff commences information gathering and research activities well in advance of the first Board plenary discussion on a topic.

Possible Post-Implementation Review Projects

The above outline of new projects to be commenced during the Work Plan period also encapsulates any post-implementation reviews that we decide to undertake.

Post-implementation reviews of new or revised standards are only considered after a significant period of global adoption and implementation of a standard (i.e., 3–5 years). This allows sufficient time for a new or revised standard to be properly embedded in practice and for internal and external monitoring purposes, in the context of global adoption across jurisdictions. In addition, a possible post-implementation review project would need to reach a level of priority that justifies its selection relative to the priority of other topics being considered for possible standard-setting projects (in applying the criteria as set out in our Framework for Activities). The following may be candidates for post-implementation review projects during the Work Plan period:

- ISA 540 (Revised),¹⁴ *Auditing Accounting Estimates and Related Disclosures* (effective for audits of financial statements for periods beginning on or after December 15, 2019).
- ISA 315 (Revised 2019),¹⁵ *Identifying and Assessing the Risks of Material Misstatement* (effective for audits of financial statements for periods beginning on or after December 15, 2021).
- The Quality Management Standards¹⁶ (effective as of December 15, 2022).

Possible New Standard-Setting Projects

Table B below sets out the proposed list of possible new standard-setting projects for commencement during the Work Plan Period.¹⁷ Based on the current assessment of priorities, we anticipate that we would continue to run concurrent workstreams in the areas of audits and reviews of financial statements, and sustainability and other assurance engagements. The following broad prioritization of the candidate topics in **Table B** applies based on presently available information:

- For audits and reviews of financial statements
 - We would anticipate the next major project to be the revision of ISA 330¹⁸ (see Topic B).
 - After the conclusion of ISA 500 (Revised), we would also assume a focus on identified standards in the ISA 500 series, with a strong link to the impact of technology (see Topics C to G).

¹⁴ ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

¹⁵ ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

¹⁶ The Quality Management Standards consist of ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*; ISQM 2, *Engagement Quality Reviews*; and ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*

¹⁷ The topics in **Table B** are currently in Category A of Component I of our Framework for Activities, together with various other possible topics for our consideration. The topics presented in **Table B** are the likely candidates at this time to meet the criteria in our Framework for Activities to move into Category B during the Work Plan period (i.e., for more focused information gathering and research activities to identify and understand the relevant public interest issues and related standard-setting or other needs of stakeholders), and progress further through our Framework for Activities, as appropriate.

¹⁸ ISA 330, *The Auditor's Procedures in Response to Assessed Risks*

- Unless we receive significant feedback about a particular topic(s) that indicates a need to prioritize ahead of other candidate topics, we anticipate that the remaining candidate topics would rank lower than those indicated above, but that could change due to changing external factors.
- For sustainability and other assurance engagements, the work would be determined by demands following the publication of ISSA 5000. We would expect that new projects may be driven by the relative importance and urgency at the time for developing further specific standards within the ISSA suite of standards (see Topic L). However, we are aware of the increased focus on XBRL in certain jurisdictions or regions, which may drive the global relevance of this topic (see Topic M). In addition, there may be a need for ISSA 5000 to first be adopted and implemented, which could be an important source of information about the need for further specific standards for which projects could then be undertaken.

Table B: Possible New Standard-Setting Projects that May Commence in 2024–2027¹⁹

AUDITS AND REVIEWS
(in numerical order of standards that may be affected)

A. Materiality (Revision of ISA 320)²⁰

Revising ISA 320 to address issues and challenges related to consistency in the determination and revision of materiality and performance materiality, and to clarify the application of these concepts within a risk-based audit.

B. Responding to Assessed Risks of Material Misstatement (Revision of ISA 330)

Revising ISA 330 to better align the requirements with changes made to the risk identification and assessment standard (ISA 315 (Revised 2019)) and changes in proposed ISA 500 (Revised).²¹ This would include revisions to modernize ISA 330 as necessary, in particular in relation to technology.

¹⁹ The Framework for Activities provides for the narrow scope maintenance of standards (Component III), which is distinct from ‘full scope’ projects for the revision or development of standards (Component II). The former refers to projects addressing a limited number of targeted changes to either a single standard or across multiple standards (because of their expected nature and scope, these projects are expected to move quicker through the project cycle). We will monitor whether there are topics that could be addressed through a narrow scope maintenance of standards project. For example, when there is an urgent need to address an issue or when a standard-setting response is indicated (rather than non-authoritative material) but does not require a full scope revision of one or more standard(s). **Unless otherwise stated, possible projects to address topics in this table are expected to be full scope projects.**

²⁰ ISA 320, *Materiality in Planning and Performing an Audit*

²¹ Proposed ISA 500 (Revised), *Audit Evidence*, was approved by us in September 2022 and the Exposure Draft was issued on October 24, 2022 (the comment period closes on April 24, 2023)

Various Standards in the ISA 500 series

This could be potential individual projects for Topics C to F, or combined in a project for Topic G, with the focus on updates relating to the impact of technology.

Revising the following standards to better align the requirements with changes in proposed ISA 500 (Revised) (and other ISAs as may be appropriate), and to reflect the impact of technological advances (the use of technology by entities and by auditors). Some additional or specific matters are also highlighted.

- C. ISA 501²²** – to modernize to reflect current methods for inventory counts. Could be a narrow scope project that targets the “Inventory” section of the standard.
- D. ISA 505²³** – to modernize for the current environment, including technology-based confirmation processes and possibly revisiting the concepts of positive and negative confirmations.
- E. ISA 520²⁴** – to address challenges in practice and expectations that come with the use of technology by entities and automated tools and techniques by auditors in the context of analytical procedures used to perform both risk assessment procedures and further audit procedures.
- F. ISA 530²⁵** – to address issues and challenges related to consistency in the application of audit sampling as a means of selecting items for testing. In addition, to address challenges in practice and expectations that come with the use of technology by entities and automated tools and techniques by auditors.
- G. Technology targeted or omnibus project(s)** – to undertake a targeted or a broad-spectrum update of the ISAs for the impact of technology, which may primarily relate, or could be scoped to specifically address the audit evidence standards in the ISA 500 series and selected other ISAs. This could be an effective way to address some of the more pervasive modernization and technology challenges.

H. Using the Work of an Auditor’s Expert (Revision of ISA 620)²⁶

Revising ISA 620 to appropriately align with concepts in recently revised standards, including ISA 540 (Revised) and ISA 220 (Revised), and the changes in proposed ISA 500 (Revised). Also, to clarify some concepts and aspects of application in an environment where entities’ financial reporting reflects more complex business models, activities and transactions.

I. Auditor Responsibilities Relating to Other Information (Revision of ISA 720 (Revised))²⁷

Revising ISA 720 (Revised) to clarify the concepts underlying the auditor’s responsibilities and to address implementation issues and challenges that have been highlighted as part of the post-implementation review of the revised audit reporting standards. Could be a narrow scope project; there also is a view that a more fundamental revision of the standard may be warranted.

²² ISA 501, *Audit Evidence – Specific Considerations for Selected Items*

²³ ISA 505, *External Confirmations*

²⁴ ISA 520, *Analytical Procedures*

²⁵ ISA 530, *Audit Sampling*

²⁶ ISA 620, *Using the Work of an Auditor’s Expert*

²⁷ ISA 720 (Revised), *The Auditor’s Responsibilities Relating to Other Information*

J. Review of Interim Financial Information (Revision of ISRE 2410)²⁸

Revising ISRE 2410 to update the standard to the clarity format, other possible changes to address issues and challenges identified (e.g., alignment with concepts and principles in other standards, such as ISA 570 (Revised), ISA 700 (Revised)²⁹ and ISA 701),³⁰ and to modernize the standard.

K. Joint Audits (new standard)

Standard-setting project to address the consistent application of the ISAs to joint audits in jurisdictions where joint audits are undertaken or to support the introduction of joint audits in other jurisdictions.

SUSTAINABILITY AND OTHER ASSURANCE ENGAGEMENTS³¹

L. Further Standards for Assurance on Sustainability Reporting (new standards)

We have decided to apply a phased approach to address the needs for assurance standards on sustainability reporting, which comprises: (1) immediate action to develop an overarching standard for sustainability assurance engagements (see **Table A**); (2) future actions to align with the evolving maturity over time of the needs of intended users of sustainability information, sustainability reporting standards, entities' reporting in accordance with such standards, and assurance practice.

- After completion of the overarching standard, we anticipate the need to continue to develop further standards as part of a bespoke suite of standards on sustainability assurance. These standards will provide more specific or granular requirements on individual elements of the assurance engagement or individual elements of an entity's sustainability reporting.
- The above approach would involve addressing multiple topics, which may each be considered a 'new' project in the context of the commencement of new projects from 2024 to 2027 (see explanation on page 18). In certain instances, it may be desirable to group a number of topics together (depending on their nature and extent) to represent a project.

M. Assurance on XBRL (new standard)

Explore the need for an assurance standard on XBRL in response to the increased focus and use of digital reporting (for financial and non-financial information). This could be a potential subject-matter specific standard that builds on and supplements the application of ISAE 3000 (Revised) for these assurance engagements.

²⁸ International Standard on Review Engagements (ISRE) 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*

²⁹ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

³⁰ ISA 701, *Communicating Key Audit Matters in the Auditor's Report*

³¹ We note that there may be a need for a possible project to revise International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, resulting for our work on sustainability assurance engagements and other feedback received. We recognize that any changes should not limit the application of ISAE 3000 (Revised) to all assurance engagements for which no stand-alone standard exists. However, we believe that such project will not be possible within the 2024–2027 Work Plan period but should continue to be tracked as a possible future project.

Coordination with Other Standard-Setting Boards

IESBA

As our projects progress during the Work Plan period, there may be matters that impact the IESBA's *International Code of Ethics for Professional Accountants (Including International Independence Standards)* (the IESBA Code). Similarly, matters under consideration by IESBA may have implications for our standards. We recognize the importance of ongoing coordination between us and IESBA on matters that may impact either the IESBA Code arising from the projects we undertake or the impact from the IESBA's activities on our standards. We will therefore continue to coordinate with IESBA at the Board, Task Force, Working Group, and Staff levels, in the context of specific topics where necessary and appropriate, and through regular leadership interactions and communications. In addition, project identification and scoping will benefit from an increased focus on timely coordination to understand and act on any commonalities of interest.

Other Global Standard-Setting Boards

We will continue to liaise, and coordinate where necessary, with other global standard-setting boards. Active consultations will include, but are not limited to, the IASB and the ISSB on matters of auditability and assurability, respectively, of new and revised international financial or sustainability reporting standards.

Allocation of Resources

Our Work Plan will draw on our full capacity to deliver high-quality standards and undertake our activities in a timely manner. The Work Plan as set out above is expected to be supported by a budget of approximately [TBC] in 2024. The budget for the newly formed 'Foundation' is affected by the funding arrangements agreed under the Monitoring Group reforms. These arrangements will evolve over the initial implementation period that falls within both our and IESBA's Work Plan period. On balance, the overall budget and allocations for both Boards are expected to be reasonably stable, with the possibility of agreed upward annual adjustments.

The work that can be undertaken is also limited to volunteer hours of our Board members and Staff capacity available to undertake activities that we have committed to. The number of technical Staff through permanent appointments and secondments will increase over time to ensure appropriate technical expertise and to facilitate the shift from the traditional Task Force-model for projects. The net positive impact of these changes is expected to become evident as the Board and Staff adapt throughout this Work Plan period.

We will allocate the above resources on the basis of information about new initiatives or projects that will need to be started and past experience of the capacity needed to deliver our projects and initiatives, while being mindful of making adjustments as we continue to adapt to the 'new model' as referred to above. We reserve a limited capacity to respond to unexpected events and we will be able to reallocate resources if, and when, needed (however, with consequential changes to timelines of projects). The resources needed and capacity for key deliverables contemplated in the Work Plan assumes nearly full utilization of all Staff and Board resources.

Appendix 1

The Development of this Consultation Paper

The development of this Consultation Paper was informed by:

- A [Stakeholder Survey](#) for our Work Plan 2022–2023.

We received 100 responses from a wide range of stakeholders including from a Monitoring Group member (the International Organization of Securities Commissions). A [summary of the survey responses](#) was discussed at our September 2021 meeting and the Work Plan 2022–2023 was approved in December 2021.

- Outreach by our Chair, Board members and senior and project Staff as part of our general outreach program, as well as project-specific outreach.

Details of our outreach activities are reported in Agenda Item 1 of every quarterly meeting and, in relation to project specific outreach, in the agenda materials for individual projects. This outreach included outreach with Monitoring Group members (e.g., the European Commission, the International Forum of Independent Audit Regulators, the International Organization of Securities Commissions and the Financial Stability Board).

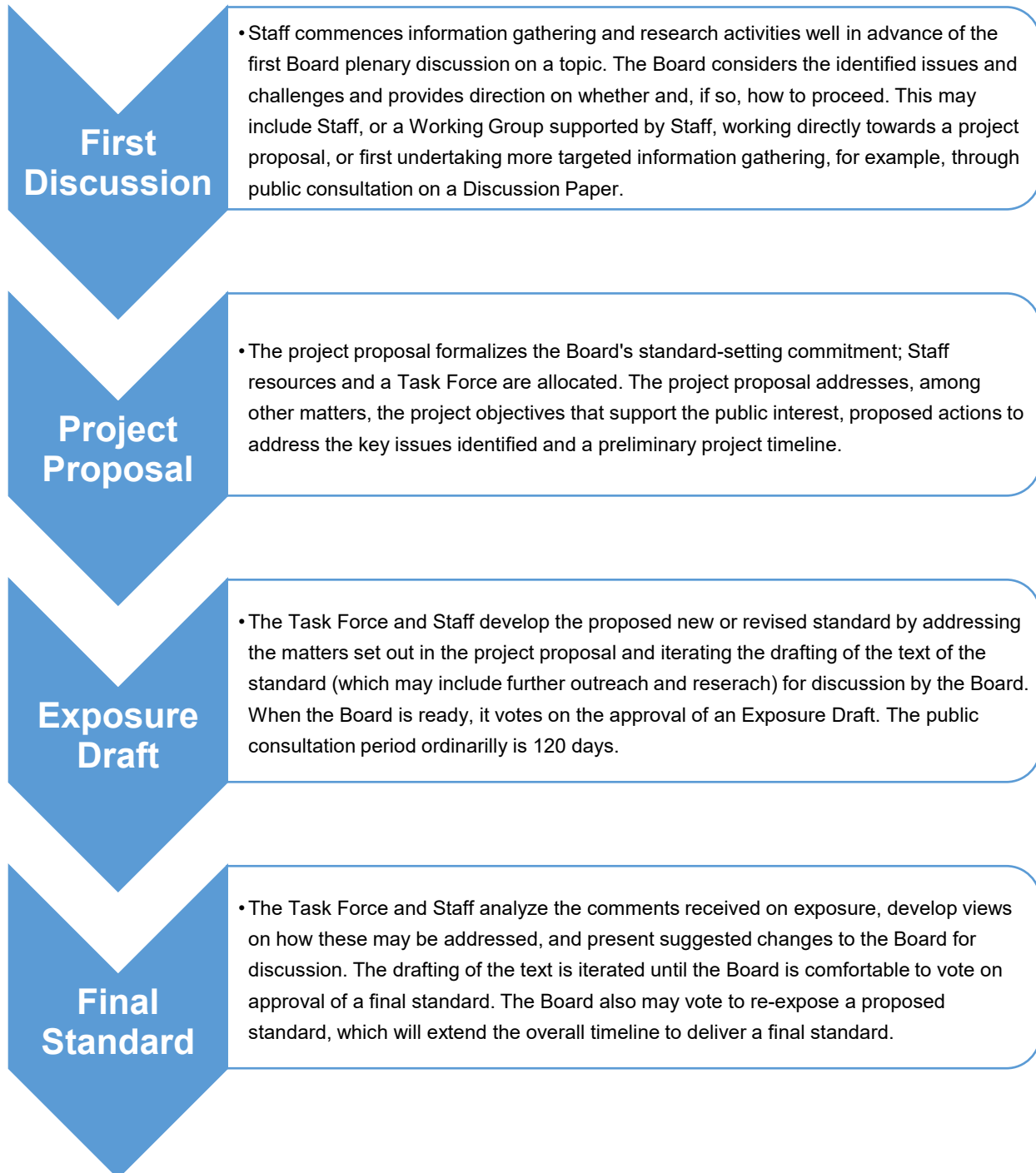
- Discussions with the PIOB.
- Discussions with our Consultative Advisory Group.
- Regular engagements with our NSS.

This includes annual or bi-annual meetings with NSS, which includes report back on requests for input to NSS about jurisdictional developments of international relevance, as well as bilateral outreach with individual NSS as part of our general outreach program or project-specific outreach.

- Input from coordination activities with IFAC, including IFAC's Small and Medium Practices Advisory Group and the Forum of Firms.
- Matters raised in our projects or ongoing workstreams where the matter(s) is not addressed by the specific project or workstream.
- Ongoing scanning of the environment and monitoring of global trends.

Key Milestones of a Standard Setting Project

The following diagram provides a high-level overview of the key milestones of our ‘normal’ project cycle for the revision or development of a standard.



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NZAuASB Work plan for 2022-2023

Update key: Green text highlights actions that are complete, orange text highlights ongoing work and red highlights were no or little action has yet commenced.

The XRB's overarching strategic intention is to promote and facilitate effective decision making for resource allocation. We enable high quality, trusted, and integrated reporting through the provision of robust frameworks and standards that are internationally credible, while being relevant to Aotearoa New Zealand so that reporting and assurance in New Zealand promotes trust, confidence, transparency and accountability.

The primary purpose of this plan is to establish the NZAuASB's planned actions to support the XRB's strategic intentions and priorities for the period.

The XRB's activities are grouped into five outputs. The NZAuASB's activities relate most specifically to:

- Output 3 – Prepare and issue Auditing and Assurance (including Ethical and Professional) Standards and other related services Standards
- Output 5 – Liaise with and influence of international bodies through participation in meetings and making of submissions

In support of the XRB's Statement of Intent 2022-2027, the NZAuASB's planned actions for the 2022–2027 period are built around four pillars:

1. Lead to ensure stakeholders understand the purpose and value of reporting standards and are informed of international developments.
2. Influence through debate and thought-leadership to promote improved reporting processes and ensure high-quality global standards that are both applicable in New Zealand and in the public interest.
3. Collaborate with stakeholders, with a greater emphasis on Māori, throughout the lifecycle of developing standards and ensure external reporting and assurance gaps are identified, understood, and addressed.
4. Respond to stakeholder input and a fast-changing external reporting landscape to ensure our standards and guidance are robust and sustainable.

The key strategic intentions and priority areas for assurance include:

- a. Assurance over non-financial disclosures including Greenhouse gas assurance engagements. With the rise in demand for assurance over reporting of non-financial information the XRB will be working with a broader group of stakeholders to promote and facilitate a common understanding of what "assurance" means in the context of broader non-financial reporting, and to provide the right foundation and tools to those delivering assurance services
- b. Audit of Service Performance Information
- c. Audit quality reforms. There is 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.

Output 3: Prepare and issue Auditing and Assurance (including Professional and Ethical) Standards and other related services Standards

| Respond to stakeholder input and fast-changing external reporting landscape to ensure standards are robust and sustainable | | |
|--|---|---|
| What we plan to achieve | 2022/2023 Key standard setting activities* | Service Performance Measures |
| <ul style="list-style-type: none"> Respond to domestic issues Issue all applicable IAASB and IESBA standards and guidance Apply convergence and harmonisation policy Perform post-implementation reviews (PIR) Evidence based research to identify gaps | <p><i>Domestic standards</i></p> <ul style="list-style-type: none"> GHG assurance (High) Audit of service performance information (High) Assurance capital raising (Med) Conforming amendments to the Code (Low) <p><i>Domestic guidance</i></p> <ul style="list-style-type: none"> GHG assurance (High) Impact of climate reporting on audit (TBD) Reporting on RBNZ Orders in Council (Med) Materiality (Med) <p><i>Expected international standards</i></p> <ul style="list-style-type: none"> PIE implications on ISAs (Low) Audit Evidence (Med) Audits of Less Complex Entities (Low) NZ PIE definition (Med) Group & engagement team definition (Low) Technology revisions (Low) <p><i>Perform PIR</i></p> <ul style="list-style-type: none"> Compliance engagements (Low) <p><i>Research</i></p> <ul style="list-style-type: none"> KAM reporting (Med) Identify topics for further research | <p>Standards are locally relevant and internationally credible</p> <ul style="list-style-type: none"> 100% compliance with due process requirements 100% compliance with convergence and harmonisation policy |

* Priority indicated next to activity – links to prioritisation and resourcing outline

Collaborate with stakeholders with a greater emphasis on Māori, throughout the lifecycle of developing standards to ensure external assurance gaps are identified, understood, and addressed

| What we plan to achieve | 2022/2023 Key standard setting activities | Service Performance Measures |
|---|---|--|
| <p>Monitor the wider assurance environment and consider the implications of developing issues for New Zealand auditing and assurance standards.</p> | <ul style="list-style-type: none"> • Monitor QA review results conducted locally and internationally and respond as appropriate. • Monitor issues arising from the implementation of the current suite of standards via media, public sources and relationship contacts and respond as appropriate. • Monitor modified audit reports and respond as appropriate. • Track research projects and respond as appropriate • Enhance understanding of assurance undertaken by non-accountants | <ul style="list-style-type: none"> • No significant issues raised regarding the quality of the assurance standards by audit reference group or the regulators. • Issues raised are investigated and addressed appropriately and in a timely manner. • No significant assurance application issues identified from the periodic review of modified audit reports |
| <p>Enhance the depth and breadth of engagement with existing and new stakeholders through new and existing communications and events</p> | <ul style="list-style-type: none"> • Specifically target assurance practitioners from small firms, sole practitioners and assurance practitioners who are not accountants. • Develop outreach plans for significant projects • Monitor and learn from the XRB's engagement processes on the <i>Ngā Pou o te kawa ora</i> project. | <ul style="list-style-type: none"> • Agreed and followed communication and outreach plan • Stakeholder engagement survey results |

Lead – ensure stakeholders understand the purpose and value of standards and are informed of international developments

| What we plan to achieve | 2022/2023 Key standard setting activities | Service Performance Measures |
|---|---|--|
| <p>Influence and respond to international developments that impact New Zealand</p> <ul style="list-style-type: none"> • Anticipate, monitor and respond to developments in international standard-setting structures and environment, and ensure that stakeholders are well informed. • Monitor outcome of engagement on audit and corporate governance reforms. • Promote an understanding of factors affecting quality by conducting events and developing thought leadership. | <ul style="list-style-type: none"> • Report back on international developments • XRB Board led initiative to host roundtable discussions with key stakeholders to promote an understanding of factors affecting quality and value of assurance if determined appropriate | <p>Timely and proactive response to issues within the XRB’s mandate agreed as priority</p> |
| <p>Contribute to government policy relating to assurance, to develop overall view of the system and how it could develop</p> <ul style="list-style-type: none"> • Understand, through effective engagement, the issues and challenges facing practitioners • Work with stakeholders to develop an overall view of the system and how it could develop | <ul style="list-style-type: none"> • Meet regularly with MBIE, FMA, IOD, NZX, CA ANZ, CPA Australia, CEP, practitioners, etc. • Respond to queries related to policy development (e.g., oversight of assurance practitioners of climate disclosures, audit of incorporated societies) | <p>Timely and proactive response to queries</p> |
| <p>Understand the perspectives of different stakeholders on the role of audit in maintaining trust in New Zealand reporting and consider how best to respond to international developments</p> | <ul style="list-style-type: none"> • Consult on how to adopt LCE standard • Identify the short- and long-term levers core to future profession and the enablers to that profession to influence the scope and role of assurance in maintaining trust | <p>Stakeholder survey results</p> |
| <p>Enhance the accessibility of the audit and assurance standards</p> | <ul style="list-style-type: none"> • Input into XRB’s digitisation project • Explore and implement ideas to enhance accessibility | <p>Stakeholder survey results</p> |

Output 5: Liaise with and influence of international bodies through participation in meetings and making of submissions

| Influence – through debate and thought-leadership to promote improved reporting processes and ensure high-quality global standards that are both applicable in New Zealand and in the public interest | | |
|---|--|--|
| What we plan to achieve | 2022/2023 Key standard setting activities | Service Performance Measures |
| <p>Influence the work of the IAASB and the IESBA during appropriate stages of standards development to ensure high-quality global standards that are both applicable in New Zealand and in the public interest:</p> <ul style="list-style-type: none"> • Participate in international and regional standard-setter meetings • Responding, as appropriate, to the IAASB and the IESBA due process documents (consultation documents, discussion papers and exposure drafts) and doing so in consultation with the AUASB and the APESB where appropriate • Participating, as appropriate, in roundtables and other face-to-face due process related meetings organised by the international boards | <ul style="list-style-type: none"> • Participate in IAASB and IESBA national standard setters' meetings • NZAuASB Chair participate in AUASB meetings with staff support • Meet regularly with like-minded NSS and share ideas <p>Respond to due process documents</p> <p>IESBA</p> <ul style="list-style-type: none"> • Strategy and work plan (Med) • Sustainability survey (High) <p>IAASB</p> <ul style="list-style-type: none"> • ED on PIE (Low) • ED on Audit Evidence (Med) • ED on Going Concern (Med) • Strategy consultation (Med) | <ul style="list-style-type: none"> • Success of submissions |

NZAuASB Planned actions for 2022-2027

The XRB's overarching strategic intention is to promote and facilitate effective decision making for resource allocation. We enable high quality, trusted, and integrated reporting through the provision of robust frameworks and standards that are internationally credible, while being relevant to Aotearoa New Zealand so that reporting and assurance in New Zealand promotes trust, confidence, transparency and accountability.

The primary purpose of this plan is to establish the NZAuASB's planned actions to support the XRB's strategic intentions and priorities for the period.

The XRB's activities are grouped into five outputs. The NZAuASB's activities relate most specifically to:

- Output 3 – Prepare and issue Auditing and Assurance (including Ethical and Professional) Standards and other related services Standards
- Output 5 – Liaise with and influence of international bodies through participation in meetings and making of submissions

In support of the XRB's Statement of Intent 2022-2027, the NZAuASB's planned actions for the 2022–2027 period are built around four pillars:

1. Lead to ensure stakeholders understand the purpose and value of reporting standards and are informed of international developments.
2. Influence through debate and thought-leadership to promote improved reporting processes and ensure high-quality global standards that are both applicable in New Zealand and in the public interest.
3. Collaborate with stakeholders, with a greater emphasis on Māori, throughout the lifecycle of developing standards and ensure external reporting and assurance gaps are identified, understood, and addressed.
4. Respond to stakeholder input and a fast-changing external reporting landscape to ensure our standards and guidance are robust and sustainable.

The key strategic intentions and priority areas for assurance include:

- a. Assurance over non-financial disclosures including Greenhouse gas assurance engagements. With the rise in demand for assurance over reporting of non-financial information the XRB will be working with a broader group of stakeholders to promote and facilitate a common understanding of what "assurance" means in the context of broader non-financial reporting, and to provide the right foundation and tools to those delivering assurance services
- b. Audit of Service Performance Information
- c. Audit quality reforms. There is 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.

Other priority areas include: Non-assurance services, Assurance over Financial Information Prepared in Connection with a Capital raising, Going Concern, Audit Evidence and the Public Interest Entity Definition.

Output 3: Prepare and issue Auditing and Assurance (including Professional and Ethical) Standards and other related services Standards

Lead – ensure stakeholders understand the purpose and value of standards and are informed of international developments

| What we plan to achieve | How we plan to go about this /Measure of success |
|---|--|
| Influence and respond to international developments that impact New Zealand | <ul style="list-style-type: none"> • Anticipate, monitor and respond to developments in international standard-setting structures and environment, and ensure that stakeholders are well informed. • Monitor outcome of stakeholder collaboration on audit quality reforms. • Promote an understanding of factors affecting audit quality by conducting events and developing thought leadership. |
| Contribute to government policy work relating to audit and assurance to develop overall view of the system and how it could develop as appropriate | <ul style="list-style-type: none"> • Understand, through effective engagement, the issues and challenges faced by various assurance practitioners • Work with regulators and other stakeholders to develop an overall view of the system and how it could develop in the future |
| Understand the perspectives of different stakeholder groups on the role of audit in maintaining trust in New Zealand reporting and consider how best to respond to international developments | <ul style="list-style-type: none"> • Conduct events as appropriate to understand perspectives and inform all participants in the external reporting supply chain about their role in maintaining trust, the role of assurance and the factors that affect audit quality |
| Enhance the accessibility of the audit and assurance standards | <ul style="list-style-type: none"> • Complete a feasibility assessment of the costs and benefits of introducing fully integrated digitised standards across all standards issued by the XRB. • Explore other opportunities to increase the accessibility & usability of auditing and assurance standards. |

Influence – through debate and thought-leadership to promote improved reporting processes and ensure high-quality global standards that are both applicable in New Zealand and in the public interest

| What we plan to achieve | How we plan to go about this /Measure of success |
|--|---|
| <p>Build and enhance strong international relationships with the IAASB, and the IESBA. Refine “influencing strategies” specific to each international board to influence the work of the IAASB and IESBA during appropriate stages of standard development</p> | <ul style="list-style-type: none"> • Attend relevant meetings and events (including NSS meetings) • Meet with IAASB and IESBA members and staff and engage on key matters to New Zealand • Foster relationships with and support Australasian representatives on the IAASB and IESBA and those who are involved in relevant working groups • Respond, as appropriate, to requests for information from the IAASB, IESBA and any other relevant working groups. • Seek opportunities to present the results of XRB research (and other thought leadership) on topics of global interest at relevant IAASB or IESBA events and other international forums • Invite IAASB and IESBA members and staff to present at NZAuASB meetings and other XRB constituent outreach events |
| <p>Maintain and enhance regional relationships</p> | <ul style="list-style-type: none"> • Attend and contribute to AUASB meetings as required • Identify and prioritize joint AUASB/NZAuASB projects • Identify opportunities to work collaboratively with the Canadian auditing standards board, and other like-minded NSS |
| <p>Facilitate debate, provide thought-leadership, participate in appropriate forums to enhance audit and assurance quality on priority topics</p> | <ul style="list-style-type: none"> • Facilitate debate, provide leadership and participate in forums on topic including: assurance over non-financial information, audits of service performance information, non-assurance services fraud and going concern |

Collaborate with stakeholder with a greater emphasis on Māori, throughout the lifecycle of developing standards to ensure external assurance gaps are identified, understood, and addressed.

| What we plan to achieve | How we plan to go about this /Measure of success |
|--|--|
| <p>Monitor the wider assurance environment, liaising with key participants in the financial and non- financial reporting “supply chain”, and consider the implications of developing issues for New Zealand auditing and assurance standards</p> | <ul style="list-style-type: none"> • Monitor QA review results conducted locally and internationally and respond as appropriate. • Monitor issues arising from the implementation of the current suite of standards via media, public sources and relationship contacts and respond as appropriate. • Monitor modified audit reports and respond as appropriate. • Track research projects and respond as appropriate |
| <p>Enhance the depth and breadth of engagement with existing and new stakeholders through new and existing communications and events</p> | <ul style="list-style-type: none"> • Specifically target assurance practitioners from small firms, sole practitioners and assurance practitioners who are not accountants. • Broaden our stakeholder base to engage with a larger range of practitioners • Proactively seek opportunities to engage with those involved in the external reporting of Māori incorporated entities as needed. • Identify and implement innovative, targeted consultative methods |
| <p>Awareness raising activities undertaken throughout the lifecycle</p> | <ul style="list-style-type: none"> • Contribute to regular XRB Pitopito Kōrero, social media posts and alerts and conduct events to raise awareness, with a focus on “why the change”: <ul style="list-style-type: none"> • of assurance practitioners about auditing and assurance standards. • of assurance users (where relevant) about auditing and assurance standards and the benefits of and options for enhancing credibility. • Promoting awareness of the IAASB and the IESBA implementation support activities. • Supporting other relevant organisations that provide training and professional development. |
| <p>Implement engagement strategies with key stakeholders</p> | <ul style="list-style-type: none"> • NZAuASB to meet with major constituent groups on a rolling basis. • Meet with major constituent groups in other fora, including at events hosted by those groups. • Maintain strong working relationships at the operational level with key stakeholders. |

Respond to stakeholder input and fast-changing external reporting landscape to ensure our frameworks, standards and guidance are robust and sustainable

| What we plan to achieve | How we plan to go about this /Measure of success |
|---|--|
| Issue all IAASB and IESBA based standards and guidance in accordance with our due process and convergence and harmonisation policy | 100% compliance with due process and convergence and harmonisation policy Standards issued before the international effective date allowing for an appropriate implementation timeframe in New Zealand |
| Seek feedback on IAASB and IESBA standards on local relevance | Ensure that all appropriate due process requirements are satisfied through transparent, collaborative consultation |
| Issue NZ specific standards and guidance in a timely manner. Priorities include: <ul style="list-style-type: none"> • Assurance over non-financial disclosures including GHG emissions • Audit of service performance information • Assurance over financial information prepared in connection with a capital raising | 100% compliance with due process and convergence and harmonisation policy <ul style="list-style-type: none"> • Issue standard on assurance over financial information prepared in connection with a capital raising • Issue exposure draft on audit of service performance information • Issue exposure draft on greenhouse gas assurance engagements |
| Seek feedback on NZ standards through transparent, collaborative consultation | Ensure that all appropriate due process requirements are satisfied through transparent, collaborative consultation |
| Undertake post-implementation reviews to assess understanding, use, impact and remaining/new gaps | Performing a post implementation review on the Compliance Engagement Standard jointly with the AUASB to determine if further guidance is needed. |
| Undertake or support evidence based research to identify gaps in standards or where guidance is needed | <ul style="list-style-type: none"> • Identify applicable user needs research to undertake • Provide input on possible topics for academic research • Consider output of research available • Commission a research report on Key Audit matters |
| Develop guidance material to support the consistent application of auditing and assurance standards | <ul style="list-style-type: none"> • Developing Staff FAQs and other non-authoritative guidance material to support the consistent application of new and existing standards (where deemed required); • Promoting awareness of IAASB and IESBA implementation support activities through XRB constituency engagement activities. • Considering what further guidance is needed in the New Zealand environment and develop the guidance. |

Output 5: Liaise with and influence of international bodies through participation in meetings and making of submissions

Strategic pillar 2: Influence – through debate and thought-leadership to promote improved reporting processes and ensure high-quality global standards that are both applicable in New Zealand and in the public interest

| What we plan to achieve and how we go about this | How we plan to go about this /Measure of success |
|--|---|
| <p>Influence the work of the IAASB and the IESBA during appropriate stages of standards development to ensure high-quality global standards that are both applicable in New Zealand and in the public interest</p> | <ul style="list-style-type: none">• Facilitate debate and ensure assurance practitioners and relevant users of assurance reports are aware of the IAASB and the IESBA due process documents through effective use of communication technologies and platforms including on:<ul style="list-style-type: none">○ Sustainability assurance○ Going concern○ Fraud○ Audit evidence○ Public interest entity definition• Responding, as appropriate, to the IAASB and the IESBA due process documents (consultation documents, discussion papers and exposure drafts) and doing so in consultation with the AUASB and the APESB where appropriate;• Participating, as appropriate, in roundtables and other face-to-face due process related meetings organised by the international boards. |

**Engagement Team – Group Audit Independence
(Approved Text)**

This document includes the proposed revisions to the Code relating to the definition of engagement team and group audits that IESBA approved on December 2, 2022. The final pronouncement will be released after the IESBA receives confirmation of the PIOB's approval of the provisions.

**Chapter 1 – Proposed Changes to the International Independence Standards
Relating to the Revision to the Definition of Engagement Team and Group Audits**

(Mark-up from Exposure Draft)

PART 4A – INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS

SECTION 400

**APPLYING THE CONCEPTUAL FRAMEWORK TO INDEPENDENCE FOR AUDIT
AND REVIEW ENGAGEMENTS**

Introduction

...

400.1 It is in the public interest and required by the Code that professional accountants in public practice be independent when performing audit or review engagements.

400.2 This Part applies to both audit and review engagements, unless otherwise stated. The terms “audit,” “audit team,” “audit engagement,” “audit client,” and “audit report” apply equally to review, review team, review engagement, review client, and review engagement report.

[\[....\]](#)

400.36 When performing audit engagements, the Code requires firms to comply with the fundamental principles and be independent. This Part sets out specific requirements and application material on how to apply the conceptual framework to maintain independence when performing such engagements. The conceptual framework set out in Section 120 applies to all audit team members, including individuals from a component auditor firm who perform audit work related to a component for purposes of a group audit. Independence as it does to the fundamental principles set out in Section 110. Section 405 sets out specific independence provisions requirements and application material applicable in a group audit.

...

400.7 This Part describes:

- (a) Facts and circumstances, including professional activities, interests and relationships, that create or might create threats to independence;
- (b) Potential actions, including safeguards, that might be appropriate to address any such

threats; and

- (c) Some situations where the threats cannot be eliminated or there can be no safeguards to reduce them to an acceptable level.

Engagement Team and Audit Team

400.A8 This Part applies to all audit team members, including engagement team members.

400.9 An engagement team for an audit engagement includes all partners and staff in the firm who perform audit procedureswork on the engagement, and any other individuals who perform suchaudit procedures who are from:

- (a) A network firm; or
(b) A firm that is not a network firm, or another service provider.

For example, an individual from a component auditor firm who performs audit workprocedures on the financial information of a component for purposes of a group audit is a member of the engagement team for the group audit.

400.B10 In ISQM 1, a service provider includes an individual or organization external to the firm that provides a resource that is used in the performance of engagements. Service providers exclude the firm, a network firm or other structures or organizations in the network.

400.C11 An audit engagement might involve experts fromwithin, or engaged by, the firm ~~or,~~ a network firm, external experts or, in the case of a group audit, experts from a component auditor firm outside ~~the~~ group auditor firm's network, who assist in the engagement. Depending on the role of the individuals, they might be engagement team or audit team members. For example:

- Individuals with expertise in a specialized area of accounting or auditing who perform audit procedures are engagement team members. These include, for example, individuals with expertise in accounting for income taxes or in auditing-clientanalyzing complex information usingproduced by automated tools and techniques for the purpose of identifying unusual or unexpected relationships.
- Individuals within, or engaged by, the firm who have direct influence over the outcome of the audit engagement through consultation regarding technical or industry-specific issues, transactions or events for the engagement are audit team members but not engagement team members.

~~Individuals~~ However, individuals who are external experts in fields other than accounting or auditing are neither engagement team nor audit team members.

400.D12 If the audit engagement is subject to an engagement quality review, the engagement quality reviewer and any other individuals performing the engagement quality review are audit team members but not engagement team members.

Public Interest Entities

400.138- Some of the requirements and application material set out in this Part reflect the extent of public interest in certain entities which are defined to be public interest entities. Firms are encouraged to determine whether to treat additional entities, or certain categories of entities, as public interest entities because they have a large number and wide range of stakeholders. Factors to be considered include:

- The nature of the business, such as the holding of assets in a fiduciary capacity for a large number of stakeholders. Examples might include financial institutions, such as banks and insurance companies, and pension funds.
- Size.
- Number of employees.

400.149 (…)

[As part of the Final Pronouncement “Revisions to the Definitions of Listed Entity and Public Interest Entity,” the IESBA approved changes to the subsection on “Public Interest Entities” that will come into effect in December 2024. The numbering of these approved paragraphs, and the references thereto, will be updated in accordance with the changes above to Section 400.]

SECTION 405

GROUP AUDITS

Introduction

405.1 Section 400 requires a firm to be independent when performing an audit engagement, ~~including a group audit engagement,~~ and to apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence. This section sets out specific requirements and application material relevant to applying the conceptual framework when performing ~~a group audit engagementsengagement.~~

Requirements and Application Material

General

405.2 A1 ~~The~~ ISAs apply to an audit of group financial statements. ~~This section addresses the relevant independence considerations that apply in a group audit.~~ ISA 600 (Revised) deals with special considerations that apply to an audit of group financial statements, including when component auditors are involved. ISA 600 (Revised) requires the group engagement partner to take responsibility for confirming whether the component auditors understand and will comply with the relevant ethical requirements, including those related to independence, that apply to the group audit. The independence requirements referred to in ISA 600 (Revised), or other relevant auditing standards applicable to group audits that are equivalent to ISA 600 (Revised), are those specified in this section.

405.2 A2 A component auditor firm that participates in a group audit engagement might separately issue an audit opinion on the financial statements of the component audit client. Depending on the circumstances, the component auditor firm might need to comply with different independence requirements when performing audit work for a group audit and separately issuing an audit opinion on the financial statements of the component audit client for statutory, regulatory or other reasons.

Communication Between a Group Auditor Firm and a Component Auditor Firm

R405.3 ISA 600 (Revised) requires the group engagement partner to take responsibility to make a component auditor aware of the relevant ethical requirements that are applicable given the nature and the circumstances of the group audit engagement. When making the component auditor firm aware of the relevant ethical requirements, the group auditor firm shall communicate at appropriate times the necessary information to enable the component auditor firm to meet its responsibilities under this section.

405.3 A1 Examples of matters the group auditor firm might communicate include:

- Whether the group audit client is a public interest entity and the relevant ethical requirements applicable to the group audit engagement.
- The related entities and other components within the group audit client that are relevant to the independence considerations applicable to the component auditor firm and the group audit team members within, or engaged by, that firm.
- The period during which the component auditor firm is required to be independent.
- Whether an audit partner who performs work at the component for purposes of the

group audit is a key audit partner for the group audit.

R405.4 ISA 600 (Revised) also requires the group engagement partner to request the component auditor to communicate whether the component auditor has complied with the relevant ethical requirements, including those related to independence, that apply to the group audit engagement. For the purposes of this section, such request shall include the communication of:

- (a) Any independence matters that require significant judgment; and
- (b) In relation to those matters, the component auditor firm's conclusion whether the threats to its independence are at an acceptable level, and the rationale for that conclusion.

405.4 A1 If a matter comes to the attention of the group engagement partner that indicates that a threat to independence exists, ISA 220 (Revised) requires the group engagement partner to evaluate the threat and take appropriate action.

Independence Considerations Applicable to Individuals

Members of the Group Audit Team Within, or Engaged by, a Group Auditor Firm and Its Network Firms

R405.35 All members of the audit team for the group audit team within, or engaged by, the group auditor firm and its network firms shall be independent of the group audit client in accordance with the requirements of this Part that are applicable to the audit team.

Other Members of the Group Audit Team

R405.6 Members of the group audit team within, or engaged by, a component auditor firm outside the group auditor firm's network shall be independent of:

- (a) The component audit client;
- (b) The entity on whose group financial statements the group auditor firm expresses an opinion; and
- (c) Any entity over which the entity in subparagraph (b) has direct or indirect control, provided that such entity has direct or indirect control over the component audit client,

in accordance with the requirements of this Part that are applicable to the audit team.

R405.7 In relation to related entities or components within the group audit client other than those covered in paragraph R405.6, a member of the group audit team within, or engaged by, a component auditor firm outside the group auditor firm's network shall notify the component auditor firm about any relationship or circumstance the individual knows, or has reason to believe, might create a threat to the individual's independence in the context of the group audit.

405.7 A1 Examples of relationships or circumstances involving the individual or any of the individual's immediate family members, as applicable, that are relevant to the individual's consideration when complying with paragraph R405.7 include:

- A direct or material indirect financial interest in an entity that has control over the group audit client if the group audit client is material to that entity (see Section 510).
- A loan or guarantee involving: (see Section 511)
 - An entity that is not a bank or similar institution unless the loan or guarantee is

immaterial; or

- o A bank or similar institution unless the loan or guarantee is made under normal lending procedures, terms and conditions.
- A business relationship that is significant or involves a material financial interest (see Section 520).
- An immediate family member who is: (see Section 521)
 - o A director or officer of an entity; or
 - o An employee in a position to exert significant influence over the preparation of an entity's accounting records or financial statements.
- The individual serving as, or having recently served as: (see Section 522 and Section 523)
 - o A director or officer of an entity; or
 - o An employee in a position to exert significant influence over the preparation of an entity's accounting records or financial statements.

R405.8 Upon receiving the notification as set out in paragraph R405.7, the component auditor firm shall evaluate and address any threats to independence created by the individual's relationship or circumstance.

Independence Considerations Applicable to a Group Auditor Firm

R405.49 A group auditor firm shall be independent of the group audit client in accordance with the requirements of this Part that are applicable to thea firm.

Independence Considerations Applicable to Network Firms of a Group Auditor Firm

R405.510 A network firm of the group auditor firm shall be independent of the group audit client in accordance with the requirements of this Part that are applicable to thea network firm.

Independence Considerations Applicable to Component Auditor Firms outside a Group Auditor Firm's Network

All Group Audit Clients

R405.611 A component auditor firm outside the group auditor firm's network shall:

- (a) Shall be independent of the component audit client in accordance with the requirements set out in this Part that are applicable to a firm with respect to all audit clients;
- (b) Shall not hold Apply the relevant requirements in paragraphs R510.4(a-direct or material indirect), R510.7 and R510.9 with respect to financial interest ~~interests~~ in the entity on whose group financial statements the group auditor firm expresses an opinion; and
- (c) Shall, in relation to Apply the relevant requirements in Section 511 regarding with respect to loans and guarantees, apply the relevant specific requirements and application material with respect to the involving the entity on whose group financial statements the group auditor firm expresses an opinion.

R405.712 When a component auditor firm outside the group auditor firm's network knows, or has

reason to believe, that a relationship or circumstance involving the group audit client, beyond those addressed in paragraph R405.11(b) and (c), is relevant to the evaluation of the component auditor firm's independence from the component audit client, the component auditor firm shall include that relationship or circumstance when identifying, evaluating and addressing threats to independence.

R405.813 When a component auditor firm outside the group auditor firm's network knows, or has reason to believe, that a relationship or circumstance of a firm within the component auditor firm's network with the component audit client or the group audit client creates a threat to the component auditor firm's independence, the component auditor firm shall evaluate and address any such threat.

Period During which Independence is Required

405.14 A1 The references to the financial statements and the audit report in paragraphs R400.30 and 400.30 A1 mean the group financial statements and the audit report on the group financial statements, respectively, when applied in this section.

Group Audit Clients that are Not Public Interest Entities

R405.915 When the group audit client is not a public interest entity, a component auditor firm outside the group auditor firm's network shall be independent of the component audit client in accordance with the requirements set out in this Part that are applicable to audit clients that are not public interest entities for the purposes of the group audit.

405.15 A1 Where a component auditor firm outside the group auditor firm's network also performs an audit engagement for a component audit client that is a public interest entity for reasons other than the group audit, for example, a statutory audit, the independence requirements that are relevant to audit clients that are public interest entities apply to that engagement.

Group Audit Clients that are Public Interest Entities

Non-Assurance Services

R405.16405.12 A1 Subject to paragraph R405.17, when the group audit client is a public interest entity, a component auditor firm outside the group auditor firm's network shall comply with the provisions in Section 600 ~~requires a firm to evaluate whether that are applicable to public interest entities with respect to the provision of non-assurance services provided to the component audit client.~~

405.16 A1 ~~For example, w~~Where the group audit client is a public interest entity, ~~the~~a component auditor firm outside the group auditor firm's network is prohibited from ~~acting, for example:~~

- Providing accounting and bookkeeping services to a component audit client that is not a public interest entity (see Subsection 601).
- Designing the amounts involved are material to the financial information of the technology system, or an aspect of it, for a component audit client. Similarly, the component auditor firm's design and implementation of that is not a public interest entity where such information technology system generates information for the component audit client's information technology system that generates the financial information on which the component auditor firm will perform audit work creates a self-review threat and is therefore prohibited if the group audit client is a public interest entity accounting records or financial statements (see Subsection 606).

- Acting in an advocacy role for a component audit client that is not a public interest entity in resolving a dispute or litigation before a tribunal or court, ~~regardless of whether~~ (see Subsection 608).

405.4216 A2 The financial information on which a component auditor firm outside the group auditor firm's network performs audit workprocedures is relevant to the evaluation of the self-review threat that might be created by the component auditor firm's provision of a non-assurance service, and therefore the application of Section 600. For example, if the component auditor firm's audit workisprocedures are limited to a specific item such as inventory, the evaluation of the self-review threat would includeresults of any non-assurance serviceservice that form part of or affect the accounting records or the financial information related to the accounting for, or the internal controls over, inventory are relevant to the evaluation of the self-review threat.

R405.17 ~~As an audit client create threatsexception to independence. The application of paragraph R405.40 requires16,~~ a component auditor firm ~~to apply the independence requirements for outside the group auditor firm's network may provide a~~ non-assurance ~~services for public interest entitiesservice that is not prohibited under Section 600 to thea~~ component audit client ~~wherewithout communicating information about the proposed non-assurance service to those charged with governance of the group audit client is a public interest entity, or obtaining their concurrence regarding the provision of that service as addressed by paragraphs R600.21 to R600.24.~~

Key Audit Partners

R405.18~~405.11 A1~~ The group engagement partner ~~mightshall~~ determine ~~thatwhether an audit partner an engagement partner~~ who performs audit work related toat a component for purposes of the group audit is a key audit partner for the group audit. If so, the group engagement partner shall:

(a) Communicate that determination to that individual; and

(b) Indicate:

(i) In the case of all group audit clients, that the individual is subject to paragraph R411.4, and

(ii) In the case of group audit clients that are public interest entities, that the individual is also subject to paragraphs R524.6, R540.5(c) and R540.20.

405.18 A1 ~~because that individual~~A key audit partner makes key decisions or judgments on significant matters with respect to the audit of the group financial statements on which the group auditor firm expresses an opinion in the group audit. ~~In these circumstances, once the group engagement partner has communicated that determination to the engagement partner on the audit of the component, that individual will be subject to the provisions in paragraphs R411.4 and R524.6 and Section 540 that apply to key audit partners.~~

Changes in Components

All Group Audit Clients

R405.19 When an entity that is not a related entity becomes a component within the group audit client, the group auditor firm shall apply paragraphs R400.71 to R400.76.

Changes in Component Auditor Firms

All Group Audit Clients

405.4320 A1 There might be circumstances in which the group auditor firm requests another firm to perform audit work as a component auditor firm during or after the period covered by the group financial statements, for example due to a client merger or acquisition. A threat to the component auditor firm's independence might be created by:

- (a) Financial or business relationships of the component auditor firm with the component audit client during or after the period covered by the group financial statements but before the component auditor firm agrees to perform the audit work; or
- (b) Previous services provided to the component audit client by the component auditor firm.

405.4320 A2 Paragraphs 400.31 A1- to A3 set out application material that is ~~also~~ applicable for a component auditor firm's assessment of threats to independence if a non-assurance service was provided by the component auditor firm to the component audit client during or after the period covered by the group financial statements, but before the component auditor firm begins to perform the audit work for the purposes of the group audit, and the service would not be permitted during the engagement period.

405.20 A3 Paragraph 400.31 A4 sets out application material that is applicable for a component auditor firm's assessment of threats to independence if a non-assurance service was provided by the component auditor firm to the component audit client prior to the period covered by the group financial statements.

Group Audit Clients that are Public Interest Entities

405.21 A1 Paragraphs R400.32 and 400.32 A1 are applicable when a component auditor firm agrees to perform audit work for group audit purposes in relation to a group audit client that is a public interest entity if the component auditor firm has previously provided a non-assurance service to the component audit client.

405.21 A2 Paragraphs R600.25 and 600.25 A1 are applicable in relation to a non-assurance service provided, either currently or previously, by a component auditor firm to a component audit client **when** the group audit client subsequently becomes a public interest entity.

Breach of an Independence Provision at a Component Auditor Firm

When a Component Auditor Firm Within the Group Auditor Firm's Network Identifies a Breach

~~R405.14~~ ~~— If a component auditor firm within the group auditor firm's network concludes that a breach of this section has occurred, the component auditor firm shall communicate the breach immediately to the group engagement partner. Based on the assessment of the component auditor firm's breach, the group engagement partner shall determine what action to take in accordance with the provisions of paragraphs R400.80 to R400.89.~~

405.22 A1 A breach of a provision of this section might occur despite a component auditor firm having a system of quality management designed to address independence requirements. Paragraphs R405.23 to R405.29 are relevant to a group auditor firm's determination as to whether it would be able to use a component auditor firm's work if a breach has occurred at the component auditor firm.

405.22 A2 In the case of a breach at a component auditor firm within the group auditor firm's network, paragraphs R400.80 to R400.89 also apply to the group auditor firm in relation to the group audit, as applicable.

When a Component Auditor Firm ~~Outside the Group Auditor Firm's Network~~ Identifies a Breach

R405.1523 If a component auditor firm ~~outside the group auditor firm's network~~ concludes that a breach of this section has occurred, the component auditor firm shall:

- (a) End, suspend or eliminate the interest or relationship that created the breach and address the consequences of the breach;
- (b) Evaluate the significance of the breach and its impact on the component auditor firm's objectivity and ability to perform audit work for the purposes of the group audit; ~~(Ref: Para 400.80 A2)~~
- (c) Depending on the significance of the breach, determine whether it is possible to take action that satisfactorily addresses the consequences of the breach and whether such action can be taken and is appropriate in the circumstances; and ~~(Ref: Para 400.80 A3)~~
- (d) Promptly communicate in writing the breach to the group engagement partner, including the component auditor firm's assessment of the significance of the breach and any actions proposed or taken to address the consequences of the breach.

405.23 A1 Paragraphs 400.80 A2 and A3 set out application material relevant to the component auditor firm's evaluation of the significance and impact of the breach on the component auditor firm's objectivity and ability to issue an opinion or conclusion on the audit work performed at the component for purposes of the group audit, and its consideration of any actions that might be taken to address the ~~consequences of the breach~~ satisfactorily.

R405.1624 Upon receipt of the component auditor firm's communication of the breach, the group engagement partner shall:

- (a) Review the component auditor firm's assessment of the significance of the breach and its impact on the component auditor firm's objectivity, and any actions that ~~proposed~~ can be or has been taken to address the consequences of the breach;
- (b) Evaluate the ~~impact of the breach on the component auditor firm's objectivity and the group auditor firm's ability to use the work of the component auditor firm for the~~ purposes of the group audit; and
- (c) Determine the need for any further action.

R405.1725 In ~~making this determination~~ applying paragraph R405.24, the group engagement partner shall exercise professional judgment and take into account whether a reasonable and informed third party would be likely to conclude that the component auditor firm's objectivity is compromised, and therefore, the group auditor firm is unable to use the work of the component auditor firm for the purposes of the group audit.

405.1825 A1 If the group engagement partner determines that the ~~consequences of the breach~~ has been satisfactorily addressed by the component auditor firm and does not compromise the component auditor firm's objectivity, the group auditor firm may continue to use the work of the component auditor firm for the group audit. In certain circumstances, the group engagement partner might determine that additional actions are needed to satisfactorily

address the breach in order to use the component auditor firm's work. Examples of such action include the group auditor firm performing specific procedures on the areas impacted by the breach or requesting the component auditor firm to perform appropriate remedial work on the affected areas.

405.1825 A2 ~~ISA 600 (Revised)~~ sets out that if there has been a breach by a component auditor and the breach ~~cannot be~~ has not been satisfactorily addressed, the group auditor ~~firm~~ cannot use the ~~component auditor firm's~~ work of that component auditor. In those circumstances, the group engagement partner might find other means to obtain the necessary audit evidence on the component audit client's financial information. Examples of such means include the group auditor firm performing the necessary audit work on the component audit client's financial information or requesting another component auditor firm to perform such audit work.

Communication Discussion with Those Charged with Governance of the Group Audit Client

405.26 A1 With respect to breaches by a component auditor firm within the group auditor firm's network, paragraph R400.84 applies.

R405.1927 With respect to breaches by a component auditor firm outside the group auditor firm's network, the group auditor firm shall discuss with those charged with governance of the group audit client:

(a) ~~The significance of the breach at the~~ component auditor ~~firm~~ firm's assessment of the significance and impact of the breach on the component auditor firm's objectivity, including ~~its~~ the nature and duration; of the breach, and

~~(b) Whether the actions that can be or has been proposed or taken; and~~

(b) Whether:

(i) The action ~~will~~ would satisfactorily address, ~~or has addressed~~, the consequences of the breach ~~to enable the; or~~

(ii) The group auditor firm ~~to~~ will use other means to obtain the ~~work of necessary audit evidence on~~ the component ~~auditor firm~~ audit client's financial information.

Such discussion shall take place as soon as possible unless an alternative timing is specified by those charged with governance for reporting less significant breaches.

R405.28 The group auditor firm shall communicate in writing to those charged with governance of the group audit client all matters discussed in accordance with paragraph R405.27 and obtain the concurrence of those charged with governance that ~~the~~ the action can be or has been taken to satisfactorily address the consequences of the breach.

R405.290 If those charged with governance do not concur that the actions ~~that proposed can be~~ or has been taken would satisfactorily address the consequences of the breach at the component auditor firm, the group auditor firm shall not use the work performed by the component auditor firm for the purposes of the group audit.

Chapter 2 – ~~Proposed~~ Conforming Amendments to Section 360 of the Code to Align with ISA 600 (Revised) Terminology

(Mark-up from *Exposure Draft*)

PART 3 - PROFESSIONAL ACCOUNTANTS IN PUBLIC PRACTICE

SECTION 360

RESPONDING TO NON-COMPLIANCE WITH LAWS AND REGULATIONS

Communication with Respect to Groups

R360.16 Where a professional accountant becomes aware of non-compliance or suspected non-compliance in ~~relation to a component or a legal entity or business unit that is part of a group~~ in either of the following two situations in the context of a group, the accountant shall communicate the matter to the group engagement partner unless prohibited from doing so by law or regulation:

- (a) The accountant performs audit work related to a component for purposes of the group audit; or
- (b) The accountant is engaged to perform an audit of the financial statements of a legal entity or business unit that is part of a group for purposes other than the group audit, for example, a statutory audit.

The communication to the group engagement partner shall be in addition to responding to the matter in accordance with the provisions of this section.

360.16 A1 The purpose of the communication is to enable the group engagement partner to be informed about the matter and to determine, in the context of the group audit, whether and, if so, how to address it in accordance with the provisions in this section. The communication requirement in paragraph R360.16 applies regardless of whether the group engagement partner's firm or network is the same as or different from the professional accountant's firm or network.

R360.17 Where the group engagement partner becomes aware of non-compliance or suspected non-compliance in the course of a group audit, the group engagement partner shall consider whether the matter might be relevant to:

- (a) One or more components subject to audit work for purposes of the group audit; or
- (b) One or more legal entities or business units that are part of the group and whose financial statements are subject to audit for purposes other than the group audit, for example, a statutory audit.

This consideration shall be in addition to responding to the matter in the context of the group audit in accordance with the provisions of this section.

R360.18 If the non-compliance or suspected non-compliance might be relevant to one or more of the components, specified in paragraph R360.17(a) and legal entities or business units specified in paragraph R360.17 ~~(a) and~~ (b), the group engagement partner shall take steps to have the matter communicated to those performing audit work at the components, legal entities or business units, unless prohibited from doing so by law or regulation. If necessary, the group

engagement partner shall arrange for appropriate inquiries to be made (either of management or from publicly available information) as to whether the relevant legal entities or business units specified in paragraph R360.17(b) are subject to audit and, if so, to ascertain to the extent practicable the identity of the auditors.

- 360.18 A1 The purpose of the communication is to enable those responsible for audit work at the components, legal entities or business units to be informed about the matter and to determine whether and, if so, how to address it in accordance with the provisions in this section. The communication requirement applies regardless of whether the group engagement partner's firm or network is the same as or different from the firms or networks of those performing audit work at the components, legal entities or business units.

Chapter 3 – ~~Proposed~~ Conforming Amendment to Revised Non-assurance Services (NAS) Provisions issued in April 2021

(Mark-up from *Exposure Draft*)

PART 4A – INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS

SECTION 400

APPLYING THE CONCEPTUAL FRAMEWORK TO INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS

Requirements and Application Material

...

- R400.31** If an entity becomes an audit client during or after the period covered by the financial statements on which the firm will express an opinion, the firm shall determine whether any threats to independence are created by:
- (a)** Financial or business relationships with the audit client during or after the period covered by the financial statements but before accepting the audit engagement; or
 - (b)** Previous services provided to the audit client by the firm or a network firm.

Chapter 4 – ~~Proposed~~ Conforming Amendments to the Code Resulting from the Revision to the Definition of Engagement Team

(Mark-up from *Exposure Draft*)

PART 3 - PROFESSIONAL ACCOUNTANTS IN PUBLIC PRACTICE

SECTION 300

APPLYING THE CONCEPTUAL FRAMEWORK – PROFESSIONAL ACCOUNTANTS IN PUBLIC PRACTICE

Requirements and Application Material

General

...

Addressing Threats

...

Examples of Safeguards

300.8 A2 Safeguards vary depending on the facts and circumstances. Examples of actions that in certain circumstances might be safeguards to address threats include:

- ...
- Using different partners and teams with separate reporting lines for the provision of non-assurance services to an assurance client might address self-review, advocacy or familiarity threats.
- ...

SECTION 310

CONFLICTS OF INTEREST

Conflict Identification

...

Threats Created by Conflicts of Interest

...

310.8 A3 Examples of actions that might be safeguards to address threats created by a conflict of interest include:

- Having separate teams who are provided with clear policies and procedures on maintaining confidentiality.
- ...

Confidentiality

...

When Disclosure to Obtain Consent would Breach Confidentiality

R310.12 When making specific disclosure for the purpose of obtaining explicit consent would result in a breach of confidentiality, and such consent cannot therefore be obtained, the firm shall only accept or continue an engagement if:

- (a) The firm does not act in an advocacy role for one client in an adversarial position against another client in the same matter;
- (b) Specific measures are in place to prevent disclosure of confidential information between the teams serving the two clients; and

...

Documentation

R310.13 In the circumstances set out in paragraph R310.12, the professional accountant shall document:

- (a) The nature of the circumstances, including the role that the accountant is to undertake;
- (b) The specific measures in place to prevent disclosure of information between the teams serving the two clients; and

...

SECTION 320

PROFESSIONAL APPOINTMENTS

...

Requirements and Application Material

Client and Engagement Acceptance

General

...

320.3 A3 A self-interest threat to compliance with the principle of professional competence and due care is created if the team does not possess, or cannot acquire, the competencies to perform the professional services.

...

INTERNATIONAL INDEPENDENCE STANDARDS

PART 4A – INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS

SECTION 400

APPLYING THE CONCEPTUAL FRAMEWORK TO INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS

...

Requirements and Application Material

...

Period During which Independence is Required

...

400.30 A1 The engagement period starts when the engagement team begins to perform the audit. The engagement period ends when the audit report is issued. When the engagement is of a recurring nature, it ends at the later of the notification by either party that the professional relationship has ended or the issuance of the final audit report.

...

400.31 A1 Threats to independence are created if a non-assurance service was provided to an audit client during, or after the period covered by the financial statements, but before the engagement team begins to perform the audit, and the service would not be permitted during the engagement period.

SECTION 510

FINANCIAL INTERESTS

Requirements and Application Material

...

Financial Interests Held by the Firm, a Network Firm, Audit Team Members and Others

...

510.4 A1 The office in which the engagement partner practices in connection with an audit engagement is not necessarily the office to which that partner is assigned. When the engagement partner is located in a different office from that of the other engagement team members, professional judgment is needed to determine the office in which the partner practices in connection with the engagement.

...

SUBSECTION 605 – INTERNAL AUDIT SERVICES (FROM REVISED NAS PRONOUNCEMENT)

Introduction

...

Requirements and Application Material

...

605.4 A2 When a firm uses the work of an internal audit function in an audit engagement, ISAs require the performance of procedures to evaluate the adequacy of that work. Similarly, when a firm or network firm accepts an engagement to provide internal audit services to an audit client, the results of those services might be used in conducting the external audit. This might create a self-review threat because it is possible that the engagement team will use the results of the internal audit service for purposes of the audit engagement without:

- (a) Appropriately evaluating those results; or
- (b) Exercising the same level of professional skepticism as would be exercised when the internal audit work is performed by individuals who are not members of the firm.

605.4 A3 Factors that are relevant in identifying a self-review threat created by providing internal audit services to an audit client, and evaluating the level of such threat include:

- The materiality of the related financial statement amounts.
- The risk of misstatement of the assertions related to those financial statement amounts.
- The degree of reliance that the engagement team will place on the work of the internal audit service.

When a self-review threat for an audit client that is a public interest entity has been identified, paragraph R605.6 applies.

PART 4B (REVISED) – INDEPENDENCE FOR ASSURANCE ENGAGEMENTS OTHER THAN AUDIT AND REVIEW ENGAGEMENTS

SECTION 900

APPLYING THE CONCEPTUAL FRAMEWORK TO INDEPENDENCE FOR ASSURANCE ENGAGEMENTS OTHER THAN AUDIT AND REVIEW ENGAGEMENTS

...

Requirements and Application Material

...

Period During which Independence is Required

R900.30 Independence, as required by this Part, shall be maintained during both:

- (a) The engagement period; and
- (b) The period covered by the subject matter information.

900.30 A1 The engagement period starts when the engagement team begins to perform assurance services with respect to the particular engagement. The engagement period ends when the assurance report is issued. When the engagement is of a recurring nature, it ends at the later of the notification by either party that the professional relationship has ended or the issuance of the final assurance report.

...

R900.32 Threats to independence are created if a non-assurance service was provided to the assurance client during, or after the period covered by the subject matter information, but before the engagement team begins to perform assurance services, and the service would not be permitted during the engagement period. In such circumstances, the firm shall evaluate and address any threat to independence created by the service. If the threats are not at an acceptable level, the firm shall only accept the assurance engagement if the threats are reduced to an acceptable level.

Chapter 5 – ~~Proposed~~ Quality Management-related Consequential Amendments to the Code

INTERNATIONAL INDEPENDENCE STANDARDS

(Mark-up from *Exposure Draft*)

PART 4A – INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS

SECTION 540

LONG ASSOCIATION OF PERSONNEL (INCLUDING PARTNER ROTATION) WITH AN AUDIT CLIENT

Requirements and Application Material

All Audit Clients

...

R540.4 If a firm decides that the level of the threats created can only be addressed by rotating the individual off the audit team, the firm shall determine an appropriate period during which the individual shall not:

- (a) Be a member of the engagement team for the audit engagement;
- (b) Perform an engagement quality review, or a review consistent with the objective of an engagement quality review, for the engagement; or
- (c) Exert direct influence on the outcome of the audit engagement.

The period shall be of sufficient duration to allow the familiarity and self-interest threats to be addressed. In the case of a public interest entity, paragraphs R540.5 to R540.20 also apply.

...

Restrictions on Activities During the Cooling-off Period

R540.20 For the duration of the relevant cooling-off period, the individual shall not:

- (a) Be an engagement team member or perform an engagement quality review, or a review consistent with the objective of an engagement quality review for the audit engagement;
- (b) Consult with the engagement team or the client regarding technical or industry-specific issues, transactions or events affecting the audit engagement (other than discussions with the engagement team limited to work undertaken or conclusions reached in the last year of the individual's time-on period where this remains relevant to the audit);
- (c) Be responsible for leading or coordinating the professional services provided by the firm or a network firm to the audit client, or overseeing the relationship of the firm or a network firm with the audit client; or
- (d) Undertake any other role or activity not referred to above with respect to the audit client, including the provision of non-assurance services that would result in the individual:

- (i) Having significant or frequent interaction with senior management or those charged with governance; or
- (ii) Exerting direct influence on the outcome of the audit engagement.

...

SECTION 800

REPORTS ON SPECIAL PURPOSE FINANCIAL STATEMENTS THAT INCLUDE A RESTRICTION ON USE AND DISTRIBUTION (AUDIT AND REVIEW ENGAGEMENTS)

Requirements and Application Material

General

Financial Interests, Loans and Guarantees, Close Business Relationships, and Family and Personal Relationships

R800.10 When the firm performs an eligible audit engagement:

- (a) The relevant provisions set out in Sections 510, 511, 520, 521, 522, 524 and 525 need apply only to the members of the engagement team, their immediate family members and, where applicable, close family members;
- (b) The firm shall identify, evaluate and address any threats to independence created by interests and relationships, as set out in Sections 510, 511, 520, 521, 522, 524 and 525, between the audit client and the following audit team members:
 - (i) Those who provide consultation regarding technical or industry specific issues, transactions or events; and
 - (ii) Those who perform an engagement quality review, or a review consistent with the objective of an engagement quality review, for the engagement; and
- (c) The firm shall evaluate and address any threats that the engagement team has reason to believe are created by interests and relationships between the audit client and others within the firm who can directly influence the outcome of the audit engagement.

PART 4B (REVISED) – INDEPENDENCE FOR ASSURANCE ENGAGEMENTS OTHER THAN AUDIT AND REVIEW ENGAGEMENTS

SECTION 940

LONG ASSOCIATION OF PERSONNEL WITH AN ASSURANCE CLIENT

Requirements and Application Material

General

...

R940.4 If a firm decides that the level of the threats created can only be addressed by rotating the individual off the assurance team, the firm shall determine an appropriate period during which the individual shall not:

- (a) Be a member of the engagement team for the assurance engagement;
- (b) Perform an engagement quality review, or a review consistent with the objective of an engagement quality review, for the engagement; or
- (c) Exert direct influence on the outcome of the assurance engagement.

The period shall be of sufficient duration to allow the familiarity and self-interest threats to be addressed.

SECTION 990

REPORTS THAT INCLUDE A RESTRICTION ON USE AND DISTRIBUTION (ASSURANCE ENGAGEMENTS OTHER THAN AUDIT AND REVIEW ENGAGEMENTS)

Financial Interests, Loans and Guarantees, Close Business, Family and Personal Relationships

R990.7 When the firm performs an eligible assurance engagement:

- (a) The relevant provisions set out in Sections 910, 911, 920, 921, 922 and 924 need apply only to the members of the engagement team, and their immediate and close family members;
- (b) The firm shall identify, evaluate and address any threats to independence created by interests and relationships, as set out in Sections 910, 911, 920, 921, 922 and 924, between the assurance client and the following assurance team members:
 - (i) Those who provide consultation regarding technical or industry specific issues, transactions or events; and
 - (ii) Those who perform an engagement quality review, or a review consistent with the objective of an engagement quality review, for the engagement; and
- (c) The firm shall evaluate and address any threats that the engagement team has reason to believe are created by interests and relationships between the assurance client and others within the firm who can directly influence the outcome of the assurance

engagement, as set out in Sections 910, 911, 920, 921, 922 and 924.

Chapter 6: ~~Proposed~~ Changes to the Glossary

(Mark-up from *Exposure Draft*)

- Assurance Team
- (a) All members of the engagement team for the assurance engagement;
 - (b) All others within, or engaged by, the firm who can directly influence the outcome of the assurance engagement, including:
 - (i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the assurance engagement partner in connection with the performance of the assurance engagement;
 - (ii) Those who provide consultation regarding technical or industry specific issues, transactions or events for the assurance engagement; and
 - (iii) Those who perform an engagement quality review, or a review consistent with the objective of an engagement quality review, for the engagement.

Audit Client

An entity in respect of which a firm conducts an audit engagement. When the client is a listed entity, audit client will always include its related entities. When the audit client is not a listed entity, audit client includes those related entities over which the client has direct or indirect control. (See also paragraph R400.20.)

In Part 4A, the term “audit client” applies equally to “review client.”

[In the case of a group audit, see the definition of group audit client.](#)

- Audit Team
- (a) All members of the engagement team for the audit engagement;
 - (b) All others within, or engaged by, the firm who can directly influence the outcome of the audit engagement, including:
 - (i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the engagement partner in connection with the performance of the audit engagement, including those at all successively senior levels above the engagement partner through to the individual who is the firm’s Senior or Managing Partner (Chief Executive or equivalent);
 - (ii) Those who provide consultation regarding technical or industry-specific issues, transactions or events for the engagement; and
 - (iii) Those who perform an engagement quality review, or a review consistent with the objective of an engagement quality review, for the engagement; and
 - (c) ~~All these~~[Any other individuals](#) within a network firm who can directly influence the outcome of the audit engagement.

In Part 4A, the term “audit team” applies equally to “review team.” [In the case of a group audit, see the definition of group audit team.](#)

| | |
|------------------------|--|
| Component | An entity, business unit, function or business activity, or some combination thereof, determined by the group auditor for purposes of planning and performing audit procedures in a group audit. |
| Component audit client | <p><u>A component in respect of which a group auditor firm or component auditor firm performs audit work for purposes of a group audit.</u> When a component is:</p> <p>(a) A legal entity, <u>the component audit client is</u> the entity and any related entities over which the entity has direct or indirect control; or</p> <p>(b) A business unit, function or business activity (or some combination thereof), <u>the component audit client is the</u> legal entity or entities to which the business unit belongs or in which the function or business activity is being performed.</p> |
| Component auditor firm | The firm performing audit work related to a component for purposes of the group audit. |
| Engagement team | <p>All partners and staff performing the engagement, and any other individuals who perform procedures on the engagement, excluding external experts and internal auditors who provide direct assistance on the engagement.</p> <p><i>In Part 4A, the term “engagement team” refers to individuals performing audit or review procedures on the audit or review engagement, respectively. This term is further described in paragraph 400.A9.</i></p> <p><i>ISA 220 (Revised) provides further guidance on the definition of engagement team in the context of an audit of financial statements.</i></p> <p><i>ISA 620 deals with the<u>defines an</u> auditor’s responsibilities relating to the work of expert as <u>an individual or organization possessing expertise</u> in a field of expertise other than accounting or auditing, when whose work in that workfield is used by the auditor to assist the auditor in obtaining sufficient appropriate audit evidence. <u>ISA 620 deals with the auditor’s responsibilities relating to the work of such experts.</u></i></p> <p><i>ISA 610 (Revised 2013) deals with the auditor’s responsibilities if using the work of internal auditors, including using internal auditors to provide direct assistance on the audit engagement.</i></p> <p><i>In Part 4B, the term “engagement team” refers to individuals performing assurance procedures on the assurance engagement.</i></p> |
| Group | A reporting entity for which group financial statements are prepared. |
| Group audit | The audit of group financial statements. |
| Group audit client | The entity on whose group financial statements the group auditor firm conducts an audit engagement. The <u>When the entity is a listed entity,</u> group audit client includes <u>will always include</u> its related entities as specified in paragraph R400.20 and any other components that are subject to <u>at which</u> audit work <u>is performed.</u> |

When the entity is not a listed entity, group audit client includes related entities over which such entity has direct or indirect control and any other components at which audit work is performed.

See also paragraph R400.20.

Group auditor firm

The firm that expresses the opinion on the group financial statements.

Group audit team
~~Audit team for the group audit~~

- (a) All members of tThe engagement team for the group audit, including individuals within, or engaged by, ~~from~~ component auditor firms who perform audit workprocedures related to components for purposes of the group audit;
- (b) All others within, or engaged by, the group auditor firm who can directly influence the outcome of the group audit, including:
- (i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the group engagement partner in connection with the performance of the group audit, including those at all successively senior levels above the group engagement partner through to the individual who is the firm’s Senior or Managing Partner (Chief Executive or equivalent);
 - (ii) Those who provide consultation regarding technical or industry-specific issues, transactions or events for the group audit; and
 - (iii) Those who perform an engagement quality review, or a review consistent with the objective of an engagement quality review, for the group audit;
- (c) ~~All these~~Any other individuals within a network firm of the group auditor firm’s network who can directly influence the outcome of the group audit; and
- (d) Any other individuals within a component auditor firm outside the group auditor firm’s network who can directly influence the outcome of the group audit.

Group engagement partner

The engagement partner who is responsible for the group audit.

Group financial statements

Financial statements that include the financial information of more than one entity or business unit through a consolidation process.

Key audit partner

The engagement partner, the individual responsible for the engagement quality review, and other audit partners, if any, on the engagement team who make key decisions or judgments on significant matters with respect to the audit of the financial statements on which the firm will express an opinion. Depending upon the circumstances and the role of the individuals on the audit, “other audit partners” might include, for example, engagement partners for certain components in a group audit such as significant subsidiaries or divisions.

- Review team
- (a) All members of the engagement team for the review engagement; and
 - (b) All others within, or engaged by, the firm who can directly influence the outcome of the review engagement, including:
 - (i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the engagement partner in connection with the performance of the review engagement, including those at all successively senior levels above the engagement partner through to the individual who is the firm's Senior or Managing Partner (Chief Executive or equivalent);
 - (ii) Those who provide consultation regarding technical or industry specific issues, transactions or events for the engagement; and
 - (iii) Those who perform an engagement quality review, or a review consistent with the objective of an engagement quality review, for the engagement; and
 - (c) Any other individuals~~All these~~ within a network firm who can directly influence the outcome of the review engagement.

Chapter 7: Changes to the Glossary Arising from Approved Revisions to the Definition of Listed Entity and Public Interest Entity

Audit Client¹

An entity in respect of which a firm conducts an audit engagement. When the client is a publicly traded entity, in accordance with paragraphs R400.22 and R400.23, audit client will always include its related entities. When the audit client is not a publicly traded entity, audit client includes those related entities over which the client has direct or indirect control. (See also paragraph R400.22.)

In Part 4A, the term “audit client” applies equally to “review client.”

In the case of a group audit, see the definition of group audit client.

Group audit client

The entity on whose group financial statements the group auditor firm conducts an audit engagement. When the entity is a publicly traded entity, the group audit client will always include its related entities and any other components at which audit work is performed. When the entity is not a publicly traded entity, the group audit client includes related entities over which such entity has direct or indirect control and any other components at which audit work is performed.

See also paragraph R400.22.

¹ The proposed conforming amendments will come into effect with the changes to the audit client definition in the Final Pronouncement, Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code, issued on April 11, 2022.

EFFECTIVE DATE

- The changes to Section 400 relating to the revision to the definition of engagement team and the new provisions in Section 405 relating to group audits (Chapter 1) will be effective for audits and reviews of the financial statements and audits of group financial statements for periods beginning on or after December 15, 2023.
- The following conforming and consequential amendments will be effective as of December 15, 2023:
 - The conforming amendments to Section 360 to align with ISA 600 (Revised) terminology in Chapter 2.
 - The conforming amendments to the revised non-assurance services provisions in Section 400 in Chapter 3.
 - The conforming amendments to Sections 300, 310, 320, 400, 510, 605 and 900 resulting from the revisions to the definitions of engagement team in Chapter 4.
 - The quality management-related consequential amendments to Sections 540, 800, 940, and 990 in Chapter 5.
- The changes to the Glossary in Chapter 6 will be effective:
 - For audits and reviews of financial statements and audits of group financial statements for financial statement periods beginning on or after December 15, 2023.
 - For assurance engagements other than audit and review engagements with respect to underlying subject matter covering periods beginning on or after December 15, 2023; otherwise, as of December 15, 2023.

Changes to the Glossary Arising from Approved Revisions to the Definition of Listed Entity and Public Interest Entity

- The changes to the Glossary arising from the approved revisions to the definitions of listed entity and public interest entity in Chapter 7 will be effective for audits of financial statements and group financial statements for periods beginning on or after December 15, 2024.

The changes to the audit client definition in the Final Pronouncement, *Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code*, issued on April 11, 2022, will come into effect with the conforming amendments in Chapter 7.

Early adoption will be permitted.

TRANSITIONAL PROVISION

For non-assurance services engagements a component auditor firm outside the group auditor firm's network has entered into with a component audit client before December 15, 2023 and for which work has already commenced, the component auditor firm may continue such engagements under the extant provisions of the Code until completed in accordance with the original engagement terms.