

NZAuASB Board Meeting Agenda

7 June 2023

9:00 am to 5.00 pm, XRB offices, Wellington

Apologies:

Est.Time	Item	Topic	Objective		Page	Supplementary
	PUBLIC SESSION					
9.40am	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		
10.25am	2	<u>Environmental scanning</u>			<i>Nimash</i>	
	2.1	International Update	Note	Paper	5	
	2.2	Domestic Update	Note	Paper	14	
	2.3	Update for XRB	Note	Paper	17	
10.45am	<i>Morning tea</i>					
11:00am	3	<u>GHG assurance</u>				
	3.1	Summary paper	Note	Paper	33	
	3.2	Issues paper	Consider	Paper	35	
	3.3	Clean version NZ SAE 1	Approve	Paper	47	
	3.4	Marked up version NZ SAE 1	Note	Paper		3
	3.5	Detailed analysis of submissions	Note	Paper		32
1.00pm	<i>Lunch</i>					
1:45pm	4	<u>Service Performance Information</u>			<i>Lisa</i>	
	4.1	Summary paper	Approve	Paper	71	
	4.2	Issues paper	Consider	Paper	73	
	4.3	Marked up NZ AS 1 (Revised)	Note	Paper	79	
	4.4	Submission Analysis	Note	Paper		47
	4.5	Outreach Poll Results	Note	Paper		52
	4.6	CAANZ/CPA Australia Submission	Note	Paper		54
	4.7	KPMG Submission	Note	Paper		61
	4.8	OAG Submission	Note	Paper		64
	4.9	Phillip Major Submission	Note	Paper		73
	4.10	Draft accounting guidance PBE FRS 48	Note	Paper		76
2.45pm	5	<u>Amendments to PES-1:</u>			<i>Bruce</i>	
		<u>Technology-related revisions</u>				
	5.1	Summary paper	Note	Paper	134	
	5.2	Amending standard	Approve	Paper	136	

Est.Time	Item	Topic	Objective		Page	Supplementary
	5.3	Signing Memorandum	Approve	Paper	181	
		<u>Audit client and group audit client</u>				
	5A	Summary paper	Approve	Paper	184	
3.15pm	<i>Afternoon tea</i>					
3:30pm	6	<u>IESBA strategy and work plan</u>			<i>Tracey</i>	
	6.1	Summary paper	Note	Paper	191	
	6.2	Submission to the IESBA	Approve	Paper	195	
	6.3	IESBA consultation paper	Note	Paper		80
4:00pm	7	<u>National standard setters meeting</u>				
	7.1	Summary paper	Note	Paper	204	
	7.2	Slides to consider	Consider	Paper	206	
	7.3	Fraud flowchart	Note	Paper		113
4:30pm	8	<u>NZAuASB work plan update for 2023</u>				
	8.1	Summary paper			212	
	8.2	Prioritisation plan update 2022/23			215	
	8.3	Prioritisation plan 2023/24				114

Next meeting: 9 August 2023, Virtual

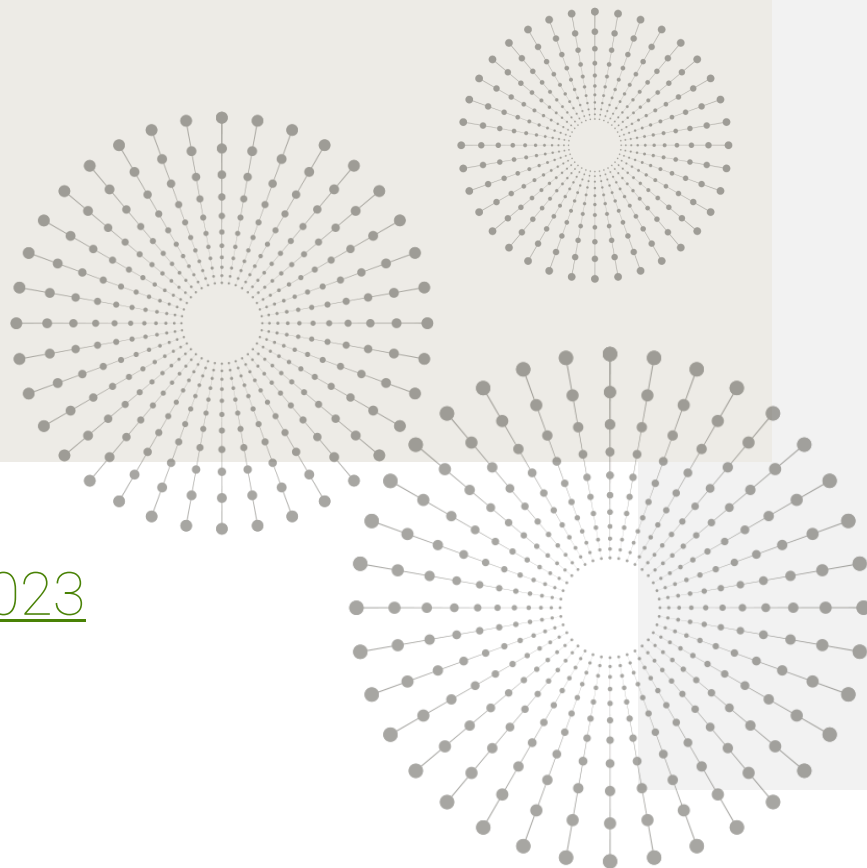


Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Assurance Engagements over Greenhouse Gas Emissions Disclosures

Commencement and application date: refer to **XXX**

Issued July 2023



NZ SAE 1 ASSURANCE ENGAGEMENTS OVER GREENHOUSE GAS EMISSIONS DISCLOSURES

Legal status of Standard

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

This Standard is secondary legislation for the purposes of the Legislation Act 2019. An assurance practitioner, that is required to apply this Standard, is required to apply the Standard in accordance with the application date which is set out in Part A.

This Standard has been issued to be applied by an assurance practitioner when conducting an assurance engagement for the parts of the climate statements relating to greenhouse gas emissions (GHG) required by the Financial Markets Conduct Act 2013 (the Act) to be the subject of an assurance engagement

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NZ SAE 1 Assurance Engagements over Greenhouse Gas Emissions Disclosures

Commencement, Application and Cessation

When standard takes effect (section 27 Financial Reporting Act 2013)

1. This standard takes effect on the 28th day after the date of its publication under the Legislation Act 2019¹.

Accounting period in relation to which standards commence to apply (section 28 Financial Reporting Act 2013)

2. The accounting periods in relation to which this standard commences to apply are, —
 - (a) for an early adopter, those accounting periods following, and including, the early adoption accounting period;
 - (b) for any other assurance practitioner, those accounting periods that commenced before, but ends on or after 27 October 2024 or accounting periods that commence on or after 27 October 2024.

3. In paragraph 2—

early adopter means an assurance practitioner that applies this standard for an early adoption accounting period.

early adoption accounting period means the accounting period of the climate reporting entity—

- (a) that begins before 27 October 2024 but has not ended or does not end before this standard takes effect (and to avoid doubt, that period may have begun before this standard takes effect); and
- (b) for which the early adopter—
 - (i) first applies this standard in an assurance engagement; and
 - (ii) discloses in the assurance report for that accounting period that this standard has been applied for that period.

Accounting period in relation to which standards cease to apply (section 28 Financial Reporting Act 2013)

4. This standard shall be revoked if and when the scope of mandatory assurance required by the Financial Markets Conduct Act 2013 is amended.

Scope

5. This standard deals with the assurance practitioner's responsibilities when conducting an assurance engagement for the disclosures within the climate statements relating to greenhouse gas emissions (GHG) required by the Financial Markets Conduct Act 2013 (the Act) to be the subject of an assurance engagement.

¹ The standard was published on [date].

~~2.6.~~ This standard does not set requirements, or provide guidance, for assurance engagements over the whole, or other parts, of the climate statements. (Ref: Para. A1)

Definitions

~~3.7.~~ For the purposes of this standard, the following terms have the meaning attributed below:

- (a) Assurance client: ~~Climate~~A climate reporting entity as defined in the Financial Markets Conduct Act 2013.
- (b) Assurance organisation: An organisation performing a GHG assurance engagement. An assurance organisation can be a sole assurance practitioner, partnership, company or other entity of assurance practitioners, or public sector equivalent.
- (c) Assurance practitioner: ~~The competent and independent~~An individual involved in performing the assurance engagement. (Ref: Para A2)
- (d) Engagement leader: The assurance practitioner who takes overall responsibility for the assurance engagement, including the assurance report.
- (e) Emphasis of ~~matter~~Matter: A paragraph in the assurance report that refers to disclosures in the ~~climate statements~~GHG disclosures, that in the assurance practitioner's judgement, are fundamental to ~~users~~users' understanding of the information.

~~(f)~~ Fraud: An intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage.

~~(g)~~ GHG disclosures: The disclosure of ~~a~~a climate reporting entity's GHG emissions as required by Aotearoa New Zealand Climate Standards (NZ CSs) which are subject to mandatory assurance.

~~(h)~~ Key ~~Matter~~Matters: A ~~matter~~paragraph in the assurance report that relates to matters which, in the ~~assurance practitioner's engagement leader's~~ professional judgement, ~~was~~were of most significance in the assurance engagement in the current period, ~~is~~are relevant to user's understanding of the assurance engagement and ~~enhances~~enhance the communicative value of the assurance report. (Ref: Para. ~~A2-A4~~A3 – A5)

~~(i)~~ Other information: Information (other than the GHG disclosures and the assurance report thereon) which is included in a document containing the GHG disclosures and the assurance report thereon.

~~(j)~~ Other Matter: A paragraph in the assurance report that refers to matters not disclosed in the ~~climate statements~~GHG disclosures, relevant to ~~users~~users' understanding of the assurance practitioner's responsibilities or the assurance report.

~~(k)~~ System of ~~quality management~~Quality Management: A system to support the assurance organisation and demonstrate that:

- (i) The assurance organisation and ~~its personnel~~assurance practitioners fulfil their responsibilities and conduct the assurance engagement in accordance with applicable standards and legal and regulatory requirements; and
- (ii) Assurance reports issued are appropriate in the circumstances.

Application Date

4. ~~This standard shall apply for assurance engagements for reporting periods that end on, or after, 27 October 2024 until <to be confirmed but no later than periods ending on 27 October 2028>.~~

Objectives

~~5.8.~~ The objectives of the assurance practitioner are:

- (a) To obtain assurance about whether the GHG disclosures are free from material misstatement;
- (b) To report their findings in an assurance report; and
- (c) To communicate as otherwise required by this NZ SAE.

Requirements

Applicable Assurance Standards

~~6.9.~~ When conducting the assurance engagement required by the Financial Markets Conduct Act 2013, the assurance practitioner:

- (a) Shall comply with either ISO 14064-3:2019 *Greenhouse gases —Part 3: Specification with guidance for the verification and validation of greenhouse gas statements* or ISAE (NZ) 3410 *Assurance Engagements on Greenhouse Gas Statements*. (Ref: Para. ~~A5~~A6)
- (b) Is not required to comply with PES 1² but shall comply with the ethical and independence requirements set out in paragraphs ~~7.10~~ to ~~47.20~~ of this standard.
- (c) Is not required to comply with PES 3³ but shall comply with the quality management requirements set out in paragraphs ~~42.55~~ to ~~54.65~~ of this standard.
- (d) Is not required to comply with PES 4⁴ but shall comply with the ~~independent quality~~ reviewer requirements set out in paragraph ~~52.66~~ to ~~56.71~~ of this standard.

Ethical Requirements

Fundamental Principles

~~7.10.~~ Assurance organisations and assurance practitioners shall comply with each of the following fundamental principles:

- (a) Independence – freedom from conditions or relationships which would compromise, or could be seen to compromise, integrity or objectivity. (Ref: Para. ~~A6~~A7)
- (b) Integrity – to be straight forward and honest; complying with the spirit as well as the letter of applicable principles.
- (c) Objectivity – to be impartial, to be free from bias, conflict of interest or influence from others.
- (d) Professional Competence and Due Care – to:
 - (i) Attain and maintain knowledge and skills necessary to perform the GHG assurance engagement; and
 - (ii) Act diligently and in accordance with applicable standards, laws and regulations.

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

³ PES 3, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements

⁴ PES 4, Engagement Quality Reviews

- (e) Confidentiality – to respect the confidentiality of information acquired as a result of undertaking the assurance engagement.
- (f) Professional Behaviour – to:
 - (i) Comply with relevant laws and regulations;
 - (ii) Behave in a manner consistent with the responsibility to act in the public interest; and
 - (iii) Avoid any conduct that the assurance practitioner knows, or should know, might discredit ~~GHG~~the assurance ~~profession.~~ (Ref: Para. ~~practitioners-A8 – A9~~)

~~8-11.~~ Assurance organisations and assurance practitioners shall identify, evaluate and address threats to compliance with the fundamental principles. (Ref: Para. ~~A7A10~~)

~~9-12.~~ All threats to the fundamental principles shall be eliminated or reduced to an acceptable level. (Ref: Para. ~~A8-A9A11 – A16~~)

Documentation

Documentation

~~10-13.~~ An assurance ~~practitioner~~organisation and assurance practitioners shall document conclusions regarding compliance with the fundamental principles including:

- (a) The substance of any relevant discussions that support those conclusions;
- (b) The nature of the threat and the safeguards applied; and
- (c) When a threat required significant analysis and the assurance practitioner concluded that the threat was already at an acceptable level, the nature of the threat and the rationale for the conclusion.

Independence Requirements

Conditions and Relationships

~~11-14.~~ The assurance organisation and the assurance ~~practitioner~~practitioners shall remain free from conditions and relationships that a reasonable and informed third party would conclude compromised their independence. (Ref: Para. ~~A10A17~~)

Self-review Threat Prohibition

~~12-15.~~ The assurance organisation and the assurance ~~practitioner~~practitioners shall not:

- (a) Prepare the GHG information, including comparative information, and then assure the GHG disclosures;
- (b) Assure their own work; or
- (c) Provide any other services to the assurance client that might possibly create a self-review threat in relation to the GHG disclosures on which the assurance practitioner will express an assurance conclusion. (Ref: Para. ~~A11-A13A18 – A21~~)

Prohibition on Assuming Management Responsibilities

~~13-16.~~ The assurance organisation and the assurance ~~practitioner~~practitioners shall not assume a management responsibility for an assurance client. (Ref: Para. ~~A14-A15A22 – A23~~)

Financial Interest Prohibition

~~14.17.~~ A direct financial interest or a material indirect financial interest in the assurance client shall not be held by:

- (a) The assurance organisation;
- (b) An assurance practitioner; or
- (c) An assurance practitioner's immediate family member. (Ref: Para. ~~A16 – A19~~A24 – A28)

~~15.18.~~ A direct financial interest or a material indirect financial interest in an entity that has a material controlling interest in the assurance client shall not be held by:

- (a) The assurance organisation;
- (b) An assurance practitioner; or
- ~~(e)~~ —An assurance practitioner's immediate family member
- ~~(d)(c)~~ where the assurance client is material to the entity. (Ref: Para. ~~A16 – A19~~A24 – A28)

Addressing Familiarity Threat due to Long Association

~~16.19.~~ The assurance organisation, the engagement leader, assurance practitioners and the independent quality reviewer and senior personnel on the assurance team shall address familiarity threats that arise due to ~~an individual's~~ long association with an assurance client.

Independence Period

~~17.20.~~ Independence shall be maintained during both:

- (a) The engagement period; and
- (b) The reporting period covered by the GHG disclosures.

Competence

~~18.21.~~ An engagement leader shall have sufficient competence in assurance skills and techniques and sufficient competence in the measurement and reporting of GHG emissions to accept responsibility for the assurance conclusion. (Ref: Para. ~~A20 – A24~~A29 – A35)

~~19.22.~~ An engagement leader shall be satisfied that assurance practitioners who are to perform the assurance team engagement over GHG disclosures collectively ~~have~~ the appropriate competence and capabilities, including in the measurement and reporting of GHG emissions and in undertaking assurance engagements, to provide perform the GHG assurance on the GHG disclosures engagement. (Ref: Para. ~~A20 – A24~~A29 - A35)

Reliance on Use of the Work of Others

~~20.23.~~ ~~When an~~If the assurance practitioner intends to rely on use the work of ~~an expert that is not part of the assurance team~~ other individuals or organisations who have expertise in matters related to GHG emissions, the assurance practitioner shall:

- (a) Evaluate ~~the~~whether that individual or organisation has the necessary competence, capabilities and objectivity ~~of that expert for the assurance practitioner's purposes;~~
- ~~(b)~~ —Obtain an understanding of the work of that expert; and
- ~~(c)~~ —Evaluate the appropriateness of using that expert's work as evidence.

~~(b) Evaluation of the expert's~~ When evaluating objectivity ~~shall include enquiry, enquire with the individual or organisation regarding interests and relationships that may create a threat to that expert's individual or organisation's objectivity. This evaluation should be documented.~~ (Ref: Para. A25) A36

Engagement Team Considerations

- ~~(c) Obtain a sufficient understanding of the field of expertise of the individual or organisation to determine the nature, scope and objectives of that individual or organisation for the assurance practitioner's purposes;~~
- ~~(d) Agree with the individual or organisation the nature, scope and objectives of their work; and~~
- ~~(e) Evaluate the adequacy of the work performed by the individual or organisation for the assurance practitioner's purposes. (Ref: Para. A37 – A38)~~

24. ~~If the engagement team leader intends to use the work of another assurance practitioner, who is not subject to their organisation's system of quality control, the engagement leader shall follow the requirements of paragraph 23, where relevant, and shall perform the following steps:~~

- ~~(a) Ensure the other assurance practitioner is independent of the assurance client and GHG disclosures;~~
- ~~(b) Evaluate the other assurance practitioner's system of quality management related to the assurance work; and~~
- ~~(c) Communicate with that practitioner about the findings from their work.~~

Management bias

25. ~~The assurance practitioner shall consider, and respond to, the risk of management bias in relation to the GHG disclosures. This consideration when developing a plan of assurance procedures to be performed during the assurance engagement. This shall be documented and updated throughout the engagement if new information comes to light. (Ref: Para. A39 – A40)~~

Fraud

~~22-26. The consideration assurance practitioner shall ~~cover~~ maintain professional scepticism throughout the ability to quantify scope 1, 2 engagement and 3 emissions, potential non-compliance with any relevant laws identify how and regulations and where the susceptibility of the assurance entity's GHG disclosures may be susceptible to material misstatement whether due to fraud or error. The assessment shall occur setting aside the assurance practitioner's past experience of the honesty and integrity of the entity's management and those charged with governance. (Ref: Para. A41)~~

27. ~~The assurance practitioner shall determine appropriate responses to address any identified risks of material misstatement due to fraud within the GHG disclosures, in order to allow for an appropriate assurance report to be issued. (Ref: Para A42)~~

28. ~~The assurance practitioner shall make enquiries of management, those charged with governance, and others within the entity as appropriate, to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity's GHG disclosures. Where responses to the enquiries are inconsistent, the assurance practitioner shall investigate the inconsistencies.~~

29. The assurance practitioner shall respond appropriately to actual, suspected or alleged fraud affecting the entity's GHG disclosures identified during the assurance engagement.

Non-compliance with Laws and Regulations

30. An assurance practitioner might encounter or be made aware of non-compliance or suspected non-compliance by the assurance client in the course of carrying out professional activities. If such matters are identified, the assurance practitioner shall:

- (a) Gain an understanding of the matter and discuss this with the assurance client;
- (b) Depending on the nature and significance of the matter, perform additional assurance procedures to evaluate the impact on the GHG disclosures; and
- (c) Consider the need to report this matter to other internal and external parties, in line with relevant laws and regulations. (Ref: Para A43)

Comparative Information

23-31. The assurance practitioner shall evaluate whether: (Ref: Para. A44-45)

- (a) ~~The~~All comparative information presented in the GHG disclosures agrees with the disclosures presented in the prior ~~period~~periods or, when appropriate, has been properly restated, if required by NZ CSs, and that restatement has been adequately disclosed; and
- ~~(a)~~(b) The GHG methods and assumptions reflected in the comparative information are consistent with those applied in the current period or, if there have been changes, whether they have been properly applied and adequately disclosed.

~~24.1. The assurance practitioner shall include an Other Matter paragraph in the assurance report identifying which GHG disclosure comparatives have not been subject to assurance, when appropriate.~~

25-32. If the assurance practitioner becomes aware that there may be a material misstatement in the comparative information presented, the assurance practitioner shall:

- (a) Discuss the matter with the assurance client and perform procedures appropriate in the circumstances; and
- (b) If the comparative information presented contains a material misstatement, and the comparative information has not been restated:
 - ~~(i) Where the comparative information was not subject to assurance in previous periods,~~ the assurance practitioner shall include an Other Matter paragraph in the assurance report describing the circumstances affecting this information-₁
 - (ii) Where the comparative information was subject to assurance in previous periods, the assurance practitioner shall express a qualified conclusion or adverse conclusion in the assurance report.

33. The assurance practitioner shall include an Other Matter paragraph in the assurance report identifying which GHG disclosure comparatives have not been subject to assurance, when appropriate.

34. If the comparative information was assured by a predecessor assurance practitioner, the assurance practitioner shall state in an Other Matter paragraph in the assurance report:

- (a) That the GHG disclosures of the prior period were assured by the predecessor assurance practitioner;
- (b) The type of conclusion expressed by the predecessor assurance practitioner and, if this was modified, the reasons therefore; and
- (c) The date of that report.

Other Information

26-35. The assurance practitioner shall read other information included in the documents containing the GHG disclosures that are subject to the assurance engagement, to identify material inconsistencies, if any, with the GHG disclosures or the assurance report. If the assurance practitioner:

- (a) Identifies a material inconsistency between the other information and the GHG disclosures or the assurance report; or
- (b) Becomes aware of a material misstatement of fact in the other information that is unrelated to matters appearing in the GHG ~~statement~~disclosures or the assurance report;

the assurance practitioner shall discuss the matter with the assurance client and take further action as appropriate, before issuing the assurance report.

Independent Assurance Report

Identifying Information Subject to Assurance

36. ~~The assurance report shall clearly identify the information within the climate statement that is excluded from the assurance engagement, together with a statement that the assurance practitioner has not performed any procedures with respect to the excluded information and, therefore, that no conclusion is expressed on it.~~

27-37. When the assurance engagement covers the whole climate statements or other disclosures in addition to the GHG disclosures, the assurance report shall separately identify the parts of the climate statements relating to GHG disclosures, as required by the Act.

28. ~~The assurance report shall clearly identify the information that is excluded from the assurance engagement, together with a statement that the assurance practitioner has not performed any procedures with respect to the excluded information and, therefore, that no conclusion is expressed on it.~~

Form and Level of the Conclusion

29-38. The first section of the independent assurance report shall include the assurance practitioner's conclusion unless the applicable standards require otherwise. ~~(Ref: Para. A26–A27)~~

30-39. When some GHG disclosures are subject to reasonable assurance and others are subject to limited assurance, the assurance report shall clearly identify the GHG disclosures that are subject to each level of assurance and the related conclusion.

40. The level of assurance shall be specified prior to the start of the assurance engagement and conclusions shall be formed in relation to that level of assurance, Assurance practitioners shall not change the level of assurance once an assurance engagement has begun. If a change in level of assurance is justified, the assurance practitioner shall:

- (a) Document the reasons for the change; and

(b) Start a new assurance engagement at a different level of assurance.

Key Matters

31-41. If the assurance practitioner identified key matters during the assurance engagement, a Key Matters section shall be included in the assurance report if in the assurance practitioner's professional judgement such reporting will enhance the ~~communicate~~communicative value of the assurance report. ~~(Ref: Para. A2 – A4)~~

32-42. The Key Matters section shall:

(a) Be included under a separate heading "Key Matters";

~~(a)~~(b) State that key matters are those matters that in the assurance practitioner's professional judgement, were most significant in undertaking the assurance engagement over GHG disclosures;

~~(a)~~(c) Include an explanation of why the matter is a key matter; and

~~(a)~~(d) Outline what the assurance practitioner has done to address the matter.

33-43. The assurance practitioner shall consider whether to include findings for the key matters identified. The description of the findings shall not imply that a separate assurance conclusion on the individual key matter was reached.

Emphasis of Matter

34-44. If the assurance practitioner considers it necessary to draw ~~intended~~ users' attention to a matter in the GHG disclosures that is not reported as a key matter but that, in the assurance practitioner's judgement, is of such importance that it is fundamental to the ~~intended~~ users' understanding of the GHG disclosures, the assurance practitioner shall include an Emphasis of Matter paragraph in the assurance report.

35-45. The Emphasis of Matter paragraph shall:

(a) Be included in a separate section of the report under the heading "Emphasis of Matter";

(b) Clearly refer to the disclosure being emphasised and where the disclosures can be found. The paragraph shall refer only to information presented in the ~~climate statements~~GHG disclosures;

(c) Indicate that the assurance conclusion is not modified in respect of the matter emphasised.

Other Matter

46. If the assurance practitioner considers it necessary to communicate a matter other than those that is included in the GHG disclosures, that is not reported as a key matter but that, in the assurance practitioner's judgement, is relevant to users' understanding of the engagement, the assurance practitioner's responsibilities or the assurance report, the assurance practitioner shall include an Other Matter paragraph in the assurance report. (Ref: Para. A46)

47. The Other Matter paragraph shall:

(a) Be included in a separate section of the report under the heading "Other Matter".

(b) Clearly reflects that the matter is not required to be disclosed in the GHG disclosures.

Inherent Uncertainty in Preparing GHG Disclosures

~~36.48.~~ The assurance report shall include a statement that GHG quantification is subject to inherent uncertainty.

Other Communication Responsibilities

Identification of Applicable Standards

~~37.49.~~ The assurance report shall identify the applicable standards, ~~including applied to the assurance engagement and,~~ any professional or accreditation standards, ~~that have been applied are applied by the assurance organisation and assurance practitioners.~~

Existence of Relationships with the Assurance Client or the GHG disclosures

~~38.50.~~ The assurance report shall include a statement as to the existence of any relationship (other than undertaking the GHG assurance engagement) which the assurance practitioner or ~~the~~ assurance organisation has with, ~~or in,~~ the assurance client or any of its subsidiaries.

~~39.51.~~ The assurance report shall state that the assurance organisation is not permitted to be involved in the preparation of the GHG information as doing so may compromise independence.

~~Including Additional Information in the Assurance Report~~

~~40.~~ The engagement leader shall consider whether there are any other engagement-specific matters that should be included in the assurance report, such as:

- ~~(a) Information about materiality considerations so that it is transparent to the intended user what tolerance for misstatement has been applied in conducting the assurance engagement~~
- ~~(b) Details of the qualifications and experience of the engagement leader and others involved with the engagement.~~

Name of Engagement Leader

~~41.52.~~ The assurance report shall include the name of the engagement leader.

Documentation

~~53.~~ The assurance practitioner shall prepare documentation that is sufficient to enable an experienced assurance practitioner, having no previous connection to the assurance engagement, to understand:

- ~~(a) The nature, timing and extent of the procedures performed and applicable legal and regulatory requirements;~~
- ~~(b) The results of the procedures performed, and the evidence obtained; and~~
- ~~(c) Significant matters arising during the engagement, the conclusions reached thereon, and significant professional judgements made in reaching those conclusions.~~

~~54.~~ The assurance documentation shall be prepared on a timely basis and retained in line with the assurance organisation's quality management policies.

Quality Management Requirements

~~42.55.~~ The assurance organisation shall design, implement and operate a system of quality management that is appropriate for the conduct of GHG disclosures assurance engagements.

This includes both quality management processes at the assurance organisation level, as well as on individual assurance engagements.

Risk Assessment ~~and Monitoring~~

43.56. The assurance organisation shall apply a risk-based approach in designing, implementing and operating the system of quality management in an interconnected and coordinated manner such that the assurance organisation proactively manages the quality of GHG disclosures assurance engagements they perform.

44.57. The assurance organisation shall design and implement a risk assessment process, exercising professional judgement, taking into account the nature and circumstances of the assurance organisation and its engagements, to:

- (a) Establish objectives relating to quality (quality objectives);
- (b) Identify and assess risks relating to quality (quality risks); ~~and across inputs, controls, processes and outputs; and~~
- (c) Design and implement responses to address the quality risks (risk responses).

45.58. When designing and implementing a risk assessment process, the assurance organisation shall consider the following areas:

~~(a) Governance and leadership~~

(a) Governance and leadership – Including the ultimate responsibility, accountability and operational responsibility for the system of quality management and the internal culture of the assurance organisation around quality;

(b) Relevant ethical requirements – Including awareness of requirements, and the accumulation and communication of relevant information to and from personnel within the assurance organisation;

(c) Acceptance and continuance of client relationships and specific engagements – Including competence, capabilities and resources available to complete assurance engagements, and the integrity of the assurance client;

~~(d) Engagement performance~~

~~(e) Resources~~

(d) Engagement performance – Including the responsibility for individual engagement performance, structure, supervision and training of assurance practitioners;

(e) Resources – Including the availability of human resources, technological resources, intellectual resources and service providers relevant to the performance of assurance engagements; and

(f) Information and communication – Including information necessary to the system of quality management and the communication of information within the assurance organisation and external parties.

Monitoring and Remediation

46.59. The assurance organisation shall establish, and document, a monitoring and remediation process to:

- (a) Provide relevant, reliable and timely information about the design, implementation and operation of the system of quality management; and
- (b) Take appropriate action to respond to identified deficiencies such that deficiencies are remediated on a timely basis.

Documentation

60. In determining the nature, timing and extent of the monitoring activities, the assurance organisation shall take into account:

- (a) The reasons for the assessments given to the quality risks;
- (b) The design of the responses;
- (c) The design of the assurance organisation's risk assessment process and monitoring and remediation process;
- (d) Changes in the system of quality management, and changes in external and internal issues that are relevant to the system of quality management;
- (e) The results of previous monitoring activities, whether previous monitoring activities continue to be relevant in evaluating the assurance organisation's system of quality management and whether remedial actions to address previously identified deficiencies were effective; and
- (f) Other relevant information, including feedback, complaints and allegations about failures to perform work in accordance with professional standards, applicable legal and regulatory requirements or non-compliance with the assurance organisation's policies or procedures established in accordance with this standard and information from service providers.

Documentation of Quality Management

47-61. The assurance organisation shall prepare and maintain documentation of its system of quality management that is sufficient to:

- (a) Support a consistent understanding of the system of quality management by personnel, including an understanding of the roles and responsibilities with respect to the system of quality management and the performance of GHG disclosures assurance engagements; and
- ~~(b)~~ Support the consistent implementation and operation of the responses; and
- ~~(e)(b)~~ Provide evidence of the design, consistent implementation and operation of the responses.

Engagement Performance

48-62. The assurance organisation shall establish policies and procedures that include:

- (a) Matters to promote consistency in the quality of engagement performance;
- (b) Supervision responsibilities; and
- (c) Review responsibilities on the basis that work of less experienced ~~team members~~ assurance practitioners is reviewed by more experienced ~~engagement team members~~ assurance practitioners.

Engagement Leader Responsibilities

63. The engagement leader shall take overall responsibility for ~~acceptance;~~
- (a) ~~Acceptance~~ and continuance of the assurance engagement, ~~direction;~~
 - (b) ~~Direction~~, supervision and review of assurance practitioners, and quality of the assurance team, undertaking evidence obtained to support the assurance report;
 - (c) ~~Undertaking~~ adequate consultation during the engagement, ~~satisfactory;~~
 - (d) ~~Satisfactory~~ completion of the ~~independent~~ quality review, adequately and resolving any differences of opinion; and
 - ~~(www)(e)~~ Adequately addressing any independence or quality management matters arising ~~and resolving any differences of opinion.~~

50.64. The engagement leader shall ensure that the following matters are adequately documented:

- (a) Issues identified, relevant discussions with personnel, and conclusions reached with respect to:
 - (i) Fulfilment of relevant ethical and independence requirements; and
 - (ii) The acceptance and continuance of the client relationship and assurance engagement;
- (b) ~~Obtaining sufficient~~ Sufficient appropriate assurance evidence to be able to draw conclusions; and
- (c) The nature and scope of, and conclusions resulting from, consultations undertaken during the assurance engagement and how such conclusions were implemented.

Consultation

54.65. The assurance organisation shall establish policies and procedures to enable appropriate consultations on difficult or contentious matters, that include:

- (a) Sufficient resources are available to enable appropriate consultation to take place;
- (b) The nature and scope of, and conclusions resulting from, such consultations are documented and are agreed by both the individual seeking consultation and the individual consulted; and
- (c) ~~Conclusions resulting~~ Actions arising from consultations are implemented; or the reasons alternative courses of action from consultations were undertaken are documented.

Independent Review

An independent Quality Reviewer

66. A quality reviewer shall be appointed for each assurance engagement.
67. The quality reviewer shall review the quality of the assurance engagement and shall not have any involvement in the performance of the assurance engagement.
- 52.68. A quality reviewer shall perform a review to evaluate:

(a) The appropriateness of the engagement leader and assurance team practitioners competencies to complete the assurance engagement;

~~(b) Whether the assurance engagement has been designed appropriately;~~

~~(e)(b)~~ The basis for the engagement leader's determination that relevant ethical and independent requirements have been met;

~~(d)(c)~~ Significant matters and judgements made during ~~Whether~~ the assurance engagement; has been planned and designed appropriately to achieve the intended level of assurance over the GHG disclosures;

(d) The reasonableness of the significant judgements made throughout the assurance engagement;

~~(e)~~ Whether sufficient and appropriate evidence was obtained to support the assurance report;

~~(f)(e)~~ Whether the evidence obtained supports the conclusion~~conclusions~~ proposed by the assurance team~~engagement leader~~; and

~~(g)(f)~~ The appropriateness of the GHG disclosures and assurance report.

~~53-69.~~ The independent quality reviewer shall be competent and independent from the assurance client and the GHG disclosures, to the same level as the engagement leader, and have appropriate authority and sufficient time to perform the quality review.

~~54.~~ The independent quality review shall be completed before the assurance report is issued.

~~55-70.~~ The assurance team throughout the engagement as appropriate, and the engagement leader shall address concerns raised by the independent quality reviewer, before the assurance report is issued.

~~56-71.~~ The results of the independent quality review shall be documented on the assurance engagement file.

Application Material

Scope

- A1. The Act does not prevent the assurance engagement from covering the whole, or other parts of the climate statements.

Definitions

Assurance Practitioner

- A2. Assurance practitioner is the engagement leader or other members performing the assurance engagement. Where this standard intends a requirement to be fulfilled by the engagement leader, the term engagement leader rather than assurance practitioner is used.

Key Matters

- A2-A3. The purpose of communicating key matters is to enhance the communicative value of the assurance report. Key matters provide additional information to assist users in understanding those matters that, in the assurance practitioner's professional judgement, were of most significance in the assurance engagement. Communicating key matters may assist users in understanding the areas of significant management judgement in the GHG disclosures, any areas where there was significant estimation or inherent uncertainty involved, data quality issues, issues in obtaining the assurance evidence required or issues in determining the GHG reporting boundary.

- A3-A4. When determining key matters, an assurance practitioner may consider areas that required significant attention during the engagement and were communicated with those charged with governance, for example due to:

- Complexity
- Significant management ~~judgment~~ judgement
- Nature and severity of difficulties in applying assurance procedures
- Consultations on difficult matters
- Assessed risk of material misstatement.
- High degree of estimation and/or uncertainty

- A4-A5. A matter that results in a modified ~~opinion~~ conclusion is not communicated as a key matter. A key matter is not used if the assurance practitioner disclaims ~~an opinion of a~~ conclusion.

Requirements

Applicable Assurance Standards

- A5-A6. Assurance practitioners may also be required to comply with accreditation requirements or professional body requirements. Where this is the case, these requirements continue to apply.

Ethical Requirements

Independence

- A6-A7. Independence comprises:

- (a) The state of mind that enables reaching conclusions without being affected by influences that compromise professional judgement (independence of mind); and
- (b) The avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude that the assurance practitioner's integrity and objectivity has been compromised (independence ~~of~~ appearance).

Professional behaviour

A8. Professional behaviour requires assurance practitioners to act in the public interest.

A9. In acting in the public interest, an assurance practitioner considers not only the preferences or requirements of an assurance client or assurance organisation, but also the interests of other stakeholders when undertaking an assurance engagement.

Threats

A7-A10. Threats to compliance with the fundamental principles fall into one or more of the following categories:

- (a) Self-interest threat – the threat that a financial or other interest will inappropriately influence an assurance practitioner's judgement or behaviour;
- (b) Self-review threat – the threat that an assurance practitioner will not appropriately evaluate the results of a previous judgement made, or an activity performed by the assurance practitioner, or by another individual within the assurance organisation, on which the assurance practitioner will rely when forming a judgement as part of performing a current activity;
- (c) Advocacy threat – the threat that an assurance practitioner will promote a client's position to the point that the assurance practitioner's objectivity is compromised;
- (d) Familiarity threat – the threat that due to a long or close relationship with a client, an assurance practitioner will be too sympathetic to their interests or too accepting of their work; and
- (e) Intimidation threat – the threat that an assurance practitioner will be deterred from acting objectively because of actual or perceived pressures, including attempts to exercise undue influence over the assurance practitioner.

Reducing Threats to an Acceptable Level

A8-A11. An acceptable level is a level when a reasonable and informed third party, having access to all relevant facts, could conclude that the assurance practitioner has complied with the fundamental principles.

Reasonable and informed third party

A9-A12. A reasonable and informed third party means that the third party would have the knowledge and experience to understand the relevant facts and would be able to evaluate the assurance practitioner's conclusions in an impartial manner.

Safeguards

A13. The assurance practitioner eliminates or reduces threats to an acceptable level by:

- (a) Eliminating the circumstances, including interests or relationships, that are creating the threats;
- (b) Applying safeguards to reduce the threats to an acceptable level; or

(c) Declining or ending the GHG assurance engagement.

A14. Safeguards are actions that effectively reduce threats to compliance with the fundamental principles to an acceptable level. Examples of actions that in certain circumstances might be safeguards to address threats include:

- Assigning additional time to required tasks and rotating qualified personnel on an engagement might address familiarity threats.
- Involving another assurance organisation to perform or re-perform part of the engagement might address self-interest, advocacy, familiarity or intimidation threats.
- Having an appropriate reviewer, who was not involved in the GHG assurance engagement, or panel, review the assurance work and assess the conclusions, might address self-interest threats.

Safeguard to threats created by provision of other services

A15. Threats to fundamental principles created by providing other services to an assurance client vary depending on the facts and circumstances of the GHG assurance engagement and the nature of the other service. Excluding self-review threats, other threats might be addressed by applying safeguards or by adjusting the scope of the proposed service.

A16. Safeguards might not be available to reduce the threats created by providing another service to an assurance client to an acceptable level. In this situation, the assurance organisation takes further actions, for example:

- (a) Adjusting the scope of the proposed service to eliminate the circumstances that are creating the threats;
- (b) Declining or ending the service that creates the threats that cannot be eliminated or reduced to an acceptable level; or
- (c) Ending the GHG assurance engagement.

Independence Requirements

Conditions and Relationships

A10-A17. Examples of conditions and relationships that may create threats to the fundamental principles include:

- Relative size of assurance fee.
- Accepting or offering gifts or hospitality.
- Close business relationships.
- Family or personal relationships.
- Temporary personnel assignments.
- Employment relationships.
- Recent service with an assurance client.
- Serving as a director/trustee/officer of an assurance client.

Self-review Threat Prohibition

A18. Where provision of other services to an assurance client creates a self-review threat, that threat cannot be eliminated, and safeguards are not capable of being applied to reduce that threat to an acceptable level.

A11-A19. A service might possibly create a self-review threat where:

- (a) The results of the service will form part of, or affect the records, the internal controls over GHG emissions, or the GHG disclosures on which the assurance practitioner will express an assurance conclusion (e.g., measurement methods and estimation tools); and
- (b) In the course of the assurance engagement, the assurance practitioner will evaluate, or rely on, any judgements made, or activities performed, by the assurance organisation when providing the service, including when:
 - (i) An assurance organisation uses technology to provide a service; or
 - (ii) An assurance organisation provides, sells, resells or licenses technology to the assurance client.

A12-A20. A self-review threat might possibly be created when IT services are provided to an assurance client. Providing IT services might possibly create a self-review threat when the IT system forms part of, or affects, the assurance client's records or systems of internal control over GHG measurement or disclosures. Examples of such IT services include:

- Designing, developing, implementing, operating, maintaining, monitoring or updating IT systems.
- Supporting an assurance client's IT systems, including network and software applications.
- Implementing GHG measurement or reporting software, whether or not this was developed by the assurance organisation.

A13-A21. A self-review threat might possibly be created by services provided at the same time as an assurance engagement is performed or by services provided before the start of the assurance engagement period.

Prohibition on assuming management responsibilities

A14-A22. When an assurance organisation or assurance practitioner assumes a management responsibility for an assurance client, self-review, self-interest and familiarity threats are created. Assuming a management responsibility might also create an advocacy threat because the assurance organisation or assurance practitioner may become too closely aligned with the views and interests of management.

A15-A23. Examples of management responsibilities include:

- Setting policies and strategic direction.
- Directing and taking responsibility for the actions of employees.
- Deciding which recommendations of the assurance practitioner or third parties to implement.
- Taking responsibility for designing, implementing, monitoring and maintaining internal controls relating to GHG emissions.
- Taking responsibility for the preparation of the GHG disclosures.

- Taking responsibility for the methods and calculations relating to measurement of GHG emissions.

Financial Interest Prohibition

A16:A24. A financial interest is an interest in an equity or other security, debenture, loan or other debt instrument of an entity, including rights and obligations to acquire such an interest and derivatives directly related to such interest. Financial interests are classified as either a:

- (a) Direct financial interest: A financial interest:
 - (i) Owned directly by an individual or entity; or
 - (ii) Owned through an intermediary over which an individual or entity has control, or the ability to influence investment decisions.
- (b) Indirect financial interest: A financial interest owned through an intermediary over which an individual or entity has no control or ability to influence investment decisions.

A17:A25. Examples of a direct interest are:

- Holding shares in the assurance client.
- Being a trustee of a trust that holds shares in an assurance client.

A18:A26. Examples of an indirect interest are:

- Shares owned through collective investment schemes.
- Shares owned through pension schemes.

A19:A27. When determining whether an indirect financial interest is material to an individual, the combined net worth of the individual and the individual's immediate family members may be taken into account.

A28. Immediate family members are spouse (or equivalent) or dependents.

Competence

A20:A29. Skills and competence in assurance are developed through extensive training and practical application of assurance techniques, including performance of assurance engagements in accordance with relevant standards and applicable legal and regulatory requirements.

A21:A30. Skill and competence in assurance necessary to undertake an assurance engagement include:

- Risk assessment methodologies.
- ~~Sampling techniques.~~
- Linking the assessed risk and materiality to the nature, timing and extent of assurance procedures.
- Applying appropriate procedures (including enquires, inspection, recalculation, reperformance, observation, confirmation, analytical procedures and sampling techniques).
- GHG information systems and internal controls (how data is initiated, recorded, collated and reported in a GHG disclosures).
- Documentation of procedures performed and evidence obtained.

- Application of professional scepticism and professional judgement.

A22-A31. Skills and competence in GHG emissions are gained through significant experience or training in measuring, analysing, reporting and/or attesting GHG emissions.

A23-A32. Skills and competence in GHG emissions necessary to undertake an assurance engagement include:

- General understanding of climate science.
- GHG quantification methods, including associated scientific and estimation uncertainties relevant to the assurance client's sector.
- GHG reporting principles and methods.
- GHG monitoring techniques and calibration procedures and their consequences for data quality (relevant for the assurance client's sector).
- Understanding of laws and regulations that affect how the assurance client reports its emissions.

A33. Measurement and reporting of GHG emissions is a fast-evolving field. Continuous learning to keep up to date with changes will be important aspect of the assurance practitioner competencies.

A34. Assurance engagements over GHG emissions disclosures might be complex for entities in some sectors. The assurance organisation and engagement leader determine that sufficient time is allowed to complete the assurance engagement.

A24-A35. An assurance practitioner may use the work of ~~an expert~~ another individual or organisation, who has expertise in one or more underlying subject matters related to GHG reporting, if they conclude that the work of that ~~expert~~ individual or organisation is adequate for the assurance practitioner's purposes. However, the assurance practitioner has sole responsibility for the engagement. That responsibility is not reduced by the work of ~~the expert~~ another individual or organisation. The assurance practitioner needs to have sufficient understanding of the GHG emissions to be able to:

- (a) When needed, ask appropriate questions of the expert/individual or organisation and evaluate whether the answers make sense in the engagement circumstances;
- (b) Evaluate the ~~expert's~~ individual or organisation's work and, to the extent needed, integrate it with the work of the engagement team as a whole; and
- (c) Take responsibility for the conclusions reached.

Reliance on the Use of Work of Others

A25-A36. When ~~placing reliance on using the~~ work ~~undertaken by~~ of others, it is important to ensure that objectivity is not compromised. As such, it is important to consider whether others involved in the engagement have any interests or relationships that might create a self-review, self-interest, familiarity, intimidation or advocacy threat. Such considerations would normally include whether the individual or organisation has any relevant:

- Financial interests;
- Business and personal relationships; or
- Provides any other services to the assurance client.

A1-A37. If the assurance practitioner determines that the work performed by the individual or organisation is not adequate for the assurance practitioner's purposes, options available to the assurance practitioner include:

- (a) Agreeing with that individual or organisation on the nature and extent of further work to be performed by that individual or organisation; or
- (b) Performing additional assurance procedures appropriate to the circumstances.

A38. The paragraphs 23 and A36 – A37 have been written in the context of using work of the individual or the organisation engaged by the assurance practitioner. However, the paragraphs 23 and A36 – A37 may also provide helpful guidance with respect to using work of others, for example an individual or organisation engaged by the assurance client.

Management Bias

A39. When considering the risk of management bias, the assurance practitioner gains understanding of the management's ability to measure scope 1, 2 and 3 GHG emissions, and whether management's remuneration is linked to GHG emissions numbers.

A40. Examples of indicators of possible management bias include:

- The selection of assumptions, measurement methods or input data that result in GHG emissions numbers favourable to management's key performance indicators, targets or objectives; or
- Favourable changes in the quantification of GHG emissions due to management's subjective assessment that there has been a change in circumstances.

Fraud

A41. Maintaining professional scepticism requires an ongoing questioning of whether the information and evidence obtained suggests that a material misstatement due to fraud may exist. It includes considering the reliability of the information to be used as assurance evidence and the controls over its preparation and maintenance where relevant. Due to the characteristics of fraud, the assurance practitioner's professional scepticism is particularly important when considering the risks of material misstatement due to fraud.

A42. Fraud may include both the intentional under-reporting of emissions to meet key performance indicators and targets used to measure personal performance or achieve personal targets, and the intentional over-reporting of emissions in order to allow for downward trends in future emissions to be reported when this has not occurred, depending upon the circumstances of the assurance client. Assurance practitioners design and execute appropriately tailored procedures which respond to the specific fraud risks which have been identified.

Non-compliance with Laws and Regulations

A43. Non-compliance with laws and regulations comprises acts of omission or commission, intentional or unintentional, which are contrary to the prevailing laws or regulations. Non-compliance might result in fines, litigation or other consequences for the assurance client, potentially materially affecting its GHG disclosures. Importantly, such non-compliance might have wider public interest implications in terms of potentially substantial harm to investors, creditors, employees or the general public.

Comparative Information

A2-A44. Comparative information covers GHG disclosures in respect of one or more prior periods in accordance with Aotearoa New Zealand Climate Standards.

A3-A45. When the corresponding figures have been properly restated or appropriate disclosures have been made to GHG disclosures in the current reporting period, the assurance practitioner may include an Emphasis of Matter paragraph describing the circumstances and referring to the GHG disclosures in the climate statements.

Independent Assurance Report

Other Matter

A4-A46. The engagement leader applies professional judgment to consider whether there are engagement-specific matters, useful for the users of the assurance report, for inclusion in Other Matter section of the assurance report. Examples of such matters include:

- (a) Information about materiality considerations so that it is transparent to the users what tolerance for misstatement has been applied in conducting the assurance engagement;
or
- (b) Details of the qualifications and experience of the engagement leader and others involved with the engagement.

Form and Level of the Conclusion

A27. An example of how an unmodified conclusion may be expressed for limited assurance is as follows:

~~“Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the GHG disclosures (on pages [x] to [y] of the climate statements) for the year ended 31 December 20X1 are not prepared, in all material respects, in accordance with the Aotearoa New Zealand Climate Standards (NZ CSs) and [measurement criteria such as Greenhouse Gas Protocol Corporate Standard].”~~

~~Or~~

~~“Based on our examination of the evidence, nothing comes to our attention which causes us to believe that the assumptions (disclosed on pages [x] to [y] of the climate statements), do not provide a reasonable basis for the forecast. Further, in our opinion, the forecast is properly prepared on the basis of the assumptions and in accordance with [measurement criteria such as Greenhouse Gas Protocol Corporate Standard].~~

~~Actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variation may be material.”~~

~~Or~~

~~“Based on the evidence we have obtained, we have not found any evidence to indicate that the assumptions, methods and limitations (disclosed on pages [x] to [y] of the climate statements), used to develop forecasts and projections, do not provide a reasonable basis for the forecast.”~~

A28. An example of how an unmodified conclusion may be expressed for reasonable assurance is as follows:

~~“In our opinion, the GHG disclosures (on pages [x] to [y] of the climate statements) for the year ended 31 December 20X1 are prepared, in all material respects, in accordance with the Aotearoa New Zealand Climate Standards (NZ CSs) and [measurement criteria such as Greenhouse Gas Protocol Corporate Standard]”.~~

Appendix: Illustrative Limited Assurance Report

Unmodified Limited Assurance Report on GHG Disclosures

INDEPENDENT PRACTITIONER'S LIMITED ASSURANCE REPORT ON GREENHOUSE GAS DISCLOSURES

To the Intended Users

We have undertaken a limited assurance engagement on the Greenhouse Gas (GHG) disclosures ('GHG disclosures') on pages [x] to [y] of the Climate statements for the year ended xx xxxxx 20X1.

Our assurance engagement does not extend to any other information included in the Climate statements 20X1 or referred to in the Climate statements 20X1. We have not performed any procedures with respect to the excluded information and, therefore, no conclusion is expressed on it.

Our Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the GHG disclosures on pages [x] to [y] of the climate statements for the year ended xx xxxxx 20X1 are not prepared, in all material respects, in accordance with Aotearoa New Zealand Climate Standards (NZ CSs) issued by the XRB, measured in accordance with [measurement criteria such as *Greenhouse Gas Protocol Corporate Standard*].

{Some reports might express a limited assurance conclusion on parts of the GHG disclosures as follows:

"Based on our examination of the evidence, nothing comes to our attention which causes us to believe that the assumptions do not provide a reasonable basis for the forecast. Further, in our opinion, the forecast is properly prepared on the basis of the assumptions and in accordance with XYZ's climate change regulations.

Actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variation may be material."

{If some GHG disclosures are subject to reasonable assurance and others are subject to limited assurance, the assurance report shall clearly identify the GHG disclosures that are subject to each level of assurance and the related conclusion.}

Key Matters

In this section we present those matters that, in our professional judgement, were most significant to the assurance engagement. These matters were addressed in the context of our assurance engagement of the GHG disclosures, and in forming our conclusion, and we do not provide a separate conclusion on these matters.

{Include an explanation of why the matter is a key matter and outline what the assurance practitioner has done to address the matter.}

Emphasis of Matter (where applicable)

We draw attention to Section x which describes *{inherent uncertainty/exclusions, etc.}* Our conclusion is not modified in respect of this matter.

Comparative Information (where applicable, especially on transition to mandatory assurance)

~~{The comparative GHG disclosures (i.e. GHG disclosures for the period ended 31 xxxx 202x) have not been subject to assurance. As such, these disclosures are not covered by our assurance conclusion.}~~

Materiality [encouraged disclosure]

~~{Based on our professional judgment, we determined quantitative materiality for the GHG disclosures as follows:~~

- ~~• ...}~~

Competence and Experience of the engagement team [encouraged disclosure]

~~{Our work was carried out by an independent and multi disciplinary team including assurance practitioners, engineers and environmental scientists. The assurance practitioner retains overall responsibility for the assurance conclusion provided.}~~

ABC's Responsibilities

ABC is responsible for the preparation and fair presentation of the GHG disclosures in accordance with the applicable criteria. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation of GHG disclosures that are free from material misstatement.

~~{As discussed on page x of the climate statement}⁵ GHG quantification is subject to inherent uncertainty [because of incomplete scientific knowledge used to determine emissions factors, the values needed to combine emissions of different gases and the level of estimation uncertainty.}~~

Our Responsibilities

We are responsible for:

- ~~• Planning and performing the engagement to obtain limited assurance about whether the GHG disclosures are free from material misstatement, whether due to fraud or error;~~
- ~~• Forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and~~
- ~~• Reporting our conclusion to the addressee of the report of ABC.~~

~~As we are engaged to form an independent conclusion on the GHG disclosures prepared by management, we are not permitted to be involved in the preparation of the GHG information as doing so may compromise our independence.~~

Other relationships

~~Other than in our capacity as assurance practitioners, and the provision of the assurance engagement over GHG disclosures, we have no relationship with, or interests, in the ABC.~~

Standards Applied

~~This engagement was undertaken in accordance with NZ SAE 1, {ISAE (NZ) 3410 or ISO 14064-3} and {state which assurance standard and/or professional and ethical standards or accreditation body requirements were applied, e.g., NZICA Code of Ethics, ISO 14065, ISO 14066, ISO 17029}.~~

⁵ Where there is no discussion of the inherent uncertainty in the climate statements, this should be deleted.

Summary of Work Performed

[In a limited assurance engagement, it is important for the practitioner to insert a summary of the nature and extent of procedures performed that, in the practitioner's judgement, provides additional information that may be relevant to the users' understanding of the basis for the assurance practitioner's conclusion. The following section has been provided as guidance, and the example procedures are not an exhaustive list of either the type, or extent, of the procedures which may be important for the users' understanding of the work done.]

We are required to plan and perform our work to address the areas where we consider that a material misstatement of the GHG disclosures may arise. The procedures we performed were based on our professional judgement. In undertaking our limited assurance engagement on the GHG disclosures, we:

- Obtained, through inquiries, an understanding of ABC's control environment, processes and information systems relevant to the preparation of the GHG disclosures. We did not evaluate the design of particular control activities, or obtain evidence about their implementation;
- Evaluated whether ABC's methods for developing estimates are appropriate and had been consistently applied. Our procedures did not include testing the data on which the estimates are based or separately developing our own estimates against which to evaluate ABC's estimates;
- Undertook site visits at xx of ABC's xx sites;
- Tested, at each site visited, a limited number of items to, or from, supporting records, as appropriate;
- Performed analytical procedures by comparing the expected GHGs emitted to actual GHGs emitted and made inquiries of management to obtain explanations for any significant differences we identified;
- Considered the presentation and disclosure of the GHG disclosures.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

[Engagement leader's signature]

[Name of engagement leader]

[Date of the assurance report]

[Address of assurance organisation where engagement leader is based]

Comment number	Who	Category	Comment details	Analysis	Change to the standard?	Proposed FAQ?
Comment 10	AFAANZ	Assurance report	"the statement of the client's responsibilities in the assurance report should include the responsibilities of directors' (or those charged with governance) and the responsibilities of management"	Both standards ISAE (NZ) 3410 and ISO 14064-3 include requirement to identify responsibilities of the assurance client. While we recognise that ISA (NZ) 700 is more specific in this area, we do not propose to be prescriptive at the current stage regarding specification of responsibilities of those charged with governance or management.	No	No
Comment 50	CEP	Assurance report	"the wording should be strengthened in regard to the credentials of the engagement leader and others. The consultation document states the exposure draft "encourages the assurance practitioner to disclose and details of the qualifications and experience of the engagement leader and others involved with the engagement if [our emphasis] they consider they would be useful". It is important well-credentialed and highly competent practitioners are engaged in assurance provision. It would add negligible additional burden on assurance providers to list their credentials and in the unregulated environment we shall be under for the next few years at least, having providers list credentials will contribute to enhancing trust and confidence. We suggest the engagement leader, if not all engaged in the assurance, should be required to list credentials rather than encouraged. This should be reflected in inclusion of credential listing under Requirement 41 in the exposure draft and supplemented by something similar for team members."	Our standard requires that an assurance practitioner undertaking the GHG assurance engagements needs to be competent and independent. However, we do not believe that listing all experience and competencies is necessary in the assurance report. Similarly, it would be unusual to include list of credentials in the assurance report (no similar requirement is currently included in ISO, ISAE (NZ) or ISA (NZ) standards). We propose not to follow the recommendation at this stage.	No	No
Comment 62	Deloitte	Assurance report	"The illustrative report on page 19 requires disclosure of the professional and ethical standards applied with reference to the NZICA Code of Ethics, which conflicts with the ISAE (NZ) 3410 requirement"	ISAE (NZ) 3410 para 75 (j) requires an assurance practitioner to include a statement that the assurance practitioner complies with the independence and other ethical requirements of PES 1 or at least as demanding. The illustrative report includes wording on compliance with PES 1. The illustrative report in the proposed standard that includes examples of what could be included and one of them is NZICA Code of Ethics. We do not believe that it is a conflict with ISAE (NZ) 3410. Note: we recommend not including illustrative reports in our standards, but parts of them will be included in FAQ. More details included in our responses to the comments relating to illustrative reports.	No	No
Comment 72	Deloitte	Assurance report	- do not agree with stating specifically that assurance organisation is not permitted to be involved in preparation of GHG disclosures	We propose to keep this requirement as a strong signal to all stakeholders that the preparation of GHG information is not permitted.	No	No

Comment number	Who	Category	Comment details	Analysis	Change to the standard?	Proposed FAQ?
Comment 74	Deloitte	Assurance report	"It would be helpful if an illustrative report is provided where a practitioner applies ISAE (NZ) 3410. That standard has the heading Our Independence and Quality Management which is discussed differently to this standard."	<p>ISAE (NZ) 3410 para 75 (i) requires a statement that the firm applies PES 3 or other professional requirements as demanding. Similarly para 75 (j) requires an assurance practitioner to include a statement of compliance with PES 1 or other ethical requirements as demanding. As a consequence ISAE (NZ) 3410 illustrative report includes a section under heading "Our Independence and Quality Management". The section includes statement of compliance with PES 1 and PES 3 or other as demanding requirements.</p> <p>Our standard does not include requirements to comply with PES 1 and PES 3 or at least as demanding requirements. Therefore, our illustrative report include a different section "Standards Applied" where compliance with ethical and other professional standards needs to be included.</p> <p>We propose not to be prescriptive how to fulfil the ISEA (NZ) 3410 requirement regarding statement of compliance with PES 3.</p> <p>We note that one of the options could be adding relevant statements under our section "Standards Applied". We could further illustrate it in FAQ.</p>	No	Yes
Comment 76	Deloitte	Assurance report	"We note that the current wording of the other relationships paragraph does not make it clear that there could be more than one GHG related engagement (assurance over GHG emissions in the climate statement, and assurance over disclosures in a separate GHG report). We propose amended wording as follows: "Other than in our capacity as assurance practitioners for this engagement, and the provision of assurance over ABC's separate Greenhouse Gas Report, we have no relationship with, or interests, in ABC."	We propose to include an example of the proposed wording in FAQ rather than in the illustrative report.	No	Yes

Comment number	Who	Category	Comment details	Analysis	Change to the standard?	Proposed FAQ?
Comment 89	EY	Assurance report	include in the assurance report: - mandatory disclosure of materiality, - "a statement on the subjective interpretation of the standard depending on the different stakeholder groups. This will provide further clarity and context, allowing for better understanding of the assurance statement for the user." - "specification of the users of the assurance report in order to ensure the report is used by the appropriate people in the appropriate manner"	Materiality has been extensively discussed by the Advisory Panel. We are aware that there are various and conflicting views regarding materiality disclosure. Therefore, we propose to keep the disclosure of materiality as optional at this stage. Statement on the subjective interpretation - as this is not a requirement of either ISAE (NZ) 3410, ISAE (NZ) 3000 nor ISO 14064-3, we do not consider it is necessary to include in the requirements of the draft standard. We agree that the assurance report should be addressed to specific users. This will be addressed by our response to the comment 158.	No	No
Comment 128	Jeska McHugh	Assurance report	suggest to include assurance history in the assurance report	We support the transparency of the assurance provided over the years. However, this suggested requirement would be quite unusual for assurance practitioners in the context of the current practice. We propose not to include it at this stage.	No	No
Comment 131	KPMG	Assurance report	· Should be mandatory to disclose in the assurance report if the assurance practitioner applied PES	This is a requirement of ISAE (NZ) 3410. Therefore, those who apply ISAE (NZ) 3410 will be disclosing this information. Assurance practitioners applying ISO standard, if they comply with PES 1 or PES 3, can include this information under section "Standards Applied". We do not propose change in the standard. We could explain it in FAQ.	No	Yes
Comment 158	OAG	Assurance report	· "In the proposed standard, the term 'intended users' has been used for the 'addressee' of assurance report. This may be confusing when the auditor's report on the financial statements of FMC reporting entities is addressed to the shareholders. We recommend that the proposed standard explains who the 'addressee' of the assurance report is. If it is intended that the assurance report may be addressed to parties other than the shareholders, this should be made clear, for example, it may be that the addressee has been agreed."	We propose the respective line in our illustrative report from "To the intended users" to "[Appropriate Addressee]" - this will align the illustrative report in the proposed standard with the illustrative report in ISAE (NZ) 3410. This will also allow flexibility to the assurance practitioner to specify users of the assurance report as appropriate. Note: we recommend not including illustrative reports in our standards, but parts of them will be included in FAQ. More details included in our responses to the comments relating to illustrative reports.	No	No
Comment 161	OAG	Assurance report	· We agree with paragraph 29 requiring the conclusion paragraph to be included first.	Noted	No	No
Comment 191	PwC	Assurance report	· Clarify if the disclosure of "any other relationships" in the assurance report is as broad as in ISA (NZ) 700 (as opposed to relationships that may have bearing on the independence as per ISA (NZ) 260)	The requirement has been brought from ISAE (NZ) 3000 and relates to assurance report. The similar requirement is in ISA (NZ) 700. We would expect that any relationships are disclosed. We could explain it together with the example of wording in FAQ (see also comment 76)	No	Yes

Comment number	Who	Category	Comment details	Analysis	Change to the standard?	Proposed FAQ?
Comment 206	Toitū	Assurance report	<p>Clause 40(b) requires details of the qualifications and experience of the engagement leader and others involved with the engagement. We query the benefit of this potentially unnecessary detail, particularly with reference to the fact that there is currently no standardised or formal qualification pertinent to these disclosures. As such, the reader would be unable to make an informed assessment on the competency of the engagement leader.</p> <p>In addition, query the benefit of disclosing the experience of the team involved. This is not typical of standard finance audit practices and may dissuade firms from involving trainees. Perhaps a disclosure over the entire firm's general experience and practice with respect to climate reporting and accounting may be more appropriate.</p>	<p>We note that the paragraph 40 (b) encourages but not requires the disclosure ("the engagement leader shall consider"). Therefore, the disclosure is not mandatory, it will depend on engagement leader's judgment.</p> <p>We can consider additional FAQ to clarify this.</p>	No	Yes
Comment 14	AFAANZ	Communication tools	"suggest removing the second part of section 31 that refers to enhancing the communicative value of the assurance report, because research evidence does not support that it does"	We note the comment that research evidence does not support the assumption that key matters enhance communicative value of the assurance report. However, we propose to keep the current definition in our standard to help assurance practitioners to decide what could be identified as a key matter.	No	No
Comment 28	CA ANZ and CPA	Communication tools	<ul style="list-style-type: none"> - support for optional inclusion of key matters, EOM and other matter paragraphs - have significant doubts whether requirement in the standard will result with the same output as equivalent to under ISA (NZ) 701 and ISA (NZ) 706 	<p>Comment noted.</p> <p>We propose to retain the requirement on mandatory inclusion of key matters if they are identified by assurance practitioners, because we want to be stronger than just "encourage" key matters. EOM and other matter paragraphs are also mandatory if matters meeting the definition of EOM or other matter paragraph are identified.</p> <p>We propose to continue to be principle based and do not include further specific requirements in our standard. Instead we will build more FAQ with inclusion of examples what could be included in each of the communication tools.</p>	No	Yes

Comment number	Who	Category	Comment details	Analysis	Change to the standard?	Proposed FAQ?
Comment 29	CA ANZ and CPA	Communication tools	"We are aware of feedback indicating that the inclusion of Key Matters in a limited assurance engagement would be inappropriate, on the basis there is a risk that users could take more assurance than is warranted – key matters are only currently reported under a reasonable assurance engagement"	Comment noted. We understand there might be circumstances where only analytical procedures are performed and there are no key matters. However, there might be limited assurance examples where key matters emerged and we consider that it might be useful to communicate them to users. We perform review of effectiveness of key matters as part of implementation review. We propose to retain requirement for key matters at this stage.	No	No
Comment 194	PwC	Communication tools	"The definition of "Other matter" (paragraph 3(i)) is extremely broad and open to misalignment of expectations by users and regulators. We believe further guidance to clarify the nature of "Other Matters" would be helpful to assurance practitioners. The lack of clarity creates risk for practitioners, not only from users but also from regulators when actual events are different to those forecast or expected"	The definition of Other Matter paragraph is based on ISA (NZ) 706 definition in para 7 (b). We do not propose to change the definition at this stage but will consider including an FAQ in due course	No	Yes
Comment 220	Toitū	Communication tools	<ul style="list-style-type: none"> “Include mention of the currency and suitability of emission factors “we reviewed the suitability of the EF used throughout the inventory”. Alternately, an assurance conclusion over the “accounting policy” on how the inventory was compiled, including which emissions factors were used. ” 	We consider these are good examples for inclusion in Emphasis of Matter, Key Matters or Inherent Uncertainty Paragraph. We propose to include these examples in our FAQ on communication tools.	No	Yes
Comment 221	Toitū	Communication tools	<ul style="list-style-type: none"> “There may be benefit to including a data quality score in the opinion so the reader could assess the quality of the information supplied to the auditor and on what quality of information the inventory is compiled. “ 	We consider these are good examples for inclusion in Emphasis of Matter, Key Matters or Inherent Uncertainty Paragraph. We propose to include these examples in our FAQ on communication tools.	No	Yes
Comment 54	CEP	Competences	"The Standards should, at the very least, require Engagement Leads list credentials and, we believe, this should also apply to supporting team members. In its communications, The XRB should also be encouraging the commissioning of well-credentialed practitioners for assurance engagements."	Noted. We consistently communicate that these engagements can be undertaken by competent and independent assurance practitioners. Regarding credentials - see our response to Question 5 (CEP submission).	No	No
Comment 81	Deloitte	Competences	Para 19 - "provide assurance" should be "obtain assurance"	Agree. The wording has been adjusted to reflect more ISAE (NZ) 3410 and "provide assurance" has been removed.	Yes	No

Comment number	Who	Category	Comment details	Analysis	Change to the standard?	Proposed FAQ?
Comment 196	PwC	Competences	"we believe the core principles defined in ISA (NZ) 500 and ISA (NZ) 230 around documentation and evidence may provide a basis for guidance that would assist assurance practitioners understand what evidence a competent assurance practitioner must obtain and document to support their conclusion. Thereby also providing criteria upon which to measure their competence in assurance skills"	We note that both ISAE (NZ) 3410 and ISO 14064-3 have requirements regarding documentation. We do not propose to bring additional details from auditing standards for the purpose of measuring competence criteria. However, we have considered documentation requirements would be important for high quality engagements and we propose some additional requirements. This has been covered by our response to the comments regarding documentation.	No	No
Comment 197	PwC	Competences	· Para 19 "provide assurance" vs "obtain assurance"	Agree. The wording has been adjusted to reflect more ISAE (NZ) 3410 and "provide assurance" has been removed.	No	No
Comment 38	CA ANZ and CPA	Definitions	"Assurance client – as currently drafted it could be taken to mean the whole population of climate reporting entities, as opposed to "a" climate reporting entity – being one single entity."	Agree. Changed to "a climate reporting entity."	Yes	No
Comment 39	CA ANZ and CPA	Definitions	"Assurance organisation – it is unclear why the term "Firm" is not used here as defined in EG Au4 Glossary of Terms, as issued by the XRB"	It was a conscious decision to include term "assurance organisation" instead of "firm". Term "firm" might be associated with accounting practice. We would like to signal in our standard that we are open to other professionals, not only accountants.	No	No
Comment 44	CA ANZ and CPA	Definitions	"Immediate family member" in paragraphs 14(c), 15(c) and A19 is not defined.	We propose to add explanation in the application material relating to the financial interest prohibition (as the "immediate family member" appears in our standard in the context of financial prohibition only).	Yes	No
Comment 45	CA ANZ and CPA	Definitions	"Senior personnel" in paragraph 16 is not defined.	To avoid adding a definition of senior personnel, we propose to reword the requirement and replace senior personnel and engagement leader by "assurance practitioner". We believe that it would be unusual if a junior team member might have long association with an assurance client. However, if it would have then the familiarity threat should be also addressed.	Yes	No
Comment 56	CEP	drafting	3c There should be an apostrophe at the end of users in the final line. 49 Use of the word satisfactory here could lead to ambiguity, see above. 51b There should be a comma after from in the first line. A3 bullet 2 The spelling of judgement is inconsistent with the remainder of the document.	We propose to fix apostrophe, commas and spelling. However, we propose to leave the word "satisfactory" (see also comment 49).	Yes	No

Comment number	Who	Category	Comment details	Analysis	Change to the standard?	Proposed FAQ?
Comment 228	Toitū	drafting	"NZSAE1 calls upon PES4: the comply with the independent reviewer requirements set out in paragraph 52 to 56. PES 4 paragraphs 52-56 could not be located. The cited clauses of PES1 and PES3 are queried also. "	We propose to clarify that we mean the paragraphs of our standard that should be applied. We propose to add "of this standard".	Yes	No
Comment 42	CA ANZ and CPA	Ethics	"Financial interest" is defined in paragraph A16 in the application material, instead of paragraph 3, and has a different definition to that in PES 1	Financial interest was moved to application material for easier navigation: readers will not have to move between definitions, requirements and examples. Given that the financial interests is mentioned only in one requirement, we consider it is more practical to include definition and examples in one place in the application material. We believe that the definition in the exposure draft reflects the spirit of PES 1 definition. The definition in the exposure draft was simplified for easier understanding by all assurance practitioners.	No	No
Comment 57	Deloitte	Ethics	" the exposure draft specifically states that PES 1, PES 3 and PES 4 do not apply. There is no clarification as to whether the principles of the exposure draft override other standards. This lack of clarity increases the risk that interpretation differences will arise, creating inequality in service between practitioners, which may not be understood or appreciated by users (enhancing the 'expectation gap')"	Application material A5 states: "Assurance practitioners may also be required to comply with accreditation requirements or professional body requirements. Where this is the case, these requirements continue to apply". We consider this addresses the concern.	No	No
Comment 59	Deloitte	Ethics	"A more detailed comparison between the XRB's independence requirements and those in the ISO standards, including ISO 14066 should be made available"	We believe that it would be quite difficult and probably impractical to prepare detailed comparison of ISO and PES 1 for public use, given the fact that ISO standards are under strict copyrights. Instead we recommend that we develop more guidance in the form of FAQs when we are aware of specific concerns or issues encountered by assurance practitioners.	No	No
Comment 84	EY	Ethics	- Overarching principles included in the standard are appropriate however greater guidance should be provided given not all practitioners are familiar with PES - Concerned that principle based approach is open to wide and varying interpretations	Concerns noted. As both ISAE and ISO practitioners are used to the principles included in our standard, we believe that extensive guidance are not necessary, especially for an interim standards.	No	No
Comment 112	FSC	Ethics	Trust and confidence - query whether this principle is achieved Temporary nature of the standard - unclear why Importance of ethics and quality - concerns that fundamental principles are modified to fit a specific topic, unclear why XRB would "switch off" standards	Noted. We recommend to respond to these concerns and more explain the reason for our approach in the basis for conclusions.	No	No

Comment number	Who	Category	Comment details	Analysis	Change to the standard?	Proposed FAQ?
Comment 143	OAG	Ethics	"We agree with the reference to the 'assurance organisation' and the 'assurance practitioner' in paragraphs 11, 12 and 39 in relation to independence, because assurance organisations often establish internal separation requirements to allow different practitioners of the same organisation to provide assurance and preparation or advisory services to the same entity. This is consistent with our own standard, AG-PES 1 which does not permit internal separation as a mitigation for self-review threats"	Noted	No	No
Comment 146	OAG	Ethics	o "reasonable and informed party" – OAG definition is wider	Noted. Definition in the draft standard is based on PES 1 with simplified language used.	No	No
Comment 147	OAG	Ethics	o Rotation and cooling off periods specified in more detail in PES 1, unclear if rotation would be applied to assurance organization as well	In order to be principle based, we intentionally do not include further requirements regarding rotation and cooling off periods. However, we refer to PES and ISO for further guidance in FAQs.	No	No
Comment 148	OAG	Ethics	o Para 17 – independence period is not sufficient "because the assurance practitioner could have assisted with baseline information or the corresponding information."	The independence period required by the proposed standard is the same as independence period required for assurance engagements in section 900 of PES 1. We also note that the proposed standard includes requirement of self-review threat prohibition for comparative information - para 12 (a). This would address the example raised in the submission regarding assurance practitioner assisting with baseline information or corresponding information.	No	No
Comment 185	PwC	Ethics	"emphasising key requirements of PES 1, PES 3 and PES 4 relevant to the assurance engagement within the standard is appropriate. Suggesting that, because these requirements are now captured in NZ SAE 1, the assurance practitioner need not comply with PES 1, PES 3 and PES 4, is, in our view, open to misconstruction and confusion, particularly given there is a specific requirement for the assurance practitioner to comply with those standards if they perform the engagement in accordance with ISAE (NZ) 3410 and NZ SAE 1."	This is not correct. Application material in our proposed standard includes the following paragraph A5: "Assurance practitioners may also be required to comply with accreditation requirements or professional body requirements. Where this is the case, these requirements continue to apply. "	No	No
Comment 186	PwC	Ethics	NZ SAE Para 16 - no sufficient guidance regarding rotation requirements and cooling off periods for assurance practitioners applying ISO and NZ SAE 1	As this is a principles based temporary standard, we intentionally do not include further requirements regarding rotation and cooling off periods. However, we refer to PES and ISO for further guidance in FAQs.	No	No
Comment 187	PwC	Ethics	Definition of a reasonable and informed third party as per NZ SAE 1 Para 11 is inconsistent with PES 1 para 120.5 A6. Recommendation to retain PES 1 definition.	We propose to add a subtitle "Reasonable and informed third party" so the readers can easier locate the relevant explanation of the third party test.	Yes	No

Comment number	Who	Category	Comment details	Analysis	Change to the standard?	Proposed FAQ?
Comment 209	Toitū	Ethics	"Under clause A7a we suggest "Self-interest threat – the threat that a financial or other material interest will inappropriately influence an assurance practitioner's judgment or behaviour" and append a definition of what would be considered as material."	Reviewed ISO definition (see next column). In practice it would be rather material interest that creates a threat. It does not seem necessary therefore to specifically add "material" in this case and departure from PES 1 definition.	No	No
Comment 211	Toitū	Ethics	Around independence and self-review threat, we have some queries: • How is fulfilment of this requirement to be made clear to the readers of these statements, outside a declaration?	The proposed standard includes a requirement: "The assurance report shall state that the assurance organisation is not permitted to be involved in the preparation of the GHG information as doing so may compromise independence" (para 39 of proposed NZ SAE 1). The compliance with NZ SAE 1 will be regulated by the licencing regime (which is still under development).	No	No
Comment 49	CEP	Independent review	"we question the use of the word "satisfactory" in Requirement 49. It is conceivable that "satisfactory" could be associated with a specific outcome rather than full completion of the assurance process. If the word is inserted as a synonym for full it is probably redundant as "completion" does not require an adjective, a report would be either completed or not completed. If the insertion is intended to be interpreted as thorough, it would be better to use that word, or something similar"	The word "satisfactory" in this paragraph would mean that independent reviewer is satisfied with the results of the review, including any responses, clarification from the engagement leader and assurance practitioners on the engagement. We recommend no change to the standard.	No	No
Comment 189	PwC	Independent review	Not sufficient guidance in relation to independent review for those who are adopting ISO: o specify skills and experience of the independent reviewer and whether they are part of the engagement team "there should be a clear definition of the competency requirements of the independent reviewer, including skills in assurance, GHG and disclosures, having sufficient time to perform the role and the appropriate authority"; o specify what would satisfy requirements of paragraph 56 "results of the independent review" o add requirement regarding timeliness of the review (PES 4 requires timely review on all stages of the engagement)	Competences: ISO requires a competent reviewer. However, we propose further clarify that competence and independence of the independent reviewer is the same as of the engagement leader. We agree that it will be beneficial to add that independent reviewer shall have sufficient time and authority. Results of the independent review: We consider that all assurance practitioners (ISO and ISAE) would have already policies and procedures for documentation of the results of the review. We do not believe that further requirements would be beneficial. Timeliness: The timeliness is included in both ISO 14064-3 and PES 4, however we agree to add it for the clarity of the requirements.	Yes	No

Comment number	Who	Category	Comment details	Analysis	Change to the standard?	Proposed FAQ?
Comment 18	CA ANZ and CPA	Investor's expectations	"Investor groups (for example, the New Zealand Shareholders' Association (NZSA)) expect that, in time, sustainability reporting will be subject to investment-grade assurance"	Comment noted. The submission refers to NZSA Policy 22 Environmental Sustainability para 3.9 b) "While we expect a move to investment-grade assurance over time ('reasonable assurance'), NZSA feels that a 'limited disclosure' regime will serve current requirements, allowing the industry to develop capability – both in terms of capacity and capability – over time."	No	No
Comment 11	AFAANZ	Other comments	"recommend requiring disclosure of materiality"	Materiality has been extensively discussed by the Advisory Panel. We are aware that there are various and conflicting views regarding materiality disclosure. Therefore, we propose to keep the disclosure of materiality as optional at this stage.	No	No
Comment 46	CEP	Other comments	- "wonder if Independence warrants inclusion as a design principle in its own right." - "the document refers to professional and accreditation bodies placing ethical and quality management requirements on their "members". Best practice for organisations operating the certification of persons requires certifications/accreditations to be administered independently of any memberships. Accordingly, "members" should be replaced with "members and certification holders"	Noted. We believe the comments do not bear implications for the requirements in the draft standard.	No	No
Comment 73	Deloitte	Other comments	- it is not appropriate to include materiality consideration at this stage	Noted. Materiality disclosure is optional in the draft standard.	No	No
Comment 119	FSC	Other comments	Support to align as much as possible with approach for financial statements: ethics, independence, QM, aligning wording of communication tools, competence requirements, reliance on experts. Support to align as closely as possible to international developments.	Noted support for the alignment with the approach for financial statements. Aligning to the international developments, will be subject of careful considerations upon developing a transition plan.	No	No
Comment 122	IGCC	Other comments	"The XRB's approach to developing assurance standards and guidance needs to consider a range of end user needs and levels of sophistication."	Noted In due course of addressing other comments raised, we have recommended developing some parts of guidance targeted especially at users. This will include: understanding assurance conclusions under different standards, understanding key matters and other communication tools in the assurance reports.	No	No

Comment number	Who	Category	Comment details	Analysis	Change to the standard?	Proposed FAQ?
Comment 134	Michael Nugent	Other comments	Principle of trust and confidence: ISO standard should not be recognised in our standard because it is not available free of charge	Noted	No	No
Comment 144	OAG	Other comments	"assurance practitioners who are not members of a professional accounting body in public practice may not be familiar with the concepts described in the XRB's PESs and how they are applied in practice. Some requirements have to be described in more detail to enable an equal understanding of the proposed standard's expectations. Comprehensive guidance and application material are also needed to enable consistent understanding and application of the proposed standard."	Based on our analysis of ISAE and ISO, similar concepts are included in both sets of standards. As we continue to be principles-based, we do not propose to include extensive guidance at this stage that mirrors PES standards. Instead, we propose to issue guidance in the form of FAQ that addresses specific matters that were included in feedback provided to us.	No	No
Comment 175	OAG	Other comments	"We consider it likely that some entities will provide management commentary on their GHG disclosures. We recommend that the proposed standard provides more requirements and guidance in relation to management commentary and to issues such as 'greenwashing'. Also refer to our response to question 1 on management bias in respect of paragraph 22."	We propose to address this matter through FAQs on other information.	No	Yes
Comment 181	PwC	Other comments	•"PES 1 Paragraph 220 Preparation and presentation of information. While the proposed standard refers to what might constitute a self-review threat, the extent of the guidance around the Assurance provider's preparation of the information subject to the assurance engagement is not sufficiently explained. Guidance on relying on the work of others or having processes to manage situations where information is, or might be, misleading have not been built into the proposed standard. This may represent a quality risk."	Our standard relates only to GHG assurance engagements. Therefore, we do not propose to include further guidance on preparation of the information subject to the assurance engagements. Relying on the work of others is covered in the separate section of the proposed standard.	No	No
Comment 195	PwC	Other comments	Support for materiality disclosure: "Materiality for the proposed assurance engagements will include qualitative and quantitative bases. For this reason, an explanation of the qualitative basis would provide users with relevant information to evaluate the conclusions reached by the assurance practitioner. Establishing a materiality base will be subjective and, in our view, will be relevant to the evaluation of the disclosures and to understanding the "rigour" applied by an assurance practitioner in the performance of the assurance engagement."	Noted. Materiality has been extensively discussed by the Advisory Panel. We are aware that there are various and conflicting views regarding materiality disclosure. Therefore, we propose to keep the disclosure of materiality as optional at this stage.	No	No

Comment number	Who	Category	Comment details	Analysis	Change to the standard?	Proposed FAQ?
Comment 205	T+T	Other comments	Regarding wider sustainability matters: "Ensuring future assurance engagement standards recognise and allow for expertise and experience of assurance practitioners who are not financial auditors will be vital to provide competent and credible assurance on those wider matters."	Noted	No	No
Comment 152	OAG	Other information	o Paragraph 28 refers to excluded information. Excluded information is captured by the 'other information' requirements in the proposed standard. It would be helpful to give examples of what the XRB intends by the term excluded information' in the proposed standard. The proposed standard doesn't appear to address the completeness of the disclosures subject to assurance. Those disclosures may be completely missing from the disclosure document or may be disclosed in a part of the disclosure document that is not being assured, which could result in material misstatements	The information subject to the assurance is specified by NZ CS 1 para 26. It will be assurance practitioner's professional judgment if all required disclosures subject to assurance are included in the climate statement. The intention of para 28 in ED, was to require the assurance practitioner to clearly state that other parts of the climate statement are not covered by the assurance conclusion. The proposed standard does not require separate paragraph on Other Information as it is required in ISA (NZ) 720.	No	No
Comment 4	AFAANZ	Other standards used in New Zealand	AA1000AS has been used "but that standard applies specifically to stand-alone sustainability reports and would not be appropriate for these disclosures"	Noted	No	No
Comment 20	CA ANZ and CPA	Other standards used in New Zealand	Not aware	Noted	No	No
Comment 47	CEP	Other standards used in New Zealand	Not aware	Noted	No	No
Comment 58	Deloitte	Other standards used in New Zealand	Not aware	Noted	No	No
Comment 83	EY	Other standards used in New Zealand	Not aware of other standards but the application of the both standards that are already used might lead to variations of the work performed, ethics, QM and assurance reports.	Noted	No	No
Comment 113	FSC	Other standards used in New Zealand	Not aware	Noted	No	No
Comment 155	OAG	Other standards used in New Zealand	"We currently apply the Auditor-General's auditing standard: AG-4 The audit of performance reports in the public sector where a public entity reports climate-related disclosures within their service performance information. We are also aware of Assurance Standard (AA1000AS v3) which is issued by AccountAbility and applied globally for sustainability assurance engagements."	Noted. We acknowledge that AG-4 is used when GHG is part of performance reports.	No	No

Comment number	Who	Category	Comment details	Analysis	Change to the standard?	Proposed FAQ?
Comment 184	PwC	Other standards used in New Zealand	Not aware	Noted	No	No
Comment 201	T+T	Other standards used in New Zealand	Not aware. "As the scope of assurance engagements broadens in the future, we encourage XRB to ensure that any future standards consider the technical and scientific understanding required to provide meaningful assurance against those broader climate change and sustainability matters."	Noted Our transition plan will include considerations of competencies required for assurance of broader climate change and sustainability matters.	No	No
Comment 207	Toitū	Other standards used in New Zealand	Not aware	Noted	No	No
Comment 64	Deloitte	QM	detailed comparison between ISO and PES 3	We believe that it would be quite difficult and probably impractical to prepare detailed comparison of ISO and PES 3 for public use, given the fact that ISO standards are under strict copyrights. Instead we recommend that we develop more guidance in the form of FAQs when we are aware of specific concerns or issues encountered by assurance practitioners.	No	No
Comment 66	Deloitte	QM	"In addition, the requirements are expressed in reference to the conduct of GHG disclosures assurance engagements. Firms that already comply with PES 3 will have system documentation which may not specifically talk to GHG disclosures assurance engagements, but more generally to all audit, assurance and related services engagements (as specified in PES 3). We would assume that this is acceptable."	As the standard refers to GHG assurance engagements, the requirements are expressed in reference to GHG assurance engagements. As we do not require anything more to what we would expect assurance practitioners already have in place, we do not consider a new GHG QM system is required for assurance practitioners. We might consider a FAQ on this if this is raised more often.	No	No
Comment 188	PwC	QM	· The selectiveness of PES 3 and PES 4 requirements in NZ SAE "undermines the importance of the comprehensive quality framework"	We do not agree with this statement. We have included the most relevant parts from PES 3 and PES 4 in the draft standard. The requirements in the draft standard should be applied on top of the requirements relevant to the applicable standard (that is ISO or ISAE) and relevant professional and accreditation requirements.	No	No
Comment 224	Toitū	QM	" We find the requirements relevant and appropriate but note that they should be applied to the assurance organisations' competence, training, commitment to improvement, not on an individual signatory level."	We agree with the comment. We believe that competence and training would be included in quality management system set up by assurance organisations. We recognise that commitment to improvement is an important aspect of ISO organisation, we recognise that in PES 3 it is included in the "remediation process".	No	No

Comment number	Who	Category	Comment details	Analysis	Change to the standard?	Proposed FAQ?
Comment 120	IGCC	Two standards allowed	<p>Support for:</p> <ul style="list-style-type: none"> •International alignment of standards to promote consistency and comparability. •A robust assurance framework to promote confidence in reported information, similar to audited financial statements, including ethics, independence, and quality management requirements. •Expanding assurance to the broader climate statement over time, allowing for capability building and taking advantage of learnings from a post implementation review. •Assurance practitioners to have relevant qualifications and expertise, and be subject to ethical, independence and quality management requirements. •End users to easily interpret and compare assurance outcomes, raising concern over the proposal to allow assurance practitioners to use different assurance engagement standards. •Additional information in the assurance report which helps users to understand the assurance opinion and process, and inform decision making. 	Noted	No	No
Comment 178	PwC	Two standards allowed	"We question whether there is a risk that the XRB may create an assurance product or market expectation that is difficult to reverse should the approach be inconsistent with the IAASB standards that are also being developed. We believe that the current assurance standards issued by the XRB provide sufficient authoritative guidance to apply to an assurance engagement over GHG disclosures as well as other climate related disclosures"	Noted	No	No
Comment 177	PwC	Use of PES standards	"The proposed standard identifies selected quality aspects from PES 1, PES 3 and PES 4, but not all requirements and, in doing so, risks creating a quality framework that is not as robust as the ISQM framework "	We do not agree. We believe we included all principles that are the most relevant to the regime in our standard. Assurance practitioners applying ISAE and ISO are familiar with these concepts and also follow more detailed requirements included in their professional standards, we do not see the need to include additional requirements in our standard that would replicate those other requirements.	No	No

Comment number	Who	Category	Comment details	Analysis	Change to the standard?	Proposed FAQ?
Comment 16	AFAANZ	Use of the work of others	<ul style="list-style-type: none"> - "recommend cautioning assurance practitioners on the risk of overreliance on experts' work" - "risk regarding the independence of experts" - "auditor's and their experts may not have consistent views on, and levels of, objectivity and professional skepticism" - "auditors were found to trust their experts and relied heavily on their firm's quality control systems to ensure the competence and independence of their specialists" <p>"The current requirements in paragraphs 20 and 21, as well as application material in paragraph A25 may not be sufficient. We recommend that the XRB reconsider the deactivation of PES 3 (or to introduce relevant provisions of PES 3 into the proposed standard)"</p>	<p>Comments noted.</p> <p>We have considered the comments in the context of the overall approach taken of not requiring compliance with PES 3.</p> <p>While we understand the concerns regarding overreliance on experts, their independence and objectivity, we are aware that using the experts will be necessary for some areas of GHG measurement. We are also aware that currently assurance practitioners would like to have more guidance on experts not only in GHG area, but in other assurance engagements as well.</p> <p>Due to the fact that this is a narrow scope and temporary standard, we propose to draw the requirements from existing assurance standards (mainly IASE (NZ) 3000) and to respond to specific concerns in our FAQs.</p> <p>We will be also monitoring development of international standards regarding external experts and will be able to add more guidance to our FAQs as issues emerge and as we can see proposals to resolve them at the international stage.</p>	No	No
Comment 17	AFAANZ	Use of the work of others	<p>"multidisciplinary GHG assurance teams may not optimally weight the views of team members with different expertise and that this bias may be exacerbated or attenuated depending on the specific expertise of the reviewer. We recommend that auditors are cautioned that there are risks when using multidisciplinary assurance teams."</p>	<p>Comment noted.</p> <p>We consider this concern is covered to some extent by the requirements of evaluating appropriateness of experts field of expertise and their work performed for the purposes of use by the assurance practitioner.</p> <p>As more specific examples will be emerging in this regime, we will be able to publish more guidance in FAQ.</p>	No	No

Number	Topic	Comment	Respondent	Amendment/Comment
1	Overall direction	Single standard for both public and not for profit sector	CAANZ/CPA	Noted
2	Overall direction	Subject to responses we do not recommend further changes	KPMG	Noted
3	Overall direction	Beneficial to have one standard for public and not for profit sector	KPMG	Noted
4	Overall direction	Substantial improvement on extant NZ AS 1	OAG	Noted
5	Overall direction	Subject to amendments for comments, will be able to use in public sector	OAG	Noted
6	Overall direction	Not informed or referenced to International Standards on Impact Reporting	PM	NO AMENDMENT. The ED is to enable the audit of SPI. For the OAG to accept the standard it needs to be aligned with terminology and requirements of PBE FRS 48 rather than international auditing standards.
7	Overall direction	Terms used not part of accounting or any international standards, not definable, not verifiable, not measurable and next to impossible to comply with. Suggestion to look at extension of definition of material.	PM	NO AMENDMENT. The ED is to enable the audit of SPI. For the OAG to accept the standard it needs to be aligned with terminology and requirements of PBE FRS 48 rather than international auditing standards.
8	Overall direction	Should be informed and directed by outcome of international work.	PM	NO AMENDMENT. The ED is to enable the audit of SPI. For the OAG to accept the standard it needs to be aligned with terminology and requirements of PBE FRS 48 rather than international auditing standards.
9	Standard Objective	Para 7 objective should include words "presents fairly" or "fairly reflects".	OAG	The wording has been amended to refer to "presents fairly" along with a footnote that fair presentation is not applicable for audits of entity's using a compliance framework i.e tier 4 entities.
10	Standard Objective	"Fairly reflects" should be overarching for Par 8(a) and 8(b) not just in 8(b) as it is the sum of a&b.	OAG	The wording has been amended to refer to "presents fairly" along with a footnote that fair presentation is not applicable for audits of entity's using a compliance framework i.e tier 4 entities.
11	Alignment with PBE FRS 48	Support strengthening alignment with PBE FRS 48 but recommend providing justification of moving away from well understood element that is a prerequisite for all assurance engagements i.e. <i>service performance criteria is suitable to appropriate and meaningful</i> .	CAANZ/CPA	NO AMENDMENT. The reason not to use terms such as service performance criteria is suitable, was so the standard would be adopted by the OAG for public sector. This would mean that there would be one auditing standard to audit SPI in NZ which is preferable.
12	Alignment with PBE FRS 48	Alignment could be further improved. PBE FRS 48 refers to "performance measures and/or descriptions" to be appropriate and meaningful whereas ED assesses using the 3 levels. Recommend further explanation to clarify and expand on elements/aspects and measurement bases that are subject to assessment of whether appropriate and meaningful.	CAANZ/CPA	NO AMENDMENT. An explanation of how the 3 layers related to the assessment of performance measures and/or descriptions will be provided in a "basis for conclusion".
13	Appropriate and meaningful not defined	Recommend using para 8(a) and 26 as basis for defining 'appropriate and meaningful'.	CAANZ/CPA	These terms are from the accounting standard and should not be defined in the auditing standard. A footnote reference to the accounting frameworks has been included.
14	Appropriate and meaningful not defined	Para 26 only refers to "elements/aspects of service performance ", recommend that the paragraph also refers to other two aspects i.e. performance measure and/or description and measurement bases or evaluation methods	CAANZ/CPA	Para 26 is drawing out different aspects of the qualitative characteristics. Different layers of SPI are mentioned in relevant places in para 26 e.g. in para 26(a) to show clear linkage to purpose.; 26 (d) performance measure for sufficient evidence; 26 (f) measurement bases or evaluation method . Reordered the bullet points so it's clearer that the 3 layers of SPI are considered.

Number	Topic	Comment	Respondent	Amendment/Comment
15		Blank		
16	Appropriate and meaningful not defined	Used 2 terms undefined, therefore can't be sure what meaningful is or isn't	PM (outreach)	These terms are from the accounting standard and should not be defined in the auditing standard. A footnote reference to the accounting frameworks has been included.
17	Sector specific guidance	Shouldn't be characterised as sector specific. Should be applied to either relevant sector	CAANZ/CPA	Public and not-for-profit headings removed, with some renamed to align with topic
18	Sector specific guidance	Terminology in application material should be sector neutral	CAANZ/CPA	Sector specific paragraphs have been updated to make sector neutral where possible. Sector legislation has been removed. A general read was conducted to identify any further terminology to amend however none were identified.
19	Sector specific guidance	Use examples to illustrate sector specific nuances	CAANZ/CPA	Done at A13, A15
20	Sector specific guidance	Caution referencing legislation as it is subject to change	CAANZ/CPA	Removed referencing to public sector legislation at A20 to A21
21	Sector specific guidance	Use sector neutral language	CAANZ/CPA	Done at A29
23	Sector specific guidance	Distinguishing feature shouldn't be sector, but rather if its required or not i.e. forecasting. Guidance should be applicable in all instances where its relevant	SB (outreach)	Public and not-for-profit headings removed, with some renamed to align with topic. Language amended to be sector neutral.
24	Sector specific guidance	Standard should ignore current regulatory requirements as these could change	SB (outreach)	Removed referencing to public sector legislation at A20 and A21
25	Sector specific guidance	Use of headings for sector specific material is useful	KPMG	On balance of feedback, the removal of headings does not take away the "availability" of the guidance for each sector, but opens the guidance up to be considered when the situation covered arises regardless of what sector the entity is in.
26	Easy to understand	Exposure draft is overly long and complex	CAANZ/CPA	Noted.
27	Easy to understand	Concern as to scalability for Tier 3 due to being overly long and complex	CAANZ/CPA	NO AMENDMENT. Aside from KAMs, special considerations and experts which are clearly identified, the remaining standard would be relevant. Tier 3 revised framework requires reporting of appropriate and meaningful performance measures. Considerations also needed to be balanced to adoption by the OAG.
28	Easy to understand	Reads like a standalone standard	CAANZ/CPA	Updated with more cross referencing
29	Easy to understand	Unclear what requirements are new and not addressed, adapted, or duplicated by other ISAs (NZ).	CAANZ/CPA	Reviewed where more cross references could be added. Added more cross references.
30	Easy to understand	Duplicate requirements should be removed and greater cross-referencing to ISAs (NZ) where requirements have been adapted to emphasis linkages.	CAANZ/CPA	Amended para 19 so that was a higher level requirement rather than a duplicate of ISA (NZ) 315 (Revised 2019). Added application guidance at para A29 on SPI considerations when gaining understanding. Also reviewed where more cross references could be added. Added more cross references.
31	Easy to understand	Adapt para 19-20 which is duplicate of para 21-27 of ISA (NZ) 315 to SPI context	CAANZ/CPA	See comment 30 above.
32	Easy to understand	Easy to understand. But extant standard not deficient.	KPMG	Noted
33	ED contrary to ISAs (NZ)	Para 24 communication with those charged with governance "as soon as practicable" but ISA (NZ) 260 para 21 "on a timely basis"	CAANZ/CPA	NO AMENDMENT ISA (NZ) 260 para A49 says "as soon as practicable" when significant difficulty encountered. Given this requirement is about the fundamentals of SPI reporting, any issues would be a significant difficulty therefore "as soon as practicable" is considered to be appropriate.

Number	Topic	Comment	Respondent	Amendment/Comment
34	ED contrary to ISAs (NZ)	Para 27 "complied with laws and regs that have direct effect ...". ISA (NZ) 250 para 14 "on material amounts "	CAANZ/CPA	Updated para 27.
35	Technical audit terms	The 3 layers of SPI instead of "service performance criteria" makes ED harder to understand compared to extant NZ AS 1	CAANZ/CPA	NO AMENDMENT. The approach used was in order for the OAG to adopt the standard.
36	3 Layers of SPI	The 3 layers of SPI not defined so unclear how they interrelate	CAANZ/CPA	NO AMENDMENT. Examples are used to illustrate how they relate rather than defining.
37	3 Layers of SPI	If 3 layers used to define "appropriate and meaningful" then replace 3 layers with "the SPI is appropriate and meaningful" to simplify the standard.	CAANZ/CPA	NO AMENDMENT. There are places where the focus needs to be on a particular layer of SPI. For example link to strategy = element or aspect of SPI; measurement bases = available to intended users. Requirements and guidance is more targeted to help understanding. Also, by "grouping" the 3 layers it would read similar to extant NZ AS 1's use of "criteria" which has been deliberately avoided in revising the standard.
38	3 Layers of SPI	Para A3 - get the description right and clear for the 3 layers then don't need to disclose any thing else. i.e. measurement bases or evaluation method.	OAG (Outreach)	Additional application guidance added at A40 and A41 on ways the measurement bases or evaluation method can be made available to users.
39	Compliance Costs	Increased compliance costs due to more audit effort as unclear how the following requirements differ i.e. para 26 in planning require evaluation of SPI is A&M. Para 38(a) in audit evidence requires obtaining evidence that A&M	CAANZ/CPA	NO AMENDMENT. This was deliberate to remind auditor that they need evidence on file to support their evaluation of A&M as involves significant amount of professional judgement
40	Compliance Costs	Increased costs to update methodology, audit software, resources	CAANZ/CPA/ KPMG	NO AMENDMENT. Noted. However having one standard will reduce on going implementation costs as teams will not need to follow 2 methodologies, need 2 lots of resources, 2 lots of templates etc.
41	Compliance Costs	Agree doesn't fundamentally change audit flow	KPMG	Noted
42	Compliance Costs	Significant cost in meeting reporting and assurance standards	PM	Noted
43	Compliance Costs	Can't believe won't add costs, added additional time and money considering: - what is appropriate and meaningful. ' - coming up with defensible standard of materiality '- added risk from terms not defined '- also where outputs and outcomes not measured categorically	PM (outreach)	Noted
44	Comparison document	Provide a comparison of NZ AS 1 and NZ AS 1 (Revised)	CAANZ/CPA	A mapping document between extant NZ AS 1 and NZ AS 1 (Revised) will be considered post implementation.
45	Comparison document	Comparison document could potentially reduce compliance costs of updating resources	KPMG	A mapping document between extant NZ AS 1 and NZ AS 1 (Revised) will be considered post implementation.
46	Application Date	Agree with proposed effective date and that early adoption permitted	CAANZ/CPA	Noted
47	Application Date	Potential for confusion being created with 4 possible standards available between issue and mandatory application	CAANZ/CPA	Noted
48	Application Date	Allows sufficient time to update resources	KPMG	Noted
49	Deferral of extant NZ AS 1	Agree to defer extant NZ AS 1 so never mandatory	CAANZ/CPA	Noted
50	Deferral of extant NZ AS 1	Frustrating that deferred again (have early adopted)	KPMG	Noted
51	Future of extant NZ AS 1	Extant NZ AS 1 should be formally repealed/withdrawn on 1 January 2024 when NZ AS 1 (revised) becomes effective	CAANZ/CPA	Noted
52	Future of extant NZ AS 1	Feels like extant standard has essentially been withdrawn and re-issued	KPMG	Noted
53	Future of extant NZ AS 1	Will early adopt extant standard in the meantime	KPMG	Noted

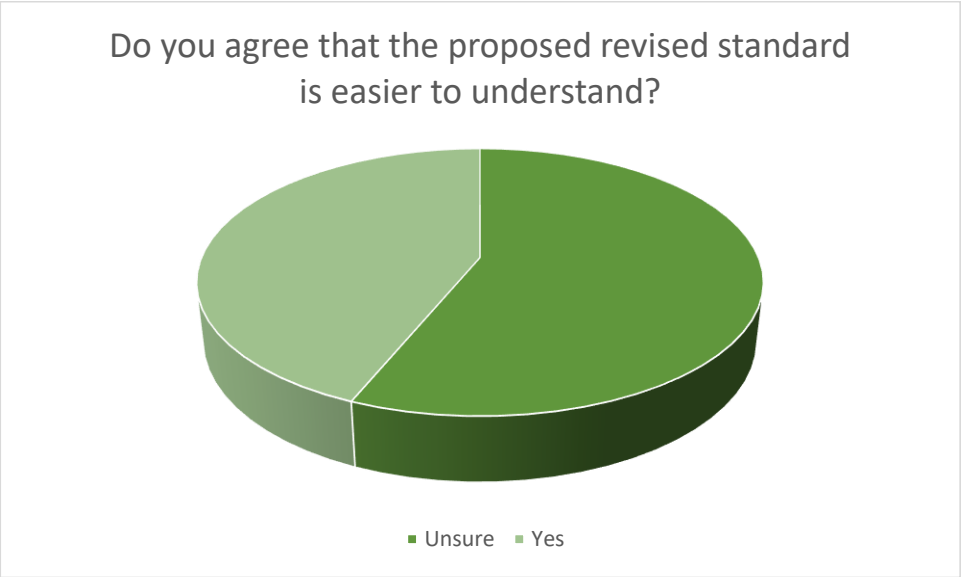
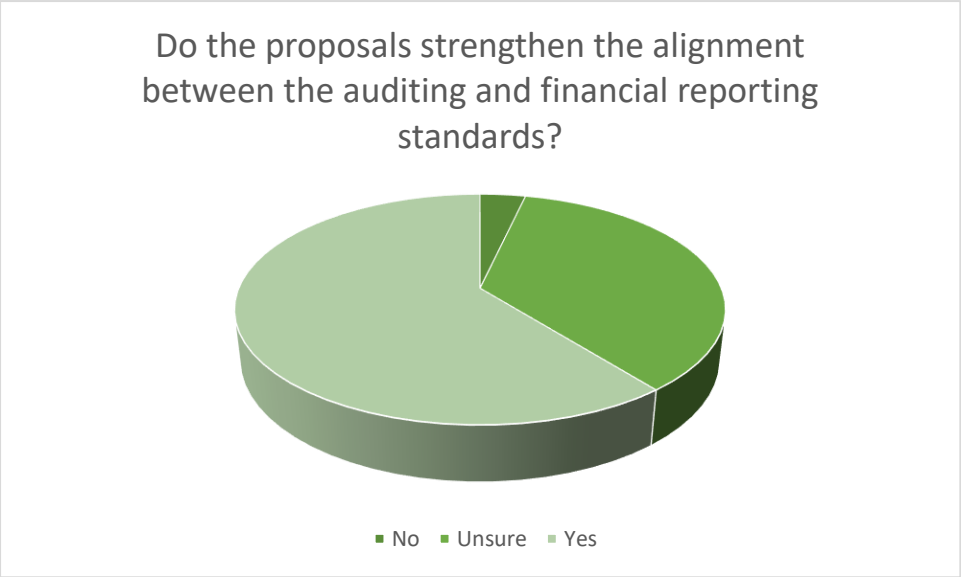
Number	Topic	Comment	Respondent	Amendment/Comment
54	Auditor independence	Para 22 (b) having skills to provide comment on whether SPI A&M – concerned at nature of work and potential impact on auditor independence	CAANZ/CPA	Amended wording of para 22 (b) to emphasis the requirement is around timing of the evaluation of appropriate and meaningful.
55	Auditor independence	Para 51 (c) and A82 requiring auditor's report to identify or refer to measurement basis could mean if entity disclosure not adequate, then auditor is filling an information gap. Recommend that further explanations are developed on these requirements and how they interact with auditor independence.	CAANZ/CPA	Amendments have been made to para 51 (c) and A82. In addition an amendment has been made to para 18 and application guidance has been added on how and why the measurement bases or evaluation methods are available to intended users. The application guidance does not create an onus on the auditor.
56	Measurement bases or evaluation method available to intended users	Para 26 (f), 48 (b), A82 imply that auditor's responsibility to make disclosure deficiencies in the entity's annual report "available to intended users" in the audit report regarding "the method used to measure or evaluate the service performance"	OAG	New application guidance para (41) to explain how to make the measurement bases or evaluation method available to intended users.
57	Measurement bases or evaluation method available to intended users	Different terminology used in 26(f) and 48(b)" measurement bases or evaluation method" than that in A82 "the method used ..." which adds to confusion	OAG	Wording has been updated at 26 (f) and guidance has been added for 48(b)
58	3 Layers of SPI	Para 26 (f), 48 (b) assessment of A&M would not be limited to "measurement bases or evaluation method" - should be extended to all 3 levels of SPI	OAG	Wording has been updated at 26 (f)
59	Measurement bases or evaluation method available to intended users	Clarification on para 26(f) and 48(b) in that does it mean identifying external publicly available bases only or also disclosing internally generated ones in the GPFR	CAANZ/CPA	New application guidance added to explain how to make the measurement bases or evaluation method available to intended users.
60	Auditor's opinion	Disagree with requirement of para 51(c) & 52 A82&A83 to reference to the measurement basis in audit opinion as PBE FRS 48 does not require the disclosure of the measurement bases or evaluation method. Auditor would be unable to meet requirements	OAG	Accounting guidance has been drafted on disclosure of measurement bases/eval methods under PBE FRS 48.
61	Auditor's opinion	Opinions focus on "entity's measurement bases/evaluation method and make no reference to the entity's selection of elements/aspects or performance measures/descriptions	OAG	New wording has been used to reflect both "appropriate and meaningful" and in accordance with the measurement bases or evaluation methods in the opinion.
62	Measurement bases or evaluation method available to intended users	Unclear of intention of requirements in para 26(f) and 48(b) for auditor to evaluate/conclude on measurement bases or evaluation method being "available to intended users".	OAG	Para 26(f) has been reworded and new application guidance to explain why and how to make the measurement bases or evaluation method available to intended users.
63	Auditor's opinion	Do not agree that Para 52 has specific wording for auditor's opinion rather standard should be principled based with illustrative examples in application guidance.	CAANZ/CPA	Removed as recognised that there may be different scenarios of reporting SPI and financial statement opinions in the same report. An overriding requirement to comply with ISA (NZ) 700 still remains.
64	KAMs	Para 54 reads as though must always be a KAM on SPI. Add words "financial statements" after "SPI" to indicate that when assessing matters of most significance the auditor considers the SPI in conjunction with the financial statements.	CAANZ/CPA	Re written para 54 to try to be clearer that there doesn't always need to be a KAM for SPI
65	Technical audit terms	Question the need to "replace" audit terms such as 'service performance criteria' and 'suitability' in extant standard as they are familiar and easy to understand.	KPMG	NO AMENDMENT. Terms replaced to align with PBE FRS 48 in order for standard to be used in public sector. One standard for both sectors a preference for KPMG.
66	Other	Para A15 remove "review" in both places as they are confusing and unnecessary.	CAANZ/CPA	Clarified that comment due to it being an audit standard. Review removed from para 14 and 15.

Number	Topic	Comment	Respondent	Amendment/Comment
67	Other	Para A35 uses current accounting framework names for Tier 3 and 4 standards but are proposed to change	CAANZ/CPA	Updated para A35 with the names to the new standards and added a footnote for old names as application date of accounting standards after application date of NZ AS 1 (Revised)
68	Other	Retain EG Au9 for scenarios outside of scope for the ED such as limited assurance or reviews and when auditing SPI but not the engaged auditor for the financial statements	CAANZ/CPA	Noted. The future of EG AU 9 will be considered following the development of an audit and review standard for service performance information.
69	Definition of misstatement	Should include an "omission" of A&M SPI	CAANZ/CPA/OAG	Added at paragraph 9 (a) (ii)
70	Auditor report examples	Provide illustrative example of where SPI is not A&M	CAANZ/CPA	New audit report template added in appendix 4.
71	Scope of the audit	When some SPI is in a different report, does that entire report become Other Information?	OAG (Outreach)	NO AMENDMENT: Para A1 & A2 covers determining where the SPI will be reported and what SPI is in accordance with GAAP. The development of other information for non financial reporting will be followed with a view of developing implementation guidance.
72	Scope of the audit	Is contextual information part of SPI that needs to be audited? Blank	OAG (Outreach)	NO AMENDMENT: Yes. Para 1 states contextual information is part of service performance information
74	Attribution	Para 26(a), A37, A38 consider attribution guidance when entity may be responsible but can't necessarily control	OAG (Outreach)	Further wording to para A38 to cover this scenario and when there may be an indirect relationship between SPI and activities of the organisation.
75	Overall direction	If OAG will not adopt revise standard then retain extant NZ AS 1 until a sector neutral standard achieved.	CAANZ/CPA	Noted
76	Overall direction	Frustrating that changes go beyond making fit for purpose for public sector and will be more so if not adopted by Public sector	KPMG	Noted
77	Technical audit terms	Questioning the removal of specific reference to the qualitative characteristics which auditor's are very familiar with the guidance provided for appropriate and meaningful.	KPMG	Not having any specific reference to the qualitative characteristics was deliberate due to confusion caused by different qualitative characteristics being referred to in PBE FRS 48 and the assurance framework.

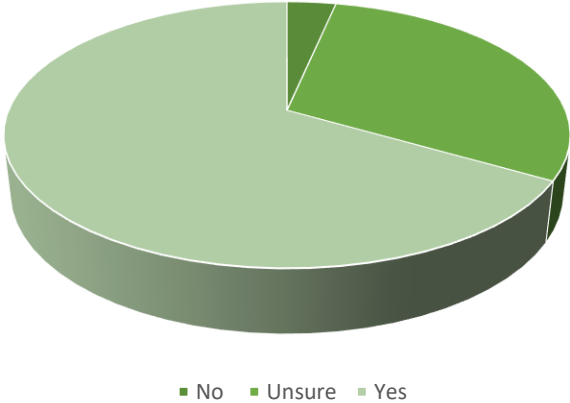
POLLING RESULTS

Polling results from the virtual feedback forum held on 23 February 2023.

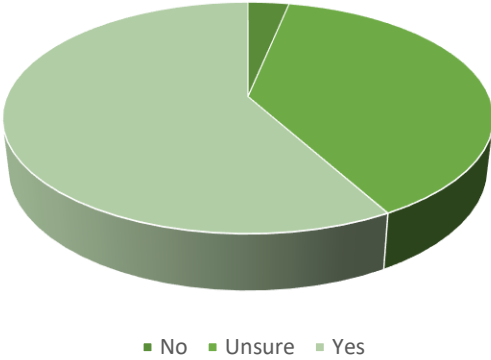
Slides from the presentation: [click here](#)



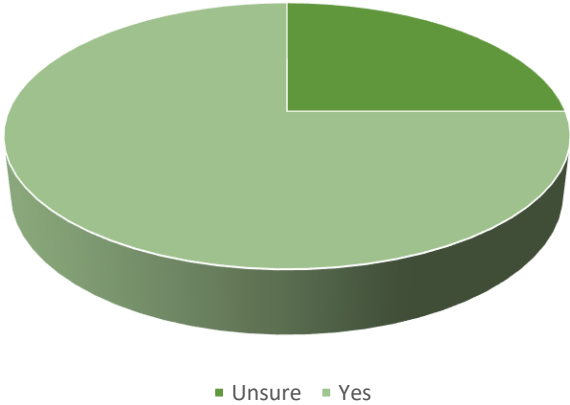
Does the sector specific material help make the standard clear for both sectors?



Do you agree that the proposed revised standard will not increase compliance costs, when compared to existing NZ AS 1?



Do you agree with the proposed application date of 1 January 2024?



Friday, 17 March 2023

Marje Russ
Chair, New Zealand Auditing and Assurance Standards Board
PO Box 11250
Manners St Central
Wellington 6142

By email: assurance@xrb.govt.nz

Dear Marje

Auditing service performance information

As the representatives of over 300,000 professional accountants globally, Chartered Accountants Australia and New Zealand (CA ANZ) and CPA Australia welcome the opportunity to provide a submission on the Exposure Draft: Proposed improvements to NZ AS 1 *The Audit of Service Performance Information* ("the ED"). We make this submission on behalf of our members and in the public interest.

We support the development of a single standard for auditing service performance information that can be applied in both the public sector and not-for-profit (NFP) sectors. This will facilitate consistency in the work an auditor performs and help auditors better understand user expectations as they relate to the assurance obtained on service performance information.

Although NZ AS 1 was first issued in February 2019, the effective date of NZ AS 1 has been deferred twice because of concerns raised by the Office of the Auditor-General (OAG) regarding its suitability for the public sector. Consequently, the OAG decided it would not adopt NZ AS 1 in its current form but rather use its own standard; AG 4 The Audit of Performance Reports (AG 4). The XRB formed an Advisory Group, including representatives from the OAG, to work through the concerns raised, resulting in the ED proposing to revise extant NZ AS 1.

We understand that extant NZ AS 1 was designed to be sector neutral, and therefore would be applicable for auditing service performance information in both the public and NFP sectors. We believe it is imperative that the revised standard is fit for purpose for, and accepted for adoption by, both sectors. To maximise the prospect that the revised standard is adopted by the OAG, fulsome consultation and dialogue is essential. We recommend that consideration be given to publishing the results and outcomes of this consultation so that other stakeholders impacted can understand the discussion and any different positions taken.

Should this process not achieve the desired outcome, i.e., if the OAG indicates that it will not adopt the proposed NZ AS 1 (Revised), we recommend the XRB does not to proceed with issuing the revised standard, but instead retain the extant NZ AS 1 until such time as a sector neutral standard is achieved.

Our detailed responses to the questions raised in the consultation paper are provided in the **Attachment** to this letter. Should you have any questions about the matters raised in this submission or wish to discuss them further, please contact either Zowie Pateman (CA ANZ) at zowie.pateman@charteredaccountantsanz.com or Tiffany Tan (CPA Australia) at tiffany.tan@cpaaustralia.com.au.

Yours sincerely

Simon Grant FCA
Group Executive – Advocacy and International
**Chartered Accountants Australia and
New Zealand**

Dr Gary Pflugrath FCPA
Executive General Manager, Policy and
Advocacy
CPA Australia

Attachment

Alignment with financial reporting standards

Question 1. Do you agree that the proposed standard strengthens the alignment between the auditing and financial reporting standards? If not, why not and what further changes do you recommend?

We support strengthening the alignment between PBE FRS 48 *Service Performance Reporting* (PBE FRS 48) and NZ AS 1. We understand the rationale behind changing the term “the service performance criteria are suitable” to “the service performance information is appropriate and meaningful”, to align with the terminology in PBE FRS 48. However, given “suitable criteria” is a fundamental element of an assurance engagement (as noted in [A guide for prescribers of assurance engagements](#) as issued by your organisation), we recommend providing some justification for moving away from this well-understood element that is a prerequisite for all assurance engagements.

We note that the term “appropriate and meaningful” is not defined. We recommend that the explanations in paragraph 8(a) and paragraph 26 form the basis of such a definition. We also note that paragraph 26 only refers to “elements/aspects of service performance”. We recommend that paragraph 26 is amended to also refer to the other two aspects of service performance information that are subject to assessment by the auditor, i.e.,

- Performance measures and/or descriptions, and
- Measurement bases or evaluation methods.

In our view the alignment between PBE FRS 48 and the ED could be further improved.

PBE FRS 48 only refers to “performance measures and/or descriptions” when reporting “appropriate and meaningful” service performance information, whereas the ED frames the assessment of service performance information by the auditor being “appropriate and meaningful” using the following three aspects:

1. Elements/aspects of service performance
2. Performance measures and/or descriptions
3. Measurement bases or evaluation methods

We recommend further explanations be developed to clarify and expand on the other two aspects (that is, items 1 and 3 above) subject to assessment by the auditor.

Sector specific material

Question 2. Do you agree that the sector specific material is useful to ensure that the standard is fit for purpose in both the public and not-for-profit sectors?

While the inclusion of application material is useful, we do not believe it should be characterised as sector specific. It should be able to be applied to either sector where it is relevant to that sector. Also, we caution against making references to specific legislation, as legislation is subject to change. We recommend that the terminology in the application material be sector neutral and that examples be used to illustrate how the auditor can address sector specific nuances.

Simplified language and examples to assist

Question 3. Do you agree that the proposed revised standard is easier to understand? If not, please be as specific as you can and make suggestions as to what might assist to clarify the standard further.

Feedback we have received from members is that the ED is overly long and complex, which in turn gives rise to concerns about its scalability to Tier 3 entities.

In our view the change from “service performance criteria” to the “elements/aspects of service performance, performance measures and/or descriptions, and measurement bases or evaluation methods” makes the ED more difficult to understand than extant NZ AS 1. These aspects of service performance information are not defined, so it is unclear how they interrelate. This makes some paragraphs, such as 15(b)(ii) relating to the terms of engagement, very difficult to comprehend. If “appropriate and meaningful” is defined with reference to the three aspects outlined in our response to Question 1, we recommend replacing the reference to the three aspects, in the standard itself (other than the definition) with “the service performance information is appropriate and meaningful”. This will simplify the standard.

The ED reads like it is a standalone standard. However, it must be applied in addition to the ISAs (NZ), and as such, it is unclear which requirements and guidance in the ED are ‘new’ (i.e., not addressed by other ISAs (NZ), adapted from the ISAs (NZ), or duplicated from the ISAs (NZ)). We recommend removal of any duplicative requirements, and greater cross-referencing to the ISAs (NZ) where requirements have been adapted to emphasise linkages.

For example, paragraphs 19–20 (Understanding the Components of the Entity’s System of Internal Control, and Control Deficiencies Within the Entity’s System of Internal Control) duplicate paragraphs 21–27 of ISA (NZ) 315 *Identifying and Assessing the Risks of Material Misstatement*. It would be more useful here to adapt the requirements to a service performance information context. This would make this wording more consistent with paragraph A67 which notes service performance information may not come directly from traditional financial reporting information systems and source records, which is the context of ISA (NZ) 315.

There are also some areas where we believe there are contrary requirements between the ED and the ISAs (NZ). For example:

- Paragraph 24 of the ED requires communication with those charged with governance “as soon as practicable” whereas paragraph 21 of ISA (NZ) 260 *Communication with Those Charged with Governance* requires communication with those charged with governance “on a timely basis”.
- Paragraph 27 of the ED requires the auditor to “obtain sufficient appropriate audit evidence that the entity has complied with laws and regulations that have a direct effect on the reporting of service performance information”. This paragraph makes no reference to ‘material amounts’ and so appears to go beyond the requirement in paragraph 14 of ISA (NZ) 250 *Consideration of Laws and Regulations in an Audit of Financial Statements*.

No added compliance costs

Question 4. Do you agree that the proposed revised standard will not increase compliance costs, when compared to existing NZ AS 1?

There are a few areas in the ED we believe may involve more audit effort, and therefore increase compliance costs, compared to extant NZ AS 1. For example, paragraph 26, in the planning section, requires the auditor to “evaluate whether the service performance information is appropriate and meaningful”. Paragraph 38(a), which is under the audit evidence section, requires the auditor to “obtain sufficient appropriate audit evidence that the elements/aspects of service performance, performance measures and/or descriptions, and measurement bases or evaluation methods are appropriate and meaningful”. It is unclear how these requirements differ and, in our view, appear to require carrying out the same procedures twice, once at the planning stage and then again during the fieldwork stage of the audit.

Given that extant NZ AS 1 was first issued four years ago, many audit firms have already incorporated it into their NFP audit methodology and conducted staff training. In addition, some audit software providers (e.g., Audit Assistant¹ and CaseWare²) have integrated extant NZ AS 1 into their systems. If a revised NZ AS 1 is issued, this work will have to be revised, adding to overall implementation costs. We recommend that a detailed analysis of the differences between the extant NZ AS 1 and NZ AS 1 (Revised) be communicated widely. This will allow firms to update their methodology and staff training, and audit software providers to update their programmes, as efficiently as possible, thereby minimising additional implementation costs.

Application Date

Question 5. Do you agree with the proposed application date of NZ AS 1 (Revised)?

We agree with the proposed effective date of NZ AS 1 (Revised), with early adoption permitted. Although we note that in the period between when NZ AS 1 (Revised) is issued and its application becomes mandatory, there will be four possible standards (highlighted below), including two versions of NZ AS 1, by which the audit of service performance information could be conducted. This has the potential to create confusion:

- Extant NZ AS 1
- NZ AS 1 (Revised)
- ISAE (NZ) 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, plus Explanatory Guide (EG) Au9 [Guidance on the Audit or Review of the Performance Report of Tier 3 Not-For-Profit Public Benefit Entities](#) (EG Au9) and EG Au9.1 [Supplementary illustrative examples – revised auditor reporting requirements](#) (EG Au9.1)
- AG 4 The Audit of Performance Reports (required for public sector only).

¹ <https://www.auditassistant.com/news/service-performance-auditing-under-nz-as1/>

² <https://support.caseware.com.au/portal/en/kb/articles/tip-vid-nz-as-1-the-audit-of-service-performance-information>

Question 6: Do you agree with the proposal to defer the application date of extant NZ AS 1 to align with the application date of NZ AS 1 (Revised) i.e., for periods beginning on or after 1 January 2024?

We agree that extant NZ AS 1 should continue to be deferred so that, in effect, its application will never become mandatory. Furthermore, to avoid confusion about which version of NZ AS 1 applies, we recommend that extant NZ AS 1 be formally repealed/withdrawn on 1 January 2024 when NZ AS 1 (Revised) becomes effective.

Other comments

Question 7. Do you have any other comments on the proposed standard? If so, please specify

We provide the following additional comments for your consideration:

- Paragraph 22(b) states; “In establishing the overall audit strategy, the auditor shall ... have the necessary skills available to examine and provide comment to the entity at the time the entity is developing its service performance information on whether it is appropriate and meaningful.” We are concerned about the nature of this work and its potential impact on auditor independence.
- Paragraphs 26(f) and 48(b) require “the measurement bases or evaluation methods used to assess each performance measure and/or description are available to intended users”. Further clarification on this would be appreciated, e.g., does it mean identifying external publicly available measurement bases or evaluation methods only, or also describing internally generated measurement bases or evaluation methods, in the disclosures to the general purpose financial report.
- Paragraphs 51(c) and A82 require that the auditor’s report identifies or refers to the measurement bases or evaluation methods used to assess the service performance information. We are concerned this could be interpreted to mean that if an entity’s disclosures are not adequate, then the auditor fills the information gap, which does not adequately reflect the distinction between the preparer’s and auditor’s responsibilities. We recommend further explanations be developed to clarify the requirements in paragraphs 51(c) and A82 and how these requirements would interact with auditor’s independence.
- We do not agree with paragraph 52 in prescribing specific wording for the auditor’s opinion. We support principles-based standards, with illustrative examples in application guidance.
- Paragraph 54 reads as though there must always be a key audit matter (KAM) on service performance information. This could be resolved by inserting “and financial statements” at the end after “service performance information” to indicate that, when assessing matters of most significance the auditor considers the service performance information in conjunction with the financial statements.
- Paragraph A15 refers to a “review” twice. We recommend removing these references as they are confusing, and, in our view, unnecessary.
- Paragraph A35 refers to the names of the extant Tier 3 and Tier 4 PBE Standards. With the recent proposed changes to these standards, we understand the names of these standards will change.

- The definition of a 'misstatement' in paragraph 9(a) focuses on what service performance information is reported. We understand that the most likely misstatement is the complete omission of an appropriate and meaningful element/aspect of service performance or performance measure and/or description. Therefore, in the definition we recommend at least an equal focus is placed on what is not reported, by including this as an additional point (iii) in paragraph 9(a).
- It would be useful to have an illustrative qualified auditor's report in Appendix 5 for where the service performance information is not meaningful and appropriate (step one of the two step approach).
- We recommend EG Au9 is retained but revised to provide guidance on the following scenarios that are out of scope of the ED:
 - Limited assurance engagements (reviews) of service performance information, and
 - Auditing service performance information when the auditor is not also engaged to audit the financial statements.



KPMG Centre
18 Viaduct Harbour Ave
PO Box 1584
Auckland 1140
New Zealand
T: +64 9 367 5800

External Reporting Board
PO Box 11250
Manners St Central
Wellington 6142

6 March 2023

To Whom it may concern

Invitation to comment - Proposed improvements to NZ AS 1 Audit of Service Performance Information

KPMG welcomes the opportunity to provide comments on the above-mentioned proposed improvements to NZ AS 1. Our comments to the questions you seek comment on are included below.

Question 1. Do you agree that the proposed standard strengthens the alignment between the auditing and financial reporting standards? If no, why not and what further changes do you recommend?

Our understanding is PBE FRS 48 *Service Performance Reporting* and NZ AS 1 *The Audit of Service Performance Information* have been developed to work together. While NZ AS 1 has been redrafted, the version that is the subject of this comment letter is still intended to work in tandem with PBE FRS 48.

We agree that the development of an auditing standard to specifically facilitate the auditing of the Statement of Service Performance (SSP) is a useful and welcome addition to the suite of New Zealand auditing standards.

Subject to our responses to the specific questions below, we do not recommend further changes. We are of the view it is unfortunate that NZ AS 1 was revised at this late stage and that the accounting standard and the final version of the auditing standard could not be implemented at the same time.

Question 2. Do you agree that the sector specific material is useful to ensure that the standard is fit for purpose in both the public and not-for-profit sectors?

Whether the Auditor General will allow audit firms to audit service performance information in accordance with NZ AS 1 or continue to require us to apply AG 4 *The Audit of Performance Reports* (AG 4) is not something to which we are currently privy. We do not believe we can appropriately comment on whether the sector specific material added would make the standard fit for purpose for the public sector, we suggest this is a question that should be responded to directly by the Auditor General. We do however acknowledge the following:

- The use of headings when including sector specific material is useful; and
- That it would be beneficial for firms like ours if we were able to adopt the same auditing standard for the audit of service performance information for our audits of public sector entities as we do for our other Public Benefit Entities.

We acknowledge that this ED has been issued as a direct result from feedback in relation to making the standard fit for purpose for the public sector, however changes have been made to the standard that go beyond this specific scope. It is frustrating that this is the case and will be even more so if the revised standard is not adopted by the Public Sector.

Question 3. Do you agree that the proposed revised standard is easier to understand? If not, please be as specific as you can and make suggestions as to what might assist to clarify the standard further.

Given their nature we do expect that auditing standards will contain 'technical auditing term's' and whilst we agree that standalone the revised standard is easy to understand we consider that the extant standard was not particularly deficient nor in need of such improvements. For example, in your consultation document you state the term 'service performance criteria' was creating confusion, however we note this term was easily understood by the team involved in preparing our NZ AS 1 resources. Additionally, in replacing the requirement for the auditor to evaluate whether the service performance criteria are 'suitable' with 'appropriate and meaningful' specific reference to the five characteristics of relevance, completeness, reliability, neutrality, and understandability has been removed. These are

characteristics that auditors are very familiar with and can understand and whilst we appreciate that the guidance for appropriate and meaningful does to some extent cover these five characteristics, we question whether there was a need for this clarification to be provided directly in the standard. Given that the changes made do not fundamentally change the way the audit will be conducted, another option would have been to provide a separate guidance/FAQ document with this and other clarifications.

Question 4. Do you agree that the proposed revised standard will not increase compliance costs, when compared to existing NZ AS 1?

We agree that the revised standard will not fundamentally change the flow of the audit and therefore from this perspective the revised standard will not significantly increase compliance costs compared to existing NZ AS 1. However, we refer you to our response to questions 5 and 7 and note that pending the outcome of the ED we will incur costs to ensure our guidance and templates are updated for the revised standard.

Question 5. Do you agree with the proposed application date of NZ AS 1 (Revised)?

Given that the mandatory application date of NZ AS 1 was previously deferred until periods beginning 1 January 2023 it is frustrating that it is proposed that the date is once again deferred, with the extant NZ AS 1 effectively not ever being mandatory. Our firm made the decision in 2022 to early adopt NZ AS 1 (in line with the requirement for tier 1 and 2 PBE's to comply with PBE FRS 48 at the beginning of 2023) and has subsequently directed a considerable amount of time and resource to developing guidance, training, and tools to assist in the adoption of NZ AS 1. We have considered whether we delay the adoption of the extant NZ AS 1 and therefore only comply with the revised standard however we have decided against this for the following reasons:

1 – PBE FRS 48 is applicable now and for many of our tier 1 and 2 PBE's this is the first time they will present a SSP and for some audit teams the first time they may audit an SSP, therefore our team's required guidance. Given extant NZ AS 1 provides specific guidance for auditing SSP's and ISAE (NZ) 3000 does not, we consider our audits will be of a better quality if we early adopt the purpose-built NZ AS 1.

2 - The resources we developed in 2022 based on the extant NZ AS 1 are ready to go for our teams. We will need to update these for NZ AS 1 (Revised) and given the final date for this is a way off we feel it is better to early adopt than to wait for the ED to be finalised and applicable.

3 - We believe it is not efficient or effective for us to audit SSPs under ISAE 3000 for two years and then change to NZ AS 1 (Revised).

However, with all the above in mind and assuming the revised standard will be issued in a timely manner, the proposed application date should enable us sufficient time to update our resources before the revised standard is applicable.

Question 6. Do you agree with the proposal to defer the application date of extant NZ AS 1 to align with the application date of NZ AS 1 (Revised) i.e., for periods beginning on or after 1 January 2024?

Please refer to our comments above.

Question 7. Do you have any other comments on the proposed standard? If so, please specify.

In responding to this consultation, it has been difficult to get a clear picture of all the changes between the extant NZ AS 1 and the ED due to the lack of a document tracking these changes. Whilst we appreciate that the changes are scattered throughout and do not fundamentally change the way we will audit a SSP, the wording changes will require us to update not only the audit program and other guidance documents we have developed but also our engagement letter and audit report templates. This exercise will consume a considerable amount of time and resource which potentially could be reduced if a document outlining the changes was available. Because there are numerous changes of varying impacts throughout the standard it does feel like the standard has essentially been withdrawn and re-issued.



The New Zealand Auditing and Assurance Standards Board

NZ AS-1 Revised

6 March 2023

Yours sincerely

A handwritten signature in blue ink that reads 'Darby Healey'. The signature is written in a cursive, flowing style.

Darby Healey
Partner



24 March 2023

External Reporting Board
PO Box 11250, Manners St Central,
Wellington 6142

Attention: April Mackenzie

Tēnā koe April

Exposure Draft: *Audit of Service Performance Information*

1. Thank you for the opportunity to comment on the External Reporting Board's (XRB's) Exposure Draft: *Audit of Service Performance Information* (the ED).

Overall comments

2. In our opinion, the ED is a substantial improvement on the existing NZ AS 1. We are confident that we will be able to use the ED, suitably amended to reflect the comments in this submission, as a basis for the audit of performance information presented by public sector entities.
3. We acknowledge the receipt of the recent draft FAQ document prepared by the XRB on 15 March 2023. We have not taken the draft FAQ document into account in preparing our submission.

Requirements about measurement bases or evaluation methods

Requirement to refer to the entity's measurement bases or evaluation methods in the auditor's opinion

4. Paragraphs 51(c), 52, A82 and A83 of the ED and the illustrative auditor's reports require a reference to the pages within the preparer's annual report where the "measurement bases or evaluation methods" are set out.
5. We disagree with this requirement because the reporting requirements for service performance information are set out in PBE FRS-48: *Service Performance Reporting* (PBE FRS 48). PBE FRS-48 does not require the "measurement bases or evaluation methods" to be disclosed in the annual report. Therefore the auditor will not be able to meet the requirements of paragraphs 51(c) and 52.
6. The only disclosure requirement in PBE FRS-48 relevant to measurement is the requirement for disclosure of significant judgements (paragraph 44), that states:

"An entity shall disclose those judgements that have the most significant effect on the selection, measurement, aggregation and presentation of service performance information reported in accordance with this Standard that are relevant to an understanding of the entity's service performance information."
7. In our view, the NZAuASB needs to engage with the NZASB if it wishes to make changes to the disclosure requirements of PBE FRS 48. Until PBE FRS 48 is amended and applicable, we consider it inappropriate for the ED to require the auditor's opinion to refer to the entity's measurement bases or evaluation methods.

Requirement to evaluate/conclude that the measurement bases or evaluation methods are available to intended users

8. Associated with our observations in paragraphs 4 to 7, we also question the requirements in paragraphs 26(f) and 48(b) of the ED for the auditor to evaluate/conclude whether the measurement bases or evaluation methods are “available to intended users”. We are not clear what is intended by these requirements.
9. One interpretation of what the ED is aiming to achieve might be explained by reference to paragraph A3 of the ED.

That paragraph explains that a measurement basis or evaluation method that might be used to indicate that 100% of water supplied was safe to drink is that the water complied with “Drinking Water Standards for New Zealand”. This is an objective standard and the auditor would be able to conclude that no further disclosure needed to be made by the entity because intended users would be in possession of clear information about drinking water quality.

The other measurement basis or evaluation method referred to in paragraph A3 as a drinking water standard is “internally generated safe drinking water criteria”. The auditor might reasonably conclude that this standard is unclear and will not provide users with the information necessary for them to know whether the drinking water is safe. In this situation the auditor will ask the entity to clarify the disclosure in its annual report so that a user will know if the standard means that “100% of water supplied was safe to drink”. If the entity refuses to include the additional disclosures required by the auditor then the auditor would need to assess if the disclosures were “materially misstated” and, if so, report the matter as a qualification in the auditor’s opinion.

10. Collectively paragraphs 26(f), 48(b) and A82 of the ED imply that it is the auditor’s responsibility to make disclosure deficiencies in the entity’s annual report “available to intended users” in the audit report regarding “the method used to measure or evaluate the service performance” (in paragraph A82). Slightly different terminology is used in paragraphs 26(f) and 48(b) – “measurement bases or evaluation methods” – which adds to our confusion. We believe this is not the intention of the ED.
11. Furthermore, the auditor’s evaluation/conclusion in paragraphs 26(f) and 48(b) of the ED would not be limited to the “measurement bases or evaluation methods”. That evaluation/assessment would be extended to all of the components that the auditor needs to consider when assessing if the service performance report is “appropriate and meaningful”, including:
 - The “selection of elements/aspects of service performance”; and
 - “Performance measures and/or descriptions”.

We consider that this observation has implications for the expression of the audit objective (refer to paragraphs 13 and 14 below) and has flow-on consequences for the opinion section of the illustrative audit reports in Appendices 4 and 5 to the ED. The opinions focus on “the entity’s measurement bases or evaluation methods” but make no specific reference to the entity’s “selection of elements/aspects of service performance” or to “performance measures and/or descriptions”.

12. In our view:
 - The requirements in paragraphs 26(f) and 48(b) of the ED need to be clarified or removed; and
 - The wider implications for the audit objective and the illustrative audit reports need to be considered.

The audit objective

13. In our view, the objective of the audit in paragraph 7 of the ED should include the term “presents fairly” (or fairly reflects), or have a guidance paragraph explaining when and when it is not appropriate to use this term.
14. Paragraph 8(b) of the ED states that the auditor may achieve the objective ... by considering ... “Assess whether the reported service performance information fairly reflects the actual service performance and is not materially misstated.”

We see the phrase “fairly reflects” as being the outcome of the auditor assessing both whether “appropriate and meaningful” performance information is presented by the entity (as per paragraph 8(a)) and whether the actual service performance is reliable, in that it is a faithful representation of what actually happened (as per paragraph 8(b)).

We question why the term “fairly reflects” is used in paragraph 8(b) but is not used in paragraph 7.

15. Our observations in paragraphs 13 and 14 should also be reflected in the way the opinion is expressed in the illustrative example audit reports in Appendices 4 and 5.

Our comments on the individual Consultation Questions are attached to this letter.

If you have any questions about our submission, please contact Roy Glass, Audit Improvements Director, at roy.glass@oag.parliament.nz.

Nāku noa, nā



Todd Beardsworth
Assistant Auditor-General – Audit Quality

Phone: +64 4 917 1500

Mobile: +64 021 244 0727

E-mail: Todd.Beardsworth@oag.parliament.nz

Responses to the Consultation Questions

Alignment with the financial reporting standards

Question 1. Do you agree that the proposed standard strengthens the alignment between the auditing and financial reporting standards? If not, why not and what further changes do you recommend?

Establishing relationships between service performance information and financial information

The ED contains requirements (in paragraphs 2 and 10) and application material (in paragraphs A4 and A5) that emphasise that the audit of the service performance information is to be carried out concurrently with the audit of the financial statements. This is fundamental to an effective audit of financial and service performance information.

There is often no direct relationship between the financial statement disclosures and the service performance information, and establishing that relationship can be challenging. As a consequence, it is difficult to convey how an integrated approach to the audit of service performance and financial information can be carried out without some good examples to refer to. Good examples may not currently be available, but should emerge as auditors' experience with the audit of service performance information develops.

We acknowledge we have received the recent draft FAQ document prepared by the XRB on 15 March 2023. We have not taken the draft FAQ document into account in preparing our submission. This is a good way of facilitating improvements in the audit of service performance information.

Application of financial audit processes to the audit of service performance information

There is a tendency to directly transfer accepted financial audit processes to the audit of service performance information. Sometimes that approach is inappropriate.

An example is paragraph 19 in the ED where the elements of the entity's system of internal control (that are expected to exist for financial information) are unlikely to exist in the same way for service performance information. The situation outlined in paragraph A67 of the ED is more likely to be encountered by auditors when obtaining an understanding of the processes that produce "appropriate and meaningful" service performance information. The consequence is that, as stated in para A67, the auditor may find it more challenging and will need to think differently to identify the risks of material misstatement and the design of audit procedures to mitigate those risks.

We recommend that paragraph 19 of the ED is amended to reflect the different nature of service performance information that the auditor should take into account when gaining an understanding of the control system; in particular, service performance information that is appropriate and meaningful.

A paragraph from the draft standard prepared by the Auditor-General in 2021 (AG-4: *The audit of performance reports*) is included below. In our view, this paragraph (or something similar) could be included in the finalised standard to convey the nature of service performance information that is "appropriate and meaningful".

"The 'reasonable assurance' evidential standard is required to be met by the auditor when providing assurance over performance information. However, the subjective nature of performance information that is appropriate and meaningful means that the auditor may need to apply different procedures to those that are generally associated with the provision of assurance over financial information. For example:

- (a) Audit techniques used to evidence the fair presentation of performance information are likely to resemble the procedures the auditor applies when establishing the reasonableness of accounting estimates.*
- (b) It is unlikely that performance information that is appropriate and meaningful can be directly sourced back to traditional management information systems and source records.*
- (c) Specialist competencies may be required to effectively audit performance information.*

Having provided a broad description of the nature of service performance information, the ED could provide guidance on how the auditor might understand the “control” system for service performance information. That guidance would likely encourage the auditor to understand the sources of the data and any associated analysis carried out by the entity to determine its service performance information. An important aspect of the “control” system would be to understand how the entity uses that service performance information for internal decision-making purposes.

The purpose of understanding the control system is to identify the risks of material misstatement and to determine appropriate audit responses to those risks.

Another paragraph from the draft standard prepared by the Auditor-General in 2021 (AG-4: *The audit of performance reports*) could be also included in the finalised standard. That paragraph includes guidance to help auditors develop responses to mitigate the risks of material misstatement to the service performance information, and is included below:

“The auditor always needs to maintain an awareness of the possibility of bias in the reported service performance information. The entire process of assessing the integrity of data through to the reporting of service performance information places significant demands on the auditor, particularly when maintaining an awareness of bias. An approach that the auditor may take to assessing the fair presentation of service performance information might involve the following procedures:

- (a) As much as possible, the audit procedures should attempt to draw on the relationships that exist between the financial and service performance information, to achieve an effective and efficient audit;*
- (b) Assessing if the data used by the entity is likely to allow reasonable conclusions to be drawn about the entity’s service performance;*
- (c) Testing the integrity of the data used by the entity;*
- (d) Assessing the appropriateness of any independent research the entity is using to substantiate its service performance;*
- (e) Identifying and reading any relevant reviews about the entity’s service performance. Where discrepancies are observed between the findings reported in such reviews and the service performance reported by the entity, the auditor will need to obtain persuasive evidence that the entity’s reported service performance is fairly presented;*
- (f) Understanding how the data is being used to draw conclusions. For instance, is the data being used selectively to achieve a pre-determined result?; and*
- (g) Establishing if the reported service performance information is consistent with the conclusions drawn following the analysis. This includes checking if the service performance information omits some conclusions from the analysis and whether the descriptions used by the entity in presenting its service performance contain ambiguity and bias.*

Sector specific material

Question 2. Do you agree that the sector specific material is useful to ensure that the standard is fit for purpose in both the public and not-for-profit sectors?
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Particular challenges exist for the audit of performance information in the public sector. We acknowledge that it may be beyond the “general purpose” intent of the ED to address some of these challenges, although they may be encountered when auditing some larger entities in the not-for-profit sector.

We have identified three issues where further guidance would be very helpful. We recommend that the XRB does this by issuing FAQs to support the finalised standard.

Attribution as an assertion to assess appropriateness of service performance information

We recommend that guidance about the attribution assertion in paragraph A61(b) could be expanded to provide guidance on the application of attribution for entities (such as policy Ministries) that have policy responsibility for areas. Attribution will also be important for some entities in the not-for-profit sector whose role is to advocate for changes that will lead to improvements in whatever they are advocating for.

We have some concerns that the ED is too “strong” in pushing attribution as an assertion that must be met in order for service performance information to be appropriate and meaningful. For example paragraph A38 of the ED states:

“The auditor may consider whether the service performance information inappropriately attributes service performance to the entity.”

And the qualified audit opinion (Illustration 1 in Appendix 5) states: “The entity has not been able to provide evidence of its role in those particular improvements and therefore should not have reported this improvement.”

In the public sector, we consider it important that higher level measures of the difference that the public sector is making, including measures of outcomes and wellbeing are reported. In many cases movements in higher level concepts (such as child poverty, homelessness etc) cannot be attributed to the actions of a single agency but, in our opinion, that does not mean no public entity should report this important information.

Auditor’s role in relation to targets

We do not find the ED to be clear about the auditor’s role in relation to targets (i.e. the target of achievement for a performance measure set by the entity at the start of the reporting period). Does the auditor’s assessment of whether the service performance information is appropriate and meaningful require consideration of the reasonableness or appropriateness of targets? We think it does.

We think the assessment of targets is implied in the ED through the use of the terms “the performance measures and/or descriptions has used to report on what it has done” and the “measurement basis or evaluation method used” (these terms are referred to in paragraph 8(a) of the ED, and throughout the ED).

We would expect all entities to report against targets or expectations even if they are not stated in advance of the reporting period. Reporting targets or expectations provides a context against which to assess actual performance.

The main comment about targets when assessing if the service performance information is appropriate and meaningful is in paragraph A39, which states:

“The auditor may consider whether: If the entity reports targets, how those targets may obscure a proper understanding of the entity’s service performance.”

We recommend that the meaning of paragraph A39 is clarified together with the auditor’s role in relation to targets set for assessing an entity’s service performance information.

Identifying other information when some of the service performance information is outside the general purpose financial report and is incorporated by cross-reference

Paragraphs A1 and A28 of the ED and paragraph 33 of PBE FRS 48 acknowledge that some service performance information can be located outside the service performance report (or outside the general purpose financial report).

We ask that the finalised standard provide guidance on how “other information” is determined in these circumstances. Does the auditor of the service performance information have to treat all information within the cross referenced document as “other information” and perform the ISA (NZ) 720 requirements across the full content of all documents or websites containing cross-referenced service performance information?

We consider this could be an onerous and unreasonable expectation on the auditor. We recommend that the finalised standard clarify that cross-referenced document content should not be treated as other information. For example, can these other information obligations be avoided if the cross-referencing is to specific pages of the other document containing service performance information?

Simplified language and examples to assist

Question 3. Do you agree that the proposed revised standard is easier to understand? If not, please be as specific as you can and make suggestions as to what might assist to clarify the standard further.

We strongly support the inclusion of simplified language in all standards. In addition, it is important that the requirements paragraphs in a standard only specify the key requirement. Too often we encounter requirements paragraphs in auditing standards where the key requirement is clouded by many “sub-requirements”. This leads to confusion, unnecessary compliance costs, and adds to the risk of the standard being misapplied.

We agree that the ED is easier to understand than the existing NZ AS 1.

Examples are very useful. However, it is difficult to include examples when a standard is covering a new area. This situation creates the need to develop and issue examples in the form of FAQs (after the standard has been issued) as auditors develop their experience in auditing service performance information. This appears to be a process that the XRB has embraced. We support this process.

Examples of auditing service performance information concurrently with financial information would be very helpful as auditors develop experience in “integrated auditing”. These examples will be extremely useful in contributing to the development of more innovative (and effective) audit approaches.

No added compliance costs

Question 4. Do you agree that the proposed revised standard will not increase compliance costs, when compared to existing NZ AS 1?

The Auditor-General did not apply NZ AS 1 for the audits of performance reports in the public sector. We have no basis for comparing the compliance costs of NZ AS 1 with the ED.

Application Date

Question 5. Do you agree with the proposed application date of NZ AS 1 (Revised)?

Question 6: Do you agree with the proposal to defer the application date of extant NZ AS 1 to align with the application date of NZ AS 1 (Revised) i.e., for periods beginning on or after 1 January 2024?

We agree with the proposed application date for the ED.

We agree with the proposal to defer the application date of extant NZ AS 1 to align with the application date of the ED.

Other comments

Question 7. Do you have any other comments on the proposed standard? If so, please specify.

Provision of an illustrative audit report when the auditor concludes that the service performance information is not appropriate and meaningful

Paragraph 55(a) of the ED requires the auditor to modify the opinion when the auditor concludes that the service performance information is not “appropriate and meaningful”.

Our sense is that auditors may encounter this situation. Consequently, we recommend that (one or more) illustrative audit reports are included in Appendix 5 when the auditor encounters service performance information that is not “appropriate and meaningful”.

Preparing this audit report will be challenging, particularly if you consider that our comments in paragraphs 11 to 15 of the covering letter have validity. We would be happy to work with XRB staff to develop (one or more) illustrative audit reports for inclusion in Appendix 5 to the ED.

Emphasis of matter paragraphs (A87)

Paragraph A87 describes examples when an Emphasis of Matter or Other Matter paragraph may be included in the auditor’s report.

A further example of an issue that can lead to the auditor including an Emphasis of Matter paragraph is where there are significant measurement uncertainties in the reported performance of a measure. One public sector example is an emphasis of matter about the uncertainty in the measurement of greenhouse gas emissions where this is a measure within the service performance information.

We would suggest that this is a good example to include in paragraph A87 of the ED.

Other observations

We noted some minor matters in the ED that require consideration. We include them here for the sake of completeness.

Para Ref	Observation
15(b)(iii) and 53(c)(iii)	Should the words “in all material respects” be added after “prepared”? This would then be consistent with paragraphs 7 and 46.
15(b)(iv) and 53(c)(iv)	Should the word “represents” be replaced by “presents fairly” or “fairly reflects”?
32	Needs to include “other than those that are clearly trivial”.
32	Uses the term “unadjusted”. ISA (NZ) 450 refers to these as “uncorrected”. Paragraph 42(g) also uses “uncorrected”. Suggest replace “unadjusted” with “uncorrected”.
32	Double check the references to the application material.
40	It would be more helpful if instead of just asking the auditor to identify if a management’s expert has been used, it directed the auditor to apply the relevant requirements in ISA (NZ) 500. This would make paragraph 40 a more robust requirement.
42(f)	ISA (NZ) 265 refers to significant deficiencies in internal control and defines these as being “of sufficient importance to merit the attention of those charged with governance”. The ED does not refer to “significant deficiencies” and refers to deficiencies that “are of sufficient importance to merit attention”.
61(b)	Is “accounting policies” the correct term to use here, when we are dealing with service performance information?

Para Ref	Observation
62	<p>Suggest a minor change, or words to that effect.</p> <p><i>Public Sector</i></p> <p>Where the entity presents a comparison of published prospective service performance information with the service performance information, the auditor shall:</p> <p>(a) Check that evaluate whether the prospective service performance information that is included in the document subject to audit agrees with the information presented in the published prospective service performance information; <u>or</u></p> <p>(b) <u>Check that any changes have been clearly explained in the service performance information that is included in the document subject to audit.</u></p>
A39 last bullet	Should “report” be “service performance report”?
A70 first sentence	Should “financial statements” be “service performance information”?
A75	We do not understand this paragraph. Should the words “with another entity” be deleted?
A77 last sentence	“performance” should be “performed”.

Lisa Thomas

From: External Reporting Board Enquiries
Sent: Friday, 17 March 2023 9:54 am
To: XRB Assurance Standards
Subject: FW: XRB Open For Comments Submission

Hi team,

Submission for a consultation.

Ngā mihi,

Michael Tiffen – IT Support Officer

DDI +64 4 5502030

michael.tiffen@xrb.govt.nz www.xrb.govt.nz 



From: no-reply@xrb.govt.nz <no-reply@xrb.govt.nz>
Sent: Friday, March 17, 2023 9:48 AM
To: External Reporting Board Enquiries <enquiries@xrb.govt.nz>
Subject: XRB Open For Comments Submission



FirstName	Philip
LastName	Major
Organisation	P J Major Chartered Accountant
Email	philandmarymajor@xtra.co.nz
Comments	<p>I have three points to make and believe this Standard needs to go back to the drawing Board.</p> <ol style="list-style-type: none">1. The Standard suggested is not informed or referenced to International Standards related on Impact Reporting.2. Introduces new terms that have not been part of the accounting Standards before. The terms are not part of any international standard, not definable, not verifiable and not measurable and hence next to impossible to comply with. An approach might be to look at an extension of the definition of Material3. There will be significant cost involved with meeting both reporting and assurance for the Standards. For Tier one and two organizations and Government Agencies there will be several days work for Tier Three several hours to determine reporting and annually review reporting and two to three hours for assurance work <p>While understanding the need for better definition and the call from the Auditor General for direction and recognizing that work and thought have gone into the proposed Standards a lot more work needs to go into a subject that is currently an International conundrum</p>

Consultation Page URL

and be informed and directed by the outcome of that international work.

<https://www.xrb.govt.nz/consultations/assurance-standards-in-development/open-for-comment/audit-of-service-performance-information-consultation/>

Level 7, 50 Manners St, Wellington
PO Box 11250, Manners St Central, Wellington 6142
Phone: 04 550 2030 Fax: 04 385 3256 Email: enquiries@xrb.govt.nz

xrb.govt.nz

PBE FRS 48 Service Performance Reporting

Disclosing how service performance information has been measured

In 2017 the External Reporting Board (XRB) issued PBE FRS 48 *Service Performance Reporting* which introduced requirements for public benefit entities (PBEs) to report information about what they have done over the past reporting period in working towards their broader aims and objectives – referred to as service performance information.

PBE FRS 48 applies to Tier 1 and Tier 2 PBEs across the public* and not-for-profit sectors for accounting periods commencing on or after 1 January 2022.

PBEs are continually assessing their own service performance, based on the difference their activities have made on improving the wellbeing of individuals and communities across Aotearoa New Zealand. PBE FRS 48 requires a PBE to explain to its external stakeholders (including the broader public) its service performance story for the past year, based on the principles and requirements provided for by the Standard.

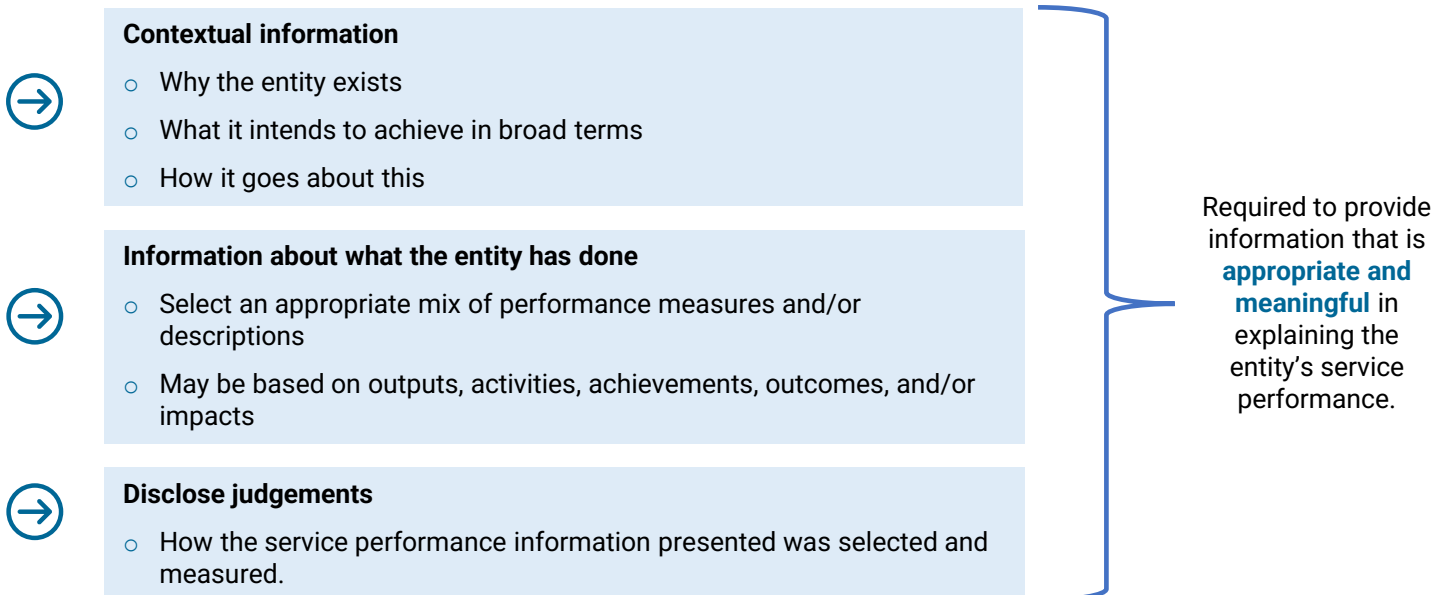
We are aware that many PBEs are currently working through the first-time adoption of PBE FRS 48. In this FAQ we provide guidance on disclosing information about how each reported performance measures or descriptions has been measured or assessed.

This is an important disclosure that links back the PBE FRS 48 qualitative characteristics of understandability, faithful representation, and verifiability of service performance information reported.

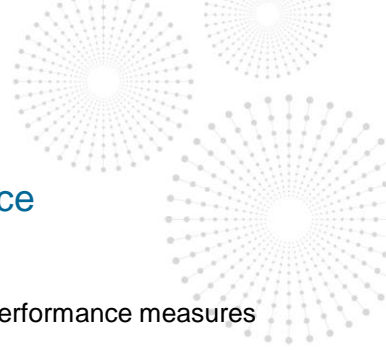
PBE FRS 48 – recap of key requirements

PBE FRS 48 requires an entity to present service performance information that is useful for accountability and decision-making purposes and that enables users to make assessments of the entity's service performance.

An entity is required to disclose:



* PBE FRS 48 only applies to public sector PBEs who are required by legislation to provide information in respect to service performance information in accordance with generally accepted accounting practice (GAAP).



What disclosures are required about how each service performance measure or description has been measured?

PBE FRS 48 requires an entity to provide users with an appropriate and meaningful mix of performance measures and/or descriptions to explain its service performance for the reporting period.

In meeting this requirement an entity will be required to determine an appropriate basis for measuring or evaluating each performance measure and/or description included in its performance report.

Answer

When determining what information to disclose about how each performance measure or description has been measured, a reporting entity is required to consider the qualitative characteristics and pervasive constraints on information to ensure appropriate and meaningful service performance information is presented.

Application of these principles requires an entity to consider what information about each performance measure and/or description needs to be available to intended users, to enable them to understand what has been reported. This should include the consideration of information the reader will require to understand and assess the validity of each reported performance measure and/or description based on the basis for its measurement or evaluation.

The disclosure of this information will allow the user to assess whether the measurement basis or evaluation method used:

- provides information that is faithfully representative of an entity's service performance for the period;
- can be independently verified; and
- is capable of providing information about the performance measure and/or description in a consistent manner from period to period.

This will include, when needed to support the readers understanding, the disclosure of information about the evaluation approach or criteria applied (whether it be externally sourced or internally developed), areas of significant judgement, and key assumptions.

Paragraph 7 of PBE FRS 48

In selecting and presenting service performance information in a general purpose financial report an entity shall apply the qualitative characteristics and pervasive constraints on information identified in the PBE Conceptual Framework. Application of the qualitative characteristics and appropriate balancing of the constraints in information results in service performance information that is appropriate and meaningful to users of the general purpose financial reports.

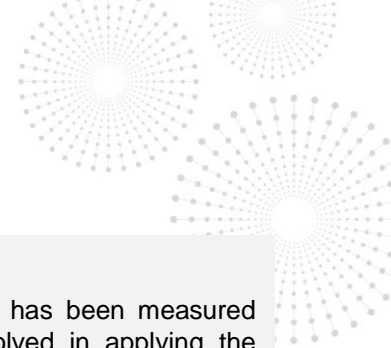
Qualitative characteristics and pervasive constraints

When choosing what service performance information to report, the PBE FRS 48 requires an entity to apply what it describes as the qualitative characteristics of information and the pervasive constraints on information.

- The qualitative characteristics are the attributes of financial information that result in the reporting of appropriate and meaningful information entity's service performance for the period, including – relevance, faithful representation, understandability, timeliness, comparability, and verifiability.
- The pervasive constraints on information describe the need to ensure the cost of providing the information above does not exceed the benefits and the need to apply materiality – this is important when selecting what service performance information to present and the level of detail required for users to understand the reporting entity's service performance.

The balancing of the qualitative characteristics and pervasive constraints on information will often require the reporting entity to apply significant judgement when preparing its service performance information.

A key qualitative characteristic of service performance information is understandability. It is expected that an entity will provide sufficient information to enable the users to understand the basis for how each reported performance measure has been measured or evaluated.



How much information to disclose?

The extent of information to disclose about how each performance measure presented has been measured and/or evaluated will largely depend on the degree of complexity and judgement involved in applying the measurement approach.

- In some cases, the description of the **performance measure itself** will provide adequate information for the user to understand the basis for how it has been measured. For example, a measure such as “the number of free lunches provided” or “hours of free hospital care” requires little further explanation.
- For performance measures that are based on **external assessment** frameworks, additional disclosure will be required for users to understand the information provided by those measures. For example, in order to understand a quality-based measure, such as assessing water quality, a user needs to know:
 - the external assessment approach used;
 - the source of the inputs used to measure the quality measure;
 - the significant assumptions and judgements used;
 - the measurement evaluation criteria applied; and
 - any inherent measurement uncertainties.
- For **internally developed** performance measures additional disclosure will often be required to give users confidence that the information reported is faithfully representative and verifiable – due to increase level of entity discretion and judgement applied. Users will need additional information to understand how the internal measurement approaches have been developed and applied.
- For more **complex** performance measures, an increased level of disclosures will often be required to allow users to understand the measurement method applied, which is supported by the disclosure of the underlying assumptions and areas of significant judgements.

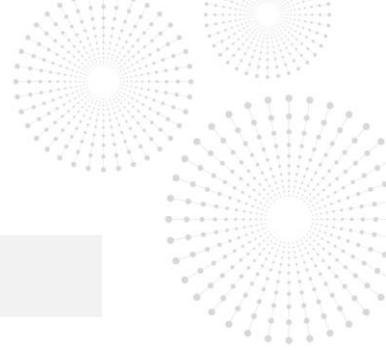
In making this disclosure judgement, there are three key qualitative characteristics of information (as described by PBE FRS 48) to keep in mind:

- **Faithful Representation** – to be useful, service performance information must be faithfully representative of the entity’s service performance. To provide users with confidence that service performance information is presented in an unbiased manner that reports on both favourable and unfavourable aspects of an entity’s service performance, the users need information to understand how each performance measure presented has been measured and/or evaluated.
- **Understandability** – for users to be able to form an assessment of an entity’s performance it should be clear what each performance measure means and how it is being measured or evaluated. More complex measures or descriptions will likely require increased disclosure to explain the measurement basis and how it was applied.
- **Verifiability** – to ensure an entity’s service performance information is reliable, and faithfully representative, the reported service performance measures must be capable of independent verification. To be verifiable, the measurement bases or evaluation methods need to be made available to the intended users so that users can understand the extent to which the performance claims can be substantiated.

In some cases, the information required to enable users to fully understand how the service performance information reported has been measured and/or evaluated may be substantial and entities may not want to include all this information in their annual report.

In these circumstances, entities may choose to cross-reference from its performance report to:

- other readily available documents (such as externally developed performance frameworks) that are publicly available; or
- internally developed service performance measurement approaches made available on the entity’s website.



Appendix A

Selecting appropriate and meaningful service performance information

PBE FRS 48 is a principles-based standard which requires the reporting entity to apply judgement when selecting service performance information to report that will provide appropriate and meaningful information that enables users of an entity's performance report to understand:

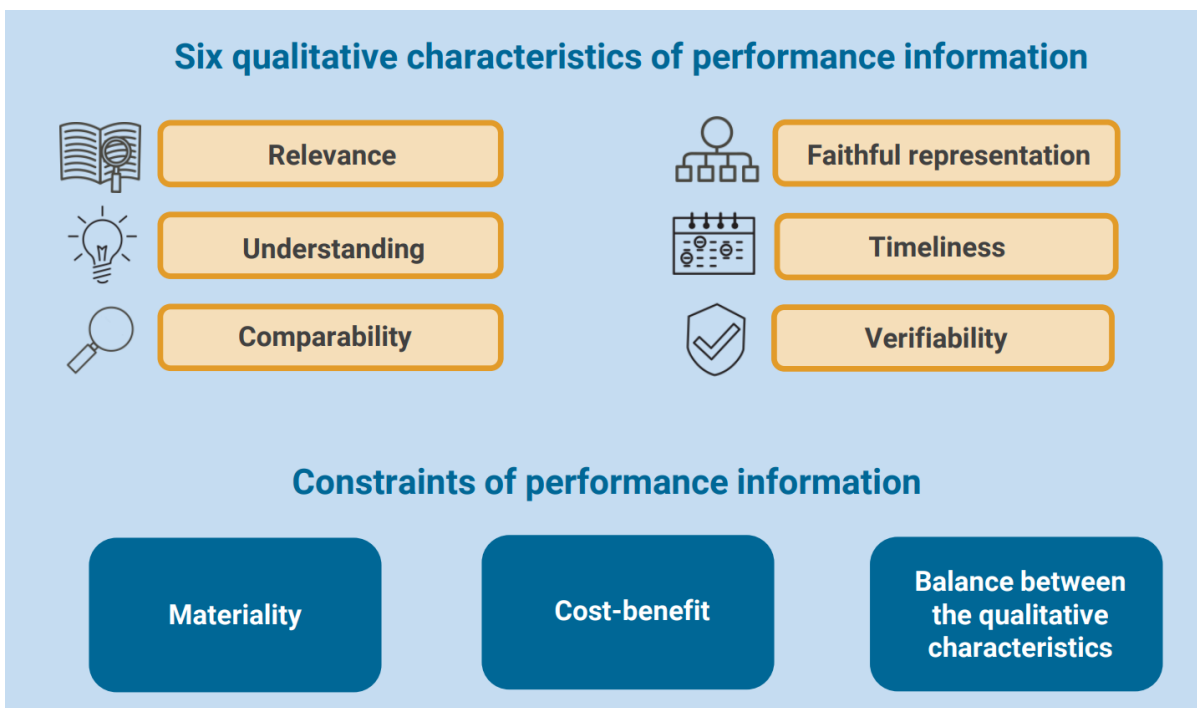
- (a) why the entity exists; and
- (b) what the entity has done during the reporting period in working towards its broader aims and objectives.

In reporting on what an entity has done during the reporting period an entity is required to provide users with an appropriate and meaningful mix of performance measures and/or descriptions.

While some performance measures are readily quantifiable and therefore easier to measure, an entity should first consider the information that would be of most relevance to the users of the entity's general purpose financial reports.

When selecting what aspects of an entity's service performance to report and selecting appropriate performance measures, PBE FRS 48 requires an entity to balance the qualitative characteristics and constraints of performance information – as depicted in the picture below.

PBE FRS 48 uses the term 'qualitative characteristics' to refer to the desired qualities of service performance information and 'constraints on information' to describe the need to ensure the cost of providing the information does not exceed the benefits.



When selecting service performance information, the reporting entity needs to consider whether:

- (a) the service performance information presented is appropriate and meaningful; and
- (b) whether the information presented fairly presents the entity's service performance for the period.

CONSULTATION PAPER

Comments are due by July 7, 2023

PROPOSED IESBA STRATEGY AND WORK PLAN, 2024 – 2027

TOWARDS A MORE SUSTAINABLE FUTURE: ADVANCING THE CENTRALITY OF ETHICS

APRIL 2023

IESBA

International
Ethics Standards
Board for Accountants®

About the IESBA

The International Ethics Standards Board for Accountants (IESBA) is an independent global standard-setting board. The IESBA's mission is to serve the public interest by setting ethics standards, including auditor independence requirements, which seek to raise the bar for ethical conduct and practice for all professional accountants through a robust, globally operable *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the Code).

The IESBA believes a single set of high-quality ethics standards enhances the quality and consistency of services provided by professional accountants, thus contributing to public trust and confidence in the accountancy profession. The IESBA sets its standards in the public interest with advice from the IESBA Consultative Advisory Group (CAG) and under the oversight of the Public Interest Oversight Board (PIOB).

About this Consultation

The IESBA is undertaking this consultation to obtain views from stakeholders on its proposed strategy and work plan (SWP) for 2024-2027. The feedback from stakeholders will enable the IESBA to finalize its future strategy and work plan in support of its public interest mandate.

This Consultation Paper has taken into account the feedback from the IESBA's April 2022 Strategy Survey, input from the IESBA CAG and other stakeholders, outputs or matters identified from current or recently completed projects or initiatives, and developments in the external environment. In developing the Consultation Paper, the IESBA has engaged in close coordination with the International Auditing and Assurance Standards Board (IAASB).

This Consultation Paper is structured as follows:

Section I: Request for Comments

Section II: Proposed Strategy 2024 – 2027

Section III: Proposed Work Plan 2024 – 2027



The IESBA will consider the responses to the Consultation Paper in Q3 2023 with a view to approving the final SWP in December 2023.

REQUEST FOR COMMENTS

This Consultation Paper, *Proposed IESBA Strategy and Work Plan, 2024-2027*, was developed and approved by the International Ethics Standards Board for Accountants (IESBA).

The proposals in this Consultation Paper may be modified in light of comments received before being issued in final form.

Comments are requested by July 7, 2023.

Respondents are asked to submit their comments electronically through the IESBA website, 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. Although the IESBA prefers that comments are submitted via its website, comments can also be sent to Geoff Kwan, IESBA Director at geoffkwan@ethicsboard.org.

This publication may be downloaded from the IESBA website: www.ethicsboard.org. The approved text is published in the English language.

SUMMARY – PROPOSED STRATEGY AND WORK PLAN 2024–2027

Proposed Strategy 2024-2027

pp.7-16

The IESBA's Vision

pp.7

To achieve global recognition and acceptance of its ethics (including independence) standards as being a cornerstone to ethical behavior in business and organizations, and to public trust in financial and non-financial information that is fundamental to the proper functioning and sustainability of organizations, financial markets and economies worldwide.

Proposed Strategic Drivers

pp.7-11

- Environmental drivers
 - Rapidly Growing Market and Public Demand for Sustainability Information
 - The Expanding Roles of Professional Accountants in Business
 - Trust Crisis and Other Repercussions from Recurring High-profile Corporate Failures
 - Ongoing Impact of Technological Transformations
- Operational drivers
 - Heightened Stakeholder Expectations for Greater Timeliness
 - The Imperatives of Quality and Global Acceptance of the IESBA's Standards
 - Global Operability of the IESBA's Standards
 - Further Increasing Global Adoption of the Code and Supporting Its Effective Implementation

Proposed Strategic Themes

pp.11-16

- Enhancing trust in sustainability reporting and assurance
- Strengthening the Code or responding in other ways in areas beyond sustainability reporting and assurance
- Further enhancing the diversity of stakeholder perspectives and the global operability and acceptance of the IESBA's standards
- Widening the influence of the IESBA's standards through a continued focus on adoption and implementation

Proposed Work Plan 2024 - 2027**pp.16-23****Projects/Work Streams Commenced before 2024 (Table A)****pp.17-18**

- Sustainability
 - Work Stream 1: Independence
 - Work Stream 2: Ethics
- Use of Experts
- Collective Investment Vehicles, Pension Funds and Investment Company Complexes
- Post-Implementation Review – Non-Compliance with Laws and Regulations (NOCLAR)

Potential New Topics Identified (Table B)**pp.18-21**

- Role of CFOs and Other Senior PAIBs
- Business Relationships
- Definitions and Descriptions of Terms
- Audit Firm – Audit Client Relationship
- Custody of Data
- Communication with Those Charged with Governance

Pre-committed Work Streams to Commence during or after Q1 2024 (Table C)**pp.21-22**

- Post-Implementation Review – Long Association Phase 2
- Post-Implementation Review – Restructured Code
- Post-Implementation Review – Non-Assurance Services and Fees
- Post-Implementation Review – Definition of Public Interest Entity

SECTION I: REQUEST FOR COMMENTS

1. The IESBA seeks stakeholders' comments on the following:

Strategic Drivers, Themes and Actions	
1.	Do you agree with the IESBA's <i>Proposed Strategic Drivers</i> (see pp.9-13)?
2.	Do you agree with the IESBA's <i>Proposed Strategic Themes and Proposed Strategic Actions</i> (see pp.13-18)?
Proposed Work Plan for 2024 – 2027	
3.	Do you support the IESBA considering the topics set out in Table B as potential work streams (see pp.22-24)? If so, please also share your views on any specific issues or questions you believe the IESBA should consider under these topics. If not, please explain your reasons.
4.	Do you believe the IESBA should accelerate or defer any particular ongoing, potential or pre-committed work stream(s) set out in Tables A, B and C? Please explain your reasons.
5.	Are there other topics the IESBA should consider as potential new work streams? If so, please indicate whether these topics are more important than the topics identified in Table B (see pp.22-24), and the needs and interests that would be served by undertaking work on such topic(s).
Additional Information	
6.	The IESBA's proposed Strategy and Work Plan emphasizes the importance of close coordination with its sister Board, the IAASB. Do you have views or suggestions as to how coordination between the IESBA and IAASB could be enhanced to better serve the public interest?
7.	Do you have comments on any other matters addressed in this Consultation Paper or any significant matters not covered that you believe the IESBA should consider in finalizing the SWP 2024-2027?

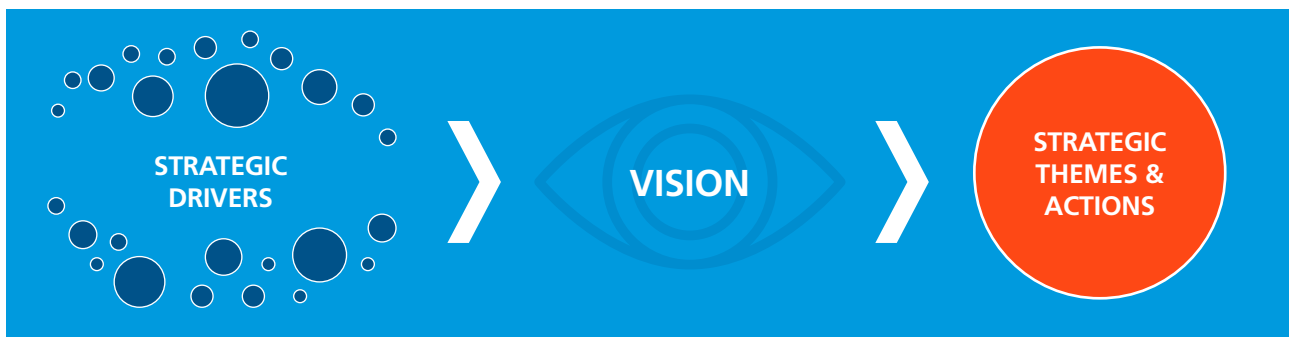
SECTION II: PROPOSED STRATEGY 2024 – 2027

Vision

2. The IESBA's vision is:

To achieve global recognition and acceptance of its ethics (including independence) standards as being a cornerstone to ethical behavior in business and organizations, and to public trust in financial and non-financial information that is fundamental to the proper functioning and sustainability of organizations, financial markets and economies worldwide.

3. This strategic vision will support the IESBA's continued mission to serve the public interest by setting ethics standards, including auditor independence requirements, that seek to raise the bar for ethical conduct and practice for all professional accountants (PAs). It recognizes the high level of public expectations regarding ethical behavior by PAs in light of the wide-ranging roles they play in corporate reporting, assurance and other professional activities, and the confidence businesses, governments and other organizations place in the accountancy profession.
4. In addition, by not limiting the use of the standards exclusively to the accountancy profession, the IESBA's vision is to make the standards available for use by other professions whose members perform the same types of professional activities or services as PAs, especially in relation to sustainability assurance. The IESBA believes that doing so serves the broader public interest in having professionals who perform similar types of work adhere to the same high bar of ethical behavior, regardless of whether they are from the accountancy profession.
5. Whilst the IESBA promulgates the international ethics (including independence) standards, it recognizes that the responsibilities to regulate and supervise the use of its standards and enforce them rest with the relevant regulatory or professional bodies in different jurisdictions.
6. The IESBA's vision is shaped by the strategic drivers and will be achieved through the successful delivery of the actions identified under each of the four strategic themes.



Proposed Strategic Drivers

7. The IESBA has identified a number of strategic drivers that create significant opportunities and challenges to achieving its vision over this strategy period. These strategic drivers can be grouped into two broad categories:
- Environmental drivers relating to market trends or developments that impact the need for, and relevance of, the IESBA's standards; and
 - Operational drivers that impact the IESBA's responsiveness to strategic developments as well as the quality, global acceptance and operability, and adoption and effective implementation of its standards.

Environmental Drivers

Rapidly Growing Market and Public Demand for Sustainability Information

8. Market and public demand for sustainability information has risen substantially and rapidly in recent years. Such information is increasingly used to support capital allocation or other decisions by investors, customers, current or potential employees, government agencies and other stakeholders. As demand for sustainability information continues to expand rapidly not only in relation to environmental matters but also in relation to social and governance ones, there is a pressing public interest need to ensure that such information is reliable and comparable, and therefore subject to assurance.
9. In response to this growing trend, regulators in a number of major jurisdictions have prioritized, as a matter of urgency, the development of new regulations governing sustainability reporting and assurance.¹ In this regard, the International Organization of Securities Commissions (IOSCO) has publicly recognized the work of both the IESBA and IAASB as important in meeting the need for robust standards applicable to all providers of sustainability assurance to foster independent, high-quality engagements and consistent practices.² In particular, IOSCO welcomed the two Boards' plans to develop high-quality, global assurance and ethics (including independence) standards that are profession-agnostic and can support limited, and ultimately, reasonable assurance of sustainability information. In addition, in its report *Supervisory and Regulatory Approaches to Climate-related Risks*, the Financial Stability Board (FSB) also singled out the work of the IESBA and IAASB as relevant to the development of third-party assurance of climate-related public disclosures by corporates.³
10. The Public Interest Oversight Board (PIOB) has also welcomed the IESBA's consideration of developing fit-for-purpose ethics (including independence) standards that could be used by any professionals, whether or not from the accountancy profession, who provide assurance on sustainability reporting. The PIOB has recognized that it is in the public interest that all assurance providers adhere to the same high bar of ethical behavior and independence when engaged to perform sustainability assurance engagements.⁴

The Expanding Roles of Professional Accountants in Business

11. The role of PAs in business (PAIBs) has evolved over time driven by the changing needs of investors and customers, regulatory and technological changes, and the exponential growth in information which can present both opportunities and challenges. In particular, the role of the Chief Financial Officer (CFO) has expanded from being a guardian of a company's financial health to encompassing strategy, enterprise risk management, performance management, and communicating the organization's value proposition to stakeholders.
12. Whilst the CFO's role and responsibilities continue to be reshaped by new technology, the CFO is increasingly at the confluence of how their organization is responding to the rapid growth in market demand for sustainability information. This dynamic is impacting CFOs (and the broader finance function) in ways they have not necessarily been trained or equipped to manage. Specifically, in addition to supporting their organizations in responding to strategic developments in sustainable finance, CFOs increasingly need to understand and work across other disciplines, manage and coordinate the sustainability data supply chain, integrate financial and non-financial information into long term plans, and engage with experts and other professionals beyond those involved in traditional financial reporting, amongst many other new demands and pressures. These developments give rise to a need for a fresh look at whether the Code continues to be relevant and appropriate in guiding PAIBs' mindset and behaviors in this fast-changing environment.

¹ Some recent examples of jurisdictional developments include:

- The European Union's (EU) agreement on its new Corporate Sustainability Reporting Directive (CSRD).
- The United States Securities and Exchange Commission's (US SEC) proposed rules to require issuers to provide climate-related disclosures.
- The UK Financial Conduct Authority's (FCA) new climate-related disclosure requirements for standard listed issuers as well as for asset managers and FCA-regulated asset owners.
- The New Zealand External Reporting Board's (XRB) public consultation on its climate-related disclosure framework.

² In September 2022, IOSCO issued a [statement of support](#) for the work of the IAASB and IESBA to develop profession-agnostic global standards to support assurance of sustainability information.

³ <https://www.fsb.org/2022/10/supervisory-and-regulatory-approaches-to-climate-related-risks-final-report/>

⁴ [January 2023 PIOB's Public Interest Issues: IESBA Projects](#), page 2

13. The expansion of the role of CFOs is not unique to the private sector but is also occurring in the public sector where PAIBs in finance and other equivalent roles are also impacted by technology disruption and the demand for greater transparency in governments' performance in sustainability-related matters.

Trust Crisis and Other Repercussions from Recurring High-profile Corporate Failures

14. Recurring headlines about collapses of large public companies due to fraud as well as other financial scandals across the globe have had dramatic impacts on investors, workers, customers, the supply and credit chains, and the broader economic and social systems. These events not only damage public trust in the accountancy profession but also call into question the role of auditors as guardians of public trust in entities' financial statements. Some of these events have raised questions about not only the quality of the audits but also the independence of the auditors. In addition, there continues to be heightened regulatory scrutiny not only on aspects of the performance of an audit, such as the exercise of professional skepticism and professional judgment, but also on broader considerations relating to auditor independence, audit firm culture and the audit firm multi-disciplinary business model.
15. These corporate failures also raise ethical questions regarding the role of PAIBs, including those who are CFOs, notwithstanding that the work and activities of PAIBs are not subject to the same level of independent regulatory oversight as auditors. In this regard, the issue of "greenwashing" has raised questions about the ethical behavior of those who prepare and report sustainability information, and those who are in a management or oversight roles, including CFOs and directors.

Ongoing Impact of Technological Transformations

16. The technology landscape continues to evolve rapidly, transforming the way we live and disrupting organizational norms and processes. The impact of technology, such as automation and cybersecurity, is also pervasive throughout the accountancy profession as PAs interact with data in a variety of roles, for example, as creators, users, stewards, advisors, and assurance providers. Whilst the digital transformation journey better enables PAs to meet the new demands and expectations of their clients and employing organizations in a digital age, the transformations also create ethical questions and challenges that can be complex, with implications for stakeholders' trust in PAs' work.
17. Against this backdrop, the IESBA has taken strategic action to respond to the developments in technology. In April 2023, the IESBA will issue, subject to the PIOB's approval, revisions to the Code, including the International Independence Standards, under its Technology Project. Further, in November 2022, the IESBA released its Technology Working Group's (TWG) [Phase 2 Report](#) detailing the outcomes of the TWG's fact-finding work, including recommendations for further enhancements to the Code and the development of additional non-authoritative guidance for PAs.⁵ Some of these recommendations seek to respond to a number of the ethical questions and challenges arising from the ongoing digital transformations.

Operational Drivers

Heightened Stakeholder Expectations for Greater Timeliness

18. One of the objectives of the Monitoring Group's (MG) July 2020 recommendations, [Strengthening the International Audit and Ethics Standard-Setting System](#) (MG Recommendations) is to foster the development of timely, high-quality standards that respond to an accelerating pace of change.⁶ The MG's expectation for the IESBA to be more timely in its standard-setting work has been echoed within the broader regulatory community where there have been calls for the IESBA to move quickly to address market developments of significant public interest.
19. Recognizing such expectations, the IESBA has taken action to respond quickly to the strategic developments in sustainability reporting and assurance. It established a sustainability work stream in Q1 2022 and [publicly committed](#) in June 2022 to readying global ethics (including independence) standards timely to respond to those developments.

⁵ In this regard, pursuant to its Technology Working Group's Phase 1 Report, the IESBA has facilitated the development of a number of [non-authoritative guidance materials](#) since 2021 (<https://www.ethicsboard.org/focus-areas/technology-ethics-independence-considerations>).

⁶ To ensure responsiveness to the public interest, the MG calls for both the IESBA and IAASB to develop their standards in accordance with the principles of the Public Interest Framework set out in the MG Recommendations.

The IESBA has since been working closely with IOSCO, the IAASB and the International Sustainability Standards Board (ISSB) to ensure a coordinated approach to the development of the global standards infrastructure needed to support transparent, relevant and trustworthy sustainability reporting. In addition, in response to rising stakeholder concerns about greenwashing, the IESBA issued in October 2022 a [Staff publication](#) highlighting the relevance and applicability of the Code in combatting greenwashing.⁷ In December 2022, the IESBA approved a [project](#) to develop ethics, including independence, standards addressing sustainability reporting and assurance, as well as a [related project](#) addressing the use of experts.

The Imperatives of Quality and Global Acceptance of the IESBA's Standards

20. A key ingredient to the quality of the IESBA's standards is input from a diverse range of stakeholders. Whilst the IESBA engages routinely with many stakeholder communities, including regulators and oversight bodies, national standard setters (NSS), international and regional policy-making organizations, preparers, professional accountancy organizations (PAOs) and accounting firms, it has faced a continuing challenge of obtaining a comparatively similar level of input to its projects and initiatives from users of financial and non-financial information, particularly investors and those charged with governance (TCWG). In this regard, the PIOB has continued to encourage the IESBA to pursue efforts to reach out to the investor and corporate governance communities to inform its standard-setting work.
21. The IESBA also acknowledges the importance of an effective enforcement regime as part of the broader reporting ecosystem. The IESBA therefore recognizes the need to work closely with regulators, oversight bodies and other stakeholders to promote effective and consistent enforcement of its standards.
22. The IESBA's Sustainability work stream has highlighted a further imperative in terms of the need to reach out to the community of assurance providers outside the accountancy profession. This is necessary given that a large number of sustainability assurance engagements are already being performed by providers who are independent of the profession,⁸ and the fact that the market for sustainability assurance work has already been opened, or is expected to be opened soon, to all providers (whether or not from the accountancy profession) in a number of major jurisdictions.⁹ The aim of such outreach would be to understand the ethical frameworks the independent providers use in supporting their assurance work and to seek their input to the IESBA's development of profession-agnostic ethics (including independence) standards for sustainability assurance that will be understandable and usable by them. Such input will be important to the global acceptance of the IESBA's sustainability-related standards by assurance providers outside the accountancy profession.

Global Operability of the IESBA's Standards

23. An important factor that the IESBA takes into account in developing its standards is global operability. Global operability entails considerations of not only practicality and whether the standards will be capable of being applied in jurisdictions with different legal and regulatory frameworks, but also whether the standards will be capable of being used seamlessly with international reporting and assurance standards.
24. In this regard, stakeholders, as well as the PIOB, have continued to emphasize the importance of the IESBA and IAASB coordinating their work closely to address topics of mutual interest. Such coordination has already been taking place at a strategic and technical level, and the IESBA and IAASB continue to dedicate efforts to strengthen it so that their standards mutually support each other and are interoperable. This imperative also extends to the IESBA's coordination with the ISSB in relation to sustainability reporting and assurance, given the importance of ensuring global consistency in the use of common concepts, terms and definitions in the IESBA's and ISSB's standards in that area.

⁷ The IESBA has also responded timely to other major global developments in ways other than through standard-setting. In particular, in response to the COVID-19 pandemic, the IESBA collaborated with a number of national standard setters and regulators to produce a series of [staff publications](#) that provide guidance to PAs on dealing with ethics and independence issues arising from the pandemic. In addition, in October 2022, the IESBA released the Staff Alert, [The Ukraine Conflict: Key Ethics and Independence Considerations](#). This non-authoritative guidance highlights a number of important provisions in the Code with which PAs must comply in carrying out their work as they navigate the unprecedented challenges and risks arising from the ongoing Russia-Ukraine war.

⁸ For example, [research](#) published by the Center for Audit Quality in April 2021 indicated that out of the population of S&P 100 companies considered, over 80% had assurance or verification of their Environmental, Social and Governance (ESG) information provided by engineering or consulting firms that were not CPA firms.

⁹ For example, in the EU under the CSRD and in the US under proposed rules being developed by the US SEC.

25. There is also an ongoing need for the IESBA to work closely with standard setters at the jurisdictional level to ensure that the IESBA’s standards will be operable across jurisdictions.

Further Increasing Global Adoption of the Code and Supporting Its Effective Implementation

26. To date, 130 jurisdictions have adopted or used the Code, including 17 of the G20 countries.¹⁰ However, not all of these jurisdictions have adopted or are using the latest version of the Code. It is therefore imperative that the IESBA continue to dedicate a focus on supporting jurisdictions adopt or use the latest additions and revisions to the Code, working closely with NSS and the International Federation of Accountants (IFAC) in particular.
27. Noting the volume and frequency of changes to the Code in recent years, some stakeholders have called on the IESBA to temper the pace of standard-setting and focus more on developing non-authoritative material (NAM) to assist users in understanding the new provisions and applying them consistently. The IESBA acknowledges those concerns. The capacity of the market to assimilate new or revised IESBA standards is an important factor amongst others that the IESBA considers in determining the number and prioritization of its standard-setting projects and in setting effective dates for final standards. The feedback concerning a continuing market need for implementation support resources also highlights that effective implementation of the IESBA’s standards is a matter of strategic importance.

Proposed Strategic Themes

28. Based on the identified strategic drivers, the IESBA has developed four strategic themes to guide its actions in support of its strategic vision:
- Enhancing trust in sustainability reporting and assurance
 - Strengthening the Code or responding in other ways in areas beyond sustainability reporting and assurance
 - Further enhancing the diversity of stakeholder perspectives and the global operability and acceptance of the IESBA’s standards
 - Widening the influence of the IESBA’s standards through a continued focus on adoption and implementation
29. The table below illustrates how these strategic themes connect to the strategic drivers, which in turn influence the IESBA’s strategic vision.

	STRATEGIC THEMES	STRATEGIC DRIVERS
STRATEGIC VISION	Enhancing trust in sustainability reporting and assurance	<ul style="list-style-type: none"> • Rapidly Growing Market Demand for Sustainability Information • Heightened Stakeholder Expectations for Greater Timeliness
	Strengthening the Code or responding in other ways in areas beyond sustainability reporting and assurance	<ul style="list-style-type: none"> • The Expanding Roles of Professional Accountants in Business • Ongoing Impact of Technological Transformations • Heightened Stakeholder Expectations for Greater Timeliness • Trust Crisis and Other Repercussions from Recurring High-profile Corporate Failures
	Further enhancing the diversity of stakeholder perspectives and the global operability and acceptance of the IESBA’s standards	<ul style="list-style-type: none"> • The Imperatives of Quality and Global Acceptance of the IESBA’s Standards • Global Operability of the IESBA’s Standards
	Widening the influence of the IESBA’s standards through a continued focus on adoption and implementation	<ul style="list-style-type: none"> • Further Increasing Global Adoption of the Code and Supporting Its Effective Implementation

¹⁰ See [2020-2021 Report on IESBA Accomplishments](#), page 14

Enhancing Trust in Sustainability Reporting and Assurance

30. Given the significant and rapidly growing market demand for sustainability information, the IESBA has agreed to take timely action to develop fit-for-purpose, globally applicable ethics (including independence) standards as a critical part of the infrastructure needed to support transparent, relevant and trustworthy sustainability reporting. This recognizes the essential role ethics and independence play in the production, reporting and assurance of sustainability information, and the major role of PAs in this regard. This strategic commitment will complement the sustainability reporting and assurance standards being developed by the ISSB and the IAASB, respectively.
31. As noted in the discussion of the strategic drivers above, a number of major jurisdictions have opened or are expected to open the market for sustainability assurance services to all providers, whether from or outside the accountancy profession. In this regard, as noted above, the IESBA approved a new [sustainability project](#) in December 2022 to develop profession-agnostic ethics and independence standards for sustainability assurance as well as ethics standards for sustainability reporting.

Strengthening the Code or Responding in Other Ways in Areas Beyond Sustainability Reporting and Assurance

32. As the accountancy profession evolves in response to developments such as disruptive technology and sustainability reporting, and in light of recurring major corporate failures around the world, new ethics or independence questions or challenges may arise that impact public trust in the work of PAs.
33. In addition, whilst significant changes have been made to the Code in recent years, regulators and oversight bodies have called on the IESBA to continue to maintain a focus on strengthening the International Independence Standards. The IESBA has also identified through its recent standard-setting work certain topics or areas where the Code could be further strengthened or enhanced.
34. Further, it is necessary for the IESBA to monitor emerging issues or developments in the external environment that may warrant standard-setting or other actions.

Further Enhancing the Diversity of Stakeholder Perspectives and the Global Operability and Acceptance of the IESBA's standards

35. A rich array of perspectives from its stakeholder community serves the IESBA's goal of developing high-quality standards that are responsive to the public interest. In this regard, the IESBA will seek to enhance the level of input from parts of its stakeholder community it has not historically heard from to any significant extent, particularly investors and TCWG. Additionally, in the context of sustainability assurance, it will be important for the IESBA to engage with assurance service providers that are outside the accountancy profession if it is to achieve the goal of developing profession-agnostic ethics, including independence, standards that are widely accepted.
36. Under this strategic theme, coordination with other global standard setters, including the IAASB, ISSB and the International Public Sector Accounting Standards Board (IPSASB), will be important to develop globally interoperable standards that support trustworthy financial and non-financial reporting. It will also remain key for the IESBA to work closely with NSS to achieve globally operable standards and minimize standards fragmentation.
37. It will also be important for the IESBA to engage proactively with the global regulatory and oversight community to seek its input throughout the life-cycle of standard-setting projects. Given its constituencies, the support of that community will contribute to achieving wider global acceptance of the IESBA's standards.

Widening the Influence of the IESBA’s Standards Through a Continued Focus on Adoption and Implementation

38. The Code provides a robust set of standards that govern and guide the ethical behavior of PAs, including the independence of auditors. Therefore, it is in the public interest to increase the extent of adoption of the latest enhancements to the Code across jurisdictions. Equally, it is in the public interest that the Code, with all its latest enhancements, is implemented effectively by PAs and firms.
39. The IESBA’s standards play an essential complementary role vis-à-vis the reporting and assurance standards within the financial and non-financial information supply chains. The diagram below illustrates the overarching and complementary nature of the IESBA’s standards next to reporting and assurance standards within the sustainability information supply chain.

SUSTAINABILITY STANDARDS INFRASTRUCTURE



Proposed Strategic Actions

Theme: Enhancing Trust in Sustainability Reporting and Assurance

40. The IESBA’s proposed strategic actions for this theme include the following:
- In relation to sustainability information:
 - Developing fit-for-purpose ethics standards to support sustainability reporting by PAIBs and PAs in public practice (PAPPs).
 - Developing fit-for-purpose, profession-agnostic ethics (including independence) standards to support sustainability assurance.
 - Obtaining the support or endorsement of its new standards addressing sustainability reporting and assurance, as well as the related but a broader standard addressing the use of experts, from global regulators and oversight bodies and other key jurisdictional bodies.

Theme: Strengthening the Code or Responding in Other Ways in Areas Beyond Sustainability Reporting and Assurance

41. The IESBA’s proposed strategic actions under this theme include the following:
- Progressing and completing ongoing projects in a timely manner (see Section III, Proposed Work Plan 2024 – 2027).

- With regards to new projects to commence during the new strategy period (see Section III, Proposed Work Plan 2024 – 2027):
 - Developing project plans to address the identified public interest issues.
 - Progressing the new projects in a timely manner and in accordance with the Work Plan.
- Maintaining an ongoing monitoring function on technology developments and considering how to best address public interest issues identified.
- Monitoring emerging issues or developments outside of sustainability and technology through the IESBA's Emerging Issues and Outreach Committee (EIOC) and responding appropriately to identified public interest issues through enhancements to the Code or other actions such as the development of NAMs in accordance with its general guidelines.

Theme: Further Enhancing the Diversity of Stakeholder Perspectives and the Global Operability and Acceptance of the IESBA's standards

42. The IESBA's proposed strategic actions under this theme include the following:

- Proactively engaging with a broad range of stakeholders, including investors, regulators and oversight bodies, the corporate governance community, preparers, NSS, PAOs, accounting firms and the academic community. The IESBA will dedicate a special focus on engagement with the investor and corporate governance communities. The IESBA will also continue to engage with small and medium practices (SMPs) to guide its considerations of proportionality in developing the standards, among other matters of relevance to the SMP community.
- Proactively engaging with assurance providers independent of the accountancy profession to seek their input to the IESBA's development of profession-agnostic standards for sustainability assurance, and to promote the understanding, acceptance and use of those standards by those independent assurance providers.
- Pursuing coordination with the IAASB and ISSB to ensure that the new IESBA standards addressing sustainability reporting and assurance and the use of experts align with those of the IAASB and ISSB in an interoperable manner (see also Section "Coordination with the IAASB" below).
- Coordinating closely with the IAASB on matters of mutual interest with respect to other projects and work streams (see also Section "Coordination with the IAASB" below).

Theme: Widening the Influence of the IESBA's Standards Through a Continued Focus on Adoption and Implementation

43. The IESBA's proposed strategic actions under this theme include the following:

- Engaging in outreach around the world to raise awareness of the importance of ethics to the proper functioning and sustainability of financial markets and economies, and to promote further adoption of the Code, including its most recent enhancements, as well as adoption of the IESBA's new standards addressing sustainability reporting and assurance and the use of experts.
- Collaborating with IFAC to document the latest status of adoption of the IESBA's standards.
- Working with IFAC and other stakeholders to encourage more support for timely and accurate translations of the IESBA's standards and publications.
- Developing or facilitating the development of NAM to support the adoption and effective implementation of new or revised standards.
- Conducting post-implementation reviews to assess how effectively the implementation of the IESBA's recently issued standards meets the original objectives for developing them, and to identify any need for further enhancements.

Coordination with the IAASB

- 44.** The IESBA recognizes the strategic importance of working closely with the IAASB in the planning and delivery of its strategy and work program. At a broad level, the public interest concerns of their common stakeholders, such as trust in the work of auditors and in sustainability reporting and assurance, are relevant to both Boards. These broad concerns can in turn be disaggregated into concerns about specific aspects of audit quality, auditor independence, or ethical behavior. Whilst the IESBA and IAASB are independent Boards with separate remits, they need to consider these common matters in a coordinated manner in order to develop global standards that are fully interoperable and mutually reinforcing.
- 45.** Over the last few years, the two Boards have demonstrated a high level of coordination on a number of key projects at Board, Task Force and staff levels. These projects include:
- The IAASB's Quality Management projects
 - The IESBA's Quality Management-related Conforming Amendments and Objectivity of an Engagement Quality Reviewer and Other Appropriate Reviewers projects
 - The IAASB's Group Audits project
 - The IESBA's Engagement Team – Group Audits Independence project
 - The IESBA's Definitions of Listed Entity and Public Interest Entity project
 - The IAASB's Listed Entity and Public Interest Entity project
 - The IESBA's Role and Mindset project
- 46.** At the strategic level, the two Boards have coordinated the development of their SWPs. Drawing on a number of similar strategic drivers, the IESBA has developed its proposed strategic themes to align broadly with the IAASB's strategic objectives. Such strategic alignment allows both Boards to better identify opportunities for coordination and synergy, whether in their technical projects or on other activities such as stakeholder outreach.
- 47.** At the technical level, the IESBA will continue to coordinate closely with the IAASB with regards to their ongoing projects, pre-committed and new work streams. Going forward, the two Boards will place greater focus on identifying matters of mutual interest at the initial information-gathering stage in their work streams in order that any technical coordination can commence at an early stage.
- 48.** The two Boards will also coordinate closely at an operational level. Such operational coordination is useful in improving the efficiency of their work processes and in the use of shared resources. In this regard, the implementation of the MG recommendations over the next few years provides an opportunity for the two Boards to implement common processes that are more streamlined, efficient and effective.

SECTION III: PROPOSED WORK PLAN 2024 – 2027

Key Considerations in Establishing and Delivering the Work Plan

Establishing the Work Plan

49. In establishing its Work Plan for 2024 – 2027, the IESBA agreed to:
- (a) Continue its ongoing projects, work streams and other activities at the commencement of the new strategy period (See Table A below); and
 - (b) Commence the pre-committed work streams during the new strategy period (See Table C below).
50. In determining the potential new topics for its Work Plan (see Table B below), the IESBA has considered the following, amongst other matters:
- Responses to the [Strategy Survey 2022](#), including feedback from the IESBA Consultative Advisory Group (CAG).
 - The scope and timelines for the Sustainability and Use of Experts projects, including the staff and volunteer resources allocated to the projects.
 - Recommendations from the TWG Phase 2 Report.
 - The Benchmarking Working Group's (BWG) Phase 1 Report, [Comparison of IESBA and US SEC/PCAOB Independence Frameworks](#).
 - The level of importance of each potential topic based on a number of key considerations, including the public interest benefits of addressing the topic, the relevance of the topic at a global level, the degree of urgency in responding to the identified issues, and the feasibility of undertaking the work within anticipated timelines and resources.
 - Discussions with the IAASB on addressing common strategic drivers and other matters of mutual interest.
 - The potential impact of transitioning to the new Board operating model post-MG reforms on matters such as available resources, the number of projects that can be undertaken concurrently, and project life cycle (see Section below "A New Board Operating Model").
51. When considering the length of each project and work stream, the Board has taken into account a number of factors that affect timelines, including:
- The nature, complexity and definition of the scope of the particular topic or matter being addressed.
 - The level of fact-finding, including stakeholder consultation, needed to establish an evidential basis for standard setting.
 - Board and agenda capacity.
 - The length of time required to complete the standard-setting due process, which may be between 12 to 36 months, depending on the nature, scope and complexity of the project.
 - The need for coordination with other standard-setting boards, in particular the IAASB and ISSB.

Delivering the Work Plan

52. To successfully meet the deliverables of the proposed Work Plan and to deliver high-quality standards that will address the identified public interest issues in a timely manner, the IESBA will draw on its full capacity, including plenary board meetings, a full-time Chair and 17 volunteer Board members (transitioning to a Board of 16 members post-MG reforms), and support from technical advisors as well as a team of technical and administrative staff.

A New Board Operating Model

- 53.** The MG Recommendations aim to support and enhance the development of high-quality ethics and auditing standards by the IESBA and IAASB, respectively, through the achievement of a multi-stakeholder Board structure, reinforcement of public interest considerations within the standards development process, and enhanced responsiveness to an accelerating pace of change. Under this new model, the standard-setting activities of both Boards will be undertaken in accordance with the Public Interest Framework (PIF). The PIF sets out how development and oversight of these standards are responsive to the public interest. The MG recommendations also reinforce the importance of close coordination between the IESBA and the IAASB on topics within their respective strategic work plans that are of mutual interest.
- 54.** The two Boards will begin transitioning to the new Board operating model from Q1 2024 to operationalize the MG recommendations. Under the new model, the Boards will focus on strategic matters to ensure public interest issues are addressed whilst the technical discussions and drafting of the standards will largely fall under the expanded role of the technical staff. To accommodate this new role, the Boards will progressively increase their technical staff complements, including securing secondees. In addition, the two Boards will also revise their due process to optimize efficiency whilst maintaining the robustness of the standard-setting process.
- 55.** During the transition period, the IESBA will continue to monitor its available resources and will adjust the timelines of its projects and work streams as needed.

Efficiency in Working Processes

- 56.** The IESBA recognizes the importance of taking stock of its working processes as part of good governance. Accordingly, the IESBA is committed to regularly reviewing its working processes and other governance matters at both Board and Staff levels to identify opportunities for improvement and to ensure that it stays on track to achieving its strategic vision through its four strategic themes.

Flexibility and Agility

- 57.** Throughout the strategy period, the deliverables and milestones within the Work Plan may change due to factors such as changes in project scopes, stakeholder feedback, changes in resources available, and improved working processes as well as the need to be responsive to environmental developments.
- 58.** Whilst committed to delivering its Work Plan, the IESBA will remain flexible and agile by revising its priorities to address urgent or unexpected issues in order to stay on track to achieving its vision.

Project and Work Streams Commenced Before 2024

- 59.** The IESBA anticipates that a number of projects and work streams will be carried forward to the new strategy period and completed during that period (see Table A). Refer to Appendix 1 for a description of these projects and work streams. Refer also to the IESBA's [project webpage](#) for more information about each project or work stream, including status and timeline.

Table A	
Ongoing Projects and Work Streams	Anticipated Status Q1 2024
Sustainability <ul style="list-style-type: none"> • Work Stream 1 – Independence • Work Stream 2 – Ethics 	Exposure draft
Use of Experts	Exposure draft
Collective Investment Vehicles, Pension Funds & Investment Company Complexes	Information gathering
Post-Implementation Review – NOCLAR	Information gathering

Sustainability

- 60. The IESBA approved the [Sustainability project](#) in December 2022. This project is divided into two work streams, one focusing on the development of profession-agnostic independence standards for sustainability assurance, and the other focusing on the development of ethics standards for sustainability reporting and assurance.
- 61. The IESBA is targeting approval of an exposure draft by Q4 2023.

Use of External Experts

- 62. The IESBA approved the [Use of Experts project](#) in December 2022. This project will address ethics and independence issues relating to the use of experts in audit, sustainability and other assurance engagements, and the use of experts in the preparation of financial and non-financial information and in the provision of other services.
- 63. The IESBA is targeting approval of an exposure draft by Q4 2023.

Collective Investment Vehicles (CIVs), Pension Funds and Investment Company Complexes

- 64. The IESBA anticipates commencing the information gathering stage of this work stream in Q4 2023.
- 65. The IESBA will review CIV and pension fund arrangements and their relationships with trustees, managers and advisors to ensure that the independence provisions and the application of the “related entity” definition in the Code remain fit for purpose with respect to these arrangements.
- 66. The IESBA will also review investment company complexes and consider whether the Code should be enhanced to address these structures, such as establishing new terms and definitions, and clarifying which entities or arrangements within such a complex should be considered as related entities of an audit client.

Post-Implementation Review – NOCLAR

- 67. The IESBA released the final pronouncement, [Responding to Non-Compliance with Laws and Regulations](#) (NOCLAR) in July 2016. The NOCLAR standard became effective in July 2017.
- 68. The IESBA will commence laying the groundwork for the NOCLAR post-implementation review in Q4 2023 and will establish the scope of, and approach to, the review.

Potential New Topics Identified

- 69. Table B below contains a list of topics that the IESBA has identified as potential work streams during the new strategy period. Refer to Appendix 1 for a fuller description of these topics.
- 70. The IESBA will consider feedback from stakeholders on the Consultation Paper when determining whether and, if so, which of these topics will be included in the SWP.
- 71. The IESBA will also consider factors including its ongoing assessment of priorities to achieve its vision (including any new topics identified from existing projects or work streams), as well as the need to allow time for adoption and implementation of its standards. When considering staff and Board capacity, the IESBA will take into account, among other things, the pre-committed work streams under Table C below as well as other activities such as rollout of new standards.

72. Whether any work streams will result in standard-setting projects will depend on due fact finding and consultation with stakeholders and establishing an evidential basis for standard-setting work. In some circumstances, the IESBA might determine that the most appropriate way to address identified issues would be through means other than developing new or revised standards, for example, by commissioning non-authoritative guidance material.

Table B
Potential Work Streams Under Consideration
Role of CFOs and Other Senior PAIBs
Business Relationships
Audit Firm – Audit Client Relationship
Definitions and Descriptions of Terms
Custody of Data
Communication with Those Charged with Governance

Role of CFOs and Other Senior PAIBs

73. Under this potential work stream, the IESBA would gather information on the evolving roles of CFOs, including those in equivalent positions within the public sector, and other senior PAIBs to identify and understand the ethics issues and challenges faced by these PAIBs.
74. This potential work stream may also involve the consideration of whether Parts 1 and 2 of the Code need further enhancement to support PAIBs in addressing these ethics issues, taking into account the revisions already made under recent projects, such as the Role and Mindset and Technology projects, as well as issues that are being addressed under the Sustainability and Use of Experts projects.
75. This potential work stream will be undertaken in collaboration with stakeholders such as IFAC’s PAIB Advisory Group and PAOs with a strong PAIB membership base.

Business Relationships

76. Section 520¹¹ of the Code addresses threats to independence arising from business relationships an audit firm, network firms and audit team members might have with an audit client or its management, with the provisions focused on “close business relationships.”
77. Under this potential work stream, the IESBA would review the different types of relationships that firms, network firms and audit team members might have with audit clients and their management and consider whether Section 520 sufficiently addresses the independence issues that may arise from these relationships. In undertaking this review, the IESBA will take into account the revisions already made under the Technology Project. As part of this potential work stream, the IESBA may also consider whether materiality and significance should be retained as criteria for exceptions to certain business relationships as well as loans and guarantee arrangements under Section 511 of the Code.¹²
78. As the IESBA explores these business relationships in a broader context, the IESBA may also consider whether the provisions in Parts 1 and 3 of the Code remain relevant in addressing the ethics implications of business relationships.

¹¹ Section 520, *Business Relationships*

¹² Section 511, *Loans and Guarantees*

Audit Firm – Audit Client Relationship

79. Under this potential work stream, the IESBA would consider whether it continues to remain appropriate to use the term “audit client” in the International Independence Standards as opposed to the “audited entity” or the “entity subject to audit.” This recognizes that the ultimate beneficiary client is not the entity itself or its management but the entity’s owners or shareholders.
80. During its Fees project completed in December 2020, the IESBA acknowledged that the inherent risk related to the audit client payer model is part of the broader topic of the “audit firm–audit client” relationship and that it is not exclusively a fee-related issue. Accordingly, the IESBA determined that the matter of the inherent threats arising from the client relationship was outside the remit of the Fees project. As part of this potential work stream, the IESBA would examine more broadly the “audit firm–audit client” relationship and explore whether the Code in its entirety continues to provide a framework that addresses the potential ethical impact arising from such client relationship. Some of the issues identified under this potential work stream may also have implications on how the IESBA may address the topic of business relationships.

Definitions and Descriptions of Terms

81. There are differences between the definitions of some terms in the Code and the definitions of the same terms in the IAASB standards. Under this potential work stream, the IESBA would seek to align the definitions of the terms used in the Code with the corresponding IAASB definitions to the greatest extent possible. As many users apply both the IAASB standards and the Code simultaneously, the alignment of terms and definitions will eliminate ambiguity and improve the interoperability of the two Boards’ standards, making it easier for adoption and implementation, including translation.
82. A second component of this potential work stream may include a review of how certain terms are currently defined in the Code, such as “employee” and “engagement period.” In addition, this work stream will also review whether the terms “professional accountant in public practice” and “professional accountant in business” in the Code require clarification.

Custody of Data

83. Data is the foundation of all financial and non-financial reporting. It impacts both PAPPs and PAIBs in all their professional activities. If data is lost, misappropriated, misused, improperly manipulated or subject to unauthorized access, there may be significant consequences to an employing organization or client.
84. Under this potential work stream, the IESBA would investigate the ethics implications of a PA’s custody of financial or non-financial data belonging to clients, customers, or other third parties, taking into account the recent revisions to the Code under the Technology project. There may also be a consideration of whether the Code sufficiently addresses these issues, including whether there is a need to establish a new section in Part 3 of the Code to capture the ethics considerations relating to the custody of data, similar to how Section 350 of the Code addresses custody of client assets.¹³

Communication With Those Charged With Governance

85. When PAs use external experts or consultants in relying on technology, communication with TCWG could help to further strengthen the concepts of transparency and accountability for PAs to minimize their potential “over-reliance” on such experts or consultants. This concept is not unique to technology but is also relevant to other areas, such as tax planning as well as sustainability reporting. There is therefore an opportunity to incorporate provisions addressing such communication into the Code more generally so that it can be considered under all circumstances.

¹³ Section 350, *Custody of Client Assets*

86. Under this potential work stream, the IESBA would consider whether there would be merit in adding new provisions relating to “communication with those charged with governance” in Sections 200 and 300 to stimulate meaningful communication with TCWG by PAs about risks and exposures that might affect the PAs’ compliance with the fundamental principles, and, where applicable, independence requirements. The IESBA will also take into account the outputs of its Use of Experts project.

Pre-committed Work Streams to Commence during or after Q1 2024

87. Table C below contains a list of work streams that the IESBA has pre-committed to undertaking as part of the current SWP or as a result of recently completed projects. These pre-commitments will only commence during or after Q1, 2024. Refer to Appendix 1 for a description of these work streams and Appendix 2 for the rationale for the IESBA’s initial assessment of demand on resources.

Table C Pre-committed Work Streams	Anticipated Demand on Resources	Possible Commencement
Post-Implementation Review – Long Association Phase 2	Medium	Q4 2024
Post-Implementation Review – Restructured Code	Medium	Q1 2025
Post-Implementation Review – Non-Assurance Services and Fees	High	Q4 2027
Post-Implementation Review – Definition of Public Interest Entity	Medium	Q4 2027

Post-Implementation Review – Long Association Phase 2

88. In January 2017, the IESBA released the Close-off Document, [Changes to the Code Addressing the Long Association of Personnel with an Audit or Assurance Client](#) (Long Association close-off document).
89. Phase 1 of the post-implementation review was completed in December 2021 with the Board determining not to extend or vary the “jurisdictional provision.”¹⁴ Phase 2 will review how effectively the other revised long association provisions in the Code are being implemented in practice (taking into account legislative or regulatory developments relating to other regimes around the world intended to address long association, such as mandatory firm rotation and mandatory retendering).

Post-Implementation Review – Restructured Code

90. The restructured Code became effective in June 2019. This post-implementation review will assess whether its implementation around the world is effectively meeting the objectives of the project, focusing on the broader issues of usability, translatability and application.
91. To achieve synergies, the IESBA anticipates undertaking the Long Association Phase 2 post-implementation review in conjunction with the post-implementation review of the restructured Code.

Post-Implementation Review – Non-Assurance Services and Fees

92. The IESBA released the final pronouncements, [Revisions to the Non-Assurance Service Provisions of the Code](#) (NAS provisions) and [Revisions to the Fee-Related Provisions of the Code](#) (Fees provisions), in April 2021. The NAS and Fees provisions became effective in December 2022.

¹⁴ Section 540, *Long Association of Personnel (Including Partner Rotation) With an Audit Client*, paragraph 540.19

93. These post-implementation reviews will, amongst other matters, assess the status of adoption and implementation of the revised NAS and Fees provisions across jurisdictions, any key issues relating to the understandability of the provisions and the Board’s rationale for those provisions, the application of the provisions at the local level and any other implementation issues.

Post-Implementation Review – Definition of Public Interest Entity

94. The IESBA released the final pronouncement, [*Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code*](#) (PIE revisions), in April 2022. The PIE revisions will become effective in December 2024.
95. The post-implementation review will, amongst other matters, assess the status of adoption and implementation of the revised PIE provisions across jurisdictions, any key issues relating to the understandability of the provisions and the Board’s rationale for those provisions, refining the definition at the local level and any other implementation issues.
96. To achieve synergies and to gain a holistic understanding of the full impact of these revised provisions, the IESBA anticipates undertaking the NAS and Fees post-implementation reviews in conjunction with the post-implementation review of the PIE revisions.

Other Activities

97. In addition to the standard-setting projects and work streams set out in Tables A, B and C above, the following activities will also continue during this strategy period with dedicated Board and Staff resources as well as Board plenary time as needed.

Environmental Scans

98. The IESBA will continue to monitor relevant external developments through its EIOC with a view to determining whether there is a need for any changes to the Code, the commissioning of IESBA Staff publications, or other actions. The EIOC will advise the Board on (a) any emerging issues that may warrant attention outside of the normal strategic planning process, and (b) the scope and focus of, and approach to, outreach to stakeholders. The IESBA anticipates semi-annual discussions on the relevant matters flowing from this work stream throughout the strategy period.
99. The IESBA will also continue to monitor the changing technology landscape and its ethics impact on the financial and non-financial information reporting ecosystems and the accountancy profession, and determine the need for further information gathering or other action.

Outreach

100. The IESBA will mobilize its Board members, technical advisors and Staff to pursue a proactive and extensive stakeholder outreach agenda to reinforce the centrality of ethics to public trust in business and organizations, raise awareness about the IESBA’s work and socialize its standard-setting proposals and thought leadership, promote the Code and its adoption and effective implementation worldwide, and engage with stakeholders on other matters of mutual interest.

Development of NAMs

101. The IESBA will continue commissioning Staff publications and other implementation resources that address technical matters or explain new or revised standards, such as Bases for Conclusions, Q&As, staff alerts, fact sheets and global webinars.
102. The IESBA will also seek to facilitate the development of other NAMs through partnership with other stakeholders such as IFAC, NSS and PAOs.

Indicative Milestones and Deliverables

103. Appendix 3 presents an illustrative work plan indicating possible milestones for Tables A and C. The IESBA plans to conduct a review of the progress of its work streams and update its work plan as needed, including to reflect any new work streams it determines to prioritize, in Q4 2024. Descriptions of Projects and Work Streams

Descriptions of Projects and Work Streams

Project and Work Streams Commenced Before 2024

Sustainability

In early 2022, the IESBA established a Sustainability Working Group to guide its standard-setting actions in relation to sustainability reporting and assurance. The IESBA expressed a firm commitment to take timely action to develop fit-for-purpose, globally applicable ethics and independence standards as a critical part of the infrastructure needed to support transparent, relevant and trustworthy sustainability reporting.

In October 2022, the IESBA issued a [staff publication](#) to highlight the relevance and applicability of the Code to several ethics challenges arising from PAs' involvement in sustainability reporting and assurance, especially circumstances related to greenwashing.

In December 2022, the IESBA approved its Sustainability project to develop:

- (a) Profession-agnostic independence standards for use by all sustainability assurance practitioners (i.e., PAs and other professionals performing sustainability assurance engagements).
- (b) Specific ethics provisions relevant to sustainability reporting and assurance.

This project is divided into two work streams, one focusing on the independence issues relating to sustainability assurance and the other focusing on the ethics considerations for both sustainability reporting and assurance.

The IESBA is targeting approval of an exposure draft by Q4 2023.

Use of Experts

A number of stakeholders as well as the PIOB have asked the IESBA to consider whether external experts used in audit engagements should be subject to independence requirements. This question has also arisen in the IESBA's deliberations in other projects, including its recently completed Engagement Team – Group Audits project. Further, the IESBA recognizes that there is a need to consider the ethics and independence implications of using experts in relation to sustainability reporting and assurance as well as in supporting the work of PAIBs in employing organizations and PAPPs in providing other professional services.

In December 2022, the Board approved its Use of Experts project to address:

- The ethics and independence considerations with respect to the use of external experts in audit, sustainability and other assurance engagements.
- The ethics considerations with respect to the use of experts in the preparation and presentation of financial and non-financial information as well as the provision of other services.

This project will be progressed in parallel with the two Sustainability work streams. The IESBA is targeting approval of an exposure draft by Q4 2023.

Collective Investment Vehicles, Pension Funds and Investment Company Complexes

The IESBA had included collective investment vehicles (CIVs) and post-employment benefits (PEBs) in the proposed list of mandatory public interest entity (PIE) categories set out in the exposure draft, [Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code](#) (PIE ED). Having reflected on the feedback from respondents to the PIE ED, the IESBA agreed to remove CIVs and PEBs from the mandatory list. In reaching this conclusion, the IESBA acknowledged that these types of arrangements are much more diverse in structure, governance and size than deposit-taking institutions and insurers. The IESBA determined that the inclusion of these categories in the list of mandatory PIE categories may inadvertently impose a disproportionate burden on local regulators and NSS to determine what should be scoped in or out. In reaching this conclusion, and with the PIOB's concurrence, the IESBA agreed to conduct a holistic review of CIVs and PEBs.

The IESBA will review CIV and pension funds arrangements and their relationships with trustees, managers and advisors, acknowledging that a better understanding of these arrangements is important to ensure that the independence provisions and the application of the "related entity" definition in the International Independence Standards remain fit for purpose, given the potential significant adverse impact on the public in the event of financial failures amongst CIVs and PEBs.

The IESBA will also consider whether the Code should be enhanced to address investment company complexes, such as whether a new definition should be established in the Code and which entities or arrangements within such a complex should be considered as related entities of an audit client. As part of its review, the IESBA will take into account the United States Securities and Exchange Commission (US SEC) rules on its treatment of investment company complexes, as highlighted in the BWG Phase 1 Report.

Given the complexity of these arrangements or structures and the degree of variation across jurisdictions, the IESBA will proceed cautiously before determining whether there is a need to revise the Code. In the first instance, the IESBA will conduct the necessary research and outreach with key stakeholders to fully understand the issues.

Post-Implementation Review – NOCLAR

The IESBA released the final pronouncement, [Responding to Non-Compliance with Laws and Regulations](#) (NOCLAR), in July 2016. The NOCLAR standard became effective in July 2017.

The NOCLAR standard introduced an ethical framework to guide PAs, including auditors, in deciding how best to act in the public interest when they become aware of NOCLAR or suspected NOCLAR. Amongst other matters, the standard provides a clear pathway for auditors and other PAs to disclose identified or suspected NOCLAR to appropriate authorities in certain situations without being constrained by the ethical duty of confidentiality. The standard also places renewed emphasis on the role of senior-level PAIBs in promoting a culture of compliance with laws and regulations and prevention of NOCLAR within their organizations.

Potential New Topics Identified

Role of CFOs and Other Senior PAIBs

The expectations on, and work performed by, PAIBs continue to evolve in response to significant trends, such as:¹⁵

- A recognition that financial reporting no longer delivers all the information required by investors, capital markets and other stakeholders.
- The unprecedented increase in regulatory and compliance requirements as well as business risks stemming from issues such as climate change, cybercrime, fraud and corruption, which in turn have increased uncertainty and complexity in decision-making.
- The increase in pressure by organizations to deliver greater value at a lower cost. Investments in new technology are also driving new ways to create value.

¹⁵ <https://www.ifac.org/knowledge-gateway/preparing-future-ready-professionals/publications/future-fit-accountants-roles-next-decade>

Amidst these trends, the role of CFOs and the financial function within organizations is rapidly changing and expanding beyond just managing the balance sheet.¹⁶ The CFO's remit now extends into strategy, enterprise risk management, performance management, and communicating the organization's story to the outside. New technology has also created both new challenges and opportunities for CFOs and the finance function.

Additionally, market demand for sustainability information requires CFOs to expand their focus on non-financial information. One of the key roles of the CFO and finance function is to establish clear links between financial and non-financial metrics in order to drive financial value linked to revenue and operating margins. With their expanded roles, the CFO must help to deliver trust and confidence in the governance of the organization, the quality of its data and reporting, as well as providing ethical leadership and a constructive challenge mindset.

Under this potential work stream, the IESBA would gather information into the evolving roles of CFOs, including those in equivalent positions within the public sector, and other PAIBs in senior roles, including identifying and understanding the ethics issues and challenges these PAIBs may face due to their changing roles.

The IESBA will consider whether Parts 1 and 2 of the Code need further enhancement to support senior PAIBs in addressing these ethical issues and challenges, taking into account the revisions already made under recent projects, such as the Role and Mindset and Technology projects, as well as those issues that are being addressed under the Sustainability and Use of Experts projects. Part 2 of the Code already contains some provisions that are focused on senior PAIBs, such as those in the NOCLAR standard.¹⁷

Business Relationships

Section 520¹⁸ of the Code addresses threats to independence arising from business relationships that an audit firm, network firms and audit team members might have with an audit client or its management, with the provisions focused on "close business relationships." However, the Code does not define the term "business relationship." Whilst the concept of "close business relationship" in Section 520 focuses on a "mutuality of interests" such as joint ventures and combining services or products with those of an audit client, there is a view that "business relationship" is a broader concept, i.e., consisting of any commercial arrangement.

Some respondents to the Strategy Survey have observed a growing number of activities between firms and their audit clients that involve different business relationships, noting that issues relating to these relationships arise quite often and can be complicated. Similarly, the TWG also noted in its Phase 2 Report that the accountancy profession is seeing the rise in strategic and commercial relationships between accounting firms and technology companies.

In its response to the Strategy Survey, IOSCO also recommended that the IESBA consider whether materiality and significance should be removed as criteria for exceptions to the prohibition of a close business relationship under Section 520 as well as the prohibition of making or guaranteeing a loan to an audit client under Section 511. In this regard, the IESBA noted the findings from its BWG Phase 1 report that highlighted differences between the requirements in the Code and the US SEC rules with respect to such business and financial relationships.

Under this potential work stream, the IESBA would initially gather information on developments in business arrangements between firms and their clients, including further research into the technology-related business arrangements noted in the TWG Phase 2 Report. The IESBA will also conduct a holistic review of Section 520 to determine whether the Code continues to be relevant in addressing the independence considerations relating to these arrangements, including whether there is a need to develop a definition for the term "business relationship." As part of this potential work stream, the IESBA may also consider whether materiality and significance should be retained as criteria for exceptions to certain business relationships (Section 520) as well as loans and guarantee arrangements (Section 511). As the IESBA gains an understanding of these business relationships in a broader context, the IESBA may also consider whether the provisions in Parts 1 and 3 of the Code continue to remain relevant in addressing the ethics implications of these relationships.

¹⁶ <https://www.ifac.org/knowledge-gateway/preparing-future-ready-professionals/publications/vision-cfo-finance-function>

¹⁷ Section 260, *Responding to Non-Compliance with Laws and Regulations*

¹⁸ Section 520, *Business Relationships*

Audit Firm – Audit Client Relationship

Under this potential work stream, the IESBA would consider whether it continues to remain appropriate for the Code to use the term “audit client” in the International Independence Standards as opposed to the “audited entity” or “entity subject to audit.” This recognizes that the ultimate beneficiary client is not the entity itself or its management but the entity’s owners or shareholders.

As part of its [Fees](#) project, the IESBA concluded that the Code should recognize the inherent self-interest threat in the audit client payer model whereby the party responsible for the subject of an examination directly pays the examiner. The IESBA, however, agreed with the view that the inherent risk related to the audit client payer model is part of the broader topic of the “audit firm–audit client” relationship, and that it is not exclusively a fee-related issue. Accordingly, the IESBA determined that this matter of the inherent threats arising from the client relationship was outside the remit of the Fees project. As part of this potential work stream, the IESBA would examine more broadly the “audit firm-audit client” relationship and explore whether the Code in its entirety continues to provide a framework that addresses the potential ethical impact arising from such client relationship. Some of the issues identified under this potential work stream may also have implications on how the IESBA may address the topic of business relationships.

Definitions and Descriptions of Terms

There are differences between the definitions of some terms in the Code and the definitions of the same terms in the IAASB standards. These terms include financial statements; firm; independence; review engagement; and special purpose financial statements.

Under this potential work stream, the IESBA would seek to align the definitions of terms used in the Code with the corresponding IAASB definitions to the greatest extent possible. As many users apply both the IAASB standards and the Code simultaneously, the alignment of terms and definitions will eliminate ambiguity, improve the interoperability of the IESBA’s and IAASB’s standards, and make it easier for adoption and implementation, including facilitating translations. Respondents to the Strategy Survey were supportive of this alignment exercise.

A second component of this work stream may include a review of how certain terms are currently defined in the Code, including:

- **Audit team** – Whether the definition of “audit team” should be broadened to include individuals within the firm who may be in a position to influence the conduct or outcome of an audit by removing references to individuals in a position to “directly influence” the outcome of an engagement. It has been argued that such a broadening of the definition would better reflect the complexity of organization and influence within audit firms. There is also a view that such a change would address the risk that an ability to influence is seen purely as a structural consideration (related to the position of an individual in a firm), instead of driving the assessment through a consideration that captures all those who have the ability to influence and are relevant to the engagement.
- **Employee** – Whether the term “employee” should include individuals who may act in the capacity of an employee, such as a contractor of an audit client, instead of only covering actual employees of an audit client.
- **Engagement Period** – Whether it remains appropriate to limit the concept of “engagement period” to the date the audit report is issued as the auditor has further responsibilities under auditing standards, such as addressing the effect on the opinion of matters that come to the auditor’s attention after the conclusion of the audit.
- **Firm** – Whether the term “firm” is too narrowly defined and whether a firm could have non-member employees, as well as clarifying the responsibility of PAs for employees who are not PAs.
- **Network Firm** – Whether the concept of a “network firm” should place more focus on the exercise of judgment instead of being circumscribed by a list of examples of situations that might indicate the existence of a network. There is also a view that borders between associations and networks are increasingly diffuse, and there is therefore a need to consider any potential Code implications that might impact the definition of a network firm. It has also been noted that whilst the

definition of “network firm” is sufficiently broad in the Code, the definition of “firm” is potentially narrow in its references to structures known to exist today and that this might become limiting for the future.

- **Professional Accountant** – Whether the definition of “professional accountant” should include retired or inactive PAs.

In addition, this work stream may also include a review of whether the terms “professional accountant in public practice” and “professional accountant in business” in the Code require further clarification. The IESBA’s Applicability project, finalized in 2017, addressed the applicability of Part 2 of the Code to PAPPs. As part of this project, there were suggestions as to whether the definitions of a PAPP and a PAIB should be revised.

The Code defines a PAPP to be a PA, irrespective of functional classification, in a firm that provides professional services. It has been brought to the IESBA’s attention that there is no clear limitation in the definition of a PAPP to those who actually provide professional services. The extant definition, however, appears to include any PAs in a firm that provides professional services. This could be interpreted to include PAs in roles other than providing professional services, such as in finance or IT. Conversely, the Code defines a PAIB to include any PAs employed or engaged in a variety of areas, including service. If it is intended that a firm providing professional services is in a “service” industry, then prima facie any PAs working in that service organization, including those providing professional services, are also PAIBs.

Custody of Data

Data is the foundation of all financial and non-financial reporting, and impacts both PAPPs and PAIBs. As highlighted in the TWG Phase 2 Report, holding data is becoming increasingly common and important, given that most organizations are flooded with data, and services provided by firms and activities carried out by PAs are increasingly performed digitally. If data is lost, misappropriated, misused, improperly manipulated or subject to unauthorized access (including, for example, a breach of privacy), there is, at the very least, a reputational loss, if not financial and legal consequences, to the organization or firm.

As part of its Technology project, the IESBA introduced new provisions to Subsection 606¹⁹ of the Code clarifying the circumstances under which the storing or hosting of data are examples of IT systems services that will result in the assumption of a management responsibility. The IESBA also strengthened the Code in relation to confidentiality by including new provisions on maintaining the confidentiality of information acquired in the course of professional or business relationships, and seeking consent to use or disclose confidential information.

Under this potential work stream, the IESBA would further investigate the ethics implications of a PA’s custody or holding of financial or non-financial data belonging to clients, customers, or other third parties. There may also be a consideration of whether the Code sufficiently addresses these issues, including whether there is a need to establish a new section in Part 3 to capture the ethics considerations relating to the custody of data, along the lines of Section 350 of the Code relating to custody of client assets.

Communication With Those Charged With Governance

The IESBA’s NAS and Fees projects have enhanced the provisions in the International Independence Standards relating to communication with TCWG on the provision of NAS and fees-related matters, particularly with respect to a PIE audit client. In addition, the revisions arising from the Technology project have further strengthened the Code’s requirement for PAs to

make a client, an employing organization, or other users of the accountant’s professional activities or services aware of the limitations inherent in the activities and explain the implications of those limitations.

As highlighted in the TWG Phase 2 Report, there is potential “over-reliance” on an expert or consultant that a PA uses to develop or implement technology, or to provide advice on a technology-related issue (e.g., cybersecurity risks). The revisions arising from the Technology project provide guidance to PAs when using the output of technology. However, when PAs use experts or consultants in relying on technology, communication with TCWG could help to further strengthen the concepts of transparency and accountability for PAs to minimize their potential “over-reliance” on such experts or consultants.

¹⁹ Subsection 606, *Information Technology Systems Services*

For example, communication with TCWG could include the nature and scope of a technology expert's service, and the plan for managing and monitoring the system in the future if the expert's service is a limited-term engagement. For PAIBs in particular, strengthening such communication could be helpful given the increasing inter-disciplinary interactions and multi-disciplinary teams involved when developing or implementing technology. This is because such communication can make it explicit to TCWG where the responsibility for the oversight of the development, implementation, or use of technology lies (i.e., it could range from PAs to IT professionals, such as data scientists, technologists, and engineers).

Nevertheless, the concepts of transparency and accountability for PAs to minimize their potential “over-reliance” on such experts or consultants are not unique to technology (i.e., they also apply in tax planning, sustainability reporting, etc.). There is therefore an opportunity to incorporate provisions addressing such communication into the Code more generally so that it can be considered under all circumstances.

Under this potential work stream, the IESBA would consider whether there would be merit in adding new provisions relating to communication with those charged with governance in Sections 200 and 300 to stimulate meaningful communication with TCWG by PAs about risks and exposures that might affect the PAs' compliance with the fundamental principles, and, where applicable, independence requirements. For auditors, this work stream will consider the interaction with requirements already contained in ISA 260 (Revised), *Communication with Those Charged With Governance*. The IESBA will also take into account the outputs of its Use of Experts project.

Pre-committed Work Streams to Commence during or after Q1 2024

Post-Implementation Review – Long Association Phase 2

In January 2017, the IESBA released the Close-off Document, [Changes to the Code Addressing the Long Association of Personnel with an Audit or Assurance Client](#) (Long Association close-off document).

The final Long Association provisions contain a number of substantive improvements, including a strengthened partner rotation regime for audits of PIEs as well as a “jurisdictional provision” (paragraph R540.19)²⁰ as a transitional measure. This jurisdictional provision is effective only for audits of financial statements for periods beginning prior to December 15, 2023. The jurisdictional provision is intended to facilitate the transition to the required cooling-off period of five consecutive years for engagement partners in those jurisdictions where the legislative body or regulator (or organization authorized or recognized by such legislative body or regulator) has specified a cooling-off period of less than five consecutive years.

The post-implementation review of the Long Association provisions is to be carried out in two phases. At its December 2021 meeting, the IESBA finalized its Phase 1 review and agreed that it should take no action to extend or otherwise vary the jurisdictional provision. Accordingly, the jurisdictional provision will no longer be available for audits of financial statements for periods beginning on or after December 15, 2023.

Phase 2 will review how effectively the other revised long association provisions in the Code are being implemented in practice (taking into account legislative or regulatory developments relating to other regimes around the world intended to address long association, such as mandatory firm rotation and mandatory retendering). This phase, originally due to commence in Q2 2023, has been rescheduled as a pre-committed work stream for the Work Plan 2024 – 2027.

Post-Implementation Review – Restructured Code

In restructuring the Code, the IESBA aimed to enhance its understandability and usability, thereby facilitating its adoption, effective implementation, consistent application, and enforcement. The project, which was completed in December 2017, involved extensive restructuring and redrafting of the Code. The restructured Code became effective in June 2019.

²⁰ The jurisdictional provision refers to paragraph R540.19 of the restructured Code:

“Where a legislative or regulatory body (or organization authorized or recognized by such legislative or regulatory body) has established a cooling-off period for an engagement partner of less than five consecutive years, the higher of that period or three years may be substituted for the cooling-off period of five consecutive years specified in paragraphs R540.11, R540.14 and R540.16(a) provided that the applicable time-on period does not exceed seven years.”

The post-implementation review of the restructured Code will assess whether its implementation around the world is effectively meeting the objectives of the project. This implementation review will focus only on broader issues of usability, translatability and application, and not on the substantive changes to various sections that are now included in the restructured Code.

The IESBA had planned for this work stream to commence in Q2 2023 to allow sufficient time for the restructured Code to bed down and for jurisdictions and firms of all sizes to gather sufficient experience in implementing it. This work stream has been rescheduled as a pre-committed work stream for the Work Plan 2024 – 2027.

To achieve synergies, the IESBA anticipates undertaking the Long Association post-implementation review in conjunction with the post-implementation review of the restructured Code.

Post-Implementation Review – Non-Assurance Services and Fees

The IESBA released the final pronouncements, [Revisions to the Non-Assurance Service Provisions of the Code](#) (NAS provisions) and [Revisions to the Fee-Related Provisions of the Code](#) (Fees provisions), in April 2021. The NAS and Fees provisions became effective in December 2022.

The revised NAS provisions contain substantive revisions that enhance the International Independence Standards by clarifying and addressing the circumstances in which firms and network firms may or may not provide a NAS to an audit or assurance client. The revised provisions include new requirements that expressly prohibit firms and network firms from providing certain types of NAS to their audit clients, especially when they are PIEs.

The revisions to the fee-related provisions of the Code include a prohibition on firms allowing the audit fee to be influenced by the provision of services other than audit to the audit client; in the case of PIEs, a requirement to cease to act as an auditor if the fee dependency on the audit client continues beyond a specified period; communication of fee-related information to TCWG and to the public to assist their judgments about the firm's independence; and enhanced guidance on identifying, evaluating and addressing threats to independence.

These post-implementation reviews will, amongst other matters, assess the status of adoption and implementation of the revised NAS and Fees provisions across jurisdictions, and identify any key issues relating to the understandability of the provisions and the Board's rationale for those provisions, their application at the local level, and any other implementation matters.

Post-Implementation Review – Definition of Public Interest Entity

The IESBA released the final pronouncement, [Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code](#) (PIE revisions), in April 2022. The PIE revisions will become effective in December 2024.

The PIE revisions include an expanded definition of "public interest entity" in the Code by specifying a broader list of PIE categories, including a new category "publicly traded entity" to replace the category "listed entity." The revised provisions also recognize the essential role local bodies responsible for the adoption of the Code play in delineating the specific entities that should be scoped in as PIEs in their jurisdictions. The revised provisions encourage the local bodies to properly refine the PIE categories in the expanded definition and add any other categories relevant to their environments. Further, the revisions introduce a transparency requirement for firms to publicly disclose the application of independence requirements for PIEs where they have done so.

This post-implementation review will, amongst other matters, assess the status of adoption and implementation of the revised PIE provisions across jurisdictions, any key issues relating to the understandability of the provisions and the Board's rationale for those provisions, refining the definition at the local level, and any other implementation matters.

To achieve synergies and to gain a holistic understanding of the full impact of these revised provisions, the NAS and Fees post-implementation reviews will be undertaken in conjunction with the post-implementation review of the revised PIE definition.

Rationale For Anticipated Demand on Resources

The following tables provide the rationale for the IESBA's initial assessment of the level of resources needed for the pre-committed work streams (Table C).

Table C Pre-committed Work Streams	Anticipated Demand on Resources	Rationale
Post-Implementation Review – Long Association Phase 2	Medium	Average amount of research anticipated to understand how Section 540 has been implemented in jurisdictions and its interaction with local regimes (such as mandatory firm rotation and mandatory re-tendering) to address the threats created by long association.
Post-Implementation Review – Restructured Code	Medium	Average amount of research anticipated to understand how effectively jurisdictions have implemented the restructured Code, any further challenges concerning the understandability of the provisions, and any practical challenges concerning the usability and translatability of the restructured Code.
Post-Implementation Review – NAS and Fees	High	Significant effort anticipated in understanding how the revisions have been adopted and implemented at a local level, and any practical challenges firms have encountered in operationalizing the revised provisions.
Post-Implementation Review – Definition of PIE	Medium	Average amount of research anticipated to gain an understanding of how jurisdictions have implemented the PIE revisions at a local level, including any additional PIE categories.

Summary Illustrative IESBA Work Plan 2024-2027

This *illustrative* work plan is only intended to indicate at a broad level possible milestones or deliverables for various projects and work streams based on considerations at the time this SWP is finalized. It will be updated with additional new work streams, subject to stakeholders' feedback on the potential new topics identified and other matters set out in this consultation paper. The nature and timing of milestones and deliverables may change.

Work Stream	Anticipated Demand on Resources	Milestones			
		2024	2025	2026	2027
Current Project					
Sustainability – Independence	H	Final pronouncement	Rollout		
Sustainability – Ethics	H	Final pronouncement	Rollout		
Use of External Experts	H	Final pronouncement	Rollout		
CIVs & Pension Funds	H	Fact finding	ED	Final pronouncement & rollout	
PIR – NOCLAR	M	Fact finding	WG recommendation		
Pre-Committed Work Streams					
PIR – Long Association Phase 2	M	Fact finding	WG recommendation		
PIR – Restructured Code	M		Fact finding	WG recommendation	
PIR – NAS and Fees	H				Fact finding
PIR – PIE	M				Fact finding
Other Activities					
EIOC	L	Discussion	Discussion	Discussion	Discussion
Outreach	M	Ongoing	Ongoing	Ongoing	Ongoing
NAM	L	Ongoing	Ongoing	Ongoing	Ongoing

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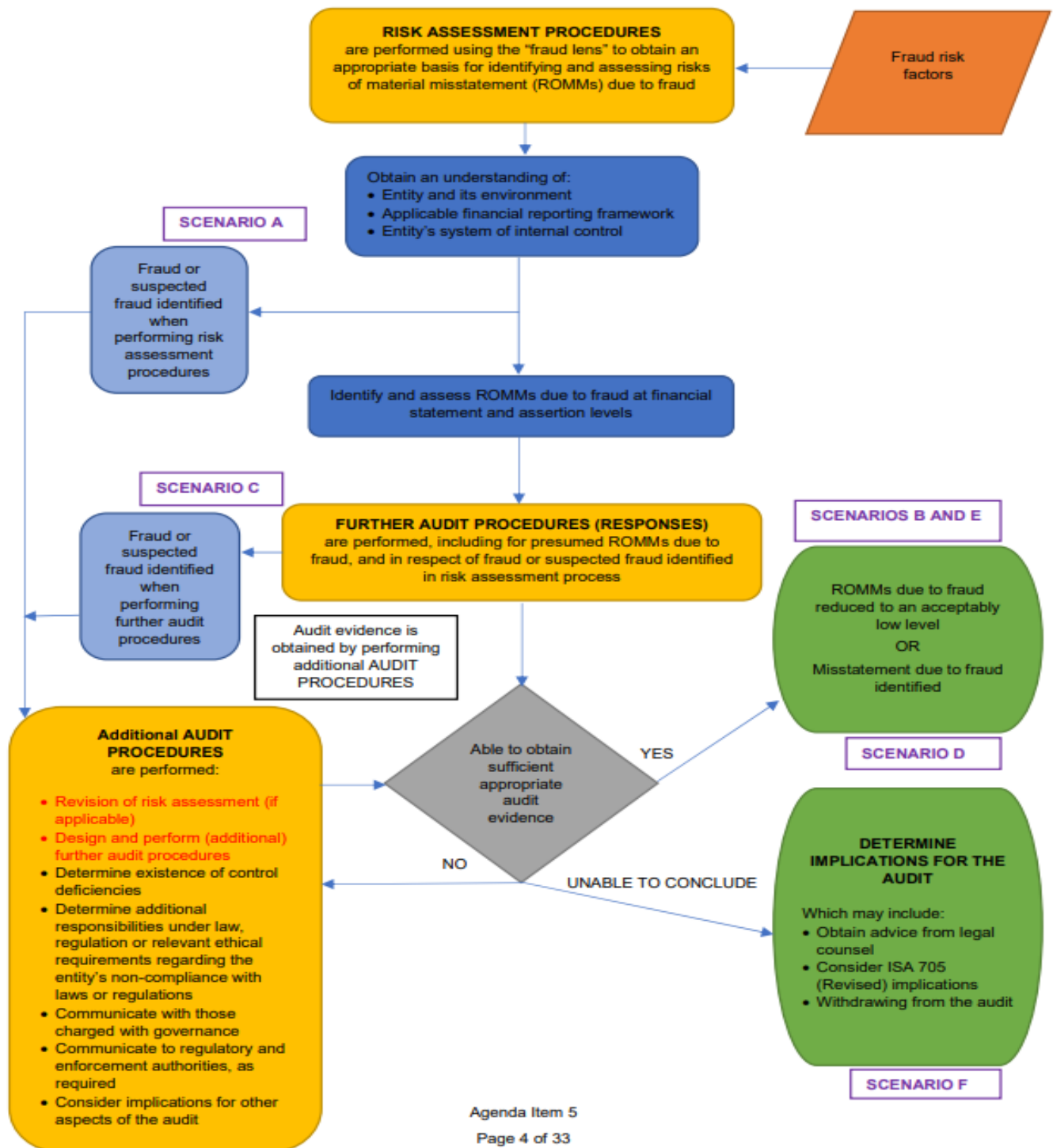
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Fraud and Suspected Fraud Flowchart



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

IAASB

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

IESBA

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