

NZAuASB Board Meeting Agenda

9 August 2023

9:00 am to 5.00 pm, Virtual [Click here to join the meeting](#)

Apologies: None

| Est.Time | Item | Topic | Objective | | Page | Supplementary | |
|----------|--------------------|--|-----------|--------|------|---------------|---------------|
| 9.15am | 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 | | | |
| | 1.5 | NSS report | Note | Paper | | 3 | |
| 10.00am | 2 | <u>Environmental scanning</u> | | | | | <i>Anna</i> |
| | 2.1 | International Update | Note | Paper | 11 | | |
| | 2.2 | Domestic Update | Note | Paper | 16 | | |
| | 2.3 | Update for XRB | Note | Paper | 18 | | |
| 10.30am | <i>Morning tea</i> | | | | | | |
| 11:00am | 3 | <u>Update from Greg Schollum IAASB member</u> | | | | | |
| | 3.1 | IAASB June report | Note | Paper | 36 | | |
| 11:30am | 4 | <u>Going Concern</u> | | | | | <i>Sharon</i> |
| | 4.1 | Summary paper | Note | Paper | 47 | | |
| | 4.2 | Draft response - outline | Approve | Paper | 50 | | |
| | 4.3 | Going Concern – key messages | Consider | Paper | | 9 | |
| | 4.4 | Submissions received | Consider | Paper | | 13 | |
| 12:30pm | <i>Lunch</i> | | | | | | |
| 1:15pm | 5 | <u>Sustainability Assurance ED</u> | | | | | <i>Karen</i> |
| | 5.1 | Summary paper | Note | Paper | 56 | | |
| | 5.2 | Consultation Document | Approve | Paper | 58 | | |
| | 5.3 | IAASB ED | Consider | Paper | | 19 | |
| 2.00 pm | 6 | <u>GHG guidance</u> | | | | | <i>Nimash</i> |
| | 6.1 | Summary paper | Note | Paper | 68 | | |
| | 6.2 | Transitional Provision Guidance | Approve | Paper | 70 | | |
| | 6.3 | Independence Guidance | Approve | Paper | 74 | | |
| | 6.4 | Illustrative Reports | Approve | Paper | 86 | | |
| | 6.5 | Plan for further guidance | Consider | Paper | 107 | | |
| 2.30pm | 7 | <u>Perceptions of Trust and Confidence Report – with author Prof. Roger Simnett</u> | | | | | <i>Bruce</i> |
| | 7.1 | Summary paper | Note | Paper | 108 | | |

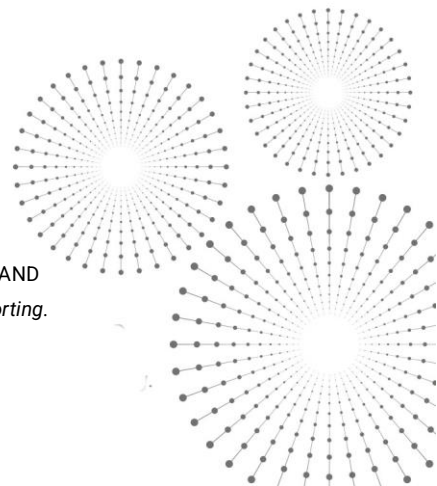
| Est.Time | Item | Topic | Objective | | Page | Supplementary |
|----------|----------------------|---|-----------|-------|---------------|---------------|
| 3.00pm | <i>Afternoon tea</i> | | | | | |
| 3:15pm | 8 | <u>ISA for Less Complex Entities</u> | | | <i>Bruce</i> | |
| | 8.1 | Summary paper | Note | Paper | 110 | |
| | 8.2 | Project plan | Approve | Paper | 112 | |
| | 8.3 | Initial consultation plan | Note | Paper | 119 | |
| | 8.4 | ISA for LCE: Summary of thresholds | Note | Paper | | 265 |
| 3:45pm | 9 | <u>NZAuASB work plan update for 2023/24</u> | | | <i>Misha</i> | |
| | 9.1 | Summary paper | Note | Paper | 121 | |
| | 9.2 | 2023/2024 Prioritisation plan | Consider | Paper | 122 | |
| | 9.3 | NZAuASB meeting agenda plan | Consider | Paper | 125 | |
| 4:15pm | 10 | <u>Service performance information</u> | | | <i>Lisa</i> | |
| | 10.1 | Summary paper | Note | Paper | 126 | |
| | 10.2 | Draft guidance | Consider | Paper | 128 | |
| | 10.3 | Project plan | Approve | Paper | 130 | |
| | 10.4 | FAQ- Transition Options | Note | Paper | | 269 |
| 4:30pm | 11 | <u>Narrow scope amendments to ISAs - PIE Revisions</u> | | | <i>Nimash</i> | |
| | 11.1 | Summary paper | Note | Paper | 133 | |
| | 11.2 | Amending standard | Approve | Paper | 136 | |
| | 11.3 | Signing memorandum | Approve | Paper | 148 | |

Next meeting: 18 October 2023, In person, Auckland

NZAuASB Action list

Following June 2023 meeting

| Meeting Arose | Board Action | Target Meeting | Status |
|---------------|--|----------------|---|
| June 2022 | Engage with FMA to understand and consider developing FAQ on materiality | Oct 2023 | Develop draft guidance for discussion |
| April 2023 | Mark Babington, FRC and IESBA sustainability chair to visit New Zealand mid-November | Aug 2023 | Planning for stakeholder outreach, refer agenda 5 |
| April 2023 | Commission research on audit committee chairs perceptions on trust and confidence | Aug 2023 | Draft report at agenda 7 |
| June 2023 | Update board governance manual | Aug 2023 | Verbal update |



Commencement and application date of assurance standards

We have recently been reviewing our gazetting processes and wording in light of queries raised by the Regulation Review Committee around the effective date and application date of the standards.

In line with the Financial Reporting Act 2013 requirements, a standard has legal effect on the 28th day after the date of the publication of the standard. (i.e. it takes effect)

A standard commences to apply in relation to the accounting period or interim accounting period that the Board specifies in the standard.

Those periods—

(a) may be accounting periods or interim accounting periods that have commenced or that commence before the date on which the standard, authoritative notice, amendment, or revocation takes effect (28 days after publication); but

(b) must not be accounting periods or interim accounting periods that have ended or that end before the standard, authoritative notice, amendment, or revocation takes effect (28 days after publication).

In addition to specifying the application date the Board should consider whether it will allow early adoption. Early adoption can be for periods that commence before the application date, but have not ended before the effective date. If the Board is going to permit early adoption for the window of time available before application date it must specify that permission.

On the matter of permitting early adoption, the NZAuASB will need to determine on a case-by-case basis whether to permit early adoption. There are several additional paragraphs that would need to be included within the standard in the instance that the NZAuASB determines that it is necessary to permit early adoption. This is a new question that will be included in all consultation documents going forward, and is something that is considered in the agenda papers for the June meeting in four different standards.

For this reason, we have not yet gazetted the revisions to the Code which was approved in principle at the April meeting, but we recommend not allowing early adoption at agenda item 5A. We explore a similar recommendation for the technology revisions to the Code in agenda item 5. The board will also note different wording in the draft GHG assurance standard at agenda 3 and the draft standard on service performance information at agenda item 4 to reflect more closely the wording of the legislation.

The IESBA standards permit early adoption. The IAASB standards are silent in this regard, but the IAASB's drafting convention notes that early adoption is permitted unless otherwise specified.

DATE: 15 June 2023

FROM: Marje Russ and Misha Pieters

SUBJECT: **National Standard Setting Meeting**

Purpose: To update the Board on **key areas of interest** as discussed at the National Standard Setters (NSS) meetings in May 2022.

Importance: The key areas of **strategic importance** are summarised below.

Action: To **NOTE** the update.

Introduction

1. The IESBA and IAASB NSS meetings were held virtually on 7th and 12-13th June respectively. The Chair of the NZAuASB and the Director of Assurance Standards participated.

Key areas of strategic importance to the XRB

2. Discussions of key interest and of strategic importance to the XRB include:

| Topic | Impact/urgency |
|---|---|
| <p>IESBA Independence considerations for sustainability assurance in the Code</p> | <p>XRB’s preference is for the IESBA to develop a separate profession agnostic independence standard for sustainability assurance. The Task Force agreed to develop independence requirements in a separate new part 5 part of the Code. This part will apply to all sustainability assurance practitioners, designed to be standalone for non-accountant practitioners. This does go some way to developing an approach that is more profession agnostic.</p> <p>The IESBA will continue to have challenges to clarify which sections apply when, and to use language that will not confuse accountant practitioners while being understandable for non-accountant practitioners.</p> <p>Mark Babington, Task Force Chair, plans to visit New Zealand in November and we are planning engagement events.</p> |
| <p>IAASB Sustainability assurance exposure draft (ED)</p> | <p>The focus of the NSS discussion was on key messages for the expected explanatory memorandum and promoting engagement in the exposure draft. The NZAuASB Chair stressed the importance of being clear in the messaging as to what the ED is (drawn from IAASB material). She also highlighted the importance of extensive outreach with non-accountant practitioners and professional bodies, to meet the IOSCOs call for profession agnostic standards and volunteered to continue to introduce IAASB members to appropriate connections.</p> <p>Plans are underway for how the XRB will engage a wide range of views on the ED, to inform a submission to the IAASB and to inform the XRB’s next steps.</p> |

| | |
|--|--|
| <p>Fraud</p> | <p>Most NSS were supportive of strengthening and clarifying the auditor’s responsibilities related to fraud as well as using the KAM mechanism to promote transparency, commending the IAASB’s leadership on a difficult topic.</p> <p>The director of assurance raised New Zealand practitioners’ concerns related to the risk of boilerplate reporting that does not mean much to users, but received push back that it is up to the auditor to write KAMs in a way that is not boilerplate.</p> <p>The IAASB is likely to approve the ED on fraud in December. At this stage, if the XRB were to resist the transparency requirements, we might be a lone voice.</p> |
| <p>Going concern</p> | <p>Some NSS queried the proposals, citing concern that they go further than management’s requirements. Tom Seidenstein, IAASB Chair, emphasised that the IAASB have been in regular contact with the IASB, who have not prioritised a project on this topic. The IAASB will play its part in better meeting user needs while continuing to engage with the IASB.</p> <p>We will explore views across the reporting supply chain at our panel discussion in July to inform the XRB submission.</p> |
| <p>Audits of Less Complex Entities (LCE)</p> | <p>For those who intend to adopt the standard, the IAASB expects that NSS will clarify the authority section for application in local conditions.</p> <p>The XRB is reflecting on if and how to adopt this standard for New Zealand.</p> |
| <p>Developments in other jurisdictions</p> | <p>Key activities of interest for New Zealand:</p> <ul style="list-style-type: none"> • Sustainability assurance – Few other jurisdictions are in the position of setting up a mandatory assurance regime. Europe is a key one. Many are in the research and monitor phase, setting up sustainability reporting committees in their jurisdictions. Others commented on ongoing efforts to build capacity. • Work to support implementation and check in as to whether the new quality management standards are meeting the objectives of the project. • Some jurisdictions have progressed work to add information in the auditor’s report. Many NSS are supportive of the IAASB adding more into the report. • Work to address the expectation gap. |

3. The Appendix provides further detail on the discussions, which were very timely considering the XRB’s climate and assurance projects.

Appendix

Message from the PIOB Chair, Linda de Beer

1. Linda de Beer provided some introductory comments at both the IESBA and IAASB NSS meetings. The comments focused on the progress made to implement the monitoring groups recommendations and the role of the PIOB, which does oversee the standard setting boards, but is focused on being responsive to the public interest, using the public interest framework to guide its work. This framework is a key driver of both standard setting boards (SSBs) work. Referencing this framework in XRB's submissions will add weight to our submission points where relevant.
2. Linda encouraged the NSS to continue to assist the nominations committee function by continuing to nominate high calibre candidates for roles on the SSBs, as work progresses to reduce the number of practitioners on the SSBs.
3. The PIOB continues to work to find a diversified funding to provide a stable platform for the longer term.

IESBA NSS discussions

Independence Considerations for Sustainability Assurance Engagements

4. Mark Babington, Sustainability Task Force Chair, updated NSS on the feedback received at the recent global roundtable discussions and other outreach events. We attended the discussions in Sydney, where the NZAuASB Chair introduced the IESBA to various non-accountant connections, many of whom continue to engage.
5. In summary, the IESBA heard:
 - a. Broad support for profession agnostic standards with helpful suggestions for considering implementation challenges for non-accountant practitioners.
 - b. Overwhelming support for a new Part 5 within the Code re presentation of profession-agnostic standards for sustainability assurance.
 - c. That for sustainability assurance engagements of heightened public interest, sustainability assurance providers need to be subject to high ethics and independence standards, as well as quality management requirements, that are equivalent to those applicable to audits of financial statements.
 - d. No significant concerns re financial statement auditor also providing sustainability assurance to same entity.
 - e. Input on specific ethics and independence issues arising from provision of sustainability assurance.
6. Most NSS were strongly support of the direction of travel for the developing independence requirements. The Japanese representative from the Financial Services Agency (FSA) appeared most closely aligned with the XRB's objective of developing a transitional period, with an emphasis on the need for learning in a fast changing, immature environment where each jurisdiction is still figuring things out. He encouraged the IESBA to explore transitional provisions with ongoing post implementation review and ongoing outreach over time.
7. The NSS discussion then focussed on which engagements are of heightened public interest, and if this is the same or different from the concept of a public interest entity for financial statement audits.
8. There were varying views as to whether this should be the same or different. The NZAuASB Chair stressed that the PIE definition is narrowly focussed on investors, whereas sustainability information may have a much broader range of users, so

encouraged the IESBA to rethink the concept in the context of who is using the sustainability information and for what purpose.

Ethics considerations for sustainability reporting and assurance

9. Christelle Martin Task Force chair of workstream 2 provided an update on the:
 - a. Scope of ethics standards for sustainability assurance – this was a technical presentation of emerging thinking by the task force, recommending that the scope focus on sustainability assurance engagements of heightened public interest and other engagements by sustainability assurance practitioners for the same clients. NSS asked for more clarity on the recommended scope, and questions were raised as to how Part 5 would work, is it standalone or expected to work with the rest of the Code.
 - b. Scope of ethics standards for sustainability reporting – feedback has demonstrated no strong support for the IESBA to develop profession agnostic ethics standards for preparers at this moment, so the recommendation was to limit the scope of this work to professional accountants.
 - c. Definition of sustainability information – given the IESBA’s wider remit to develop ethical requirements for assurance and reporters, the IESBA are developing a different definition of “sustainability information” to the IAASB. This definition is broad, covering historical and forward looking, about economic, environmental, social, governance or other matters or information about the impact of an entity’s activities, services, or products. This may include information prepared for internal purposes or for mandatory or voluntary disclosure, obtained from an entity or its value chain, related to performance over the short, medium, or long term. This is a very wide definition, and it adds an extra layer of confusion around what is an assurance engagement of heightened public interest.

Use of Experts project

10. Laurie Endsley, IESBA Vice Chair and Task Force Chair presented matters for consideration on the use of experts, by firstly clarifying the reason for the project:
 - a. Additional guidance is beneficial especially given the growing use of experts in reporting and assurance.
 - b. The issue is the different independence expectations for external experts as compared to others on the audit/ assurance team who are also externally engaged by the firm.
11. She highlighted reservations from stakeholders:
 - a. The Code is not enforceable on experts.
 - b. The external expert might not understand what the term ‘independence’ entails.
 - c. In emerging fields and geographies, there might be a minimal number of experts; assurance quality issues will likely arise if no experts are available.
 - d. It is unduly onerous, and almost impossible to monitor and control, if a firm’s system of quality management is extended outside its current scope to monitor the independence of external experts.
12. She also highlighted support from some stakeholders:
 - a. All external experts should be independent, like the Engagement Team

- b. Thinking about the issue from the perspective of a reasonable, knowledgeable investor, credibility would be questioned if the external expert is an advocate on the matter being advised on or had management roles in the company.
 - c. If an external expert is not independent, the assurance report should disclose that fact so that the report's users can decide on their reliance on such report.
13. We continue to monitor these developments to inform our work on GHG assurance.

IAASB discussions

Jurisdictional Developments of International Relevance

14. The discussion included a round the table overview of jurisdictional developments of international relevance (other than in sustainability reporting and assurance).
15. The NZAuASB Chair provided an overview of climate reporting and assurance developments in New Zealand. She stressed that the XRB is encouraging the establishment of climate reporting environment, rather than setting the “perfect standard” from the get-go. She emphasised that:
- a. we have purposefully developed a temporary standard, recognising that international assurance standards are currently under construction and that the scope of mandatory assurance may extend to the full climate statement.
 - b. we will continuously review how the standard is working, with the aim to enable continuous learning and improvement as the system matures, recognising that there is a shortage of assurance practitioners, and we need to enable competent practitioners into the regime.
16. The Chair also highlighted our work to revise the auditing standard on service performance information and our research into KAMs and perceptions on trust and confidence.
17. Key developments in other jurisdictions of interest to the XRB are summarised in the cover summary.

Sustainability assurance

18. Josephine Jackson, Sustainability task force chair, provided an overview of the project and sought views on engagement opportunities for when the exposure draft is issued in August.
19. Most NSS expressed strong support for the work of the IAASB and a commitment to engage with their stakeholders and support the IAASB’s outreach on the exposure draft.

Fraud

20. Julie Corden, Chair of the Fraud task force, updated the NSS on the project and asked for views on the work effort when fraud or suspected fraud is identified and developing proposals on transparency about the auditor’s responsibilities.
21. Some NSS raised concern that the transparency requirements for fraud were developing differently from those transparency requirements for going concern. The rationale for the difference in approach was explained as follows:
- a. Going concern is a pervasive concept that underpins the preparation of the financial statements. Users are wanting all information on going concern in one place, rather than being scattered throughout the audit report.

- b. This is different from work effort to opine on material misstatements arising from fraud or error.
22. Japan together with the director of assurance expressed concern at the risk of boiler plating as described in the upfront summary.

Going Concern

23. Edo Kienhuis, Going Concern task force chair, updated the NSS on the exposure draft and asked for views on transparency about the auditor's responsibilities related to going concern together with the timeline over which the going concern assessment is made.
24. Some NSS expressed concern at amending the timeline over which the going concern assessment is made, as this differs from the minimum requirements in IFRS. This is already a requirement in New Zealand, and no-one has raised concerns that this is causing unintended consequences.
25. Some queried the differential reporting for listed entities, noting that in due course this may be expanded to public interest entities under the PIE track 2 project.

ISA for Less Complex Entities (LCEs)

26. Kai Morten Hagen, LCE task force chair provided an update to the NSS. Those NSS who have never been supportive of this project continued to push back against the finalisation of this standard. The IAASB chair continued to stress that the standard would not be for all, but given support from some jurisdictions would progress to finalise the standard in September 2023.
27. It was confirmed that the ISA for LCE will require transparency in the engagement letter and in the auditor's report when the ISA for LCE has been used.
28. Some NSS expressed support for the direction of travel, highlighting the need for software developers to assist in including the ISA for LCE in software that would be used by smaller firms or sole practitioners.
29. Some also noted that uptake may be cautious at first, i.e., only applied on the micro of micro audits, to avoid the risk of starting an ISA for LCE engagement and having to switch into the full ISAs part way, but that as practitioners' familiarity and confidence grew, use may increase over time. Analogies were drawn to update of IFRS for SMEs, which started slowly but then expanded.

NZAuASB Board Meeting Summary Paper

AGENDA ITEM NO. 2.1
Meeting date: 9 August 2023
Subject: International Update
Date: 24 July 2023
Prepared By: Anna Herlender

Action Required

For Information Purposes Only

Agenda Item Objectives

1. This update identifies the significant developments, relevant to auditing and assurance, from international organisations published since 22 May 2023. This agenda item is for information purposes.

Background

2. Following the Board's recent discussions, the paper has been restructured. The updates from international organisations have been categorised into topics and their relevance to the NZAuASB work plan. Appendix 1 includes list of organisations whose websites were reviewed for updates.
3. NZAuASB environmental scans focus on topics relating to auditing and assurance matters. Agenda Item 2.3 includes the wider environmental scan that was prepared for XRB Board purposes.

Hot topics

4. The following topics are of high interest for NZAuASB:
 - **Hot Topic 1:** Report released by the Senate of Australia: [PwC: A calculated breach of trust – Parliament of Australia \(aph.gov.au\)](#), June 2023
 - **Hot Topic 2:** Research on the views of investors and audit committees on the value of audit and if traditional firms are suited for ESG and cybersecurity audits: [Views on Public Company Auditors: Audit Committee Member and Institutional Investor Research Findings](#), Center for Audit Quality, May 2023
 - **Hot Topic 3:** More data on assurance of ESG, including GHG emissions, and some more insights on reporting and assurance of scope 3 emissions in updated [S&P 500 ESG Reporting and Assurance Analysis](#), Center for Audit Quality, June 2023

Other publications

5. The following topics are relevant to NZAuASB work plan or provide wider contextual insights:

Audit reports

- Feedback Statement: “Expanding Key Audit Matters Beyond Listed Entities”, AUASB, 16 June 2023, [AUASB KAMs Feedback Statement](#).

Audit oversight and regulation

- “IFIAR releases Report on 2022 Survey of Audit Regulators’ Enforcement Regimes”, 18 June 2023, [Read here](#).
- PCAOB Spotlight: “Inspection Observations Related to Public Company Audits Involving Crypto Assets”, June 2023, [Read here](#).
- “FRC inspections show continued improvement at largest audit firms”, 06 July 2023, [Read here](#).

Audit quality, system of quality management

- “Audit Quality Disclosure Framework (Update)”, CAQ, June 2023, [Read here](#).
- “Second Instalment in Implementation Support Series for Small Firms on the IAASB's Quality Management Standards”, IFAC, 5 July 2023, [Read here](#).

Ethics

- “IESBA response to the Institute of Internal Auditors on the public consultation: Proposed Global Internal Audit Standards”, 17 July 2023, [Read here](#).
- “IESBA Emphasizes the Critical Importance of Ethical Behavior for All Professional Accountants”, 12 July 2023, [Read here](#).

Service Performance Information

- Feedback Statement: “Post Implementation Review of ASAE 3500 Performance Engagements”, AUASB, 20 June 2023, [Read here](#).

Sustainability Assurance

- “Proposed International Standard on Sustainability Assurance 5000 Approved for Public Consultation by Unanimous Vote”, IAASB, 28 June 2023, [Read here](#).
- “IESBA establishes Sustainability Reference Group (to support the work of its Sustainability Task Force”, 30 June 2023, [Read here](#). Term of Reference [Read here](#).
- “A Deep Dive into Sustainability Assurance Engagements, *The Who, What & How of Current Practice*”, IFAC, 31 May 2023. This report is based on previously released State of Play reports and gathers together findings on sustainability, including GHG, assurance. [Read here](#).

Sustainability reporting standards

ISSB

- [IFRS - ISSB issues inaugural global sustainability disclosure standards](#), ISSB, 26 June 2023.
- “IFRS Foundation Monitoring Board welcomes finalization of the first two sets of standards by the International Sustainability Standards Board”, IOSCO, 26 June 2023, [Read here](#).
- “IESBA Statement on the release of ISSB's First Two Sustainability Standards”, 26 June 2023, [Read here](#).
- “IFAC Applauds Release of ISSB's First Two Sustainability Standards”, 26 Jun 2023, [Read here](#).

ESRS

- European Commission released first set of draft European Sustainability Reporting Standards for public consultation on 9 June 2023. The feedback period closed on 7 July 2023. Following the feedback period, the Commission will consider the feedback received before finalising the standards as delegated acts and submitting them to the European Parliament and Council for scrutiny. [More details here.](#)
- “Accountancy Europe makes EC's draft DA and EFRAG’s Draft ESRS comparison available”, 16 June 2023, [Read here.](#)
- “IFAC Responds to European Sustainability Reporting Standards: *Transparency and interoperability needed to support a global system for reporting and avoid costly regulatory fragmentation, especially regarding matters of materiality*”, 10 July 2023, [Read here.](#)

GHG

- “Enhancing Greenhouse Gas (GHG) Reporting. A Roadmap for Accounting and Finance Professionals & Building Blocks for Accountants”, IFAC, 30 May 2023, [Read here.](#)

Governance, Audit Committees

- “FRC Launches Consultation on Revision to the Corporate Governance Code”, 24 May 2023, [Read here.](#)
- “Key Questions for Audit Committees Overseeing Sustainability-Related Disclosure”, IFAC, 24 May 2023, [Read here.](#)
- PCAOB Spotlight: “Audit Committee Resource to facilitate dialog on the risk of fraud and other topics”, June 2023, [Read here](#)
- [2023 Audit committee survey insights](#), KPMG, June 2023.
- “Audit Committee Chairs show keen interest and understanding of ESG activities”, FRC, 19 June 2023, [Read here.](#)
- [Half of Board Members Report Lacking Skills to Address Climate Issues: WTW/Nasdaq Survey](#), ESG Today, 12 July 2023.

Technology:

- “Digital Technology Market Scan: Internet of Things”, IAASB, 24 May 2023, [Read here.](#)

Various other publication – wider contextual scan

- “Understanding Anti-Corruption Reporting”, IFAC, 25 May 2023, [Read here.](#)
- “Chief Value Officer - the important evolution of the CFO”, ACCA, 1 June 2023, [Read here.](#)
- “Eight Key Takeaways for the Accountancy Profession Facilitating Sustainable Development and Net Zero Transitions”, Nanyang Sau Ling Tse JP, IFAC, 8 June 2023, [Read here.](#)
- “FRC publishes Thematic Review: IFRS 13 Fair value measurement”, 13 June 2023, [Read here.](#)
- “FRC publishes research on impact of proxy advisers and ESG ratings agencies on companies and investors”, 15 June 2023, [Read here.](#)
- “Accounting for Society’s Values”, 20 June 2023, ACCA, [Read here.](#)

- IOSCO published a [Consultation on Goodwill](#), seeking inputs from market participants to identify good practices for addressing the risk of unrecognized impairment on accumulated goodwill balances and related disclosures arising from business combinations, 22 June 2023.
- “Tesco PLC - Finance Teams Partnering to Enable Net Zero Commitments”, Stathis Gould, IFAC, 5 July 2023, [Read here](#).
- “FRC Lab publishes report on ESG data use and distribution”, 20 July 2023, [Read here](#).

Appendix 1: List of organisations reviewed for updates

International Standard Setting Bodies

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

International Audit and Assurance Regulator Forums

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

International Professional Bodies

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

Developments in local jurisdictions

Australia

10. Auditing and Assurance Standards Board (AASB)
11. Accounting Professional & Ethical Standards Board (APESB)
12. CPA Australia

Europe

13. European Parliament, European Council and European Commission
14. Accountancy Europe

United Kingdom

15. Financial Reporting Council (FRC)
16. Institute of Chartered Accountants in England and Wales (ICAEW)
17. Institute of Chartered Accountants of Scotland (ICAS)

United States

18. Securities and Exchange Commission (SEC)
19. Public Company Accounting Oversight Board (PCAOB)
20. American Institute of Certified Public Accountants (AICPA) & Chartered Institute of Management Accountants (CIMA)
21. Center for Audit Quality (CAQ)

Canada

22. Canadian Public Accountability Board (CPAB)
23. Canadian Auditing and Assurance Standards Board (AASB)
24. Chartered Professional Accountants Canada (CPA Canada)

Insights from practitioners and other publications

25. Insights from practitioners
26. Other articles

NZAuASB Board Meeting Summary Paper

AGENDA ITEM NO. 2.2
Meeting date: 9 August 2023
Subject: Domestic Update
Date: 24 July 2023
Prepared By: Anna Herlender

Action Required

For Information Purposes Only

Agenda Item Objectives

1. This update summarises the significant developments relevant to auditing and assurance from New Zealand organisations published since 23 May 2023. This agenda item is for information purposes.

Background

2. For the purpose of the domestic scan, publications from the following organisations are reviewed:
 - The Financial Markets Authority (FMA)
 - The Chartered Accountants Australia and New Zealand (CA ANZ)
 - The Institute of Directors (IoD)
 - Other publications, including audit firms' insights and reports.

Hot Topics

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

Hot Topic:

The FMA publishes **Auditor Regulation and Oversight Plan 2023-2026**, 30 June 2023, [Read here.](#)

“The plan sets out the areas the FMA will focus on when reviewing the quality of regulated audits, and contributing to the integrity and development of the audit profession. One of the five focus areas for the upcoming cycle is to improve audit quality. Under the Auditor Regulation Act 2011, the FMA is required to perform AQRs of each licensed audit firm once every four years. Previously the FMA undertook AQRs every two years for the big four auditing firms and at least once every three years for the other registered firms. Starting from the 2023/24, the FMA plans to review each licensed firm every year to increase the frequency of engagement and identify new developments and industry requirements. Although the FMA will review each firm every year, the overall number of files it reviews annually will be similar to prior practice and so the overall burden on firms will not increase.”

Other publications

4. The following topics are relevant to NZAuASB work plan or provide wider contextual insights:

The Financial Markets Authority (FMA)

Opinions

“Sustainable? Ethical? The substance must back up the claims”, 25 May 2023, Opinion by *Paul Gregory, Executive Director Response and Enforcement*, [Read here](#).

Articles

“Understanding the new climate-related disclosures regime”, 26 May 2023, [Read here](#).

Publications

“Auditor Regulation and Oversight Plan 2023-2026”, 30 June 2023, [Read here](#). Included in Hot Topic.

“Climate-related Disclosures Monitoring Plan 2023-2026”, 23 June 2023, [Read here](#).

“Information sheet: Climate-related disclosures regime and the use of third-party providers”, 23 June 2023, [Read here](#).

“Information sheet: Climate-related Disclosures – Scenario analysis”, 18 July 2023, [Read here](#).

Consultations

“Proposed guidance and expectations for keeping proper climate-related disclosure records”, 23 June 2023, [Read here](#).

“Climate-related disclosures timing challenge”, 10 July 2023, [Read here](#).

The Chartered Accountants Australia and New Zealand (CA ANZ)

“Differences in the judgements of experts. Alternative views on audit quality in Australia by Professor Ken Trotman AM”, 26 June 2023, [Read here](#).

The Institute of Directors (IoD)

“Redesigning governance to bring climate experts to the table”, 5 July 2023, [Read here](#).

The Ministry of Business, Innovation and Employment (MBIE)

Consultations

“Consultation on an exposure draft for the Financial Markets Conduct (Climate-related Disclosures) Amendment Regulations 2023”, 21 June 2023, [Read here](#)

Memorandum

Date: 6 July 2023
To: XRB Members
From: Judith Pinny
Subject: Environmental Update

Recommendation¹

1. We recommend that the Board NOTES the International and Domestic update for the period 17 April 2023 to 6 July 2023.

Purpose and impact

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

International

- (a) IFRS Foundation explanation of [connectivity](#) and user groups.
- (b) Research on intangibles includes:
 - (i) AASB-AUASB [research report](#) investigating the significance of recognised intangible assets on the balance sheets of Australian listed firms;
 - (ii) EFRAG has published an academic study on [Intangibles focussing on preparers and users](#);
- (c) IPSASB has published a [Climate-Related Disclosures project brief](#);

Trans-Tasman

- (d) [Service Performance Reporting](#) study of NZ and Australian Universities
- (e) CA ANZ releases FAQ on [Carbon Accounting](#);

Domestic

- (f) Treasury's response to the Auditor-General and Parliamentary Commissioner for the Environment's calls for better [public accountability](#);
- (g) FMA releases consultation on [CRD recordkeeping, the FMA monitoring plan](#) and information for entities using third-party providers.
- (h) Article explaining why [Māori data](#) is a taonga; and
- (i) Charities Amendment Act finally passed, affecting small [charities reporting](#) and

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

disclosure around accumulated reserves.

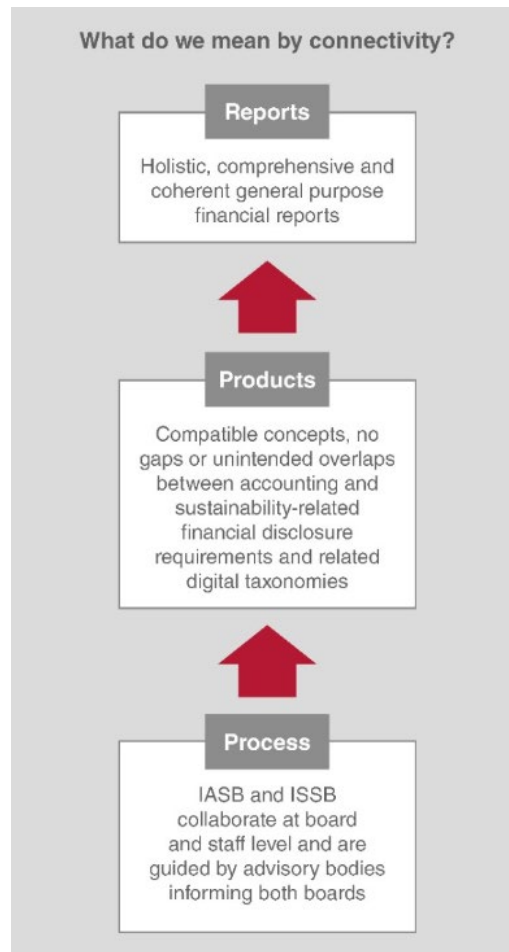
International

IFAC: Global regulatory report

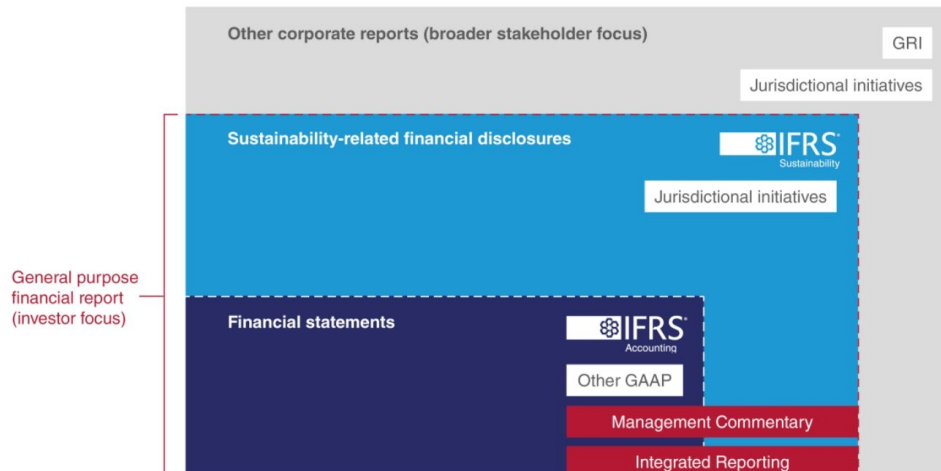
4. The May 2023 report: [IFAC Global Regulatory Report May 2023](#)

IFRS Foundation: Connectivity

5. IASB Chair Andreas Barckow and ISSB Chair Emmanuel Faber have written a joint article on connectivity – what it means and why it is important.
6. The following diagram summarises the overall message in the article:



7. The diagram below covers the audience for various types of corporate reports. It shows that all **financial** disclosures have an investor focus, but beyond that there is a broader stakeholder focus.



[IFRS - Connectivity—what is it and what does it deliver?](#)

[Back to International Highlights](#)

IASB: Educational Material for SMEs on climate-related matters in financial statements

8. The IFRS Foundation has published educational material to illustrate how the IFRS for SME's Accounting Standard requires companies to consider climate-related matters that have a material effect on the financial statements.
9. The educational material has been developed in response to feedback from users wanting more information on climate-related matters from SMEs.
10. The material contains a non-exhaustive list of examples of when companies may need to consider climate-related matters in their financial statements and is aimed at supporting the consistent application of the IFRS for SMEs Accounting Standard. It does not add to or change the requirements in the IFRS for SMEs Accounting Standard. The material is based on similar [educational material published by the IFRS Foundation to support full IFRS Accounting Standards](#).

[Effects of climate-related matters on financial statements prepared in accordance with the IFRS for SMEs Accounting Standard](#)

IFRS Foundation: Ian Mackintosh RIP

11. Ian Mackintosh passed away in May 2023. Ian was a New Zealander who was Vice-chair of the IASB from 2011 and 2016, and more recently was Chair of the Corporate Reporting Dialogue until 2021. Ian spent a lot of his career in Australia before taking up international posts and was also a key figure in Public Sector standard setting. Ian was a guest at the XRB Board meeting, and presented a public seminar for the XRB when he visited in February 2013.

[Ian Mackintosh, accounting standard-setter, dies at 77 \(themandarin.com.au\)](#)

[IFRS - Statement on the death of former IASB Vice-Chair Ian Mackintosh](#)

[Statement on the Passing of Ian Mackintosh, Key Leader in Global Public Sector Standard Setting | IPSASB](#)

IFRS Foundation: New appointments made to the SME Implementation Group

12. The Trustees of the IFRS Foundation recently appointed eight new members to the SME Implementation Group including AASB Deputy Technical Director Fridrich Housa. The new members will start their three-year terms on 1 July 2023.

[IFRS - New appointments made to the SME Implementation Group](#)

IASB: Research Forum in Sydney on 4-5 November 2024

13. Australia is hosting the 2024 IASB Research Forum. Papers must be submitted no later than 31 March 2024 and are expected to be published in a special edition of *Abacus*.

[iasb-research-forum-flyer-2024.pdf \(ifrs.org\)](#)

IPSASB Begins Development of Climate-Related Disclosures Standard for the Public Sector

14. Following a scoping and research phase, the IPSASB has decided to move forward with the development of a public sector specific Climate-Related Disclosures standard and published project brief.
15. The project will address the need for a public sector climate-related disclosures standard which will be separate current suite of IPSAS. The standard development will be based on IFRS S2, which is a private sector climate-related disclosure standard built on the four pillars of the TCFD framework.
16. This process will include incorporating requirements from GRI Standards, adapted for the public sector context, to address the multi-stakeholder, impact focused needs of public sector users.
17. The objective of this project is not to address financial reporting issues, however staff will monitor and review any climate-related impacts to financial reporting.

[Read the Climate-Related Disclosures project brief.](#)

[Back to International Highlights](#)

IPSASB: Public sector guidance to report on sustainability program information

18. The IPSASB issued *Reporting Sustainability Program Information—Amendments to RPGs 1 and 3: Additional Non-Authoritative Guidance*. The purpose of this limited scope project is to emphasise that RPG 1 and RPG 3 apply to reporting information on the impact of sustainability programmes. Those amendments are quick tool for an urgent need acknowledging that there's more to come from IPSASB.
19. RPG 3 includes four illustrative examples which show how its authoritative guidance can be applied to reporting sustainability program information on:
 - (a) a programme financed by a green bond;
 - (b) a programme financed by a carbon tax;
 - (c) an investment in infrastructure to mitigate the impacts of climate change; and
 - (d) a tax expenditure for sustainability investments.

[IPSASB Issues Public Sector Guidance to Report on Sustainability Program Information](#)

AASB-AUASB: Joint Research Report: Australian Listed Entities: Recognised intangible assets and key audit matters

20. The AASB-AUASB published a joint research report (with Professor Pinnuck and Dr Willis) that aims to understand the significance of recognised intangible assets on the balance sheets of 2,428 Australian listed firms through a review of the financial statements from 2010 to 2021. The research also compares the trends of intangible asset recognition on the balance sheet in Australia with 37 other jurisdictions including NZ.

[AASB-AUASB Research Report Intangible Assets of ASX Companies](#)

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EFRAG: The production and consumption of information on intangibles: An empirical investigation of preparers and users

21. The study has been supported by EFRAG, EFFAS² and ICAS and addresses the following questions:
 - (a) What measures and disclosures on unreported intangibles are considered useful for decision-making and assessments by users and preparers of this information?
 - (b) To what extent do the views expressed by preparers and users depend on the personal and professional profile of the respondents?
22. There is agreement that there is generally not enough information provided, although which exact categories should be reported upon vary between users and preparers.

² European Federation of Financial Analysts Societies.

23. The cost-benefit of providing this information is more of a concern to preparers than users although both agree that commercial sensitivities are not a major issue.
24. Both users and preparers indicate a preference for a revised version of IAS 38 with a less conservative approach to recognition of intangibles as assets. All agreed that information should best be reported through a combination of KPIs, narrative disclosures and financial numbers.

[The production and consumption of information on intangibles: An empirical investigation of preparers and users - EFRAG](#)

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EFRAG: Variable Consideration – alternatives to address current accounting challenges

25. Board members may recall that Variable and Contingent Consideration was an option for a new IASB project in the Third Agenda Consultation in 2021.
26. EFRAG has issued a summary report on the joint webinar with Business Europe on Variable Consideration following the issue of a Discussion Paper on this topic. Panellists included Patrina Buchanan from the IASB.

[EFRAG Summary Report Variable Consideration \(efrag.org\)](#)

IFRS Advisory Committee: April 2023 meeting

27. The IFRS Advisory Committee discussed a range of topics including the following:
 - (a) **Audience of general purpose financial reports:** One member said that stakeholders other than investors have an increasing influence on a company's activities and questioned whether it is still appropriate to say that general purpose financial reporting is primarily focused on investor needs. Sue Lloyd replied that an investor-focus is important for identifying those matters that are material for the entity as a whole, whereas other stakeholders may have a different view on which matters they view as material to their concerns.
 - (b) **Shared concepts:** A few members cautioned that the use of common terminology could create ambiguity if concepts such as '**materiality**' are interpreted differently in a sustainability context from how it has come to be understood in an accounting context.
 - (c) **Going concern:** Whether the IASB would revisit the going concern concept in IAS 1 in collaboration with International Auditing and Assurance Standards Board (IAASB) – Andreas Barckow noted that the IASB have regular exchanges with staff in IAASB. The IASB gave due consideration to a going concern project as part of its Agenda Consultation, but eventually decided against it in light of other priorities. Andreas Barckow also noted that going concern disclosures would not necessarily have helped to predict the recent bank failures because they were caused by sudden bank runs.

[IFRS AC April 2023 meeting summary.pdf](#)

AASB-AUASB Dialogue Series - Going Concern Disclosures

28. The AASB jointly with AUASB organised a *Dialogue Series on navigating going concern disclosures in financial reports and the relevant auditor's responsibilities* with a number of interesting speakers.
29. Anne Waters provided an outline of some of the proposed revisions to the auditing standard on going concern ([IAASB's Exposure Draft on International Standard on Auditing \(ISA\) 570 \(Revised\), Going Concern](#)) which is open for comments until 14 August 2023.

[Going Concern Disclosures jointly with AUASB - AASB YouTube recordings](#)

Guardian: PWC Australia restructure following tax leak

[PwC Australia sells division for 50p after tax leak scandal - BBC News](#)

IFAC: Guidance Enhancing Greenhouse Gas (GHG) Reporting

30. IFAC and We Mean Business Coalition (WMBC), in partnership with Accounting for Sustainability (A4S), Global Accounting Alliance (GAA), and World Business Council for Sustainable Development (WBCSD), have released guidance to help CFOs, accountants and finance professionals build on existing systems and processes in order to undertake or enhance cost-effective and investor-grade GHG reporting.

[Enhancing Greenhouse Gas \(GHG\) Reporting | IFAC](#)

WEF and ISSB – MOU and Preparers Group

31. The World Economic Forum (WEF) is convening an expert group of sustainability professionals to share best practices and perspectives on climate and environmental, social, and governance reporting rules that have been developed by the ISSB.
32. This "Preparers Group" will also help build up companies' capacities to adopt the standards and produce quality ISSB-aligned disclosures. The group will consist of 20 senior corporate reporting preparers, representing organisations that are part of WEF's practitioner community. It plans to start work after the ISSB releases its final standards in June 2023.
33. The Preparers Group announcement follows the signing of a Memorandum of Understanding (MOU) between the WEF and the ISSB on 2 June 2023. The memo outlined areas of collaboration between the two groups, including on helping to achieve a global sustainability reporting baseline.

IFAC and International Bar Association (IBA): MOU for accounting and legal professions

34. In May 2023, IFAC and IBA announced they had signed a MOU for closer co-operation between the accounting and legal professions. They aim to have a collective voice on global policy issues to best serve the public interest.

[IBA and IFAC announce MOU](#)

National Standard-Setters (NSS) Sustainability Forum

35. AASB Technical Director Nikole Gyles and AASB Acting Sustainability Reporting Director Siobhan Hammond have been appointed as members of the NSS Sustainability Forum established by the UK Endorsement Board.
36. The purpose of the NSS Sustainability Forum is to develop an understanding of connectivity issues between IFRS Accounting Standards and IFRS Sustainability Disclosure Standards, consider possible solutions that would address stakeholder needs for connectivity between the information presented in companies' sustainability reports and financial reports, and to share them with the ISSB and IASB as they develop high-quality international standards. Click [here](#) for details.
37. The NSS membership is limited to national standard-setters, with a particular interest in, or responsibility for, the overlap between IFRS Accounting Standards and IFRS Sustainability Disclosure Standards.

GRI: Carol Adam, Chair of GSSB – letter to stakeholders

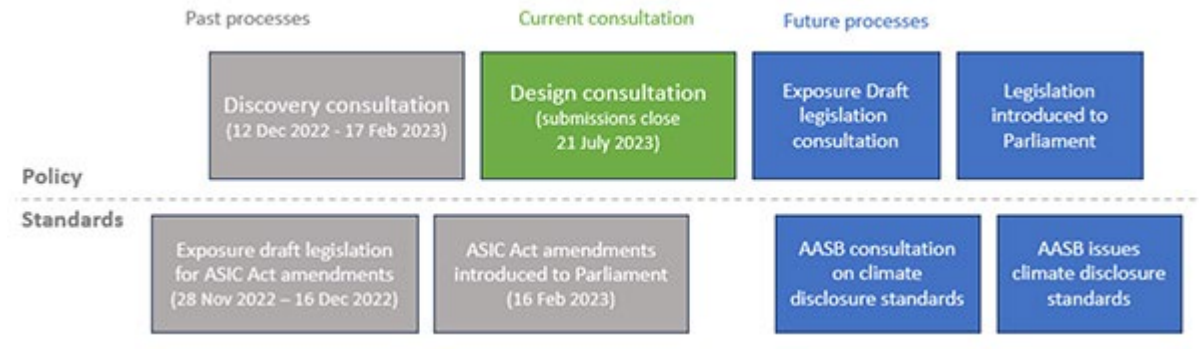
38. Carol Adams commenced her role in April 2023 as the new Chair of the Global Sustainability Standards Board (GSSB), the independent body responsible for setting the GRI Standards. In her letter to GRI stakeholders she shares her priorities as she takes on the leadership for developing the GRIs.
39. As GSSB Chair, Carol will seek to deepen relationships with reporting standard setters and other partners around the world. Not only does this reinforce the applicability and integration of the GRI Standards in global markets, it will minimize reporting burden for organisations.
40. Carol is also committed to achieving interoperability between the GRI Standards and the IFRS Foundation's sustainability-related standards, being developed by the International Sustainability Standards Board (ISSB), the two standards coming from different perspectives.

[GRI - Letter from new Chair of the GSSB \(globalreporting.org\)](#)

Australian Treasury consultation on proposed Climate-related disclosures

Consultation to date

41. The diagram below outlines the current consultation in relation to other public processes to implement climate-related financial reporting requirements for companies.



42. Feedback from the discovery consultation has informed the proposed positions. For more information on the discovery consultation and to access submissions, visit [Climate-related financial disclosure](#).

[Double materiality not 'main objective' of Australia's planned climate disclosure regime \(responsible-investor.com\)](#)

See also Agenda item 14.9.

AASB: IASB visits Australia

43. Dr Andreas Barckow, IASB Chair and Professor Ann Tarca, IASB Member, visited Sydney and Melbourne in June 2023, participating in events where stakeholders could hear directly from the IASB and expert panel members on topics of interest.
44. The topics discussed included:
- (a) digital financial reporting;
 - (b) the IASB's Financial Instruments projects;
 - (c) topics of interest for Company Directors;
 - (d) intangible assets, including digital assets; and
 - (e) challenges in educating future accountants.

Further information about the events, including some sessions' slides, can be found [here](#).

IFAC: IOSCO admitted IFAC as an Affiliate Member

45. IFAC was accepted as an Affiliate Member of the IOSCO³. IOSCO is the international body of securities regulators and the global standard setter for the securities sector.
46. By joining IOSCO as an Affiliate Member, IFAC looks to strengthening the accountancy profession's engagement on priorities like investor protection, corporate reporting, audit quality, sustainability, financial literacy and other key topics at both the global and jurisdictional levels.

[IFAC Admitted as Affiliate Member of the International Organization of Securities Commissions | IFAC](#)

IVSC: Proposed changes to International Valuation Standards

47. The International Valuation Standards Council (IVSC) has announced the launch of a 3-month public consultation on the proposed changes to International Valuation Standards (IVS). The IVS are reviewed on a two-yearly basis.
48. The proposed changes to the IVS put additional demands on valuation professionals to address new types of assets or liabilities and to expand the application of valuations into areas such as environmental, social and governance (ESG).

[IVS Exposure Draft for Consultation 2023 // IVSC](#)

Privacy News: Public servants paid in digital currency in China

49. Public servants in Changshu, Jiangsu province, will be able to pay for goods and services using the digital yuan, also known as e-CNY via their phones, much like the smartphone payment system.
50. However, since the digital yuan is issued by China's central bank, and is not a decentralised cryptocurrency exchange like Bitcoin, there have been concerns about privacy and the power it gives authorities to control people's finances.
51. UNSW senior lecturer, Eric Lim, said he was concerned that digital currencies such as e-CNY could make a person's financial history completely transparent to the central bank and to the government.
52. The Chinese yuan has now overtaken the US dollar as the most widely used currency for cross-border transactions in China, according to the latest official data. In March 2023, Chinese yuan accounted for about 2 per cent of all global cross-border payments in China according to an IMF report. In comparison, the US dollar was involved in nearly 90 per cent of global foreign exchange transactions.

[China's digital currency raises concern as some public servants paid by digital yuan](#)

³ International Organisation of Securities Commissions.

Trans-Tasman

AASB: Research paper on Service Performance Disclosure at NZ and Australian Universities by Tom Scott (AUT) *et al*

53. The AASB Research Centre accepted a working paper, [Sustainability and Service Performance Disclosure Beyond Institutional Requirements](#).
54. This paper explores what performance indicators (PIs) Victoria (Australia) and NZ public universities disclose and whether reporting practices have been institutionalised by national policies and regulations. The paper shows a greater focus of NZ universities on service performance and compliance PIs to be consistent with national disclosure requirements and higher education strategies. The impact of national strategies on the reporting practices of Victorian universities is less pronounced.
55. This paper contributes to the scant literature on public sector non-financial reporting, providing new insights on the state of university sustainability and service performance disclosure, and the influence of institutional requirements on disclosure practices. The findings on the effects of policies and regulations are relevant to standard-setters and regulators and can help advance public sector non-financial reporting practices.

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CA ANZ: FAQs on carbon accounting

56. CA ANZ has recently released Carbon Accounting FAQs to their members.
57. Issues covered in these FAQs include activities designed to measure, track and report greenhouse gas (GHG) emissions by organisations, measured as carbon dioxide equivalent (CO₂-e), and related concepts such as carbon credit/offset. They also address member specific questions such as how to avoid greenwashing, and interaction of the Code of Ethics and the carbon accounting landscape.

[CA ANZ launches Carbon Accounting FAQs | CA ANZ \(charteredaccountantsanz.com\)](#)

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CPA Australia: The price of 'going green' goes under the microscope

58. The faster the transition to net-zero is, the more expensive it may be in the short term. Demand is expected to outstrip the supply of metals and minerals required for green technologies. The CPA's article is asking whether this so-called "greenflation" is a legitimate cause for concern, or is "fossilflation" the greater source of upward pressure.
59. According to Dr William Paul Bell, research fellow at the Centre for Applied Energy Economics and Policy Research at Griffith University, any inflationary impact from the net-zero transition is overwhelmed by cost spikes from fossil fuels – referred to as fossilflation.
60. Upward pressure on prices may be an inevitable part of the net-zero transition, but downward pressures are also possible, due to cheaper costs of capital. Banking disclosures announce the large amount they've done in green financing, and many of them have targets to wind down fossil fuel lending.

[The price of 'going green' goes under the microscope](#)

Domestic

Stuff: Charities sitting on millions more in cash than a year ago

61. A number of charities (like Emerge Aotearoa, The City Impact Church Group, Trinity Lands and Sanitarium) have millions of dollars more in cash on hand than they had the year before. It will be at least another year before changes on reporting forms would come into force (in April 2024) and charities will have to justify why they are accumulating funds.
62. Community and Voluntary Sector Minister Priyanca Radhakrishnan said proposed changes would require charities with operating expenses over \$140,000 to report the reasons for their accumulated funds such as cash, assets or other resources.
63. Charlotte Stanley, general manager of Charities Services at the department, said:

"Accumulation of funds is not problematic unless the funds are not used for charitable purpose, which could constitute serious wrongdoing leading to the charity being deregistered."

It could be problematic if it was unclear why charities were accumulating funds. *"Requiring an explanation in the annual return will address this, and it will be up to users such as donors and Inland Revenue to draw their own conclusions."*

[Charities sitting on millions more in cash than a year ago | Stuff.co.nz](#)

Scoop: Government Has No Mandate To Pass Charities Amendment Bill

64. The Social Services and Community Select Committee has reported back on the Charities Amendment Bill 169-2, recommending by majority that it be passed with amendments.
65. The New Zealand National Party and Sue Barker, specialist charities lawyer and member of the Core Reference Group, has expressed a differing view. Sue Barker said:

“The proposals in the Bill are written by DIA for DIA. Even the proposal to reduce the financial reporting requirements for small charities, which is being used as a Trojan horse to usher in a host of unhelpful measures, is about DIA rather than charities – when DIA comes to write the regulations (if they ever do), they will discover (as a number of submitters have pointed out) that they will not be able to reduce the compliance burden for small charities further than they are about to be reduced by the External Reporting Board without removing all meaningful accountability”.

[Community Scoop » Government Has No Mandate To Pass Charities Amendment Bill](#)

Parliament: Charities Amendment Bill received Royal Assent on 5 July 2023

66. The Charities Amendment Act 2023 includes reduced reporting requirements for very small charities, improved transparency in reporting of funds for larger charities, and a new appeals process that will improve access to justice for more charities.

Parliament: Select Committee – Director’s Duties in Companies Act

67. In early May, the Select Committee reported back on proposed changes to Director’s Duties in Section 131 [here](#).
68. In summary, section 131 of the Companies Act sets out a primary duty of Directors, to act in the best interests of the Company. Dr Duncan Webb MP proposed some clarifications that Directors should consider other factors than shareholder returns, such as the Environment, Employees and the Treaty. The Select Committee decided to propose change but not go that far, instead advocating for the words to be “To avoid doubt, in considering the best interests of a company or holding company for the purposes of this section, a director may consider matters other than the maximisation of profit.”

NBR: The Treasury’s response to calls for better financial reporting

69. The Auditor-General, John Ryan, and the Parliamentary Commissioner for the Environment (PCE), Simon Upton, shared concerns that the current public accountability system does not enable Parliament and public to clearly see the relationship between public spending and outcomes, and call for both improvements broadly within the current reporting system, and for deeper systemic change.

70. The Treasury agrees with the concerns raised by the PCE and Auditor-General and is working on system reform, improvements in performance reporting, and testing of reporting at different levels of aggregation. This work-in-progress includes: (except of other) ensuring that performance information can be traced between Budget funding and the estimates; revising guidance for statement of performance expectations for Crown entities; or using a cluster pilot to improve reporting at the sector level.
71. The Treasury is also looking at feasibility of tagging spending on environmental outcomes and report on the contribution the spending made to those outcomes. This sounds simple, but in fact would be a complex, significant, and systematic change to public sector management.

Note: Article unavailable without a NBR subscription.

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OAG: Update on the Climate project at OAG

72. OAG has established a Climate project team which, *inter alia*, has:
 - (a) supported the audits of 18 public organisations that had a quantified GHG measure in their audited performance information that was large enough to matter to a reader;
 - (b) engaged with public sector Climate Reporting Entities and their current auditors to understand progress towards preparing the first Climate Statements in 2024; and
 - (c) made provisional decisions about the future assurance obligations for Climate Statements.

[We monitor and measure what matters – Office of the Auditor-General New Zealand \(oag.parliament.nz\)](#)

OAG: Auditor-General's Blog on Climate Reporting and Greenwashing

73. Auditor-General John Ryan reflects on the need for public organisations to maintain integrity in meeting new climate reporting requirements in a high public interest area and to avoid 'greenwashing'.

[Climate reporting and the need to avoid greenwashing](#)

MBIE: Consultation on Regulations relating to Climate-related Disclosures Regime

74. MBIE⁴ is consulting on record-keeping and record inspection requirements and infringement fees for minor offences to provide certainty for Climate Reporting Entities and the FMA. The consultation closes on 12 July 2023.

[Consultation on an ED for the Financial Markets Conduct \(Climate-related Disclosures\) Amendment Regulations 2023](#)

FMA: Guidance for Climate Reporting Entities

75. The Financial Markets Authority (FMA) are consulting on proposed guidance and expectations for keeping records on climate-related disclosures. Submissions are due by 4 August 2023.

[Proposed guidance and expectations for keeping proper climate-related disclosure records](#)

76. In addition, the FMA have released an information sheet around using third party providers such as climate scientists, lawyers and accountants. This is to assist entities in determining whether the third-party provider has the required skills, knowledge and experience, and will the third-party provider's services and outputs enable compliance with the CRD regime.

[The use of third-party providers in climate related disclosures.](#)

77. Thirdly the FMA has released its CRD monitoring approach and plan for 2023-26. This can be summarised as follows: (note that reporting years are **beginning** in year specified)

- (d) Year 1 (2023) setting initial compliance expectations.
- (e) Year 2 (2024) supporting development of best practice.
- (f) Year 3 (2025) steady state guidance monitoring and enforcement.

78. In Year 1 areas of the FMA's focus will be:

- (a) Filing on time for the correct legal entity;
- (b) Meeting the disclosure requirements;
- (c) CRDs are transparent and provide context; and
- (d) Disclosures are externally and internally consistent.

[The FMA's climate-related disclosures monitoring approach and plan for 2023-2026](#)

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⁴ Ministry of Business, Innovation and Employment.

E-Tangata: Māori data is a taonga

79. At a recent meeting at the XRB there was concern raised about Charities Services requesting certain data from Māori. This article and the example explain why Māori data is so important to Māori, and why early consultation is important.
80. One type of data in Aotearoa has some unique considerations: Māori data. Māori data refers to information produced by or about Māori, and about the environments we have relationships with.
81. Māori data is subject to [the rights](#) articulated in the Treaty of Waitangi and the UN's Declaration on the Rights of Indigenous Peoples, to which Aotearoa New Zealand is a signatory.
82. Māori view data as a living taonga (treasure) with immense strategic value. It's an important tool in understanding our whenua⁵ and our tangata whenua⁶. It helps us answer questions like how many people whakapapa to our iwi and where they live, how many Māori live within Aotearoa, and how many live or were born overseas.
83. An [example](#) of issues with Māori data gathering is the COVID-19 tracing app. In this case, had Māori and government worked together earlier, the developers would have been alerted to some key facts not considered in the design:
 - (a) While only some data is stored in an AWS data centre in Australia, this is still a concern for many Māori as it creates [Data Sovereignty](#) issue.
 - (b) The registration process required an internet connection.
 - (c) The system required one person per device with an email address. It is common for a digital device to be shared with one Māori family unit that consists of multiple generations.
 - (d) The system did not recognise NZ's official language Māori in email addresses.
 - (e) Based on government data, Māori rank highly in domestic violence rates, yet there was no protection for such people in the app.
84. This has resulted in a number of Māori communities who refused to use the app or simply cannot use it. This was an important lesson for all indigenous peoples, policy makers, legislators etc to work in partnership and create frameworks and partnerships in anticipation for any data driven system.

[Māori data is a taonga - E-Tangata](#)

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⁵ Land.

⁶ Māori people.

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Chapman Tripp: Report on the banking industry

85. Five factors currently driving change in the banking industry are:
- (a) The structural redesign of the NZ Banking sector by the Reserve Bank including the Deposit Takers Bill – the Bill will provide government guarantee over the first \$100,000 in a retail deposit account. Leading to depositors splitting their relationship across banks and opportunity for new entrants including online banks;
 - (b) Technological innovation – the Reserve Bank is currently developing its own Central Bank Digital Currency. Payments NZ⁷ is promoting a real-time payments system by 2030;
 - (c) Need for banks to reduce their reliance on deposits and reassess their asset base – large static deposit bases are an important source of cheap funding but may become more volatile if consumers take up new fintech solutions promoting transparency, transferability and choice. Banks will need to develop new bank products that keep deposits in the banking ecosystem;
 - (d) Increased focus on social licence – climate risk reporting (with nature and biodiversity reporting expected in the future) and also the Conduct of Financial Institutions Licensing regime expected in 2025; and
 - (e) New obligations on banks and vulnerabilities – including the prevention of money laundering, protection of customers against scams⁸, climate activism and class actions regime.

[Report on the Banking Industry April 2023](#)

Bloomberg: NZ Sustainable Finance Forum discussing Climate-related Disclosures

86. Article following a recent panel discussion on building a roadmap to sustainable finance, with panellists from BNZ Investments, ANZ, Fonterra, and the XRB (Dr Amelia Sharman), discussed a wide range of topics related to the climate-related disclosure standards.

[NZ's climate-related disclosures: Building a roadmap to sustainable finance](#)

⁷ A body owned by ANZ, Westpac, BNZ, ASB, Kiwibank, TSB, HSBC and Citibank. established with RBNZ support in 2010, to manage New Zealand's core payment systems.

⁸ The Quincecare duty directs that financial institutions must not implement a customer's instructions where they have reasonable grounds to believe this might facilitate a fraud against that customer. The UK courts have considered several cases to expand the Quincecare duty to require banks to protect customers from the consequences of their own misguided payment instructions.

Commerce Commission: Monitoring greenwashing claims

87. There had been an increase in environmental or other sustainable development claims, which were becoming more influential in consumers' behaviour. Consumer NZ had called on the Commerce Commission (CC) to launch a targeted investigation into such claims, but CC Fair Trading branch general manager Kirsten Mannix said it was not a task for the CC alone.
88. Mannix said "*Consumers are entitled to rely on the trust of claims being made about the product and service. And this is where we think the obligation really lies with businesses to have reasonable grounds for the claims they make.*" It was on businesses to educate themselves about the law, read regulatory guidance and ensure they were being truthful and accurate.
89. While the CC also counted on consumers to alert it to questionable claims, Mannix said "*We shouldn't be relying on consumers to spot unsubstantiated and false claims or to report them to us.*" Consumers could not easily tell which claims were genuine and had neither the time nor resources to check their accuracy.
90. "*We will investigate matters and take compliance and enforcement action where it's appropriate,*" she said. "*But we can't do all of the claims and we really need businesses to hold each other to account and to step up in this area too.*"

[Greenwashing claims: Businesses need to ensure they are truthful and accurate - ComCom | RNZ News](#)

DATE: 6 July 2023

TO: NZAuASB

FROM: Misha Pieters, Director Assurance

SUBJECT: June IAASB meeting

Action required: To **NOTE** the update from the IAASB June meeting.

IAASB activities of high strategic importance to the XRB

- Key areas of strategic importance are summarised in paragraph 2. The full report from Greg Schollum, IAASB Member and Sylvia van Dyk, technical adviser is attached in the appendix. This was Sylvia's last meeting as technical advisor, and she expresses her thanks to the XRB for the opportunity to act as technical advisor during the past six and a half years, which was a highlight of her career.
- The XRB adopts the IAASB's standards and amends those standards where there is a compelling reason to do so. The current projects of focus include the following:

| Project | Timing | Impact/urgency |
|---------------------------------|--|---|
| Sustainability Assurance | Exposure draft approved (expected to be issued in August) together with an outreach plan. | High due to concerns related to whether the IAASB's standards will be fit for purpose for all assurance practitioners. The NZAuASB will discuss the outreach plan at its August meeting. An in-person IAASB event is planned for October in Australia. |
| Fraud | ED expected to be approved in December. | Medium . There may be mixed views for using the KAM mechanism for reporting fraud related matters in the audit report. |
| Audits of Less complex entities | The IAASB plans to finalise the standard in September 2023. | Medium . To engage with New Zealand stakeholders when standard is approved to determine if and for whom the LCE standard should be adopted in New Zealand. |
| Listed entity and PIE project | Approved narrow scope amendments to add transparency in the audit report about ethical requirements. | Low . The XRB's submission queried the value of the disclosure but agreed this is a logical place to operationalise the IESBA's requirements. The NZAuASB will consider the adoption of the revisions in August. |

DATE: 5 July 2023

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

FROM: Greg Schollum, IAASB member
Sylvia van Dyk, Technical advisor

SUBJECT: Report on IAASB June 2023 meeting

Introduction

1. This report provides an overview of the International Auditing and Assurance Standards Board (IAASB) Board meeting held on 20-23 June 2023 in New York, which also incorporated a virtual meeting on 28 June 2023.
2. This was Sylvia's last meeting as technical advisor, and she expresses her thanks to the XRB for the opportunity to act as technical advisor during the past six and a half years, which was a highlight of her career.
3. Key topics were:
 - Approval of an exposure draft of the proposed sustainability assurance standard ISSA 5000, including discussion of the proposed outreach plan.
 - Approval of proposed narrow scope amendments to ISA 700 (Revised)¹ and ISA 260 (Revised)² because of the revisions to the IESBA Code in relation to independence of auditors of public interest entities (PIEs).
 - Further consideration of issues on the proposed revision of the fraud auditing standard, ISA 540 (Revised).
 - Further consideration of feedback and issues on the proposed auditing standard for less complex entities (ISA for LCEs).

The full June 2023 meeting papers can be accessed [here](#).

Sustainability Assurance

4. The IAASB unanimously approved the ED at its virtual meeting on Wednesday 28 June 2023. The ED is expected to be available during the first week of August, with staff aiming to release it by the end of July if possible.
5. This topic again took a substantial part of the June IAASB meeting given its priority and an ambitious timeline, which is heavily influenced by the ISSB, IOSCO and other interested stakeholders at the international level.
6. Although great progress has been made in a short time, this is a very challenging project and there is still a long way to go. Engagement and outreach activities during the exposure period will be important, with both accounting and non-accounting professionals. The IAASB has an extensive outreach plan, including virtual awareness raising and information sharing, direct engagement with key stakeholders, global roundtables and regional in-partnership events, and

¹ ISA 700(Revised), *Forming an Opinion and Reporting on Financial Statements*

² ISA 260(Revised), *Communication with Those Charged with Governance*

leveraging engagement opportunities. At this stage, the IAASB is planning on holding a regional outreach event in Australia (likely timing October 2023) which will be an opportunity to invite key stakeholders from New Zealand. The outreach plan is expected to be launched immediately after release of the ED.

7. At the March IAASB meeting the Task Force summarised the top ten matters that required further consideration. The IAASB considered how these matters had been addressed in the updated draft and provided further comments at the June IAASB meeting.
8. Key matters the IAASB discussed included the following:
 - i. The definition of sustainability information, which was clarified to be the information about sustainability matters, and for purposes of the ISSAs, the equivalent of "subject matter information" in other IAASB assurance standards. When the assurance engagement does not cover the entirety of the sustainability information, the sustainability information is to be read as the information that is subject to the assurance engagement. The information outside the scope of the assurance engagement is considered to be other information.
 - ii. Clarification of the relationship of ISSA 5000 with ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*. The proposal is that ISSA 5000 will apply to all assurance engagements on sustainability information, except when the assurance practitioner provides a separate conclusion on a Green House Gas (GHG) Statement. This means that if the GHG statement is included within other sustainability information and the assurance practitioner does not provide a separate conclusion on the GHG Statement, ISSA 5000 will apply. It was agreed to include a specific question about this in the Explanatory Memorandum (EM), expecting that it will generate lots of discussion.
 - iii. The importance of the IAASB setting the bar for both relevant ethical requirements and quality management and the Board's comfort with the additional application material. In terms of the phrase "at least as demanding..." the focus is now on the practitioner ensuring the aims/objectives of the requirements in the IESBA Code and ISQM 1 have been met, rather than each of the detailed requirements. Greg was pleased to note his comments at the March meeting about the 2 key pillars of relevant ethical requirements and quality management had been addressed.
 - iv. Some comments about the flow of the standard and suggestions to improve that.
 - v. Some suggestions to better align some of the application material with the requirements.
 - vi. Fraud matters – whether there is sufficient focus on fraud, given the inherent risks associated with reporting sustainability information, including greenwashing. The Board suggested that there may be a need in the EM to say how the standard deals with fraud as it initially appears light, but fraud is mentioned 37 times in the draft standard.
 - vii. The importance of communicating with TCWG, and to include a question in the EM about whether this is strong enough.

- viii. The need for more guidance on materiality, performance materiality and double materiality. In response to an issue that he raised, Greg was pleased to note the inclusion of more guidance in the final draft on determining key sustainability information first and then determining tolerance for misstatement in that key information. There was also support for the proposal to have information in the EM to explain where materiality is covered in the standard and the logic behind the requirements, and to develop non-authoritative guidance/educational material.
 - ix. Further clarification of the work effort between limited and reasonable assurance and noting the difference upfront in the standard, while also being clear in the assurance report. It was agreed to include a question in the EM about the prominence of the level of assurance.
 - x. There was some discussion about the grouping of forward-looking information with estimates (Greg raised that they are important concepts to have in ISSA 5000, but that they are different and both important in their own right). They remain grouped together in the ED and it will be interesting to see the feedback from the outreach about this.
 - xi. Clarification on using the work performed by another practitioner.
 - xii. Clarification about what is meant by comparative information vs corresponding figures.
 - xiii. Reporting – as noted above, making the placement of limited assurance more prominent in the assurance report and adding a question in the EM about the placement.
 - xiv. Other information – more clarity about the work effort and noting in the assurance report management’s responsibilities for other information.
 - xv. The need to keep aligned with IESBA as the work progresses on independence requirements of other practitioners.
 - xvi. The future status of the EER guidance and support for clarification in the EM that EER guidance remains relevant.
9. Areas Greg is keen to pursue further depending on the feedback on the ED, include whether the guidance on materiality is clear enough for practitioners, whether there is sufficient emphasis on the practitioner understanding the nature of the sustainability information being reported, the need for the assurance engagement to be dynamic and iterative (akin to para 7 in ISA 315) and the wisdom of joining together of estimates and forward-looking information within the draft standard.
10. The PIOB observer noted that it was great to see the rapid progress and congratulated the Task Force and Staff for the excellent work performed. The PIOB observer was pleased to see the Board approve the ED and he noted that good questions have been identified to include in the EM, and that the outreach plan is impressive and well organised. The key challenge will be to identify and engage with non-accounting practitioners.

11. The IAASB Chair expressed a special thanks to Lyn Provost for her contribution to the development of the draft standard. Lyn was the Chair of the Sustainability Task Force until December 2022 when her term on the Board ended.

Next steps

12. The IAASB aims to release the ED at the end of July 2023/beginning of August 2023. The exposure period will then be from August 2023 through to January 2024. The IAASB aims to approve the final pronouncement in the period Dec 2024-March 2025, depending on progress post exposure draft.

Impact on the XRB

A key challenge for the XRB will be the due date of the submission which is likely to be the end of January 2024. Engagement and outreach activities during the exposure period will be important, with both accounting and non-accounting professionals.

Listed Entity and Public Interest Entity (PIE) project

13. In June 2022 the IAASB approved the ED for narrow scope amendments to ISA 700 (Revised) and ISA 260 (Revised) because of the revisions to the IESBA Code that require a firm to publicly disclose when it has applied the independence requirements for the audits of public interest entities (PIEs).
14. The ED had sought respondents' feedback to determine whether the auditor's report is an appropriate mechanism to enhance transparency about the relevant ethical requirements for independence applied for certain entities when performing an audit of financial statements of these entities.
15. At the June IAASB meeting the IAASB approved the final narrow scope amendments to ISA 700 (Revised) and ISA 260 (Revised).
16. Key amendments are:
 - i. When the auditor has applied the relevant ethical requirements for independence in their audits of certain entities, such as those for PIEs in the IESBA Code, and the auditor is required to publicly disclose this, there is a requirement to disclose this in the auditor's report.
 - ii. A requirement to communicate with those charged with governance (TCWG) that independence requirements specific to audits of financial statements of certain entities (for example PIEs) have been applied.
 - iii. When the auditor and management, or where appropriate, TCWG discuss (and agree) to apply independence requirements that are specific to audits of financial statements of PIEs in the audit engagement for a non-PIE, the auditor could encourage management to provide additional disclosures if necessary to mitigate the risk that the nature of the entity is misunderstood as being a PIE when it is not.
17. One board member voted against the approval. While acknowledging the limited scope of the amendments to ISA 700 (Revised) and ISA 260 (Revised), the

member does not believe it will provide useful information in the auditor's report, and that the added complexity will detract from the audit report. In his view an alternative mechanism would have been better.

Next Steps

18. The PIE track 2 project has been moved forward by 6 months, with a planned exposure period beginning at the end of January 2024, and planned approval in December 2024.

19. The objective of the PIE track 2 project is to achieve the best possible convergence between the definitions and key concepts underlying the definitions used in the revisions to the IESBA Code and the ISQMs and ISAs, to maintain their interoperability. This includes considering:

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

Impact on the XRB

To note the approval of the narrow scope amendments to ISA 700 (Revised) and ISA 260 (Revised). Should the XRB adopt the proposed amendment it will require auditors of the financial statements of PIEs in New Zealand to disclose in the auditor's report that independence requirements relating to the audits of financial statements of PIEs have been applied.

The XRB will also need to consider the changes to the timing of the PIE Track- 2 project, which has been brought forward by 6 months, and to plan accordingly.

The XRB should continue to monitor the IAASB's progress and identify any issues to raise with the IAASB.

Fraud

20. The IAASB considered the key changes in proposed ISA 240 (Revised)³ that are intended to promote consistent practice and change auditor behaviour in relation to the risk of material misstatement as a result of fraud, including the proposed conforming and consequential amendments to ISA 700 (Revised) and ISA 701 addressing transparency in the auditor's report.

21. The key changes in proposed ISA 240 (Revised) aimed at promoting consistent practice and changing auditor behaviour are:

- Auditor's responsibilities.
- Professional scepticism.
- Communications with management and those charged with governance.
- Risk identification and assessment.
- Fraud or suspected fraud, transparency in the auditor's report.

³ ISA 240(Revised), *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

- Documentation.

22. Overall, there was good progress on the draft standard which is on track for approval of the ED at the December IAASB meeting. Key matters discussed at the June 2023 meeting included the following:

- i. There were some mixed views about the need to duplicate requirements from other standards to provide a “hook” for application material on how to apply the fraud lens to each requirement. There was some concern that the draft standard currently provides too many duplicated requirements from other ISAs. Some members consider there is a need to clarify and strengthen the requirements, for example by lifting some of the application material to requirements, and not just repeating requirements from other ISAs. Another concern raised is whether some of the examples in the guidance are in effect requirements.
- ii. The IAASB Chair and Technical Director explained that the project proposal was to add a fraud lens to existing requirements in ISAs and to provide guidance to explain how that fraud lens applies, and not add too many extra requirements. The objective is to create the mindset for the auditor to be alert throughout the audit to risks of material misstatement as a result of fraud, and to respond appropriately.
- iii. The Board requested the Task Force to clarify that the examples are not requirements, and to further consider how best to bring in guidance about the fraud lens without adding too many extra requirements, or inadvertently changing the requirements in other ISAs. The Task Force will also consider where there may be unnecessary duplications from other ISAs.
- iv. Another theme raised by some members was the need to elevate management’s responsibility vs the auditor’s responsibility when fraud or suspected fraud is identified. The standard currently requires the engagement partner to first obtain an understanding of the nature, timing and extent of fraud or suspected fraud to determine the effect on the audit engagement, before reporting the matter to management. The Task Force will further consider the flow of the requirements and whether to bring in additional expectations of management, noting that there may be some risk in doing so.
- v. There was some confusion about the distinction between the terms of fraud/suspected fraud and alleged fraud. Greg also queried what is meant by allegations of fraud “by another party” as these words seem to be superfluous.
- vi. The IAASB was generally supportive of the reporting of fraud related matters using the KAM mechanism in the audit report. There was some concern about potential unintended consequences of the auditor being required to state that there are no fraud related KAMs (because auditors will be averse to doing so and will rather add a fraud reference into an existing KAM, such as revenue recognition). This was also an issue raised by the XRB’s technical reference group. The Task Force explained the rationale for that requirement is to drive the auditor to

communicate fraud related KAMs and to encourage communication, based on the audit procedures performed, of fraud related KAMs.

- vii. There was also some concern about including the fraud related KAMs within the KAM section of the audit report, and not within a separate fraud section. The IAASB Chair suggested asking for feedback in the explanatory memorandum (EM) about the placement of fraud related KAMs.

23. The PIOB observer noted the good discussion with the strong focus on clarifying and strengthening the requirements, with no push back to weaken the requirements, with further work to do. He further noted the importance of how the KAMs on fraud related matters will come through, and how fraud risks will be communicated. He supported the suggestion to include a question in the EM about the placement of fraud related matters in the audit report.

Next Steps

24. The IAASB will deliberate a revised draft in September, together with proposed conforming and consequential amendments, with an expected approval of the ED in December. Non-authoritative guidance will be developed afterwards.

Impact on the XRB

We have not identified any specific concerns to highlight to the XRB. The XRB should note the IAASB's intention to approve the ED in December, and accordingly to plan the XRB's work to follow its due process in exposing, performing outreach and adopting the standard in New Zealand. The IAASB's targeted milestones are for the exposure period to close in quarter one of 2024 and to complete the project in March 2025.

The biggest change proposed is the enhanced transparency requirements, using the KAM mechanism in the audit report, which are supposedly in response to what users want, whereas practitioners might be expected to be generally opposed to it.

The XRB should continue to monitor the IAASB's progress with the fraud project and identify any issues to raise with the IAASB, or as possible compelling reason changes for adoption in New Zealand. A decision will need to be made about whether the differential reporting requirements using the KAM mechanism would only apply to reporting entities where the auditor is required to report using KAMs, i.e. FMC reporting entities with a higher level of public accountability (keeping in mind the listed entity and PIE project and that differential requirements may be extended to PIEs as part of the PIE track 2 project).

Less Complex Entities (LCEs)

25. The IAASB considered a full draft of the proposed standard LCE standard (excluding Part 10, Group Audits) and conforming amendments, and provided feedback on the revisions made since the previous meetings.

26. The IAASB also discussed the way forward with respect to selected matters, including any areas of the standard that may cause an issue for transitioning from ISA for LCE to the International Standards on Auditing (ISAs).

27. Overall, it was a good discussion. There was general support for the proposed revisions, with mostly requests for further clarifications. A summary of the key matters discussed is as follows:

Proposed revisions to the Preface and Authority

28. There was overall agreement to allow use of the standard, to be adapted as necessary to an audit of a complete set of special purpose financial statements or an audit of a single financial statement or of a specific element, account, or item of a financial statement, if the entity is an LCE as set out in Part A of ISA for LCE.
29. The IAASB agreed not to address the requirements of ISA 810 (Revised)⁴ within the current project, as an engagement to report on summary financial statements would not be common for a typical LCE, other than in limited jurisdictions (for example in Canada), which would be able to develop jurisdictional specific requirements to address if necessary.
30. Several members queried the exclusion of entities that use service organisations and where the auditor relies on assurance reports on controls at the service organisation (Type 1 and Type 2 reports). It was noted that many small organisations use service organisations e.g., for payroll. The IAASB suggested to add further guidance about whether the way the auditors use such Type 1 and 2 reports (i.e., to get an understanding of or use as evidence) may determine if an entity is an LCE or not.
31. The Board agreed to delete the proposed amendment that the ISAs may provide additional guidance in relation to an audit performed in accordance with the ISA for LCE, with some members seeing it as a fatal flaw if not deleted.

Key comments on other parts of the draft standard

32. Members mostly requested additional essential explanatory material (EEM) to clarify some of the requirements. For example:
- the requirement to determine the legal and professional responsibilities in a case of fraud or suspected fraud, and what to do if management involved is the same as TCWG;
 - more guidance on setting materiality for not-for-profit entities;
 - to expand the guidance on when analytical procedures may be performed, for example, a meaningful analysis may be difficult to do before final adjustments are processed;
 - to include some of the guidance in ISA 315 (Revised 2019) on the use of commercial software accounting packages;
 - to clarify what needs to be documented about discussions among the engagement team;
 - to clarify how to incorporate an element of unpredictability to audit procedures, with a request for more practical examples to be added in an LCE context;

⁴ ISA 810 (Revised), *Engagements to Report on Summary Financial Statements*

- to clarify what is meant by a transition to using the ISAs or other standard as appropriate;
- to add more guidance about what the auditor should do when becoming aware of non-compliance with laws and regulations;
- to provide more guidance about what the effect would be on the audit where management does not provide a written representation as requested;
- to clarify what the auditor should do where management does not amend the financial statements for a subsequent event where the auditor believes they need to be amended, and the auditor's report has already been provided; and
- to explain what "on a timely basis" means in the requirement to assemble the final audit file.

33. Greg requested the Task Force to consider adding going concern to be treated as a significant risk, along with fraud risk, management override of controls and related party transactions, as going concern is likely to be a significant risk in an LCE context.

34. There was also a request to add documentation requirements for risk procedures.

35. The Board also discussed transitioning challenges and concerns raised regarding stakeholders' perception and acceptance of the ISA for LCE standard. The Board agreed that guidance is needed in the following areas:

- The nature of the standalone standard and authority
- Reporting, for example where the prior year was audited under a different standard
- Transitioning to ISAs mid-engagement
- Difference between the ISA for LCE and ISAs
- Engagement letters
- Implementation challenges

Next steps

36. In the July 2023 mid-quarter Board call the IAASB will discuss the responses to the Exposure Draft relating to Part 10, Audits of Group Financial Statements, and related recommendations (including proposed revisions to Part 10).

37. In September 2023, the Task Force will present to the IAASB for approval a full draft of the proposed ISA for LCE, with expected approval by the PIOB in December 2023 of the due process followed.

38. The Task Force will continue to consult with the LCE Reference Group and perform outreach with other stakeholders as relevant.

39. The PIOB observer noted that mostly clarifications are needed. He further noted that it is great that the nature of the standard and how it relates to the ISAs will be clarified and that the IAASB has recognised the importance of promoting the

use of the standard to stakeholders, recognising that more will be needed to be done.

Impact on the XRB

To note the targeted milestone for completion of the ISA for LCE standard is during the first half of 2024.

The XRB should continue to monitor the IAASB's progress and identify any issues to raise with the IAASB. The XRB will also need to consider, if it adopts ISA for LCE for use in New Zealand, whether it would set further quantitative thresholds for application of the standard, and what those would be⁵. The XRB should refer to the Supplemental Guidance, when available, and the examples included in the Authority⁶, to assist with this determination.

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

Future meetings

40. The next IAASB meeting is scheduled for 18-21 September 2023 in New York. A mid quarter board call has been scheduled for 26 July 2023 to discuss the ISA for LCE responses to the Exposure Draft relating to Part 10, Audits of Group Financial Statements, and related recommendations (including proposed revisions to Part 10).

⁵ Such a threshold could be, for example, to prohibit the use of the standard for audits of entities that report under tier 2 and above. (FMC reporting entities considered to have a higher level of public accountability and certain other PIEs in NZ are already scoped out of the standard)

⁶ The Authority, described in Part A of the standard, sets out the scope of the proposed standard.

NZAuASB Board Meeting Summary Paper

AGENDA ITEM NO. 4.1
Meeting date: 9 August 2023
Subject: Going Concern
Date: 26 July 2023
Prepared By: Sharon Walker

Action Required

For Information Purposes Only

Agenda Item Objectives

1. The objective of this agenda item is to:
 - Provide the Board with an update on outreach activities undertaken and key messages heard on proposed changes to the auditing standard on going concern; and
 - Obtain Board agreement on the key messages to include in the XRB submission to the International Auditing and Assurance Standards Board (IAASB).

Background

2. The international auditing standard on going concern was last revised in 2015 as part of the IAASB's project to revise the auditor reporting standards. Key enhancements at that time included:
 - Describing the respective responsibilities of those charged with governance and the auditor for going concern; and
 - The Introduction of a separate "Material Uncertainty Related to Going Concern" paragraph in the auditor's report when a material uncertainty exists and is adequately disclosed.
3. Corporate failures, conditions such as war and the global pandemic and more recently economic uncertainty have thrust going concern back into the spotlight. Key stakeholders are demanding enhanced transparency on going concern. Individual jurisdictions are undertaking their own standard setting activities with regard to going concern.
4. In early 2020 the IAASB commenced information gathering and research activities on going concern with its discussion paper¹ which explored the differences between public perceptions about the role of the auditor and the auditor's responsibilities in a financial statement audit. In addition, the IAASB undertook a post implementation review of its revised auditor reporting standards to help understand whether the revisions were being consistently understood and implemented.

¹ IAASB Discussion Paper, [Fraud and Going Concern in an Audit of Financial Statements](#)

5. The project objectives that support the public interest include enhancing or clarifying the extant going concern auditing standard to:
 - Promote consistent practice and behaviour and facilitate effective responses to identified risks of material misstatement related to going concern;
 - Strengthen the auditor’s evaluation of management’s assessment of going concern, including reinforcing the importance, throughout the audit, of the appropriate exercise of professional scepticism; and
 - Enhance transparency with respect to the auditor’s responsibilities and work related to going concern where appropriate, including strengthening communications and reporting requirements.
6. At the April 2023 meeting we presented the Board with an overview of the draft proposed revised international auditing standard on going concern. (Refer April 2023 Board Pack, agenda item 8.
7. The IAASB issued its exposure draft in late April, and we exposed it with proposed NZ modifications concurrently in New Zealand. The NZ consultation document and exposure draft are available [here](#).
8. Comments on the exposure draft are requested to the XRB by 31 July. The international comment period ends on 24 August.

Our outreach

9. Our outreach activities included:
 - A walk-through [webcast](#) of the proposed significant changes.
 - A discussion with XRAP at its July meeting.
 - A virtual feedback forum where we discussed in more detail the proposed changes and obtained feedback through polling and discussion. More than 30 participants, mostly practitioners, participated on the day.
 - A panel discussion, “getting the balance right” to explore the various perspectives – user/investor, preparer and auditor – on going concern. This in person breakfast event was facilitated by Greg Schollum, with an economic overview by Sharon Zollner (ANZ Chief Economist), and panellists, Karen Shires (PwC), Rachael Walsh (Board Director NZX) and Lance Wiggs (Director Punakaiki Fund). Invited guests included a range of practitioner, preparer, user, academic and lawyers, with an interest in the topic and around 40 attendees were present on the day.
10. The key messages we’ve heard in our outreach are summarised in agenda item 4.3 in the supplementary pack.
11. We have not yet received any formal written responses to the consultation, however we have received confirmation from a number of stakeholders that they intend to submit. We will include submissions received by the due date of 31 July in a late distribution to the Board.

Our draft response

12. Draft key messages to include in the XRB response to the international exposure draft are presented in agenda item 4.2 for discussion.

Action requested

13. We seek Board agreement on the key messages to include in the XRB submission to the International Auditing and Assurance Standards Board.

Material Presented

| | |
|-----------------|--------------------------------|
| Agenda item 4.1 | Board Meeting Summary Paper |
| Agenda item 4.2 | Staff draft response - outline |

Supplemental papers

| | |
|-----------------|------------------------------|
| Agenda item 4.3 | Going Concern – key messages |
| Agenda item 4.4 | Submissions received |

Staff draft response to

Proposed ISA 570 (Revised 202X) *Going Concern* and Proposed Conforming and Consequential Amendments to Other ISAs

Cover letter:

- Support the IAASB in its efforts to improve transparency around the auditor's responsibilities and work effort on going concern.
- Concern that users of the auditor's report may not have a full understanding of going concern. Consequently, the concluding statements on going concern may widen the expectation gap unless tempered with statements that the auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report and that future events or conditions may cause the entity to cease to continue as a going concern.
- Encouragement to continue to engage with the IASB and IPSASB to develop a system wide response to addressing going concern matters.

Responses to IAASB questions

Overall questions

1. Do you agree that the proposals in ED-570 are responsive to the public interest, considering the qualitative standard-setting characteristics and project objectives that support the public interest as set out in Appendix 1?

Response:

- Supportive of the intent of the IAASB to encourage enhanced reporting, in the public interest, through increased transparency in the auditor's report.

2. Do you believe that the proposals in ED-570, considered collectively, will enhance and strengthen the auditor's judgements and work relating to going concern in an audit of financial statements, including enhancing transparency through communicating and reporting about the auditor's responsibilities and work?

Response:

- Agree that the proposals in ED-570 will enhance and strengthen the auditor's judgements.
- Consider proposals will drive the auditor to clearly document their work on going concern.
- Will encourage consideration of going concern at an earlier stage in the engagement process.

3. Do you believe the proposed standard is scalable to entities of different sizes and complexities, recognising that general purpose financial statements are prepared using the going concern basis of accounting and that going concern matters are relevant to all entities?

Response:

- Agree that going concern matters are relevant to all entities.
- Support a risk-based approach to the auditor's work effort in relation to going concern.
- Possible question around extent of work effort for those entities that are clearly a going concern.

4. Do the requirements and application material of ED-570 appropriately reinforce the auditor's application of professional scepticism in relation to going concern?

Response:

- Agree that the requirements and application material of ED-570 do appropriately reinforce the auditor's application of professional scepticism in relation to going concern.

Specific questions

5. Do you support the definition of Material Uncertainty (Related to Going Concern)? In particular, do you support the application material to the definition clarifying the phrase "may cast significant doubt"?

Response:

- Supportive of a definition of material uncertainty in the final standard.
 - Consistency in meaning of key terms across both reporting and auditing standards will enhance consistent use and application by both preparers and auditors. While the auditing standard does not apply to the preparer, this will give the auditor a basis for discussion with the preparer.
- Seek further clarity around the distinction between material uncertainty vs significant doubt. This is a trigger point for audits of non-listed entities to further commentary in the auditor's report. The definition of material uncertainty is premised on the basis of significant doubt.

6. Does ED-570 appropriately build on the foundational requirements in ISA 315 (Revised 2019) in addressing risk assessment procedures and related activities, to support a more robust identification by the auditor of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern?

Response:

- Agree

7. Do you support the change in the commencement date of the twelve-month period of management's assessment of going concern, from the date of the financial statements (in extant ISA 570 (Revised)) to the date of approval of the financial statements (as proposed in paragraph 21 of ED-570)? When responding consider the flexibility provided in paragraphs 22 and A43–A44 of ED-570 in circumstances where management is unwilling to make or extend its assessment. If you are not supportive of the proposal(s), what alternative(s) would you suggest (please describe why you believe such alternative(s) would be more appropriate and practicable)?

Response:

- Yes, supportive of the change in commencement date for the twelve month period of management's assessment of going concern.
- Note that this is consistent with the extant requirement in NZ to assess twelve months from the date of the auditor's report.

8. Do you support the enhanced approach in ED-570 that requires the auditor to design and perform audit procedures to evaluate management's assessment of going concern in all circumstances and irrespective of whether events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern?

Response:

- Yes, supportive of the requirement to design and perform audit procedures to evaluate management's assessment of going concern in all circumstances.
- Management's assessment will differ depending on the risk to the entity. Clear guidelines to understand what type of work needs to be done depending on different scenarios would be helpful, e.g., for an entity for which there are no identified events or conditions that may cast significant doubt vs for an entity for which there may be a close call.

9. Does ED-570 appropriately incorporate the concepts introduced from ISA 540 (Revised) for the auditor's evaluation of the method, assumptions, and data used in management's assessment of going concern?

Response:

- Yes

10. Do you support the enhanced requirements and application material, as part of evaluating management's plans for future actions, for the auditor to evaluate whether management has the intent and ability to carry out specific courses of action, as well as to evaluate the intent and ability of third parties or related parties, including the entity's owner-manager, to maintain or provide the necessary financial support?

Response:

- Yes

11. Will the enhanced requirements and application material to communicate with those charged with governance (TCWG) encourage early transparent dialogue among the auditor, management and TCWG, and result in enhanced two-way communication with TCWG about matters related to going concern?

Response:

- Yes
- Suggest adding the words "on a timely basis" to the requirement to encourage early dialogue.

12. Do you support the new requirement and application material for the auditor to report to an appropriate authority outside of the entity where law, regulation or relevant ethical requirements require or establish responsibilities for such reporting?

Response:

- Yes

13. This question relates to the implications for the auditor’s report for **audits of financial statements of all entities**, i.e., to communicate in a separate section in the auditor’s report, under the heading “Going Concern” or “Material Uncertainty Related to Going Concern”, explicit statements about the auditor’s conclusions on the appropriateness of management’s use of the going concern basis of accounting and on whether a material uncertainty has been identified.

Do you support the requirements and application material that facilitate enhanced transparency about the auditor’s responsibilities and work relating to going concern, and do they provide useful information for intended users of the audited financial statements? Do the proposals enable greater consistency and comparability across auditor’s reports globally?

Response:

- We support the requirement to provide greater transparency about going concern through inclusion of a separate section in the auditor’s report. We expect this requirement will drive a voluntary response by the preparer to include additional disclosure on going concern, which in our view is a beneficial consequence of the proposal. Our user/investor stakeholders indicated that more information on going concern, whether provided by the preparer or auditor, would be beneficial.
- Our outreach elicited mixed reactions to the proposal to include a going concern paragraph in audit reports. Many respondents were of the view that including the going concern paragraph in all audit reports is unnecessary; that it would detract from circumstances where the auditor actually wants the reader to focus on going concern. Others were of the view that this really isn’t changing what the auditor does – the auditor is already making a conclusion on going concern as part of their overall conclusion on the financial statements.
- Concern that the conclusion on going concern may widen the expectation gap.
 - Concern that users do not understand going concern. The financial statements may include a statement that the financial statements have been prepared on a going concern basis, but there is no requirement to do so. Further, there is no explanation as to what it means for the financial statements to be prepared on a going concern basis, i.e., that going concern is focused on twelve months.
 - The going concern basis of accounting is appropriate unless management either intends to liquidate or cease trading or has no realistic alternative but to do so¹. To be considered a going concern the entity needs only to be able to continue in operation for the next twelve months.
- It needs be clear that auditors are not guaranteeing the future viability of the entity. From time to time companies will collapse and in some circumstances that collapse can be rapid.

¹ NZ IAS 1, paragraphs 25-26

- In describing the auditor’s responsibility for going concern, the auditor’s responsibility section of the auditor’s report includes statements that,
 - The auditor’s conclusions are based on the audit evidence obtained up to the date of the auditor’s report;
 - Future events or conditions may cause the entity to cease to continue as a going concern”

Including a similar statement in the required going concern or material uncertainty paragraph may help to remind users of the limitations of the auditor’s conclusion on going concern. Such a statement may be particularly appropriate when the auditor’s responsibilities section of the auditor’s report is included by reference.

14. This question relates to the additional implications for the auditor’s report for **audits of financial statements of listed entities**, i.e., to also describe how the auditor evaluated management’s assessment of going concern when events or conditions have been identified that may cast significant doubt on the entity’s ability to continue as a going concern (both when no material uncertainty exists or when a material uncertainty exists).

Do you support the requirements and application material that facilitate further enhanced transparency about the auditor’s responsibilities and work relating to going concern? Should this be extended to also apply to audits of financial statements of entities other than listed entities?

Response:

- Support the proposed requirements for listed entities. Feedback referred to this as repackaging of current requirements.
- Mixed reactions to extending the requirement to apply to all audits. Outreach indicated a fairly even split for and against. Going concern is an issue that affects all entities but existing KAMs are time consuming for the auditor. For non-listed entities the user may already have greater access to information. Inclusion of differential requirements for listed entities is premised on the basis that the information is not accessible for users.
- On balance, we support the proposal to limit the application of the differential requirements to listed entities.

15. Is it clear that ED-570 addresses all implications for the auditor’s report relating to the auditor’s required conclusions and related communications about going concern (i.e., not in ISA 701 or any other ISA)? This includes when a material uncertainty related to going concern exists or when, for audits of financial statements of listed entities, events or conditions have been identified that may cast significant doubt on the entity’s ability to continue as a going concern but, based on the audit evidence obtained, the auditor concludes that no material uncertainty exists.\

Response:

- Agree

16. Are there any other matters you would like to raise in relation to ED-570? If so, please clearly indicate the requirement(s) or application material, or the theme or topic, to which your comment(s) relate?

Editorial:

Consistency of drafting. Conforming amendment to ISA 540, para A75, change about to on in third line

Request for general comments

17. The IAASB is also seeking comments on the matters set out below:

Translations – Recognising that many respondents may intend to translate the final ISA for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in review the ED-570

Effective Date - Given the need for national due process and translation, as applicable, and the need to coordinate effective dates with the fraud project, the IAASB believes that an appropriate effective date for the standard would be for financial reporting periods beginning approximately 18 months after approval of a final standard. Earlier application would be permitted and encouraged. The IAASB welcomes comments on whether this would provide a sufficient period to support effective implementation of the ISA?

Response:

We have no comment on translation matters.

We support the proposal to coordinate the effective date with the fraud project.

NZAuASB Board Meeting Summary Paper

AGENDA ITEM NO. 5.1

Meeting date: 9 August 2023

Subject: Sustainability Assurance

Date prepared: 28 July 2023

Prepared by: Karen Tipper

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Agenda Item Objective

1. The objective of this agenda item is for the Board to approve the draft XRB consultation document including the planned outreach.

Recommendations

2. We recommend the NZAuASB:
 - **CONSIDER** whether the consultation document, including scope and timing and questions to be asked, is appropriate and whether there are other areas that should be included.

Background

3. ED ISSA 5000 is due to be issued by the IAASB on 2 August 2023 with submissions due to the IAASB by 1 December 2023.
4. ED ISSA 5000 has been written to be a standalone, profession agnostic umbrella assurance standard for all sustainability information. The definition of sustainability matters covers a broad range of reporting, covering environmental, social, economic, and cultural matters. It may also include information about the sustainability impacts of an entity's activities, products and services or the sustainability impacts on an entity. The IAASB intends to issue specific additional sustainability standards to become part of the ISSA suite in due course.
5. There is no legislative requirement for sustainability assurance in New Zealand currently. Sustainability engagements can be performed under ISAE (NZ) 3000 and in practice, these are often completed for a part of a sustainability report that would have been prepared under a variety of various frameworks (including GRI and Sustainable Development Goals).

Matters to consider

6. Our usual due process¹ is to expose an IAASB exposure draft in New Zealand with the intent to adopt it unless there are compelling reason changes for the New Zealand context. Issuing the ED ISSA 5000 for consultation in New Zealand, would usually signal that the XRB would be

¹ EG Au2 *Overview of Auditing and Assurance Standard Setting Process*

planning to adopt this standard once issued. The AUASB has indicated that they are intending to consult on ED ISSA 5000 and adopt once issued.

7. ISO has also announced that they are in the process of drafting a new standard on the verification and validation of sustainability information. This standard is expected to be issued in the same timeframe as ED ISSA 5000, with the expected date for the final standard being 31 December 2024.
8. Sustainability assurance is not currently mandatory in New Zealand. MBIE and MfE have consulted on extending mandatory assurance to the full climate statements. There are a range of other sustainability reports some of which may be voluntarily assured. So at this stage the exposure draft would apply to voluntary assurance. We are not aware of any current plans to make broader sustainability assurance mandatory in New Zealand.
9. Staff recommend that the XRB expose ED ISSA 5000 for consultation after the exposure draft is published by the IAASB. In that consultation, in an exception to our policy, we are not presupposing that the XRB is going to automatically adopt the standard once issued. The exposure of the standard at this time is to facilitate comments to the IAASB and to inform our decision on if we adopt it.
10. ED ISSA 5000 requires compliance with either the IESBA code or the ISQM 1 quality management requirements (issued in New Zealand as PES 1 and 3) or standards that are at least as demanding as those standards. Application material explains that other requirements are at least as demanding when they address:
 - a. the requirements of ISQM 1 and impose obligations to achieve the objective of ISQM 1.
 - b. the matters referred to in the relevant sections of the IESBA Code and impose obligations that achieve the aims of the requirements set out in the IESBA Code related to such engagements.
11. The IAASB discussed that regulators and national standard setters share the responsibility for determining what may be considered “at least as demanding” in their respective jurisdictions
12. The key comms messages included in the draft consultation document for approval include:
 - a. The XRB is consulting on ED ISSA 5000 to provide feedback to the IAASB.
 - b. The XRB acknowledge that sustainability assurance is currently being performed by a range of practitioners. The outreach will engage a range of competent and independent sustainability assurance practitioners from various professions to obtain a wide range of views.
 - c. The XRB wants to learn from these practitioners during the outreach period to determine whether this standard may be fit for purpose for adoption in New Zealand.
13. It is recommended that this exposure period be from August to 31 October 2023. This consultation period will allow for sufficient time for adequate outreach and to obtain the views from the wide range of practitioners that would need to be consulted on this standard. We will promote awareness of the ED through outreach events. The key comms messages will be agreed with Comms and be reiterated through various channels.

Material Presented

- Agenda Item 5.2 – Draft XRB Consultation Document
- Agenda Item 5.3 – ED ISSA 5000 to be provided to the Board as a late paper when issued

Sustainability Assurance

ISSA 5000

DRAFT Consultation document

August 2023

Consultation closes 31 October 2023





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PART ONE: Introduction





1.

What are we consulting on?

Sustainability reporting is becoming increasingly more important to businesses. Entities are providing more details of their sustainability initiatives and their economic, environmental, social and cultural impacts as a response to consumer and investor demand. Trust and confidence in this reporting is a key issue for many stakeholders, including investors, as the reporting is currently being undertaken using a variety of frameworks and is often not subject to third party independent assurance. Stakeholders are increasingly demanding assurance over sustainability information and mandatory requirements have been proposed in other jurisdictions, including the European Union.

In response, the International Auditing and Assurance Standards Board (IAASB) has issued for public comment Exposure Draft Proposed International Standard on Sustainability Assurance (ISSA) 5000: *General Requirements for Sustainability Assurance Engagement*. The IAASB is planning an extensive outreach programme to obtain the views of all sustainability professionals during the comment period.

At this stage, the XRB is not yet proposing to adopt this standard. This consultation is different to our usual approach of exposing an IAASB Exposure Draft, for adoption in New Zealand and to identify any compelling reason changes. Instead, we have prepared specific NZ questions to inform our standard setting policies into the future, and to learn from practitioners, to determine whether we would adopt this standard in New Zealand.

The aim of this consultation document is to:

- Inform the XRB's engagement with the IAASB
- Inform the XRB's submission to the IAASB
- Provide you with information about ISSA 5000 ED
- Seek your feedback about the applicability of this ED for sustainability assurance in New Zealand and the ability of a broad range of assurance practitioners to apply its requirements .

This consultation document should be read in conjunction with the IAASB Explanatory Memorandum and Exposure Draft ([link to be inserted](#)).



2.

How can you contribute?

Responding to consultation questions

We are seeking comments on the questions raised in the IAASB explanatory memorandum and this consultation document. We will consider all comments received. Your feedback on the IAASB ED will be used inform both the XRB’s engagement with the IAASB and the XRB’s submission to the IAASB.

Please feel free to comment on any, or all, of the questions.

We appreciate both formal and informal comments, whether supportive or critical, as both supportive and critical comments are essential for us to reach a balanced view.

Comments are most helpful when they refer to specific paragraphs, include the reasons for the comments, and make specific suggestions for any proposed changes to wording.

We will put all written submissions on our website unless requested otherwise, and we reserve the right not to publish defamatory submissions.

Making a submission

Submissions on this consultation can be provided via any of the avenues below:

- On our ‘Open for Comment’ page on our website
- Asking questions and providing comments at our events in September and October
- Emailing us: assurance@xrb.govt.nz
- Sending a letter to: External Reporting Board, PO Box 11250, Manners St Central, Wellington 6142

The consultation closes on **31 October 2023** and our submission to the IAASB is due on **1 December 2023**

Figure 1: Timeline





PART TWO: **Overview of the proposals**



3.

Key proposals on Sustainability Assurance

3.1 Proposed IAASB ED ISSA 5000

The IAASB's project to issue ED ISSA 5000 has been undertaken to:

- respond to the public interest need for a timely standard that supports the consistent performance of quality sustainability assurance engagements;
- Be suitable across all sustainability topics, information disclosed about those topics, and reporting frameworks; and
- To be profession agnostic and able to be implemented by all assurance practitioners.

ED ISSA 5000 has been developed as a standalone umbrella assurance standard to assure all sustainability information. The IAASB intends to issue subject matter specific standards to sit under ED ISSA 5000 as needed.

ED ISSA 5000 is built on the following principles:

- Existing IAASB standards including ISAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, ISAE 3410 *Assurance Engagements on Greenhouse Gas Statements*, and relevant ISAs.
- It requires compliance with either the IEBSA code or the ISQM 1 quality management requirements (issued in New Zealand as PES 1 and PES 3) or standards that are at least as demanding as those standards.
- Assurance will be performed to a limited or reasonable level.
- Engagements purely for greenhouse gas assurance will continue to be performed under ISAE 3410 *Assurance Engagements on Greenhouse Gas Statements*.

In New Zealand, NZ SAE 1 issued by the XRB in August 2023 also allows the use of ISO 14064-3: 2019 *Greenhouse gases – Specification with guidance for the verification and validation of greenhouse gas statements*.



For a more detailed understanding of the significant matters refer to the [\(link to the IAASB consultation document to be inserted once issued\)](#).

3.2 New Zealand specific considerations

There is currently no requirement for mandatory assurance of sustainability information in New Zealand. MBIE and MfE have consulted on extending mandatory assurance to the full climate statements. There are a range of other sustainability reports some of which may be voluntarily assured, and this exposure draft would apply to voluntary assurance. We are not aware of any current plans to make broader sustainability assurance mandatory in New Zealand.

The XRB acknowledges that sustainability assurance is currently being performed by a range of practitioners. The XRB wants to engage with all competent and independent sustainability assurance practitioners from various professions to obtain a wide range of views.

By issuing this ED ISSA 5000, the XRB wants to obtain practitioners views to inform:

- The XRB's engagement with and submission to the IAASB, and
- Whether ED ISSA 5000 is fit for purpose for sustainability assurance in New Zealand and whether XRB should look to adopt this standard once issued.

The following table contains the New Zealand specific questions that we want to consult on for this standard.

| Proposed Consultation Questions | Context |
|--|--|
| <p>What sustainability assurance engagements do you currently perform?</p> <p>What assurance standards do you currently use to perform sustainability assurance engagements?</p> <p>Do you believe that there is a current gap in the New Zealand assurance standards and that a standard for sustainability assurance is required?</p> <p>If yes, do you support the adoption of this exposure draft in New Zealand?</p> <p>If not, why not? What alternative approach would you recommend?</p> | <p>In New Zealand, there is currently a mandatory requirement for companies to report on climate-related risks and opportunities in line with the XRB's Climate Statements. There is no requirement for the statements (other than the greenhouse gas disclosures – assured under NZ SAE 1) to be assured.</p> |
| <p>Are there any types of sustainability-related assurance engagements where you expect it would be difficult to apply the requirements in ED-5000 if requested to provide assurance? If so, please provide specific details of what challenges you envision would arise, and how the requirements in ED-5000 could be tailored to address those challenges?</p> | <p>There is currently no requirement for mandatory sustainability assurance in New Zealand.</p> |

| Proposed Consultation Questions | Context |
|---|---|
| <p>What quality management requirements does your assurance organisation apply when performing sustainability assurance engagements?</p> <p>Do you consider these requirements to be at least as demanding as PES 3?</p> <p>Do you consider the requirements are more extensive than PES 3? If yes, in what way?</p> <p>What barriers do you believe exist to applying PES 3 or requirements that are at least as demanding?</p> <p>What would assist you in order to meet a requirement to apply PES 3 or requirements at least as demanding?</p> <p>Do you believe the requirements for Quality Management (at least as demanding as the ISQM 1) in the Standard are clear and could be applied by your organisation. If not, what would you need in order to apply the principles?</p> | <p>ISQM 1 (issued in New Zealand as PES 3) is the Quality Management standard for Assurance Practitioners. This standard is required to be applied by the financial assurance profession and is applicable to both the assurance practitioner and assurance organisation. We expect sustainability assurance to be performed by a wide range of practitioners who may not be familiar with the requirements of PES 3 and may be operating under different established standards, assurance regimes and quality management standards.</p> |
| <p>What ethical and independence requirements do you apply when performing sustainability assurance engagements?</p> <p>Do you consider these requirements to be at least as demanding as PES 1?</p> <p>Do you consider the requirements are more extensive than PES 1? If yes, in what way?</p> <p>What barriers do you believe exist to applying PES 1 or requirements that are at least as demanding?</p> <p>What would assist you in order to meet a requirement to apply PES 1 or requirements at least as demanding?</p> <p>Do you believe the requirements for Ethical Requirements (at least as demanding as the IESBA code) in the Standard are clear and could be applied by your organisation. If not, what would you need in order to apply the principles?</p> | <p>The IESBA Code (issued in New Zealand as PES 1) is the Ethical standard for Assurance Practitioners. This standard is required to be applied by the financial assurance profession and is applicable to both the assurance practitioner and assurance organisation. We expect sustainability assurance to be performed by a wide range of practitioners who may not be familiar with the requirements of PES 1 and may be operating under different established and ethical standards.</p> <p>The IESBA is currently undertaking a project to develop ethical standards for all sustainability assurance professionals and more information can be found on their website (https://www.ethicsboard.org/consultations-projects/sustainability).</p> |
| <p>Do you believe the terminology in ED-5000 is sufficiently clear? If not, please identify which terms are unclear and provide suggestions for alternatives.</p> | <p>Please identify any terminology that is unclear. We are interested in what terms are unclear for a range of practitioners. Especially, in light of, application by a range of practitioners with a range of differing financial and non-financial assurance backgrounds</p> |

DRAFT

NZAuASB Board Meeting Summary Paper

AGENDA ITEM NO. 6.1

Meeting date: 9 August 2023

Subject: GHG Assurance – Additional Guidance

Date prepared: 28 July 2023

Prepared by: Nimash Bhikha

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Agenda Item Objective

1. The objective of this agenda item is for the Board to approve draft non-authoritative guidance to support adoption of NZ SAE 1: *Assurance Engagements over Greenhouse Gas Emissions Disclosures*. and to discuss plans for any additional guidance that may be needed.

Background

2. NZ SAE 1 is due to be released in August 2023. The first year of greenhouse gas (GHG) emissions disclosures which will be subject to mandatory assurance under NZ SAE 1 is for the year ended 31 December 2024.
3. NZ SAE 1 applies to all independent, competent assurance practitioners. It is a principles-based standard that leverages off different international standards so there may be a risk that practitioners may interpret or apply the principles inconsistently.
4. To aid practitioners in understanding and applying these principles, we have developed non-authoritative guidance on the key areas where we believe that there could be inconsistencies in application. We have also included a plan to develop further GHG guidance in other areas.
5. We will continue to issue non-authoritative guidance, as needed, if significant feedback is received around a particular aspect of the standard.

Matters to consider

6. The guidance developed is not intended to be exhaustive but rather includes case studies to highlight the application of the underlying principles within NZ SAE 1, which could be applied to other situations where relevant, and emphasises the need for professional judgement.

NZ SAE 1 Transitional Provision Guidance (Agenda Item 6.2)

7. When finalising the transitional provision within NZ SAE 1, it was agreed that guidance would be beneficial to assist in consistent application of professional judgement.
8. We have prepared a short guidance document which outlines an example of how to apply the transitional provision and matters assurance practitioners could consider in that situation.

GHG Independence Guide (Agenda Item 6.3)

9. Feedback noted that further guidance was needed around independence, given NZ SAE 1 allowed for compliance with varying ethical frameworks, rather than the XRB's PES standards. We note that some practitioners may not be as familiar with all types of threats that need to be evaluated when assessing independence.
10. We have developed supplementary guidance around the principles of independence, to provide examples of potential threats. This has been limited to examples which are expected to be common throughout the GHG assurance regime and which should be considered by assurance practitioners when evaluating their independence.

NZ SAE 1 Illustrative Assurance Reports (Agenda Item 6.4)

11. We are conscious of the feedback received around the confusion which would be created by differing assurance reports and comments around providing assurance reporting templates for engagements completed under ISAE (NZ) 3410, and ISO 14064-3: 2019.
12. We have prepared illustrative assurance reports template around unmodified mixed assurance and modified mixed assurance conclusions, which integrates the varying reporting requirements of NZ SAE 1 and either ISAE (NZ) 3410 or ISO 14064-3: 2019.

Plan for further GHG Guidance (Agenda Item 6.5)

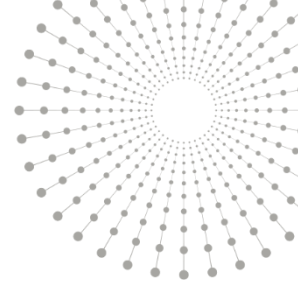
13. We plan to prepare more guidance in specific areas to further assist practitioners in applying the principles of NZ SAE 1. This plan has been prepared as an internal planning document only.
14. The areas for further guidance have been determined based on the questions and requests for guidance we have received from practitioners throughout the development of NZ SAE 1.

Recommendations

15. We recommend the NZAuASB:
 - **APPROVE** the non-authoritative guidance attached at agenda items 6.2 - 6.4, subject to formatting and presentational updates.
 - **DISCUSS** the scope of the proposed draft GHG guidance plan and **CONSIDER** whether there are other areas where guidance would be beneficial to support NZ SAE 1.

Material Presented

- Agenda Item 6.2 – NZ SAE 1 Transitional Provision Guidance
- Agenda Item 6.3 – GHG Independence Guide
- Agenda Item 6.4 – NZ SAE 1 Illustrative Assurance Report Requirements
- Agenda Item 6.5 – Plan for further GHG Guidance



NZ SAE 1: Assurance Engagements over Greenhouse Gas Emissions Disclosures

Non-Assurance Services Transitional Provision Case Study

Background and Context:

- The XRB must find a balance between New Zealand having a shortage of assurance practitioners who can perform GHG assurance engagements, and overall trust and confidence in the GHG assurance regime to provide relevant and reliable information for decision-making purposes.
- Assurance practitioners, and assurance organisations, may have provided non-assurance services relating to GHG information in 2022 or 2023, before they became assurance practitioners for a climate reporting entity. This work *might possibly* create a self-review threat to the 2024 GHG disclosures, when mandatory GHG assurance is required.
- As a result, practitioners who might have provided non-assurance services in 2022 or 2023 in good faith, prior to NZ SAE 1 applying, might have already created a possible self-review threat to the 2024 GHG disclosures. Such a self-review threat cannot be mitigated under NZ SAE 1 and assurance organisation would not be able to perform assurance engagement for those climate reporting entities under NZ SAE 1.
- The XRB cannot introduce retrospective requirements within secondary legislation, and we do not want to preclude assurance practitioners from this regime upon adoption or subsequently in the future, because of services provided before, prior to knowing that these services may impact on their ability to operate in the GHG assurance regime.

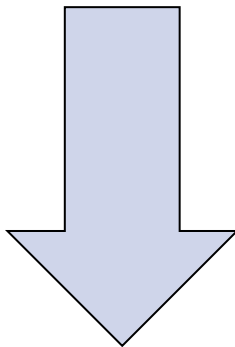
Transitional Provision:

- The XRB has developed a transitional provision specifically for the GHG assurance regime. The transitional provision means that non-assurance services provided for periods ending 31 December 2023 can continue to be provided under the original engagement terms, and that the provision of these services, in itself, does not prohibit that practitioner from performing the assurance engagement for 31 December 2024 onwards.
- However, practitioners need to self-assess whether non-assurance services provided in the past create an independence threat to the 2024 assurance engagement. If they do, then they shall:
 - Determine safeguards to eliminate or mitigate those threats to an acceptable level;
 - Document their considerations of threats and safeguards;
 - Discuss the threats and safeguards this with those charged with governance of the client, and
 - Disclose the existence of these services in their assurance report.
- If a practitioner cannot mitigate threats to an acceptable level, then they cannot accept the assurance engagement under NZ SAE 1.
- Non-assurance services for periods after 31 December 2023 are outside the scope of the transitional provision, and if the provision of those services might create a possible self-review threat, then they are prohibited.

GHG non-assurance services:

- GHG assurance practitioners are required to apply the high independence bar set in NZ SAE 1 from its application date, which prohibits assurance practitioners from preparing and then assuring the GHG information. The transitional provision is only relevant to services provided in the lead up to the mandatory assurance regime.
- Examples of the types of non-assurance services that might be provided in the lead up to the mandatory assurance regime, in increasing order of likelihood or risk of causing a possible self-review threat are:

**Possible
GHG Non-
Assurance
Services**



Advice on how to measure particular emissions, including methodologies to use, and how to capture source data or on appropriate disclosures to meet the standards requirements.

It is not the XRB's intention to prohibit advice, however assurance practitioner's need to be cautious that they do not assume a management responsibility when providing advice, which is prohibited under NZ SAE 1.

Provision of IT tool such as a database of emissions information that categorises and quantifies emissions from pre-loaded factors.

Design and implementation of IT systems to capture source data, and calculate emissions.

Developing be-spoke emission factors to quantify the emissions.

Calculating financed emission across the full value-chain.

This guidance:

- To aid practitioners in understanding the principles of NZ SAE 1, and to help practitioners apply these principles in a manner consistent with the XRB's intentions, we have outlined a specific case study where there is a risk of inconsistencies in application which could impact on trust and confidence within the GHG assurance regime.
- The case study, focussing on when an assurance organisation has provided an IT tool around GHG measurement, illustrates when the transitional provision may apply and outlines the steps that an assurance practitioner would need to consider when assessing their independence.
- There are many different scenarios which an assurance organisation and practitioner may face when entering the mandatory GHG assurance regime. The XRB cannot provide case studies of every situation. The assurance organisations and practitioners are required to apply professional judgement to ensure the transitional provision principles are appropriately applied.

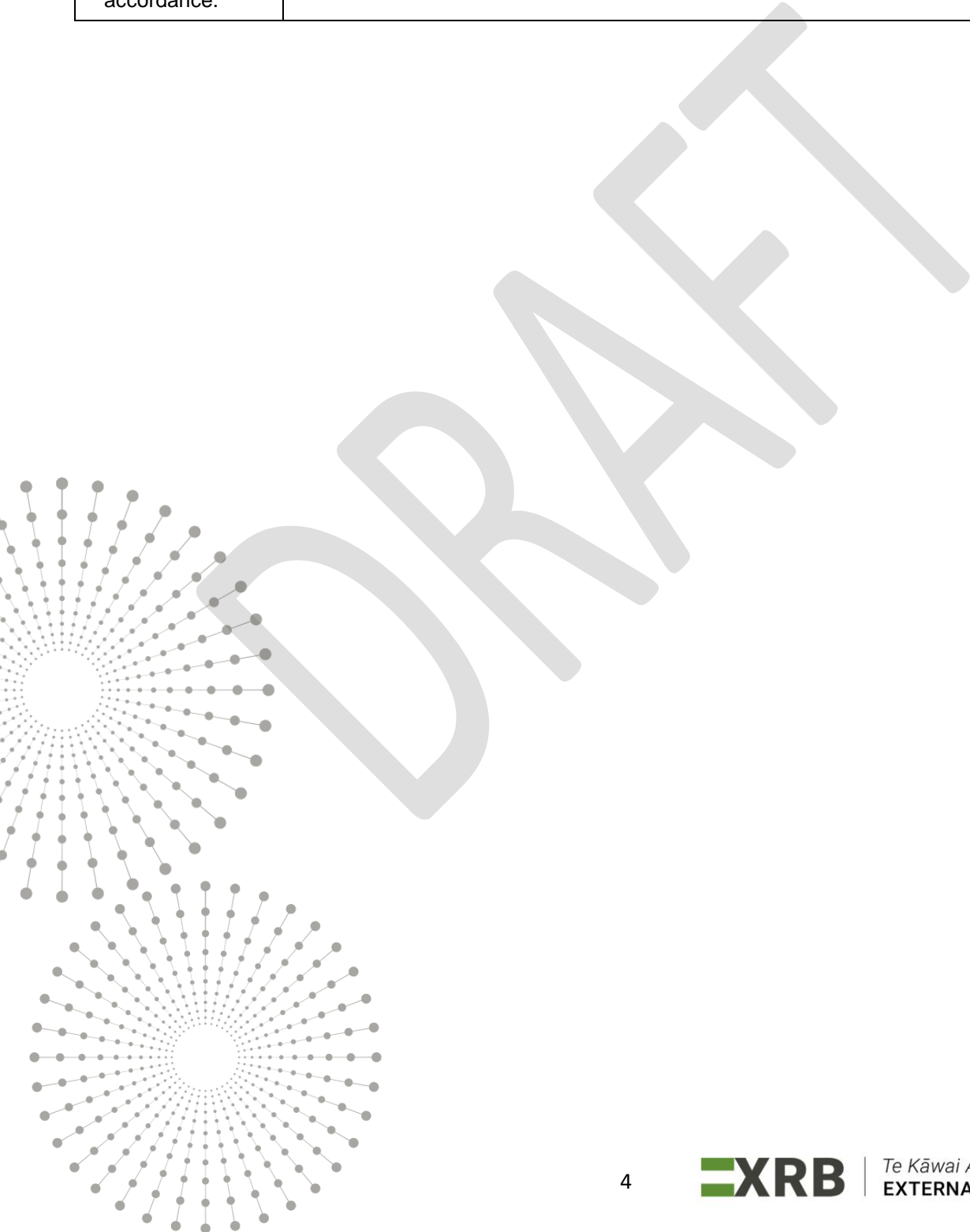
Case Study

The assurance firm provides an IT tool which aids management in calculating their GHG emissions, by applying pre-determined emission factors to inputs entered by management for use in the December 2022 and 2023 reporting periods. The assurance practitioner intends to provide assurance for the period ending 31 December 2024.

Steps which an assurance practitioner should take when utilising the transitional provision within NZ SAE 1

| | |
|--|---|
| <p>Apply professional judgement to assess independence threats arising from the non-assurance services provided in the past.</p> | <p>The practitioner would need to use professional judgement to evaluate potential independence threats resulting from the IT tool provided in previous reporting periods. This should involve an assessment of the nature of the IT tool and how this will impact on the current year GHG disclosures, as this will inform which types of independence threats exist, which may include self-review, self-interest, and familiarity threats:</p> <p>Examples of relevant specific considerations may include:</p> <ul style="list-style-type: none"> - The materiality of the emissions which are calculated through the IT tool. - The fees charged for the non-assurance services in the past and whether this impacts on the assurance practitioners' judgements. - The level of reliance management place on the IT tool when preparing the 2024 disclosures, and whether there have been significant changes in management's processes. - Evaluating whether management has the appropriate skills, competence, and experience to take responsibility for the current year GHG disclosures. - Assessing which members of the assurance organisation performed the non-assurance services around implementing and maintain the IT tool, and whether the assurance team could objectively challenge the outputs from that tool. - How a reasonable informed third-party would assess the situation, and what independence risks they would perceive an assurance practitioner to be faced with. |
| <p>Apply professional judgement to apply safeguards to eliminate or reduce identified threats to an acceptable level.</p> | <p>If the practitioner believes the identified independence threats can be mitigated or eliminated through safeguards, then the practitioner will then need to use professional judgement to implement those safeguards. All independence threats must be appropriately mitigated to an acceptable level to allow for the practitioner to remain independent. Where the practitioner identifies threats which cannot be mitigated to an acceptable level, then they must not accept the assurance engagement.</p> <p>Example of safeguards which may be appropriate could include:</p> <ul style="list-style-type: none"> - Noting whether the prior year disclosures prepared by the IT tool, had been voluntarily assured by an independent third-party and if so, the type of conclusion expressed. - Where the non-assurance services were performed by a different division of the assurance organisation, establishing processes to segregate the non-assurance team from the assurance team. - Using additional assurance practitioners on the engagement, who have not been previously involved, to specifically challenge historical judgements. - Appointing an additional appropriate reviewer, who has not been involved in past engagements with the client, to review the work performed. - Holding a pre-issuance partner panel to review the assurance conclusion and to specifically consider the how the safeguards have been implemented, - Requesting written representations from those charged with governance specifically around critical judgements within the GHG assurance engagement to ensure they have taken responsibility for these judgements without unintentional reliance on the non-assurance services provided in the past. |
| <p>Prepare documentation around independence considerations.</p> | <p>If the assurance practitioner concludes that appropriate safeguards to mitigate the identified independence threats can be implemented, then the assurance practitioner will need to document their considerations of the threats created from this situation, and the nature and timing of the safeguards applied, and ensure this documentation is retained on the GHG assurance file.</p> |

| | |
|--|---|
| <p>Discuss these threats, and actions, with those charged with governance of the assurance client.</p> | <p>The assurance practitioner will need to discuss their independence considerations including identified threats and safeguards, with those charged with governance, to ensure they are aware of the threats and can consider this matter as part of their GHG assurance provider appointment processes.</p> |
| <p>Disclose the services with the assurance client in the assurance report in accordance.</p> | <p>Once the assurance practitioner completes the GHG assurance engagement, as part of preparing their final assurance report, the assurance practitioner will need to disclose the historical non-assurance services provided, including their nature and timing, within the assurance report.</p> |



Independence Considerations for Greenhouse Gas Assurance Practitioners

Non-Authoritative Guidance to NZ SAE 1: Assurance
Engagements over Greenhouse Gas Emissions Disclosures

Issued XXX 2023

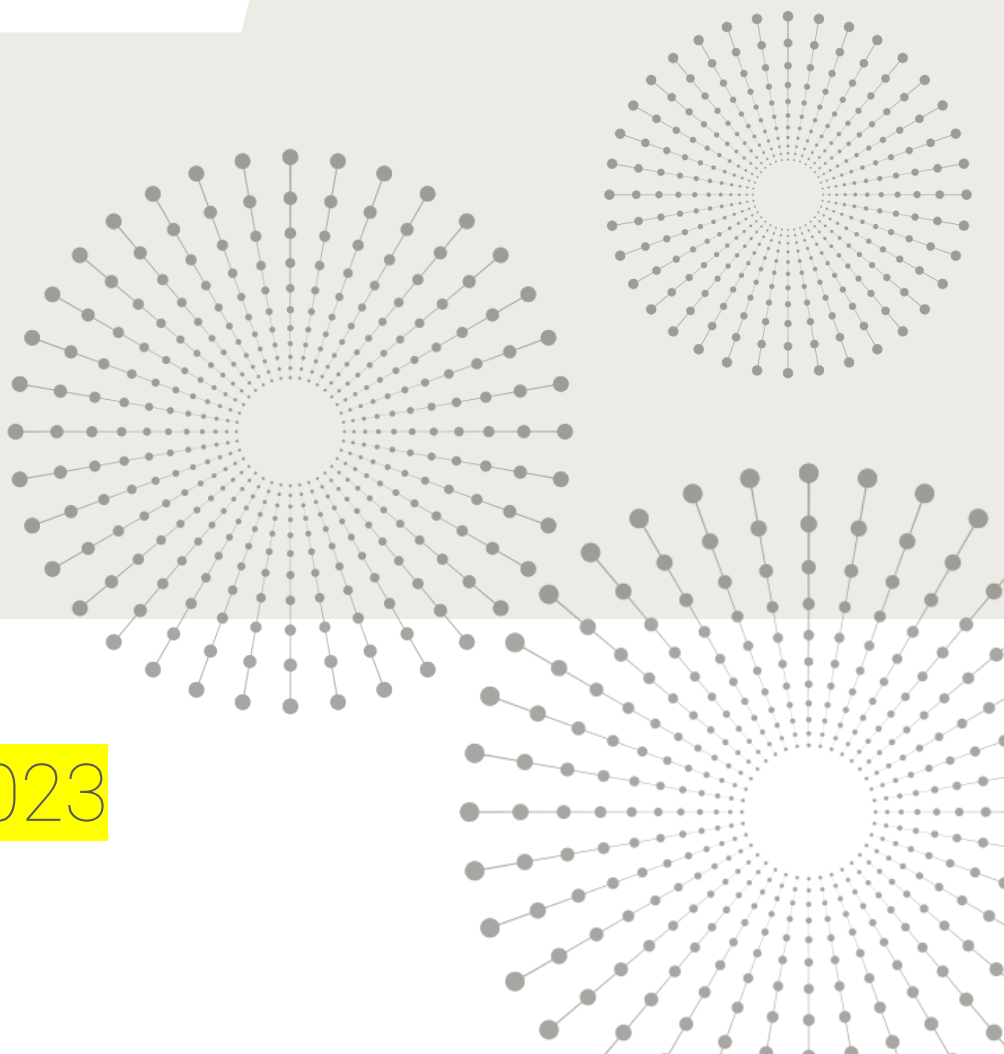
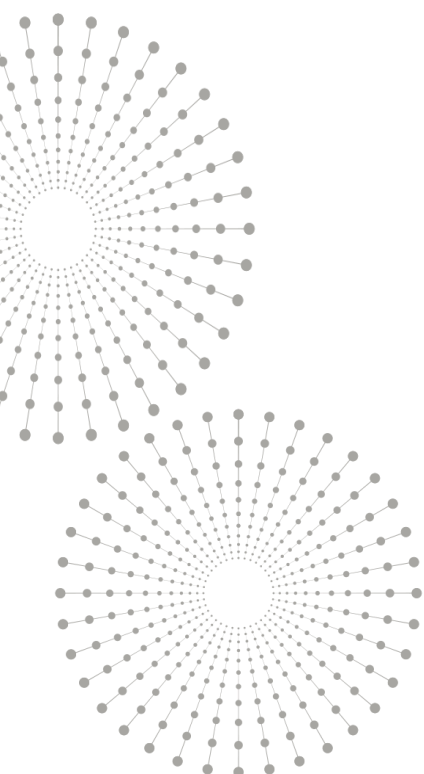


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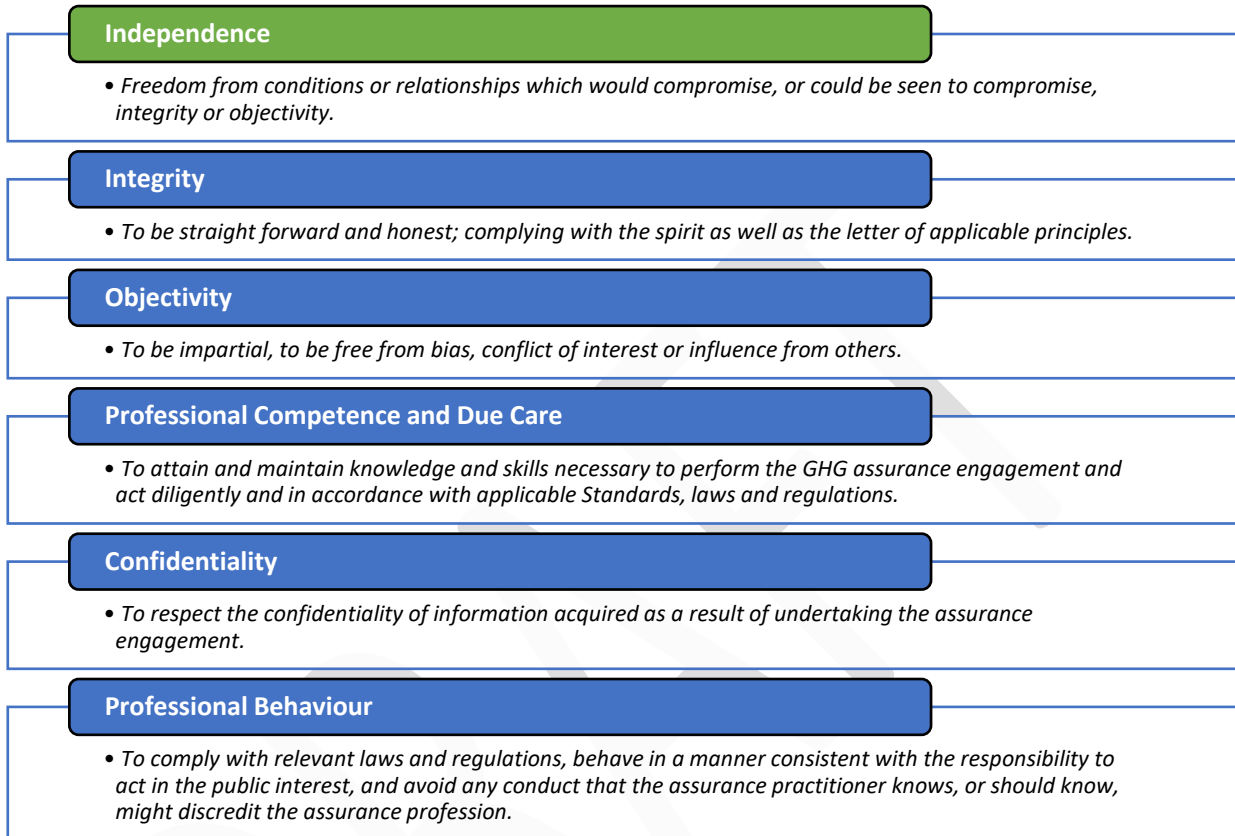
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1. PURPOSE OF THIS INDEPENDENCE GUIDE

Fundamental Principles

NZ SAE 1: *Assurance Engagements over Greenhouse Gas Emissions Disclosures* requires assurance organisations and assurance practitioners who provide Greenhouse Gas (GHG) assurance services to comply with the following fundamental principles:



Independence is essential to GHG assurance

Independence of the assurance organisation, and assurance practitioners, is key in the process of building trust, confidence, and stability in the capital markets. While all these fundamental principles are inter-related and important for high quality assurance engagements, independence in both mind and appearance, is paramount.

GHG assurance providers may encounter situations or relationships which could threaten their ability to act independently or be seen by the outside world to act independently. Assurance organisations and practitioners need to continuously evaluate their independence, as this is one of the most important judgements an assurance organisation and practitioner will need to make throughout the assurance engagement.

Non-authoritative independence guidance

As the mandatory GHG assurance regime is relatively new, and open to all competent and independent assurance organisations and practitioners, we acknowledge that the terminology used in the XRB's standards may not be familiar to all practitioners. Different professions may use different terminology when examining independence (for example: certain independence concepts may be similar, but not identical, to the concept of "impartiality" in other professions) and the associated threats to independence, and it is important for practitioners look past the words and focus on applying the principles of independence included in NZ SAE 1.

This guidance has been designed for the GHG assurance regime only and provides examples of potential independence threats and matters which should be considered. This is not intended to be a complete list of all matters which need to be considered. Assurance organisations and practitioners must apply their professional judgement to identify and respond to independence threats, which may differ based on the specific situation.

2. OVERVIEW OF INDEPENDENCE THREATS

Common types of independence threats

Threats to independence fall into one or more of the categories outlined below. Threats to independence in certain situations may not be obvious and may require personal reflection, and discussions with the client, those charged with governance or other practitioners, to understand the nature of underlying threats and how they may threaten independence.



Independence threats include matters relating to fact and appearance

Independence threats may be present where a condition or relation creates an *actual* (independence in mind), or a *perceived* (independence in appearance), conflict for an assurance organisations and practitioner.

It is important that assurance organisations and practitioners use their professional judgement to evaluate potential threats and consider whether a reasonable and informed third party would consider or perceive independence to be threatened. Assurance providers must act in ways that maintain trust and confidence in their assurance work. A third-party perspective is critical in all stages of evaluating independence, as even where an assurance organisations and practitioner is independent in fact, users may perceive threats differently.

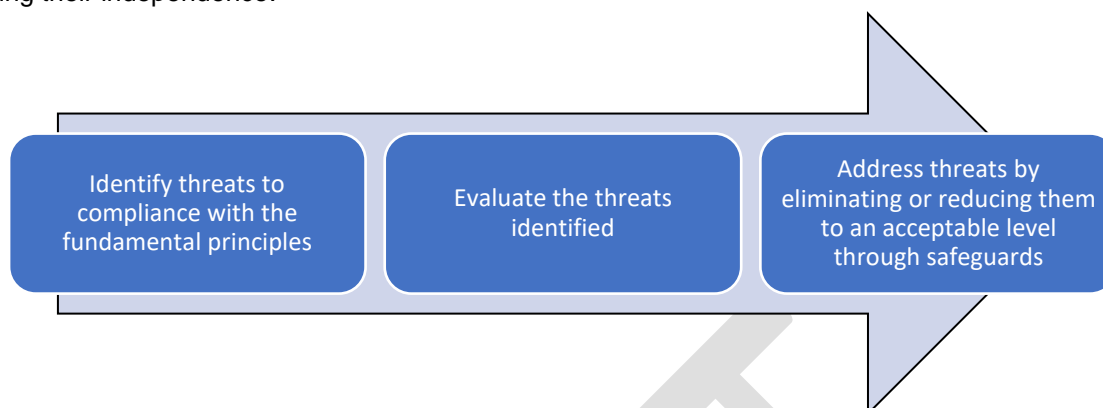
Other assurance services may impact on response to independence threats

Assurance organisations and practitioners may provide other assurance services to the client which may create different considerations compared to a standalone GHG assurance engagement. In particular:

- *Assurance organisations and practitioners may perform the audit of the financial statements in addition to the GHG assurance engagement* – Assurance organisation and practitioners who perform the audit or review of financial statements will need to comply with International Independence Standards (New Zealand), as set out in Part 4A of Professional and Ethical Standard 1. Assurance providers in this situation must comply with the guidance in that Standard, which has been developed by applying the fundamental principles to independence threats specifically in relation to audit engagements. Users expect GHG assurance practitioners, who also audit the financial statements, to comply with the independence requirements for both engagements.
- *Assurance organisations and practitioners may be engaged to assure other aspects of the climate statement, instead of only the GHG disclosures* – Assurance organisations and practitioners should be mindful of independence threats across the climate statement, as additional threats may be created if other services have been provided which impact on the client's climate reporting. Assurance organisations and practitioners should carefully evaluate the relevant threats, which may be different for GHG assurance engagements, compared to wider climate statement assurance engagements.

Framework from assessing threats

NZ SAE 1 is underpinned by a framework for an assurance organisations and practitioners to follow when evaluating their independence:



Whether individual threats can be addressed will differ based on the facts and circumstances of each situation. Safeguards which apply in one situation may not be appropriate for another, and certain situations may not have any valid safeguards. Where there are self-review threats, or where the assurance organisation has taken on management’s responsibilities, in line with NZ SAE 1, safeguards cannot be applied to reduce the threat to an acceptable level. The assurance organisations and practitioner will need to adjust the nature of the service to eliminate the threat, or end either the other service or assurance engagement. The facts of each situation will be different and will inform how assurance organisations and practitioners respond to identified threats.

Assurance organisations and practitioners should document their evaluation and thought processes, along with any supporting evidence and consultations performed, when arriving at their independence conclusions. Assurance providers need to be able to demonstrate to their clients, and users, that they have maintained their independence, just as much as being able to demonstrate they have obtained sufficient evidence to support their assurance opinion. All documentation should be retained on the individual assurance files to support independence compliance. This documentation should include the identification and evaluation of threats and the determination and implementation of safeguards.

Assurance providers should also seek more guidance in relevant professional standards where appropriate, if a matter is not covered by NZ SAE 1, or this guidance. This may include:

- Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*; or
- International Organization for Standardisation (ISO) Standards relevant to independence, including but not limited to ISO 9001: 2015¹, ISO 14065: 2020², ISO 17029: 2019³ or ISO 19011: 2018⁴.

Transparency

NZ SAE 1 requires the assurance provider to disclose the existence of any relationships (other than undertaking the GHG assurance engagement) which the assurance organisation, and assurance practitioners, has with the client, in the GHG assurance report. Transparency about other relationships is aimed at enhancing users trust and confidence in the GHG assurance regime.

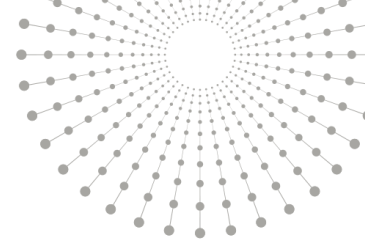
Assurance organisations and practitioners should ensure independence is at the forefront, and that any personal and business relationships are identified and monitored, so that the disclosures in the assurance report are accurate and complete and that users have trust and confidence in their report.

¹ ISO 9001: 2015: *Quality management systems – Requirements*

² ISO 14065: 2020: *General principles and requirements for bodies validating and verifying environmental information*

³ ISO 17029: 2019: *Conformity assessment — General principles and requirements for validation and verification bodies*

⁴ ISO 19011: 2018: *Guidelines for auditing management systems*



3. SELF-REVIEW THREATS

“Marking your own homework”

Self-review threats occur when circumstances mean that an assurance practitioner may 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.

Self-review threats compromise independence and cannot be mitigated by practitioners

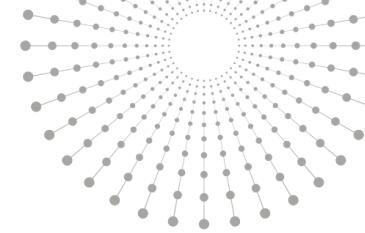
NZ SAE 1 includes a prohibition on organisations and practitioners preparing any GHG emissions information and then assuring that work. There are also prohibitions against providing any other services which might possibly create a self-review threat, or assuming management’s responsibilities in relation to GHG reporting. NZ SAE 1 notes that these threats cannot be eliminated, or reduced, by safeguards, which includes performing work on the same client by different teams.

The self-review prohibition around preparation of GHG information is a deliberately high bar. This extends to the preparation of any non-assurance service, which possibly results in source data, underlying information, assumptions or methodologies, tools, systems or controls which may be used by management to produce their GHG disclosures. It is critical that organisations and practitioners evaluate the types of preparation services they provide, when they have occurred, and how the results are used by clients, to evaluate whether any services create possible self-review threats.

We recognise that this prohibition is a higher requirement than the principles in Part 4B of PES 1 and/or in other professional and ethical standards and this may be a significant change to some assurance organisations, as this prohibition covers all possible self-review threats, and cannot be safeguarded against. Assurance organisations and practitioners should assure the GHG disclosures without biases and limitations and be seen by the public to be acting independently.

Below are some examples of services which may create possible self-review threats. Assurance organisations and practitioners will need to use their professional judgement to identify possible self-review threats and consider whether this means the practitioner to not be able to perform the assurance engagement.

- **Emission factor calculations** – The assurance provider assists in calculating certain emission factors, by providing underlying source data, which is not publicly available, based on their experience and knowledge of other entities within the same industry.
- **IT tools and implementation services** – The assurance provider provides IT services around a new system and tool which can be used to measure and quantify emissions and using their advisory team to assist in implementing the software and integrating into the clients other existing systems.
- **Climate statement preparation** – The assurance provider prepares other climate related disclosures within the climate statement which impact on the GHG disclosures.
- **Preparation services to the supply chain** – The assurance provider provides preparation services to organisations within the same emissions supply chain, where the assurance client’s GHG emissions are heavily dependent upon the source information from these other organisations.
- **Previous preparation services** – The assurance provider has provided GHG preparation services in previous periods, after NZ SAE takes effect, and the previous services continue to form the basis of the assurance client’s current year GHG reporting and used in trend assessments.



4. SELF-INTEREST THREATS

"Getting personal benefits"

Self-interest threats are the risk that a financial or other interest may inappropriately influence an assurance practitioner's judgement or behaviour.

Self-interest threats may significantly impact independence if not identified and responded to

NZ SAE 1 prohibits any direct financial interest, or a material indirect interest, to be held by the assurance organisation, assurance practitioner, or their immediate family member, within the client, or the parent entity of the client, as the existence of these financial interests creates an unmanageable independence threat.

Assurance organisations and practitioners should be aware of their financial interests (including investments held through trusts where the practitioner is a trustee, shares owned through collective investment schemes and pension schemes) to ensure that all financial interests are identified and evaluated before GHG assurance engagements are accepted or continued.

Assurance organisations and practitioners should also be aware of the level of fees being earned from clients, and where these fees represent a substantial level of revenue for the assurance organisation, should evaluate whether this creates any threats to their independence, and their ability to challenge management effectively.

Example 1 – Personal financial interests by assurance practitioner

The assurance practitioner, and their spouse, are trustees of a trust who invest in a managed investment fund, which in turn holds several listed entities, which includes the assurance client

Factors to consider when assessing whether there is a threat

- **Direct interest or indirect interests** – Whether financial interests are directly held by the practitioner, or indirectly held through managed investments or pension funds may impact on the threat. Where indirect interests are identified, practitioners may need to evaluate how material that interest is to them personally, and consider the availability of information, which may involve significant judgements.
- **Timing of investments** – Where financial interests are created part way into the assurance engagement, practitioners may need to evaluate these threats in real-time and assess how this self-interest threat impacts on their independence.

Potential responses if threats are identified

- **Apply safeguards** – No safeguards can be applied in a situation where the financial interest is directly held, or the indirect financial interest is material. Where an immaterial indirect interest is identified, safeguards to address self-interest threats may include:
 - Appointing an additional appropriate reviewer, who have not been involved in the GHG assurance engagement and financially independent of the client, to review the work performed.
 - Holding a pre-issuance partner panel to review the assurance conclusion.
 - Discussing the fees level with those charged with governance of the client throughout the assurance engagement to explain how self-interest threats have been managed when dealing with material GHG emissions and significant management judgements.
- **Eliminate circumstances** – Disposing of personal interests, by instructing investment managers to dispose of this interest, may remove the financial interest threat. However, if the GHG assurance work has already commenced, then replacing the assurance practitioner with another practitioner, who does not have any financial interests with the client, and re-performing any assurance work which was already performed, may eliminate the circumstances.

Example 2 – Personal financial interests by individuals within the assurance organisation

Another senior individual within the assurance organisation holds shares in several listed entities, which includes the assurance client and the parent entity of the assurance client.

Factors to consider when assessing whether there is a threat

- **Structure of the assurance organisation** – The structure of the assurance organisation, and whether this is a separate legal entity (through a limited company), or the same legal entity (through a partnership) may impact on the independence considerations. Where the organisation has a clear legal differentiation from individuals, the financial interests should be considered separately.
- **Influence of the individual on the assurance organisation** – When individuals have influence over the decision-making on the assurance engagement, their financial interests could be relevant to independence considerations. If individuals cannot influence on the assurance organisation or assurance engagements, then this may not be as significant of a threat.

Potential responses if threats are identified

- **Apply safeguards** – Safeguards to address self-interest threats may include:
 - Holding a pre-issuance partner panel to consider whether the senior individual who has financial interests could exert influence over the GHG engagement team (for example: by being direct line managers) and implementing change or controls to prevent this from occurring.
 - Discussing the financial interest with those charged with governance of the client throughout the engagement to explain how self-interest threats have been managed when dealing with material GHG emissions and significant management judgements.
- **Eliminate circumstances** – If the individual is assessed to have influence over the GHG assurance practitioners, then disposing of personal interests, may eliminate the threat. However, if the GHG assurance work has already commenced, then replacing assurance practitioners who may be influenced, with other practitioners who may not be influenced, and re-performing any assurance work which was already performed, may eliminate the circumstances.

Example 3 – High level of fees from assurance client

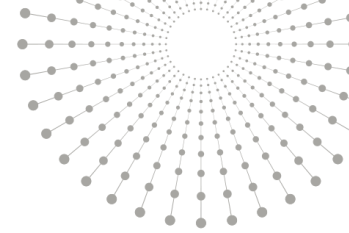
The assurance organisation provides several non-assurance services to the assurance client, and the total level of fees from the client represents a large proportion of the total fees of the assurance organisation.

Factors to consider when assessing whether there is a threat

- **Operating structure** – The assurance organisation's operating structure may impact on threats, as where the assurance organisation's structure has separate responsibility lines for assurance and non-assurance business services, then actual or perceived pressures of fees earned across the business lines may be limited.
- **Assurance practitioner compensation** – The fees as a proportion of the assurance practitioner's total budget and the extent to which personal compensation of the assurance partner is dependent upon the fees from the client, may impact on the extent of threats.

Potential responses if threats are identified

- **Apply safeguards** – Safeguards to address self-interest threats may include:
 - Holding a partner panel to consider the total level of non-assurance fees to assurance fees and the assurance approach and conclusions throughout the engagement.
 - Requesting written representations from those charged with governance of the client around the total fee levels with the assurance organisation to explain why they do not consider a high proportion of non-assurance fees to impact on the provision of GHG assurance services.
- **Eliminate circumstances** – Actively looking to grow the assurance practice, may eliminate the threats as the percentage of the fees to the organisation and the relevant audit partner decreases. However, this may not eliminate threats for the current engagement.



5. FAMILIARITY THREATS

"Being cosy with clients"

Familiarity threats are the risk that due to a long or close relationship with a client, an assurance practitioner may be too sympathetic to their interests or too accepting of their work.

Familiarity threats may be common and should be actively considered

NZ SAE 1 requires assurance organisations and practitioners to specifically address familiarity threats that arise due to long associations with assurance clients. GHG assurance providers may have a long-standing history with clients through previous voluntary services. It is important that assurance organisations and practitioners respond to familiarity threats to ensure they are not unduly influenced by management's previous behaviour.

Furthermore, given the relatively small number of individuals with expertise around GHG measurement, assurance organisations and practitioners may have had previous dealings with technical GHG experts, whose work may be significant to a client's GHG disclosures. Assurance organisations and practitioners should be aware of previous dealings with management's experts, and their own experts, and respond to potential threats appropriately.

Example 4 – Engagement partner's long relationship with client

The engagement leader of the GHG assurance engagement has a long association with the client and has performed the voluntary GHG assurance engagements for several years, prior to the start of the mandatory GHG assurance regime.

Factors to consider when assessing whether there is a threat

- **Length and nature of past relationships** – Where there has been a long uninterrupted relationship between the client and the assurance practitioner, this may impact on the assurance practitioner's actual and perceived ability to challenge and question management and their judgements.
- **Management staff changes** – The assurance practitioners and management involved in previous engagements may have changed over time. Practitioners should carefully understand individual associations, from both the assurance practitioners, and management's perspectives.

Potential responses if threats are identified

- **Apply safeguards** – Safeguards to address familiarity threats may include:
 - Appointing an additional appropriate reviewer, who have not been involved in past engagements with the client, to review the work performed.
 - Holding a pre-issuance partner panel to review the assurance conclusion.
 - Holding discussions with those charged with governance of the client throughout the engagement to explain how familiarity threats have been managed when dealing with material GHG emissions and significant management judgements.
 - Requesting written representations from those charged with governance specifically around critical judgements within the GHG assurance engagement to ensure they have taken responsibility for these judgements without unintentional reliance on the assurance practitioner.
- **Eliminate circumstances** – Rotating engagement partners to individuals who had not been involved in previous voluntary assurance engagements with the client, may eliminate familiarity threats for the current engagement partner.

Example 5 – Gifts or hospitality provided to and from client

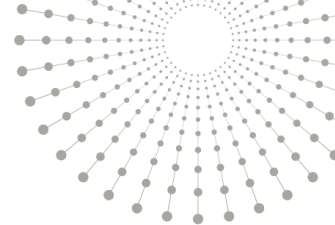
The engagement leader, and member of management and those charged with governance, take each other out to dinner throughout the assurance engagement to discuss the status of the engagement. The cost of the dinners is alternated between the client and the assurance practitioner.

Factors to consider when assessing whether there is a threat

- **Value of gift and hospitality** – The value of any gifts and hospitality may impact on familiarity and self-interest threats, as highly valued items may create more significant threats, while lower valued hospitality, like a cup of coffee, may not create any threats.
- **Timing of gifts and hospitality** – The timing of potential gifts and hospitality may impact on the nature of the threats impacting on the assurance practitioner. Gifts and hospitality during the assurance engagement may create more significant threats than those after the engagement is completed.

Potential responses if threats are identified

- **Apply safeguards** – Safeguards to address familiarity threats may include:
 - Informing the assurance organisation's leadership of the level of hospitality, which is expected to occur with particular management, to ensure that hospitality provided and received are pre-approved before being offered/accepted.
 - Appointing an additional appropriate reviewer, who have not been involved in past engagements with the client, to review the work performed.
 - Holding a pre-issuance partner panel to review the assurance conclusion.
- **Eliminate circumstances** – The assurance practitioner declining all hospitality and paying for their own meal/drinks and not paying for the assurance client's meal/drinks may help prevent and eliminate familiarity and self-interest threats.



6. ADVOCACY THREATS

"Promoting your clients"

Advocacy threats are the risk that an assurance practitioner may promote a client's position to the point that the assurance practitioner's objectivity is compromised. This can occur when the client and the assurance practitioner have multiple business relationships, beyond just the GHG assurance engagement.

Advocacy threats may be present in new situations and require careful consideration

NZ SAE 1 prohibits assurance organisations and practitioners from assuming management's responsibilities. It is fundamental that practitioners ensure that management understand their responsibilities and that practitioners operate in the limit of their responsibilities.

As GHG reporting and measurement processes are rapidly changing, there may be new types of advocacy threats which may not have been considered previously, as clients and assurance organisations and practitioners look to learn from each other.

Example 6 – Climate conferences and events

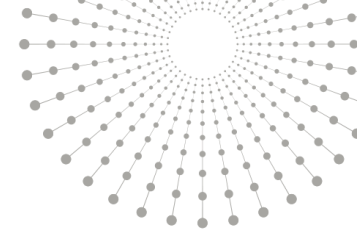
The assurance practitioner is involved in organising and attending several conferences and events which include the client. This involves the assurance practitioner and key members of management discussing the client's GHG measurement processes and reporting, as part of jointly presenting sessions.

Factors to consider when assessing whether there is a threat

- **Event organisation process** – The way events are organised, including how presenters, participants and attendees are selected and compensated, as well as how any complementary tickets are allocated, may impact on advocacy threats.
- **Joint involvement** – Joint presentations between the client and the assurance practitioner may create the impression of jointly endorsing and supporting messages, even when this is not intended, and may impact on the perceived independence of the assurance practitioner.

Potential responses if threats are identified

- **Apply safeguards** – Safeguards to address advocacy threats may include:
 - Using a neutral party who is not part of the client or the assurance organisation, to be involved in leading presentations.
 - Using other knowledgeable practitioners within the assurance organisation, who are not involved in the GHG assurance engagement of the client, to present instead of the assurance practitioner.
- **Eliminate circumstances** – The assurance practitioner requesting the client not jointly-present or using disclaimers to differentiate client opinions to the assurance practitioner's opinion, may eliminate circumstances leading to advocacy threats to GHG independence.



7. INTIMIDATION THREATS

"Being pressured by clients"

Intimidation threats are the risk that an assurance practitioner may be deterred from acting objectively because of actual or perceived pressures, including attempts by others to exercise undue influence.

Intimidation threats may occur as GHG measurement evolves

As GHG measurement and reporting evolves, there may be a heightened risks of prior period misstatements. Assurance organisations and practitioners should remain aware of the risks around management bias and fraud in this area, and the potential for management to be reluctant to make certain adjustments which unfavourably impacts on their emissions reporting and potentially pressuring their assurance providers to avoid any non-standard conclusions.

It is important that assurance organisations and practitioners to remain alert for, and appropriately respond to, intimidation threats, or actions which may attempt to unduly influence their decision-making, particularly given the high public interest in GHG disclosures.

Example 7 – Misstatements in comparatives

The assurance practitioner is aware of a misstatement in the comparative GHG emissions, as the newly developed measurement techniques in the current year revealed gaps in the comparison disclosures. Management have noted that this would look bad for the company's overall emissions trends and that other assurance practitioners would never request this to be adjusted for.

Factors to consider when assessing whether there is a threat

- **Assurance practitioner compensation** – The extent to which personal compensation is dependent upon the fees from the client and pressure placed on them to avoid negative feedback and client dissatisfaction, may influence on the degree of the intimidation threat on their judgements.
- **Other potential services** – Where the assurance organisation provides other services to the client or are looking to provide other services in the future, the intimidation threats may be enhanced if there are risks to losing these services. Careful consideration of whether the assurance organisation's overall strategy is in line with the GHG assurance strategy should be considered.

Potential responses if threats are identified

- **Apply safeguards** – Safeguards to address intimidation threats may include:
 - Holding a partner panel to discuss potential prior period misstatement and using other engagement partners to meet with management to explain how the assurance organisation's conclusions have been reached.
 - Discussing management's comments with those charged with governance of the client and requesting they take actions to avoid intimidation threats.
- **Eliminate circumstances** – Once the prior period misstatement has been made aware to the assurance practitioner, it may not be possible to eliminate the circumstances causing the potential intimidation threats.

NZ SAE 1: Assurance Engagements over Greenhouse Gas Emissions Disclosures

Illustrative NZ SAE 1 Assurance Reports

The XRB has prepared illustrative assurance reports, which integrate the reporting requirements of:

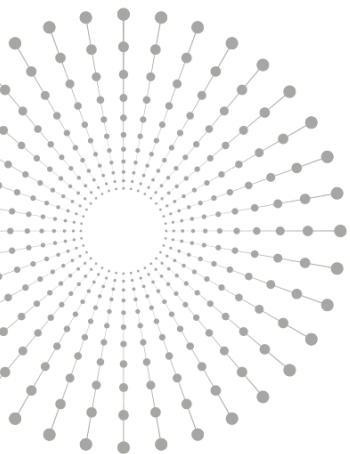
- NZ SAE 1: *Assurance Engagements over Greenhouse Gas Emissions Disclosures*; and either
- ISAE (NZ) 3410: *Assurance Engagements on Greenhouse Gas Emissions*; or
- ISO 14064-3: 2019 – *Specification with guidance for the verification and validation of greenhouse gas statements*.

These illustrative assurance reports are not intended to be a direct template which assurance practitioners can use when issuing unmodified or modified conclusions, but rather a baseline summary of the reporting requirements across the varying standards in the context of a mixed reasonable and limited assurance engagement scope.

These reports may need to be tailored by assurance practitioners depending upon whether they perform their GHG assurance engagement under ISAE (NZ) 3410 or ISO 14064-3: 2019, the scope of their assurance engagement, other professional and ethical standards and accreditation body requirements which are applied to the assurance organisation and assurance engagement, and the specific assurance levels for the engagement.

The report is for guidance only and not intended to be exhaustive or applicable to all situations.

- [Unmodified Mixed Assurance Report applying ISAE \(NZ\) 3410](#)
- [Modified Mixed Assurance Report applying ISAE \(NZ\) 3410](#)
- [Unmodified Mixed Assurance Report applying ISO 14064-3: 2019](#)
- [Modified Mixed Assurance Report applying ISO 14064-3: 2019](#)



Assurance Report on GHG Disclosures

Unmodified Mixed Assurance Report applying ISAE (NZ) 3410

INDEPENDENT ASSURANCE REPORT ON ABC'S GREENHOUSE GAS (GHG) DISCLOSURES

To the users of ABC's GHG assurance report

Our Assurance Conclusion – Unqualified Opinion

Reasonable Assurance Disclosures

In our opinion, the GHG disclosures within the scope of our reasonable assurance engagement (as outlined below) included in the climate statements for the year ended 31 December 20X4, are prepared, in all material respects, in accordance with Aotearoa New Zealand Climate Standards (NZ CSs) issued by the External Reporting Board (XRB) and measured in accordance with [Applicable Criteria], as explained in Note [XX] to the GHG statement.

Limited Assurance Disclosures

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 within the scope of our limited assurance engagement (as outlined below) included in the climate statements for the year ended 31 December 20X4, are not prepared, in all material respects, in accordance with Aotearoa New Zealand Climate Standards (NZ CSs) issued by the External Reporting Board (XRB), and measured in accordance with [Applicable Criteria], as explained in Note [XX] to the GHG statement.

Scope of the Assurance Engagement

We have undertaken a reasonable assurance engagement over the following GHG disclosures on pages [XX] to [XX] of the climate statements for the year ended 31 December 20X4:

- [GHG Emissions Category] on page [XX]

We have also undertaken a limited assurance engagement over the GHG disclosures on pages [XX] to [XX] of the climate statements for the year ended 31 December 20X4:

- [GHG Emissions Category] on page [XX]

Our assurance engagement does not extend to any other information included on pages [XX] to [XX] of the climate statements 20X4 or referred to in the climate statements 20X4. We have not performed any procedures with respect to the excluded information and, therefore, no conclusion is expressed on it.

OR

We have undertaken an assurance engagement over the whole climate statements for the year ended 31 December 20X4 on pages [XX] to [XX], which includes a reasonable assurance engagement over the following GHG disclosures on pages [XX] to [XX]:

- [GHG Emissions Category] on page [XX]

We have also undertaken a limited assurance engagement over the GHG disclosures on pages [XX] to [XX] of the climate statements for the year ended 31 December 20X4:

- [GHG Emissions Category] on page [XX]

Key Matters to the GHG assurance engagement

In this section we present those matters that, in our professional judgement, were most significant to the GHG assurance engagement. These matters were addressed in the context of our assurance engagement of the GHG disclosures, and in forming our conclusion.

| Key Matter | Procedures to address the Key Matter |
|---|--|
| [Explanation of why the matter is a key matter] | [Outline of what the assurance practitioner has done to address the matter] [Findings for the key matters identified] |

Emphasis of Matter

[Inherent Uncertainty]

[We draw attention to the disclosures within section [XX] which describe an inherent uncertainty in relation to XXX. Our assurance conclusion is not modified in respect of this matter.]

Other Matters

We note the following, which are not required to be disclosed in the GHG disclosures.

- [XXX]

[Comparative Information]

The comparative GHG disclosures (that is GHG disclosures for the period ended 31 December 20X3 and 31 December 20X2) have not been subject to assurance. As such, these disclosures are not covered by our assurance conclusion.

OR

The comparative GHG disclosures (that is GHG disclosures for the period ended 31 December 20X2 and 31 December 20X2) have been subject to reasonable and limited assurance by [Predecessor Assurance Provider’s Name], with their assurance report dated on 31 March 20X4.

[Materiality]

[Based on our professional judgment, we determined quantitative materiality for the GHG disclosures as follows: XXX]

[Competence and Experience of the engagement team]

[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 for the GHG disclosures

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 [XX] of the 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 the intended level of 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.

[The GHG statement on page [XX] includes a deduction from ABC’s emissions for the year of [XX] tonnes of CO₂-e relating to offsets. We have performed procedures as to whether these offsets were acquired during the year, and whether the description of them in the GHG statement is a reasonable summary of the relevant contracts and related documentation. We have not, however, performed any procedures regarding the external practitioners of these offsets, and express no conclusion about whether the offsets have resulted, or will result, in a reduction of [XX] tonnes of CO₂-e.]

Independence and Quality Management Standards applied

This assurance engagement was undertaken in accordance with NZ SAE 1: *Assurance Engagements over Greenhouse Gas Emissions Disclosures*, and ISAE (NZ) 3410: *Assurance Engagements on Greenhouse Gas Emissions*, issued by the External Reporting Board (XRB).

We have also complied with the following professional and ethical standards and accreditation body requirements:

- Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*;
- Professional and Ethical Standard 3: *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*;
- Professional and Ethical Standard 4: *Engagement Quality Reviews*;
- [The New Zealand Institute of Chartered Accountants Code of Ethics (2022)]; and
- [Other professional and ethical standards and accreditation body requirements as appropriate].

Other relationships

In addition to the provision of the assurance engagement over GHG disclosures, we also have the following relationships, or interests, in ABC:

- [XXX]

OR

Other than in our capacity as assurance practitioners, and the provision of the assurance for this engagement [and the provision of assurance over ABC’s separate Greenhouse Gas Report], we have no relationship with, or interests, in ABC.

Summary of Work Performed

Reasonable Assurance Disclosures

A reasonable assurance engagement in accordance with ISAE (NZ) 3410 involves performing procedures to obtain evidence about the quantification of emissions and related information in the GHG statement. The nature, timing and extent of procedures selected depend on the assurance practitioner’s

judgement, including the assessment of the risks of material misstatement, whether due to fraud or error, in the GHG statement.

In making those risk assessments, we considered internal control relevant to ABC's preparation of the GHG statement. A reasonable assurance engagement also includes:

- Assessing the suitability in the circumstances of ABC's use of [Applicable Criteria], applied as explained in Note [XX] to the GHG statement, as the basis for preparing the GHG statement;
- Evaluating the appropriateness of quantification methods and reporting policies used, and the reasonableness of estimates made by ABC; and
- Evaluating the overall presentation of the GHG statement.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Limited Assurance Disclosures

A limited assurance engagement undertaken in accordance with ISAE (NZ) 3410 involves assessing the suitability in the circumstances of ABC's use of [Applicable Criteria] as the basis for the preparation of the GHG statement, assessing the risks of material misstatement of the GHG statement whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the GHG statement. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgement and included enquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. 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 to assess the completeness of the emissions sources, data collection methods, source data and relevant assumptions applicable to the sites;
- Tested, at each site visited, a limited number of items to, or from, supporting records, as appropriate;
- Performed analytical procedures on particular emission categories by comparing the expected GHGs emitted to actual GHGs emitted and made inquiries of management to obtain explanations for any significant differences we identified; and
- 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]

[Location where the Engagement Leader resides]

[Name of Assurance Organisation]

[Date of the assurance report]

DRAFT

Assurance Report on GHG Disclosures

Modified Mixed Assurance Report applying ISAE (NZ) 3410

INDEPENDENT ASSURANCE REPORT ON ABC’S GREENHOUSE GAS (GHG) DISCLOSURES

To the users of ABC’s Greenhouse Gas (GHG) assurance report

Our Assurance Conclusion – Qualified Opinion

Reasonable Assurance Disclosures

In our opinion, except for the matters described in the *Basis for Qualified Opinion* section of our report, the GHG disclosures within the scope of our reasonable assurance engagement (as outlined below) included in the climate statements for the year ended 31 December 20X4, are prepared, in all material respects, in accordance with Aotearoa New Zealand Climate Standards (NZ CSs) issued by the External Reporting Board (XRB) and measured in accordance with [Applicable Criteria], as explained in Note [XX] to the GHG statement.

Limited Assurance Disclosures

Except for the matters described in the *Basis for Qualified Opinion* section of our report, 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 within the scope of our limited assurance engagement (as outlined below) included in the climate statements for the year ended 31 December 20X4, are not prepared, in all material respects, in accordance with Aotearoa New Zealand Climate Standards (NZ CSs) issued by the External Reporting Board (XRB), and measured in accordance with [Applicable Criteria], as explained in Note [XX] to the GHG statement.

Basis for Qualified Opinion

[Explanation of why a Qualified Opinion is being expressed]

Scope of the Assurance Engagement

We have undertaken a reasonable assurance engagement over the following GHG disclosures on pages [XX] to [XX] of the climate statements for the year ended 31 December 20X4:

- [GHG Emissions Category] on page [XX]

We have also undertaken a limited assurance engagement over the GHG disclosures on pages [XX] to [XX] of the climate statements for the year ended 31 December 20X4:

- [GHG Emissions Category] on page [XX]

Our assurance engagement does not extend to any other information included on pages [XX] to [XX] of the climate statements 20X4 or referred to in the climate statements 20X4. We have not performed any procedures with respect to the excluded information and, therefore, no conclusion is expressed on it.

OR

We have undertaken an assurance engagement over the whole climate statements for the year ended 31 December 20X4 on pages [XX] to [XX], which includes a reasonable assurance engagement over the following GHG disclosures on pages [XX] to [XX]:

- [GHG Emissions Category] on page [XX]

We have also undertaken a limited assurance engagement over the GHG disclosures on pages [XX] to [XX] of the climate statements for the year ended 31 December 20X4:

- [GHG Emissions Category] on page [XX]

Key Matters to the GHG assurance engagement

In this section we present those matters that, in our professional judgement, were most significant to the GHG assurance engagement. These matters were addressed in the context of our assurance engagement of the GHG disclosures, and in forming our conclusion.

| Key Matter | Procedures to address the Key Matter |
|---|--|
| [Explanation of why the matter is a key matter] | [Outline of what the assurance practitioner has done to address the matter] [Findings for the key matters identified] |

Emphasis of Matter

[Inherent Uncertainty]

[We draw attention to the disclosures within section [XX] which describe an inherent uncertainty in relation to XXX. Our assurance conclusion is not modified in respect of this matter.]

Other Matters

We note the following, which are not required to be disclosed in the GHG disclosures.

- [XXX]

[Comparative Information]

The comparative GHG disclosures (that is GHG disclosures for the period ended 31 December 20X3 and 31 December 20X2) have not been subject to assurance. As such, these disclosures are not covered by our assurance conclusion.

OR

The comparative GHG disclosures (that is GHG disclosures for the period ended 31 December 20X2 and 31 December 20X2) have been subject to reasonable and limited assurance by [Predecessor Assurance Provider’s Name], with their assurance report dated on 31 March 20X4.

[Materiality]

[Based on our professional judgment, we determined quantitative materiality for the GHG disclosures as follows: XXX]

[Competence and Experience of the engagement team]

[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 for the GHG disclosures

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 [XX] of the 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 the intended level of 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.

[The GHG statement on page [XX] includes a deduction from ABC’s emissions for the year of [XX] tonnes of CO2-e relating to offsets. We have performed procedures as to whether these offsets were acquired during the year, and whether the description of them in the GHG statement is a reasonable summary of the relevant contracts and related documentation. We have not, however, performed any procedures regarding the external practitioners of these offsets, and express no conclusion about whether the offsets have resulted, or will result, in a reduction of [XX] tonnes of CO2-e.]

Independence and Quality Management Standards applied

This assurance engagement was undertaken in accordance with NZ SAE 1: *Assurance Engagements over Greenhouse Gas Emissions Disclosures*, and ISAE (NZ) 3410: *Assurance Engagements on Greenhouse Gas Emissions*, issued by the External Reporting Board (XRB).

We have also complied with the following professional and ethical standards and accreditation body requirements:

- Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*;
- Professional and Ethical Standard 3: *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*;
- Professional and Ethical Standard 4: *Engagement Quality Reviews*; and
- [The New Zealand Institute of Chartered Accountants Code of Ethics (2022)]; and
- [Other professional and ethical standards and accreditation body requirements as appropriate].

Other relationships

In addition to the provision of the assurance engagement over GHG disclosures, we also have the following relationships, or interests, in ABC:

- [XXX]

OR

Other than in our capacity as assurance practitioners, and the provision of the assurance for this engagement [and the provision of assurance over ABC’s separate Greenhouse Gas Report], we have no relationship with, or interests, in ABC.

Summary of Work Performed

Reasonable Assurance Disclosures

A reasonable assurance engagement in accordance with ISAE (NZ) 3410 involves performing procedures to obtain evidence about the quantification of emissions and related information in the GHG statement. The nature, timing and extent of procedures selected depend on the assurance practitioner's judgement, including the assessment of the risks of material misstatement, whether due to fraud or error, in the GHG statement.

In making those risk assessments, we considered internal control relevant to ABC's preparation of the GHG statement. A reasonable assurance engagement also includes:

- Assessing the suitability in the circumstances of ABC's use of [Applicable Criteria], applied as explained in Note [XX] to the GHG statement, as the basis for preparing the GHG statement;
- Evaluating the appropriateness of quantification methods and reporting policies used, and the reasonableness of estimates made by ABC; and
- Evaluating the overall presentation of the GHG statement.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Limited Assurance Disclosures

A limited assurance engagement undertaken in accordance with ISAE (NZ) 3410 involves assessing the suitability in the circumstances of ABC's use of [Applicable Criteria] as the basis for the preparation of the GHG statement, assessing the risks of material misstatement of the GHG statement whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the GHG statement. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgement and included enquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. 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 to assess the completeness of the emissions sources, data collection methods, source data and relevant assumptions applicable to the sites;
- Tested, at each site visited, a limited number of items to, or from, supporting records, as appropriate;
- Performed analytical procedures on particular emission categories by comparing the expected GHGs emitted to actual GHGs emitted and made inquiries of management to obtain explanations for any significant differences we identified; and
- 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]

[Location where the Engagement Leader resides]

[Name of Assurance Organisation]

[Date of the assurance report]

DRAFT

Assurance Report on GHG Disclosures

Unmodified Mixed Assurance Report applying ISO 14064-3: 2019

INDEPENDENT ASSURANCE REPORT ON ABC'S GREENHOUSE GAS (GHG) DISCLOSURES

To the users of ABC's GHG assurance report

Our Assurance Conclusion – Unqualified Opinion

Reasonable Assurance Disclosures

In our opinion, the GHG disclosures within the scope of our reasonable assurance engagement (as outlined below) included in the climate statements for the year ended 31 December 20X4, are prepared, in all material respects, in accordance with Aotearoa New Zealand Climate Standards (NZ CSs) issued by the External Reporting Board (XRB) and measured in accordance with [Applicable Criteria], as explained in Note [XX] to the GHG statement.

Limited Assurance Disclosures

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 within the scope of our limited assurance engagement (as outlined below) included in the climate statements for the year ended 31 December 20X4, are not prepared, in all material respects, in accordance with Aotearoa New Zealand Climate Standards (NZ CSs) issued by the External Reporting Board (XRB), and measured in accordance with [Applicable Criteria], as explained in Note [XX] to the GHG statement.

Validation over forecasts

Furthermore, nothing comes to our attention which causes us to believe that the assumptions used for the [GHG Emissions Category] on pages [XX] to [XX] do not provide a reasonable basis for the forecast of GHG emissions, reductions, removals and/or storage and, in our opinion, the forecast is properly prepared on the basis of the assumptions and in accordance with Aotearoa New Zealand Climate Standards (NZ CSs) issued by the External Reporting Board (XRB).

Actual future emissions, reductions, removals and/or storage are likely to be different from the forecast as the estimates are based on assumptions that may change in the future, and since anticipated events frequently do not occur as expected and the variation may be material.

Scope of the Assurance Engagement

We have undertaken a reasonable assurance verification engagement over the following GHG disclosures on pages [XX] to [XX] of the climate statements for the year ended 31 December 20X4:

- [GHG Emissions Category] on page [XX]

We have undertaken a limited assurance verification engagement over the GHG disclosures on pages [XX] to [XX] of the climate statements for the year ended 31 December 20X4:

- [GHG Emissions Category] on page [XX]

Furthermore, we have also undertaken a limited assurance validation engagement over assumptions used for forecast GHG emissions for the following GHG emission categories for the year ended 31 December 20X4:

- [GHG Emissions Category] on page [XX]

Our assurance engagement does not extend to any other information included on pages [XX] to [XX] of the climate statements 20X4 or referred to in the climate statements 20X4. We have not performed any procedures with respect to the excluded information and, therefore, no conclusion is expressed on it.

OR

We have undertaken an assurance engagement over the whole climate statements for the year ended 31 December 20X4 on pages [XX] to [XX], which includes a reasonable assurance verification engagement over the following GHG disclosures on pages [XX] to [XX]:

- [GHG Emissions Category] on page [XX]

We have also undertaken a limited assurance verification engagement over the GHG disclosures on pages [XX] to [XX] of the climate statements for the year ended 31 December 20X4:

- [GHG Emissions Category] on page [XX]

Furthermore, we have also a limited assurance validation engagement over assumptions used for forecast GHG emissions for the following GHG emission categories for the year ended 31 December 20X4:

- [GHG Emissions Category] on page [XX]

Key Matters to the GHG assurance engagement

In this section we present those matters that, in our professional judgement, were most significant to the GHG assurance engagement. These matters were addressed in the context of our assurance engagement of the GHG disclosures, and in forming our conclusion.

| Key Matter | Procedures to address the Key Matter |
|---|--|
| [Explanation of why the matter is a key matter] | [Outline of what the assurance practitioner has done to address the matter] [Findings for the key matters identified] |

Emphasis of Matter

[Inherent Uncertainty]

[We draw attention to the disclosures within section [XX] which describe an inherent uncertainty in relation to XXX. Our assurance conclusion is not modified in respect of this matter.]

Other Matters

We note the following, which are not required to be disclosed in the GHG disclosures.

- [XXX]

[Comparative Information]

The comparative GHG disclosures (that is GHG disclosures for the period ended 31 December 20X3 and 31 December 20X2) have not been subject to assurance. As such, these disclosures are not covered by our assurance conclusion.

OR

The comparative GHG disclosures (that is GHG disclosures for the period ended 31 December 20X2 and 31 December 20X2) have been subject to reasonable and limited assurance by [Predecessor Assurance Provider's Name], with their assurance report dated on 31 March 20X4.

[Materiality]

[Based on our professional judgment, we determined quantitative materiality for the GHG disclosures as follows: XXX]

[Competence and Experience of the engagement team]

[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 for the GHG disclosures

ABC is responsible for the preparation and fair presentation of the GHG disclosures in accordance with the [Applicable Criteria]. This responsibility includes the designing, implementing and maintaining a data management relevant to the preparation and fair presentation of a GHG statement that is free from material misstatement.

The forecast of GHG emissions included within the GHG disclosures are based on the following assumptions:

- Assumptions used for forecast GHG emissions for GHG Emissions Category on page [XX]

As discussed on page [XX] of the 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

Our responsibility is to express an opinion on the GHG disclosures based on our verification and express an opinion on the forecast based on our validation. We are responsible for planning and performing the verification to obtain assurance that the onsite GHG disclosures are free from material misstatement, and for planning and performing the validation to reach a conclusion as to whether the forecast in the GHG statement is based on reasonable assumptions.

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.

Independence and Quality Management Standards applied

This assurance engagement was undertaken in accordance with NZ SAE 1: *Assurance Engagements over Greenhouse Gas Emissions Disclosures*, issued by the External Reporting Board (XRB), and ISO 14064-3: 2019 – *Specification with guidance for the verification and validation of greenhouse gas statements*, issued by the International Organization for Standardization (ISO).

We have also complied with the following professional and ethical standards and accreditation body requirements:

- [ISO 9001: 2015 – *Quality management systems – Requirements*]
- [ISO 14065: 2020 – *General principles and requirements for bodies validating and verifying environmental information*];
- [ISO 14066: 2021 – *Greenhouse gases — Competence requirements for greenhouse gas validation teams and verification teams*];

- [ISO 17029: 2019 – *Conformity assessment — General principles and requirements for validation and verification bodies*];
- [[ISO 19011: 2018 – *Guidelines for auditing management systems*];
- [Joint Accreditation System of Australia and New Zealand Accreditation Requirements]; or
- [Other professional and ethical standards and accreditation body requirements as appropriate].

Other relationships

In addition to the provision of the assurance engagement over GHG disclosures, we also have the following relationships, or interests, in ABC:

- [XXX]

OR

Other than in our capacity as assurance practitioners, and the provision of the assurance for this engagement [and the provision of assurance over ABC's separate Greenhouse Gas Report], we have no relationship with, or interests, in ABC.

Summary of Work Performed

Reasonable Assurance Disclosures

A reasonable assurance engagement undertaken in accordance with ISO 14064-3: 2019 which requires that we comply with ethical requirements (as outlined above), and plan and perform the verification to obtain assurance that the onsite GHG disclosures are free from material misstatement.

Our verification strategy used a combined data and controls testing approach. Evidence-gathering procedures included but were not limited to:

- [Description of verification procedures]

The data examined during the verification were historical in nature. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Limited Assurance Disclosures

A limited assurance engagement undertaken in accordance with ISO 14064-3: 2019 which requires that we comply with ethical requirements (as outlined above), and plan and perform the verification to obtain assurance that the onsite GHG disclosures are free from material misstatement, and plan and perform the validation to reach a conclusion as to whether the forecast in the GHG statement is based on reasonable assumptions.

Our verification strategy used a combined data and controls testing approach. Evidence-gathering procedures included but were not limited to:

- [Description of verification procedures performed]

Our validation assessed the

- [Description of validation procedures]

The data examined during the verification were historical in nature, while the data examined during the validation were projected in nature.

[Engagement Leader's signature]

[Name of Engagement Leader]

[Location where the Engagement Leader resides]

[Name of Assurance Organisation]

[Date of the assurance report]

DRAFT

Assurance Report on GHG Disclosures

Modified Mixed Assurance Report applying ISO 14064-3: 2019

INDEPENDENT ASSURANCE REPORT ON ABC’S GREENHOUSE GAS (GHG) DISCLOSURES

To the users of ABC’s Greenhouse Gas (GHG) assurance report

Our Assurance Conclusion – Qualified Opinion

Reasonable Assurance Disclosures

In our opinion, except for the matters described in the *Basis for Qualified Opinion* section of our report, the GHG disclosures within the scope of our reasonable assurance engagement (as outlined below) included in the climate statements for the year ended 31 December 20X4, are prepared, in all material respects, in accordance with Aotearoa New Zealand Climate Standards (NZ CSs) issued by the External Reporting Board (XRB) and measured in accordance with [Applicable Criteria], as explained in Note [XX] to the GHG statement.

Limited Assurance Disclosures

Except for the matters described in the *Basis for Qualified Opinion* section of our report, 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 within the scope of our limited assurance engagement (as outlined below) included in the climate statements for the year ended 31 December 20X4, are not prepared, in all material respects, in accordance with Aotearoa New Zealand Climate Standards (NZ CSs) issued by the External Reporting Board (XRB), and measured in accordance with [Applicable Criteria], as explained in Note [XX] to the GHG statement.

Validation over forecasts

Furthermore, except for the matters described in the *Basis for Qualified Opinion* section of our report, nothing comes to our attention which causes us to believe that the assumptions used for the [GHG Emissions Category] on pages [XX] to [XX] do not provide a reasonable basis for the forecast of GHG emissions, reductions, removals and/or storage and, in our opinion, the forecast is properly prepared on the basis of the assumptions and in accordance with Aotearoa New Zealand Climate Standards (NZ CSs) issued by the External Reporting Board (XRB).

Actual future emissions, reductions, removals and/or storage are likely to be different from the forecast as the estimates are based on assumptions that may change in the future, and since anticipated events frequently do not occur as expected and the variation may be material.

Basis for Qualified Opinion

[Explanation of why a Qualified Opinion is being expressed]

Scope of the Assurance Engagement

We have undertaken a reasonable assurance verification engagement over the following GHG disclosures on pages [XX] to [XX] of the climate statements for the year ended 31 December 20X4:

- [GHG Emissions Category] on page [XX]

We have also undertaken a limited assurance verification engagement over the GHG disclosures on pages [XX] to [XX] of the climate statements for the year ended 31 December 20X4:

- [GHG Emissions Category] on page [XX]

Furthermore, we have also undertaken a limited assurance validation engagement over assumptions used for forecast GHG emissions for the following GHG emission categories for the year ended 31 December 20X4:

- [GHG Emissions Category] on page [XX]

Our assurance engagement does not extend to any other information included on pages [XX] to [XX] of the climate statements 20X4 or referred to in the climate statements 20X4. We have not performed any procedures with respect to the excluded information and, therefore, no conclusion is expressed on it.

OR

We have undertaken an assurance engagement over the whole climate statements for the year ended 31 December 20X4 on pages [XX] to [XX], which includes a reasonable assurance verification engagement over the following GHG disclosures on pages [XX] to [XX]:

- [GHG Emissions Category] on page [XX]

We have also undertaken a limited assurance verification engagement over the GHG disclosures on pages [XX] to [XX] of the climate statements for the year ended 31 December 20X4:

- [GHG Emissions Category] on page [XX]

Furthermore, we have also undertaken a limited assurance validation engagement over assumptions used for forecast GHG emissions for the following GHG emission categories for the year ended 31 December 20X4:

- [GHG Emissions Category] on page [XX]

Key Matters to the GHG assurance engagement

In this section we present those matters that, in our professional judgement, were most significant to the GHG assurance engagement. These matters were addressed in the context of our assurance engagement of the GHG disclosures, and in forming our conclusion.

| Key Matter | Procedures to address the Key Matter |
|---|--|
| [Explanation of why the matter is a key matter] | [Outline of what the assurance practitioner has done to address the matter] [Findings for the key matters identified] |

Emphasis of Matter

[Inherent Uncertainty]

[We draw attention to the disclosures within section [XX] which describe an inherent uncertainty in relation to XXX. Our assurance conclusion is not modified in respect of this matter.]

Other Matters

We note the following, which are not required to be disclosed in the GHG disclosures.

- [XXX]

[Comparative Information]

The comparative GHG disclosures (that is GHG disclosures for the period ended 31 December 20X3 and 31 December 20X2) have not been subject to assurance. As such, these disclosures are not covered by our assurance conclusion.

OR

The comparative GHG disclosures (that is GHG disclosures for the period ended 31 December 20X2 and 31 December 20X2) have been subject to reasonable and limited assurance by [Predecessor Assurance Provider's Name], with their assurance report dated on 31 March 20X4.

[Materiality]

[Based on our professional judgment, we determined quantitative materiality for the GHG disclosures as follows: XXX]

[Competence and Experience of the engagement team]

[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 for the GHG disclosures

ABC is responsible for the preparation and fair presentation of the GHG disclosures in accordance with the [Applicable Criteria]. This responsibility includes the designing, implementing and maintaining a data management relevant to the preparation and fair presentation of a GHG statement that is free from material misstatement.

The forecast of GHG emissions included within the GHG disclosures are based on the following assumptions:

- Assumptions used for forecast GHG emissions for GHG Emissions Category on page [XX]

As discussed on page [XX] of the 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

Our responsibility is to express an opinion on the GHG disclosures based on our verification and express an opinion on the forecast based on our validation. We are responsible for planning and performing the verification to obtain assurance that the onsite GHG disclosures are free from material misstatement, and for planning and performing the validation to reach a conclusion as to whether the forecast in the GHG statement is based on reasonable assumptions.

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.

Independence and Quality Management Standards applied

This assurance engagement was undertaken in accordance with NZ SAE 1: *Assurance Engagements over Greenhouse Gas Emissions Disclosures*, issued by the External Reporting Board (XRB), and ISO 14064-3: 2019 – *Specification with guidance for the verification and validation of greenhouse gas statements*, issued by the International Organization for Standardization (ISO).

We have also complied with the following professional and ethical standards and accreditation body requirements:

- [ISO 9001: 2015 – *Quality management systems – Requirements*]
- [ISO 14065: 2020 – *General principles and requirements for bodies validating and verifying environmental information*];
- [ISO 14066: 2021 – *Greenhouse gases — Competence requirements for greenhouse gas validation teams and verification teams*];
- [ISO 17029: 2019 – *Conformity assessment — General principles and requirements for validation and verification bodies*];
- [[ISO 19011: 2018 – *Guidelines for auditing management systems*];
- [Joint Accreditation System of Australia and New Zealand Accreditation Requirements]; or
- [Other professional and ethical standards and accreditation body requirements as appropriate].

Other relationships

In addition to the provision of the assurance engagement over GHG disclosures, we also have the following relationships, or interests, in ABC:

- [XXX]

OR

Other than in our capacity as assurance practitioners, and the provision of the assurance for this engagement [and the provision of assurance over ABC's separate Greenhouse Gas Report], we have no relationship with, or interests, in ABC.

Summary of Work Performed

Reasonable Assurance Disclosures

A reasonable assurance engagement undertaken in accordance with ISO 14064-3: 2019 which requires that we comply with ethical requirements (as outlined above), and plan and perform the verification to obtain assurance that the onsite GHG disclosures are free from material misstatement.

Our verification strategy used a combined data and controls testing approach. Evidence-gathering procedures included but were not limited to:

- [Description of verification procedures]

The data examined during the verification were historical in nature. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Limited Assurance Disclosures

A limited assurance engagement undertaken in accordance with ISO 14064-3: 2019 which requires that we comply with ethical requirements (as outlined above), and plan and perform the verification to obtain assurance that the onsite GHG disclosures are free from material misstatement, and plan and perform the validation to reach a conclusion as to whether the forecast in the GHG statement is based on reasonable assumptions.

Our verification strategy used a combined data and controls testing approach. Evidence-gathering procedures included but were not limited to:

- [Description of verification procedures performed]

Our validation assessed the

- [Description of validation procedures]

The data examined during the verification were historical in nature, while the data examined during the validation were projected in nature.

[Engagement Leader's signature]

[Name of Engagement Leader]

[Location where the Engagement Leader resides]

[Name of Assurance Organisation]

[Date of the assurance report]

DRAFT

NZ SAE 1: Assurance Engagements over Greenhouse Gas Emissions Disclosures

Plan for further GHG assurance guidance

We have outlined a plan for GHG assurance guidance to be developed and issued by the XRB to support NZ SAE 1. We plan to utilise a combination of non-authoritative guidance documents, and website responses to Frequently Asked Questions (FAQs), to provide information to assurance providers.

The areas for further guidance have been determined based on the questions and requests for guidance we have received from practitioners throughout the development of NZ SAE 1.

Guidance at Launch of Standard

During the launch period of NZ SAE 1 (the standard is expected to be issued in August 2023), we plan to issue the following non-authoritative guidance which relate to fundamental areas which assurance providers may need time to consider as they prepare for the adoption of NZ SAE 1:

1. NZ SAE 1 Transitional Provision Guidance
2. GHG Independence Guide
3. NZ SAE 1 Illustrative Assurance Report Requirements

On-going Guidance

Planned on-going guidance, which will be developed and published after the launch period of NZ SAE 1 includes:

1. **Quality Management Processes** – We will develop guidance around quality management processes in response to several requests from stakeholders. While we do not plan to provide perspective requirements around quality management processes, we will look to provide further guidance on how quality management principles within NZ SAE 1 can be applied. We plan for this to cover:
 - Guidance around what robust quality management principles looks like in the context of GHG information and the need for this to be tailored to individual assurance organisations.
 - Levels and types of monitoring activities that firms should adopt.
 - Expectations around engagement level quality reviewers, including the timing of involvement and role of reviewing/challenging engagement partner.
2. **Frequently Asked Questions (FAQs)** – We will update the FAQs contained around GHG assurance on the XRB website to address certain specific questions which have been raised by several practitioners. These relate to questions around the scope of financial interest prohibitions, the use of work of others, documentation expectations and reporting obligations around non-compliance with laws and regulations.
3. **Other Areas** – Questions across other aspects of the standard have been addressed directly within the standard, or within the Basis for Conclusions, as the standard has been developed from the Exposure Draft. As a result, the XRB will monitor how NZ SAE 1 is utilised throughout the life of the standard, and we issue further non-authoritative guidance, as needed, if significant feedback is received around a particular aspect of the standard.

Does the Board have any comments on this guidance plan for NZ SAE 1?

NZAuASB Board Meeting Summary Paper

| | |
|------------------------|--|
| AGENDA ITEM NO. | 7.1 |
| Meeting date: | 9 August 2023 |
| Subject: | Perceptions on trust and confidence report |
| Date: | 26 July 2023 |
| Prepared By: | Bruce Mcniven |

Action Required

For Information Purposes Only

Agenda Item Objectives

1. The objective of this agenda item is to DISCUSS the draft research report prior to its issue.
2. At the Board meeting, we will be joined by one of the authors, Professor Roger Simnett, to introduce, and hear any feedback on, the report.

Background

3. We commissioned research to explore the perceptions of Audit Committee Chairs regarding the crucial role of audit in preserving trust and confidence in financial reporting.
4. As a reminder, the objective of the research was:
 - a. To explore perceptions of audit committee chairs, by way of scheduled interviews, on the role of audit in maintaining trust and confidence in financial reporting to inform discussions on whether the XRB's standards enhance trust and confidence in New Zealand reporting.
 - b. To issue a report that shares the results including:
 - i. A summary of key findings, and key messages we can promote through various channels.
 - ii. Comparative results to perceptions in Australia (AUASB RR09 (12/22) and/or the UK). Such a comparison may inform the XRB of NZ issues to incorporate in the NZ standards, depending on if or where perceptions on key matters align or differ.
 - iii. Anecdotal "quotes" or stories on the value of audit to support trust and confidence to better understand where the auditing standards are resulting in a service that is meeting needs.
 - iv. Perceptions on assurance matters related to climate statements to inform the XRB's work on developing a standard for assurance on climate statements.
5. The research project entailed conducting interviews with twenty Audit Committee Chairs, who shared their expertise and perspectives. Our interviews were conducted by leading academics, Professor Roger Simnett and Professor Emeritus Mike Bradbury.

6. The interviews followed a semi-structured format, enabling a deeper exploration of the responses and generating nuanced insights. The discussions covered various areas related to the Audit Committee Chair's perceptions on trust and confidence. This included exploring their views on factors that enhance trust and confidence, the value of the audit, the factors influencing the choice of auditor, engagement with auditors, the process of assessing audit quality, and overall perspectives on audit quality. The interviews concluded with questions concerning assurance over the climate statement.

Next steps

7. The report presented to the Board is a draft. We will work with the Comms team to finalise the report's presentation, including a Foreword and summary of key findings and take into account any comments from the Board before presenting it to the XRB board, and then publishing it on our website and social media channels.

Recommendation

8. Subject to any further discussion, or editorial comments, with the author at the meeting, we recommend that the Board note the draft Report for publication and discuss any next steps based on its findings.

Material Presented

| | |
|-----------------|--|
| Agenda item 7.1 | Board Meeting Summary Paper |
| Agenda item 7.2 | Perceptions on trust and confidence draft report |

NZAuASB Board Meeting Summary Paper

| | |
|------------------------|--|
| AGENDA ITEM NO. | 8.1 |
| Meeting date: | 9 August 2023 |
| Subject: | International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE): Project Plan |
| Date: | 21 July 2023 |
| Prepared By: | Bruce Mcniven |

Action Required

For Information Purposes Only

Agenda Item Objective

1. The objective of this agenda item is to:
 - Provide the Board with an UPDATE on the IAASB's authority of the use of ISA for LCE;
 - APPROVE a Project Plan to consider if and how the XRB might adopt ISA (NZ) for LCE.

Background

2. The IAASB is expected to approve the final ISA for LCE in September and PIOB approval is expected in December. Additional guidance publications are expected from the IAASB to be issued in the months following (for two areas: the Authority and Reporting).
3. The IAASB states that the new stand-alone standard for audits of less complex entities:
 - Is designed specifically for audits of a less complex entities.
 - Is based on the underlying concepts from International Standards on Auditing.
 - Is developed to be understandable, clear and concise.
 - Reduces the risk of jurisdictional divergence by driving consistency and comparability globally.
 - Will achieve a quality audit engagement.
4. The XRB consulted on the exposure draft of this standard in 2021 and provided a submission to the IAASB in January 2022. In its [submission](#), the XRB expressed support of a standalone auditing standard for less complex entities at a global level. A key concern was the blanket exclusion of group audits. The XRB submission also noted that there may be limited use of the proposed standard in New Zealand and did raise concern that a separate standalone standard might signal that an LCE audit is less than an ISA audit, or imply a two-tier auditing environment.
5. The IAASB ran a separate exposure draft process for Part 10 *Group Audits* from January to May 2023. We did not receive any feedback from constituents during this time, and therefore did not consider it necessary to provide an additional submission to the IAASB.
6. In its Mid-quarter board call on 26 July, the Board discussed the revised *Group Audit* section as well as the corresponding updates to the Authority of ISA for LCE. Based on IAASB's agenda papers, available at the date of writing, the IAASB is not expected to make significant changes from what was in the exposure draft.

7. Staff have been considering the feedback provided by the audit reference group, keeping a close eye on the progress of the standard in IAASB meetings, and following discussions at the AUASB.

The Authority of ISA for LCE

8. The IAASB permits local standard setters to make adjustments to the authority, to suit the economy of the country.
9. There are two sections in the authority which we can adjust – the Specific Prohibitions section and the Quantitative threshold section. Our evidence gathering process will determine whether we need to add any NZ specific prohibitions or thresholds.
10. A summary of the specific prohibitions, quantitative characteristics and qualitative thresholds is in Supplementary Agenda item 8.4. (This document includes content from the latest (26 July) IAASB agenda papers).

New Zealand project

11. Staff have drafted a Project Plan, at Agenda item 8.2 to explore if and how the XRB might adopt ISA for LCE in New Zealand.
12. If the NZAuASB approves the project plan, the next step is that staff will undertake a survey of stakeholders to inform a discussion. We will report back in the next board meeting.
13. Our planned survey questions, along with who we will consult, are in Agenda item 8.3.
 - **Does the board have any FEEDBACK with further questions for the survey, individuals to consult with, or other content for the project plan?**

Recommendations

14. We recommend that the Board:
 - APPROVE the Project Plan.
 - PROVIDE FEEDBACK on planned outreach to inform the development of a NZ exposure draft.

Material Presented

| | |
|-------------------------------|--|
| Agenda item 8.1 | Board Meeting Summary Paper |
| Agenda item 8.2 | Project Plan |
| Agenda item 8.3 | Initial consultation plan |
| Supplementary Agenda item 8.4 | ISA for LCE: A summary of the specific prohibitions, quantitative characteristics and qualitative thresholds |

Project Plan

| | |
|--|--|
| Project Title: | ISA for LCE |
| Project Objective(s): | To assess whether the XRB should adopt the International Standard of Auditing for Less Complex Entities (ISA for LCE), and if so when the standard should apply and how will it be adopted. |
| Priority: | Low |
| Issue/Reason: | The IAASB has developed a new standalone auditing standard for audits of LCEs and will soon approve the standard. The NZAuASB needs consult and determine whether it will adopt ISA for LCE in NZ. |
| Date Prepared: | 24 July 2023 |
| Date Approved: | TBC |
| Date Updated: (if applicable) | |

Background

1. The IAASB has developed a new standalone auditing standard for audits of less complex entities (LCEs). The new standard is expected to be approved by the IAASB in September 2023, and issued following PIOB approval expected in December 2023. After approval of the standard, the IAASB is expected to release guidance on the authority and other matters. ISA for LCE is a separate pronouncement to the ISAs and it has a completely different authority to ISA.
2. The IAASB recognizes that in today's complex and ever-changing world, there is a need for a set of high-quality auditing standards that are tailored specifically for less complex entities (LCEs). The IAASB is developing this standard to provide a globally consistent approach to auditing LCEs. This is important because a number of jurisdictional-specific LCE standards are emerging, which could lead to inconsistency in practice. Such fragmentation is not in the public interest.
3. A global solution is in the public interest because it will ensure consistency in the application of auditing standards for LCEs. This will help to protect the public interest by ensuring that all LCEs are subject to the same high-quality auditing standards, regardless of their location. Additionally, a global standard will help to promote a common understanding of the procedures that are undertaken in an audit of an LCE. This will be beneficial for both auditors and their clients.
4. This standard is an optional approach for jurisdictions that want to have a separate standard for audits of LCEs. It is not mandatory for all jurisdictions to adopt this standard, and if New Zealand chooses not to adopt the standard, it will not affect our ability to continue using International Standards on Auditing (ISAs).

Feedback received during the exposure draft process

5. Our outreach during the exposure draft process showed some support for the standard in NZ, although there were mixed views, particularly around group audits being excluded (which has since been dealt with by the IAASB, with the Part 10, Groups exposure draft).
6. The XRB submission to the IAASB raised concern that a separate standalone standard might signal that an LCE audit is less than an ISA audit, or imply a two-tier auditing environment. The submission noted that the proposed standard contains the relevant requirements from the current suite of ISAs, and similarly achieves reasonable assurance. Separating it and labelling it as something different or “less” runs the risk of confusing and creating a perception problem, possibly causing reluctance to use the standard.
7. Our submission also noted “a concern that the title could prompt clients to request auditors to adopt ISA for LCE on the perception that it may require reduced audit work effort and hence could be cheaper. Labelling the standard as a standalone International Standard on Auditing, while noting that it is an international standard on auditing may help address this risk”.
8. The XRB submission also noted there is a need to raise awareness, educate and engage with those charged with governance and users “to enable them to understand that the ISA for LCE is similar to the ISAs, which still provides reasonable assurance and is not a second-grade audit. The user perception issue of reduced work effort and/or audit quality should also be addressed. It should be emphasized that the use of the ISA for LCE will not result in substantially less audit testing procedures.”
9. Nonetheless, the XRB recognised in its submission that the proposed standard may be useful to small firms or sole practitioners given the nature of their clients and their auditing practice. “In that respect, we believe the standard will be beneficial for audit efficiencies without impairing audit quality. The structure of the proposed standard, which follows the flow of an audit, will make it easier for practitioners to use and the condensed material makes the audit requirements easier to understand, which will enable auditors to focus on the relevant audit requirements to an LCE audit.”
10. CAANZ were supportive of the IAASB’s introduction of a standalone auditing standard for the audits of less complex entities to assist practitioners, particularly small and medium sized practices in the audits of LCEs. They believe that the standard will be beneficial for audit quality. They commented that the structure of the proposed standard, which follows the flow of an audit, will make it easier for practitioners to use and the condensed material makes the requirements for the audit easier to understand.

What problem are we trying to solve in this project

11. ISA for LCE may or may not be part of the solution for New Zealand when considering assurance services for smaller entities.
12. We noted in our submission to the IAASB, the difficulty of scaling down ISAs when auditing LCEs. New Zealand has many very small, simple organisations and businesses; and less of the more complex, global organisations for which full ISAs appear to be more suited for. ISA for LCE highlights that the core audit requirements can be condensed into a much more readable and compact document, which is easier to navigate and understand.
13. Previously the XRB had undertaken a project to explore an alternative to audit for smaller charities, centred around the use of an agreed upon procedure engagement as an alternative to an audit or review. This project was paused as it was unclear that anyone would use it given charities continue to voluntarily obtain an audit or review.

14. There is still a demand in the market from LCEs to receive an audit, and we need to recognise that LCEs should be entitled receive an equitable level of assurance as those more complex entities, should they demand it. This can be achieved by an auditor using an auditing standard that is less complex to use.
15. Auditors of LCEs will not need to spend as much time identifying applicable standards as in the case of the ISAs. The core requirements of the ISA for LCEs are clearer than those of the ISAs, as the nature and circumstances of LCEs are less complex. This means that auditors can focus more on executing appropriate procedures that more effectively target the risks of material misstatement.
16. However, the ISA for LCEs does not necessarily reduce the number of core procedures that the auditor is required to perform. It is based on the ISAs and retain the robustness of an audit using the ISAs. Therefore, auditors using the ISA for LCEs will be able to provide reasonable assurance in the audits of LCEs. There will also be an added requirement for auditors to determine whether they can confidently justify applying ISA for LCE.

Thresholds

17. As part of our initial consultation process our survey questions will help determine what thresholds need to be put in place to indicate what entities ISA for LCE can be used for (should we choose to adopt ISA for LCE). These thresholds are in addition to the qualitative characteristics already provided by IAASB (in supplementary agenda item 8.4).
18. As an aside, New Zealand has high statutory thresholds for audits of for-profit entities – for example:
 - Large NZ Companies (can opt out): Assets > \$66 million or Revenue > \$33 million.
 - Large overseas owned companies: Assets > \$22 million or Revenue > \$11 million.
 - FMC reporting entities: as defined under section 451 of the FMC Act.
 - Large partnerships (can opt out): Assets > \$66 million or Revenue > \$33 million.
19. ISA for LCE may not be suited for these types of audits, especially if they do not meet the qualitative characteristics.
20. On the not-for-profit side, audits are required for:
 - Incorporated Societies: total expenses >\$3 million (currently being consulted on).
 - Registered Charities: total expenses >\$1.1 million (and choice of audit or review for total expenses >\$500,000).
21. It may be more likely that ISA for LCE would be used more in the not-for-profit statutory audit space.
22. In the exposure draft consultation process small or medium sized auditing practices showed an interest in using ISA for LCE. This was reiterated in our latest Audit Technical Reference Group discussion on ISA for LCE, where group members indicated that they could see this being a useful standard, particularly for smaller audits.
23. The use of ISA for LCE may be especially useful for voluntary audits (those entities that obtain an audit but are below the statutory thresholds for an audit).
24. Our planned initial survey will help us determine if there is demand for ISA for LCE, and if so what thresholds could be applied. We will ask for feedback for two types of thresholds, either one aligning with the reporting tier framework, or one aligned to a dollar threshold – a

couple have been suggested by IAASB – as noted in the consultation plan document (agenda item 8.3)

Australia

25. In July 2021, the IAASB issued the Exposure Draft on Auditing of Financial Statements of Less Complex entities. The AUASB's response, compiled after extensive consultation, supported the concept of the IAASB developing a standalone standard targeted at LCE audits. The main concerns expressed by the AUASB were: (a) Perception that the proposed standard is a lesser quality or scaled down audit product, especially if the use of the proposed ED-ISA for LCE Standard needs to be explicitly identified in the auditor's report; (b) Expectation of reduced work effort being applied than would be expected under the full suite of ISAs, despite the proposed level of assurance being the same; and (c) Perception that regulators may not accept the use of this proposed standard on audits which are required by local statutory or regulatory requirements.
26. At its May 2023 meeting the AUASB approved a written response to the Part 10 Groups, Exposure Draft supporting the IAASB's proposals to include group audits into the scope of the LCE standard, but not supporting the proposal to scope out group audits when a component auditor is used. The IAASB is expected to discuss this aspect at their mid-quarter IAASB call in July 2023. [Based on the draft agenda papers, the IAASB is expected to keep the prohibition of using component auditors except in very specific circumstances]
27. At the 14 June 2023 meeting, the AUASB discussed the latest draft of the proposed Authority of the IAASB's developing Standard for Auditing Less Complex Entities.
28. The AUASB was supportive of the Proposed Authority, with some hesitancy that additional restrictions may negatively impact the potential adoption of the standard. The AUASB commenced discussions regarding the adoption of the proposed LCE standard within Australia and considerations regarding the nature of amendments that may need to be made to the final standard, particularly around the Authority of the standard, for local purposes. The AUASB discussed the need to engage with regulators and stakeholders and that any potential amendments would need to be exposed for public comment.
29. We will continue to monitor the AUASB's project and liaise with them during this process.

Project risks

30. The following risks have been identified for the project:
 - Perception of a two-tier system for audit, even though audits under both ISA and ISA for LCE provide the same reasonable assurance.
 - Similarly, a perception that the title of the proposed standard, "International Standard on Auditing for Audits of Financial Statements of Less Complex Entities" might signal that an LCE audit of a lesser quality than an ISA audit. This may in turn undermine trust and confidence of audit.
 - Concern that if audit practitioners primarily use the LCE standard once issued, they may no longer have the competency to conduct audits using the full ISAs.
 - The proposed standard may not be suitable for audits in New Zealand.
 - Stakeholders may not be supportive of the standard.
 - Stakeholders may not provide sufficient input to help decide whether the standard is implemented in NZ.
 - The project may not be completed on a timely basis.

Risk mitigation strategies

31. The following mitigation strategies have been developed to address the identified risks:

- The project team will continue to monitor the development of the proposed standard and guidance from the IAASB. We will also monitor deliberations at the AUASB.
- Staff will ensure appropriate communications collateral is provided supporting consultations.
- A list of individuals to be consulted will be generated from the XRB's stakeholder database to ensure a broad, relevant, selection of people from around NZ are consulted on.
- The project team will develop a detailed project timetable and monitor it within the tasks app in Teams to ensure that the project is completed on time.
- A post implementation review will be undertaken if ISA (NZ) for LCE is implemented.

Action plan

32. The project will initially involve the following key steps:

- a. Initial consultation - Gather further evidence on who would support use the ISA for LCE in New Zealand, for which entities, and why or the risks of doing so?
- b. Consider establishment of a sub-committee – unlikely to be needed at the initial consultation stage. But we shall consider if one is necessary should we decide to proceed with adopting this standard.
- c. Consider options for thresholds:
 - i. Link to tiers
 - ii. Link to statutory assurance thresholds
 - iii. Something else?
- d. Should there to be sufficient support for the standard, after our initial consultation we will determine:
 - i. Any specific prohibitions or quantitative thresholds.
 - ii. How to incorporate the audit of SPI into the standard.
- e. An Exposure Draft will be developed for approval in accordance with the timeline on page 6.
 - i. We will make amendments specific to NZ as needed, such as reference to those charged with governance generally being responsible for ensuring an entity meets its legal obligations in relation to the preparation of the financial statements (rather than management, which is the standard internationally), SPI, and of course NZ spelling.
- f. Further refine the exposure draft following the Board's feedback.
- g. Expose a draft standard.
- h. Obtain and collate comments, and obtain the Board's approval of amendments to address comments.
- i. Final approval obtained from the Board to issue a new standard.

- j. Quality assurance to be conducted prior to issuing.
- k. Gazette standard supported with an Assurance Alert and other appropriate communications supporting the standard issued.
- l. Consider the need for further awareness sessions and implementation guidance once the final standard is released.

Consultation with Privacy Commissioner

The Financial Reporting Act 2013, section 22(2) requires that the External Reporting Board consult with the Privacy Commissioner where an accounting or assurance standard is likely to require the disclosure of personal information. From initial reading of the proposed standard there does not appear to be any requirements for the disclosure of personal information, or any changes to the concept of confidential information. Therefore, at this point we conclude that no such consultation is required in relation to this standard. Should this position change, the project team will be responsible for contacting the Privacy Commissioner on behalf of the XRB.

Timetable

Indicative timings are as follows:

| Action Plan | Proposed Date |
|--|-------------------------|
| NZAuASB meeting – Approve Project Plan | August 2023 |
| <p>Initial consultation</p> <p>In accordance with the initial consultation plan – Agenda item 7.3</p> <p>During this time, staff will also be considering how to incorporate the audit of SPI in an audit using ISA for LCE</p> | August – September 2023 |
| IAASB expected to approve ISA for LCE | September 2023 |
| <p>NZAuASB meeting – Board discussion. Staff will update the NZAuASB on the final IAASB standard and provide an update on results of the initial consultation</p> <p>Decision point: Do we adopt this standard? Who should it apply to? How does SPI feature?</p> | October 2023 |
| NZAuASB meeting – First read of Exposure Draft | November 2023 |
| <p>PIOB approval of ISA for LCE</p> <p>Additional guidance is expected to be received from IAASB during this time</p> | December 2023 |
| <p>NZAuASB meeting – Approval of Exposure Draft ISA (NZ) for LCE</p> <p>90-day exposure period, as required by EGAu2</p> | February 2024 |

| | |
|---|-----------------------|
| Exposure draft period closes Consideration of comments | May 2024 |
| NZAuASB meeting Update on Exposure draft process | June 2024 |
| NZ AuASB meeting Approval of ISA (NZ) for LCE | August 2024 |
| Standard Gazetted and appropriate communications supporting the standard issued. | August/September 2024 |

Subject: ISA (NZ) for LCE: Initial consultation plan

Background

1. The XRB is considering whether to adopt the International Standard of Auditing for Less Complex Entities (ISA for LCE). If the XRB does decide to adopt ISA for LCE, we need to determine the specific types of audits to which it could be used. This document outlines the initial consultation plan for gathering feedback from stakeholders
2. The survey will be sent to auditors (varying sized audit firms from our stakeholder database), XRB technical reference group members, regulators (Charities services, FMA, OAG, MBIE), audit software provider/s, and membership bodies (CAANZ and CPA Australia).
3. We will run a survey through SurveyMonkey platform. The survey link will be sent to stakeholders via email.

Draft survey questions

4. We have drafted survey questions that could be sent to stakeholders as follows (happy to receive any further suggestions or edits):
 - (a) Do you support the adoption of ISA for LCE in New Zealand? [Yes/No]
 - (b) If the XRB were to establish thresholds for use of ISA for LCE, using a **tier threshold approach** which type of reporting entities do you support being included?
 - Tier 2 For Profit
 - Tier 2 PBE
 - Tier 3 PBE
 - Tier 4 PBE
 - Tier 2 Companies or Partnerships that can opt out of audit
 - Tier 2 Companies or Partnerships not required to have an audit
 - (c) Do you support use of ISA for LCE for entities reporting under the Tier 1 For-profit reporting framework and Tier 1 PBE reporting framework (as defined in XRB A1). [Yes/No] If so why and when? Comments?
 - (d) Would you support the use of ISA for LCE in Special purpose financial statements or reports. [Yes/No] If so, what types of entities/reports will be audited?
 - (e) Should the ISA for LCE be applied to audits under a **dollar threshold**, rather than a tier threshold approach, for example:
 - Entities with Revenue under \$17.5 million (following the European Commission example provided by the IAASB), or
 - Entities with Revenue under \$5.2 million (following the Malaysia example provided by IAASB)[Yes/No] If so what do you suggest this threshold to be? Comments?
 - (f) Do you support the use of ISA for LCE for audits of these large entities:
 - Large NZ Companies (can opt out): Assets > \$66 million or Revenue > \$33 million.
 - Large overseas owned companies: Assets > \$22 million or Revenue > \$11 million.
 - Large partnerships (can opt out): Assets > \$66 million or Revenue > \$33 million.[Yes/No] If so why and when? Comments?
 - (g) Do you support the use of ISA for LCE in the public sector? Yes/No Comments?
 - (h) How should the service performance information (SPI) requirements be presented in the standard?
 - Include all SPI requirements in a separate part of the standard
 - Include all SPI requirements in each relevant part of the standard
 - (i) Do you have any other comments or suggestions regarding the implementation of ISA for LCE in New Zealand?

Thank you for your feedback.

Conclusion

5. This consultation plan outlines the initial steps that will be taken to gather feedback from stakeholders on the adoption of ISA for LCE in New Zealand. The results of the survey will be reported back to the board meeting, and will be used to inform the XRB's decision on whether to adopt ISA for LCE.

NZAuASB Board Meeting Summary Paper

| | |
|------------------------|--------------------------------------|
| AGENDA ITEM NO. | 9.1 |
| Meeting date: | 9 August 2023 |
| Subject: | NZAuASB work plan update for 2023/24 |
| Date: | 24 July 2023 |
| Prepared By: | Misha Pieters |

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Agenda Item Objectives

1. For the Board to DISCUSS the work plan for 2023/24.

Background

2. The XRB Board will hold its Strategy Day later in August. The XRB's statement of intent (SOI) 2022-2027 included key priority assurance related actions:
 - a. Assurance over non-financial disclosures including Greenhouse gas assurance engagements.
 - b. Audit of Service Performance Information.
 - c. Audit quality reforms in New Zealand.
3. At its February 2023 meeting, the NZAuASB discussed strategic priorities for the 23/24 period to finalise the XRB's [statement of performance expectations](#). At its June meeting, the NZAuASB considered the prioritisation plan for 2023/2024.
4. The key strategic intentions and priority areas for assurance in 2023/24 remain:
 - a. Assurance over climate statements – with a possible extension of mandatory assurance in New Zealand and the exposure of international assurance standards on sustainability assurance, this is a key priority topic for 2023/24.
 - b. Service Performance Information –we plan to support implementation of NZ AS 1 (Revised) by issuing guidance and turn to develop an exposure draft for review engagements.
 - c. Value of Audit to enhance trust and confidence. We will publish the f research on perceptions of audit committee chairs, and consider opportunities to work with the IOD or commission further research to explore perceptions of users and or the expectation gap. The IAASB exposure drafts on going concern and fraud are topics that also explore interrelated issues. We will monitor the FMA's audit quality report and develop an XRB respond as appropriate.
5. One possible additional action to discuss id to monitor the application of the revised quality management standards to identify any issues with the standards.
6. We recommend inviting the head of audit from each firm to attend the in-person Auckland meeting in October to discuss current work priorities and issues that are top of mind for the firms.
7. **Board members are asked to CONSIDER the Prioritisation plan for 2023/2024 and the indicative meeting plans for the year.**

Material Presented

| | |
|-----------------|-----------------------------|
| Agenda item 9.1 | Board Meeting Summary Paper |
| Agenda item 9.2 | 2023/24 prioritisation plan |
| Agenda item 9.3 | NZAuASB meeting agenda plan |

| Domestic Project | 2023/2024 planned action | Resource | Priority | Key deliverable | Due date |
|---|---|------------|----------|---|---------------|
| Assurance engagements over greenhouse gas emission disclosures | Issue standard | Available | High | Standard | Aug 23 |
| | Issue implementation guidance | | | Guidance | H2 2023 |
| 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 | Oct 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 can we learn | To manage | TBD | Possible report | June 2024 |
| Audit of Service Performance Information | Issue standard | Available | High | Issue standard | July 23 |
| | Implementation guidance to support first time adoption | Available | Medium | Issue guidance | Oct 2024 |
| Review of Service Performance Information | Develop review engagement ED – project plan included in agenda | Available | Medium | Issue ED | April 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 | Available | High | Respond to FMA findings | Feb 2024 |
| | Research on the perceptions of the value of audit | Commission | | Report | August 2023 |
| Quality management implementation | Identify if additional implementation support needed | Available | Medium | TBD | TBD |
| 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 | Dec 2023 |
| Māori engagement | Learnings based on XRB board decision on treaty obligations | To manage | Medium | TBD | TBD |
| Digitisation of assurance standards | XRB initiative | To manage | High | Digitised standards | June 2024 |

IAASB

| IAASB | 2023/24 action | Resource | Priority | Key deliverable | Due date |
|---|---|-----------|----------|--|-------------------------|
| Sustainability assurance | ED expected Aug 2023 Consultation plan in agenda | Available | High | XRБ Submission | Dec 2023 |
| Going Concern | Draft submission in agenda | Available | Medium | XRБ Submission | Aug 2023 |
| Audit Evidence | Final standard expected to be approved first half of 2024 | Available | Medium | Adopt in New Zealand | July 2024 (when issued) |
| Fraud | IAASB ED exposure period H1 2024 | Available | Medium | Submission | June 2024 |
| Audits of Less Complex Entities | IAASB to approve LCE standard Sept 2023 – project plan in agenda | Available | Low | Develop consultation doc on adoption of LCE standard for New Zealand | March 2024 |
| Implications of PIE on ISAs | IAASB approved track 1 – in agenda | Available | Low | Adopt in New Zealand | Oct 2023 |
| | Track 2 ED expected Dec 2023 | Available | Low | Submission | April 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 | Attend sustainability roundtable Event | Oct 23 |

IESBA

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

| | | NZAuASB meeting dates | | | | | |
|----------|--------------------------------------|-----------------------|--|--------------------|------------------|--------------------|----------------------|
| Plan | | 9 Aug | 18 Oct | 30 Nov | 14 Feb | 3 April | 12 June |
| Domestic | Project | | | | | | |
| | GHG implementation guidance | Discussion | Discussion | | | | |
| | Climate assurance | | Discussion | Discussion | | | |
| | SPI guidance | Discussion | Note | | | | |
| | Review of SPI | Project plan | Key issues | Issues and draft | First read of ED | Approve ED | |
| | Value of audit | Draft report | Discuss follow up | | | | |
| | Monitor FMA inspection findings | | | Discussion | Report | | |
| | Update standard setting policy | | Board discussion | Board discussion | Updated policy | | |
| | Materiality guidance | | Discuss | | | | |
| | Quality management Implementation | | Discuss | | | | |
| Other | Work plan | Modified reports | Policy | Work plan | | Work plan | |
| IAASB | Sustainability | Outreach plan | Discuss | Approve submission | | | |
| | Going concern | Approve submission | | | | | |
| | Fraud | | | Outreach plan | Discuss | Approve submission | |
| | Audits of less complex entities | Project plan | Board discussion | First read of ED | Approve ED | | Update on ED process |
| | Audit evidence | | | | | | Update |
| | PIE track 1 | Approve standard | | | | | |
| | PIE track 2 | | | | | Approve submission | |
| IESBA | Sustainability ethics & independence | | | Outreach plan | Board discussion | Approve submission | |
| | Use of experts | | | Outreach plan | Board discussion | Approve submission | |
| Guests | | Greg Schollum IAASB | Head of audit from the firms XRB board review discussion | | | | |

NZAuASB Board Meeting Summary Paper

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|------------------------|---------------------------------|
| AGENDA ITEM NO. | 10.1 |
| Meeting date: | 9 August 2023 |
| Subject: | Service Performance Information |
| Date: | 10 July 2023 |
| Prepared By: | Lisa Thomas |

Action Required

For Information Purposes Only

Agenda Item Objectives

1. For the Board to:
 - CONSIDER the proposed guidance plan to support NZ AS 1 (Revised) *The Audit of Service Performance Information*.
 - APPROVE an updated project plan for a review standard on Service Performance Information.

Guidance for NZ AS 1 (Revised) The Audit of Service Performance Information

2. NZ AS 1 (Revised) *The Audit of Service Performance Information* was issued in July 2023. It is important to ensure the revised standard is well supported through promotion and guidance.
3. We have planned awareness raising activity following the issue of NZ AS 1 (Revised). The following key themes will be communicated:
 - Benefits of the new standard for audit of service performance information
 - Flexibility on transition
 - The Office of the Auditor-General's adoption of the standard
 - Guidance to support implementation
4. Awareness raising will be included as part of an assurance "Need to Know" event in mid-August and will be followed by a "Deep Dive" taking practitioners through the standard in mid-September.
5. The Board is asked to CONSIDER and provide feedback on the proposed guidance plan at agenda item 10.2. Topics include:
 - Transitioning from extant NZ AS 1 to NZ AS 1 (Revised)
 - The 'Attribution Assertion'
 - Other information
 - Auditor's responsibility for targets

Project plan: Review Standard for Service Performance Information

6. Under the Charities Act, registered charities with operating expenditure between \$550k and \$1.1 million are required to have the general-purpose financial report audited or reviewed. The general-purpose financial report includes a statement of service performance with information about what objectives the entity is seeking to achieve in the medium to long term, and what significant activities the entity has undertaken during the financial year.

7. ISRE (NZ) 2400 *Review of Historical Financial Statements Performed by an Assurance Practitioner* does not address service performance information and there is no review standard equivalent to NZ AS 1 (Revised). Practitioners currently use ISAE (NZ) 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. The XRB issued EG Au9 [Guidance on the Audit or Review of the Performance Report of Tier 3 NFP PBE](#) to assist practitioners in applying this standard until such time as a review standard was developed.
8. The development of a review standard commenced in 2021 however was put on hold to address the Office of the Auditor General's concerns over NZ AS 1 *The Audit of Service Performance Information*. As there are some similarities between an auditing and review standard for service performance information, it was important to first resolve matters related to NZ AS 1.
9. In June 2023, the NZAuASB reconfirmed the priority of the project to develop a review standard on SPI within the 2023/24 period. An updated project plan is at agenda item 10.3.
10. Prior to the project being put on hold, the following decisions on the review standard were made:
 - To create a new domestic review standard based on but tailoring the auditing standard as a base. The review standard will be applied in conjunction with ISRE (NZ) 2400.
 - That areas of similarity between the audit and review standard are, but are not limited to, requirements for dealing with suitability of service performance criteria (referred to as "appropriate and meaningful" in NZ AS 1 (Revised)) and matters relating to materiality.
 - To apply the principles of ISRE (NZ) 2400 to risk assessment to identify where a material misstatement is likely to arise but not require identification at the assertion level and to include examples of how considering assertions to identify misstatements might be useful.
 - To apply the principles of ISRE (NZ) 2400 for work effort which focuses on enquiry, analytical procedures and other procedures for designing and performing procedures.
 - To apply the principles of ISRE (NZ) 2400 and require the auditor to gain an understanding of internal controls relating to service performance information.
 - To address the responsibility related to other information, but further consideration to be given to whether it sits in ISRE (NZ) 2400 or the new review standard.
 - That reporting requirements should focus on the level of assurance being reported rather than describing the procedures performed.
11. Staff will consider how the exposure draft of ISSA 5000 *General Requirements for Sustainability Assurance Engagements* addresses limited assurance, and what impact (if any) this may have on the review standard.
12. A sub-committee consisting of Marje Russ and Mark Maloney was previously established for this project. Staff recommend re-establishing this sub-committee.

Recommendations

13. We recommend that the Board:
 - CONSIDER the guidance planned for the issue of NZ AS 1 (Revised)
 - APPROVE an updated project plan for a review standard for SPI.

Material Presented

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|------------------|------------------------------------|
| Agenda item 10.1 | Board Meeting Summary Paper |
| Agenda item 10.2 | Guidance Development Plan |
| Agenda item 10.3 | Project Plan – SPI Review Standard |
| Agenda item 10.4 | FAQ: Transition options |

Guidance plan to support implementation of NZ AS 1 (Revised)

1. NZ AS 1 (Revised) *The Audit of Service Performance Information* was approved and issued in July 2023. The NZAuASB’s prioritization plan for 2023/24 includes an action to develop guidance to ensure the standard is well supported in its implementation.
2. Our key communication objectives to support adoption and implementation include:
 - we have achieved the development of an auditing standard for service performance information that is applicable in both the public and not for profit sectors.
 - Practitioners are clear about what transition arrangements they will need to implement.
 - Practitioners are clear how to audit service performance information under NZ AS 1 (Revised).
3. Our key messages to promote include:
 - Highlighting the benefits of the new standard
 - Emphasising the range of transition options for practitioners
 - That the Auditor-General will use NZ AS 1 (Revised) as the basis of the Auditor-General auditing standard for service performance information for the public sector.
4. In achieving the objectives, we have identified the following risks that need to be mitigated:

| | |
|-----------------------------|---|
| Additional compliance costs | That practitioners who have already adopted extant NZ AS 1 incur additional compliance costs to update resources and methodology. |
| Implementation risk | Confusion over how to audit service performance information |
| Transition risk | Confusion over the transition options available until NZ AS 1 (Revised) becomes mandatory |

Mitigating the risks

5. Staff recommend the following plans to address the risks identified. We will reinforce through key messages that the Auditor-General has confirmed that NZ AS 1 (Revised) will form the basis of the Auditor-General standard to audit service performance information in the public sector.

Additional Compliance Costs

6. To address concerns at additional compliance costs for those who have already adopted extant NZ AS 1, we plan to develop an interactive flowchart. leveraging the flowcharts within the appendices of the extant and revised standards . The flowchart will simplify the changes between the two standards to assist practitioners in updating resources and methodology

Implementation Risk

7. Key messages for NZ AS 1 (Revised) will be covered in the assurance Need to Know event in August, followed by a “Deep Dive” virtual event to walk participants through the audit process for service performance information. The interactive flowchart will be used to promote the guidance.

Transition Risk

8. A one-page explaining the flexible transition option. This can be found at agenda item 10.4.

Frequently Asked Questions

9. Stakeholders provided feedback on areas they would like guidance on as part of the exposure draft consultation of NZ AS 1 (Revised). Queries related to the implementation of PBE FRS 48 *Service Performance Reporting* and other queries from auditors have also helped inform areas practitioners require guidance.
10. To target areas of concern we recommend developing a series of frequently asked questions covering:
 - The attribution assertion, for example, when an entity’s role is to advocate for change that led to improvements in that area or when an entity’s activities are performed in conjunction with efforts of others that brings about a change. This guidance will be developed in conjunction with the XRB accounting team as queries suggest both preparers and auditors are grappling with this issue.
 - Other information, for example:
 - How does the auditor determine what SPI is to be audited and what is “other information”?
 - When an entity cross-references to a SPI in another document or website, does the auditor need to perform ISA (NZ) 720 *The Auditor’s Responsibility Relating to Other Information* requirements across the full content of that document or website
 - The auditor’s role in assessing against targets, for example:
 - Does the auditor’s assessment of whether SPI is appropriate and meaningful extend to the appropriateness or reasonableness of targets.
11. We may add to these FAQs as part of ongoing monitoring of implementation of the standard. As part of the Basis for Conclusion we have encouraged stakeholders to let us know any other areas they would like guidance to be developed and to share with us any useful examples that could be integrated into guidance such as overcoming challenges around appropriate audit evidence. We also expect to identify other areas where guidance is needed following a post implementation review of NZ AS 1 (Revised).

Does the Board have any comments on this guidance plan for NZ AS 1 (Revised)?

Project Plan

| | |
|--|---|
| Project Title: | Review of Service Performance Information |
| Project Objective(s): | Develop a standard to apply when engaged to review service performance information |
| Priority: | High |
| Issue/Reason: | NZ AS 1 (Revised) has been finalised and there is a legal option for Tier 3 entities to have their Performance Report Reviewed but no equivalent to NZ AS 1 |
| Date Prepared: | 30 September 2019 |
| Date Approved: | 24 October 2019 |
| Date Updated: (if applicable) | 20 July 2021 and 19 July 2023 |

Project Objectives

1. To develop a standard to apply when engaged to review a Performance Report that includes service performance information.

Background

1. The NZAuASB issued NZ AS 1 (Revised) *The Audit of Service Performance Information (NZ AS 1 (Revised))* in July 2023. The Board has previously agreed to develop a review standard and to withdraw EG AU 9 *Guidance on the Audit or Review of the Performance Report of Tier 3 Not-For-Profit Public Benefit Entities*.
2. Under the Charities Act, Registered Charities with operating expenditure between \$550k and \$1.1 million are required to have the general purpose financial report either audited or reviewed.
3. Anecdotally, we understand that some charities are having their Performance Report reviewed.
4. NZ AS 1 (Revised) is effective for periods beginning on or after 1 January 2024.
5. This project plan has been previously approved by the board, but has been updated to reflect the changes to NZ AS 1 and to notify the board of the revised timetable.

International

2. The most relevant international standard that would apply to the review of service performance information would be ISAE 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. The IAASB's guidance on the assurance challenges for Extended External Reporting (EER) assurance engagements also addresses the differences between limited and reasonable assurance engagements.

Australia

3. The AUASB have no equivalent standard to NZ AS 1 (Revised).

Risks/Issues

4. Issues or risks to the development of the standard include the following:
 - 4.1. The number of entities that elect to have their Performance Report reviewed may be relatively few;
 - 4.2. The need to align with the International Assurance Framework may meet with resistance in practice (i.e. the work effort related to whether the service performance information is appropriate and meaningful (suitable criteria) is the same regardless of the level of assurance).
5. Key areas identified for consideration in the project include:
 - 5.1. Develop a separate standard similar to the approach adopted in developing NZ AS or update ISRE (NZ) 2400 (Revised) to cover service performance information? This same question was posed at the commencement of the project to develop NZ AS 1. The structure and application of ISRE (NZ) 2400 (Revised) differs from the ISAs (NZ) and therefore may result in a different approach for this project.
 - 5.2. Exploring the key differences between an audit and a review and developing requirements and application material that differs from NZ AS 1 (Revised) as appropriate.
 - 5.3. Exploring key areas that are the same regardless of the level of assurance (Limited or reasonable) in accordance with International Assurance principles and replicating requirements and application material from NZ AS 1, as appropriate, including:
 - 5.3.1. Appropriate and meaningful (suitable criteria)
 - 5.3.2. Materiality

Action Plan

6. The project will involve the following key steps:
 1. Identifying members to assist on a sub-committee of the Board to develop the draft standard to meet as required.
 2. Developing a reference group (if considered necessary by the Board) to assist with the project by identifying key issues to be addressed and field-testing ideas as they develop. The reference group would meet as required. Such reference group would include broad representation.
 3. Develop recommendations to the key issues identified to inform the development of the standard.
 4. Develop a first draft of a standard, based on the direction approved by the Board.
 5. Further refine the standard following the Board's feedback.
 6. Expose a draft standard and consultation document
 7. Obtain and collate comments, and obtain the Board's approval of amendments to address comments.
 8. Final approval obtained from the Board to issue a new standard.
 9. Quality assurance to be conducted prior to issuing.
 10. Release standard and any other explanatory statements as required.
 11. Consider the need for further awareness sessions and implementation guidance once the final standard is released.

Revised Timetable

7. It is anticipated that it will take about 12 months to develop and finalise the standard. Indicative timings are as follows, updated subsequent to the August 2023 meeting:

| Description | Proposed Date |
|--|----------------------------|
| NZAuASB to approve project plan for 2023/24 | August 2023 |
| sub-committee of the NZAuASB assist in developing ideas and recommendations to present to the NZAuASB | August/September 2023 |
| NZAuASB to provide feedback on the sub-committee's recommendations | 18 October 2023 |
| Sub-committee of the NZAuASB to assist in developing ideas and recommendations to present to the NZAuASB | October/November 2024 |
| NZAuASB to provide feedback on the sub-committee's recommendations | 30 November 2023 |
| Sub-committee of the NZAuASB to assist in developing ideas and recommendations to present to the NZAuASB | December 2023/January 2024 |
| NZAuASB to provide feedback on developing exposure draft | 14 February 2024 |
| Approval of NZAuASB exposure draft | 3 April 2024 |
| Exposure draft open for comment | Mid April – Mid June 2024 |
| Consideration of submissions | July 2024 |
| Approval of standard | August 2024 |

NZAuASB Board Meeting Summary Paper

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|------------------------|--|
| AGENDA ITEM NO. | 11.1 |
| Meeting date: | 9 August 2023 |
| Subject: | Narrow scope amendments to ISAs (NZ) – PIE Revisions |
| Date: | 26 July 2023 |
| Prepared By: | Tracey Crookston |

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Agenda Item Objective

1. For the Board to:
 - (a) **NOTE** the summary paper; and
 - (b) **APPROVE** the amending standard (**agenda item 11.2**) and signing memorandum (**agenda item 11.3**) subject to, final approval by the Public Interest Oversight Board (PIOB).¹

Background

2. Recent Public Interest Entity (PIE) revisions to the IESBA Code² (approved by the Board in October 2022 as amendments to Professional and Ethical Standard 1 (PES 1)³), introduce a new transparency requirement for an audit firm to publicly disclose when a firm has applied the independence requirements for public interest entities.
3. To operationalise this transparency requirement, the International Audit and Assurance Standards Board (IAASB) published a narrow scope amendments Exposure Draft (ED) in July 2022.
4. The ED proposed narrow scope amendments to two ISAs. One relating to the auditor's report (ISA 700 (Revised)) and the other to communication with those charged with governance (ISA 260 (Revised)). The ED also sought feedback as to whether the auditor's report was the appropriate mechanism to operationalise this new transparency requirement.
5. In the explanatory memorandum accompanying the ED the IAASB noted that it had not identified any other illustrative audit reports in ISAs that required a similar update. Therefore, the audit report amendments in the ED were limited to ISA 700 (Revised).
6. The NZAuASB's submission to the IAASB on the ED expressed some concerns about its proposals (e.g., overloading the auditor's report) but ultimately acknowledged that the auditor's report is the most appropriate mechanism to operationalise the transparency requirement.
7. The IAASB recently approved the narrow scope amendments standard, with no substantive changes from the ED's proposals. The standard is still to complete its due process by receiving approval from the PIOB.

¹ The Public Interest Oversight Board is to give its approval to the IAASB's equivalent amending standard in September.

² International Ethics Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*

³ Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)

8. However, given the timing of the NZAuASB meetings, and no changes expected to be introduced by the PIOB, we have prepared the New Zealand amending standard based on the standard approved at the IAASB's June 2023 meeting.
9. The application date of the standard (i.e., periods beginning on or after 15 December 2024) aligns with the application date for the PIE transparency disclosure requirement in PES 1. We have permitted early adoption in this amending standard because we permitted early adoption for the related amendment in PES 1.

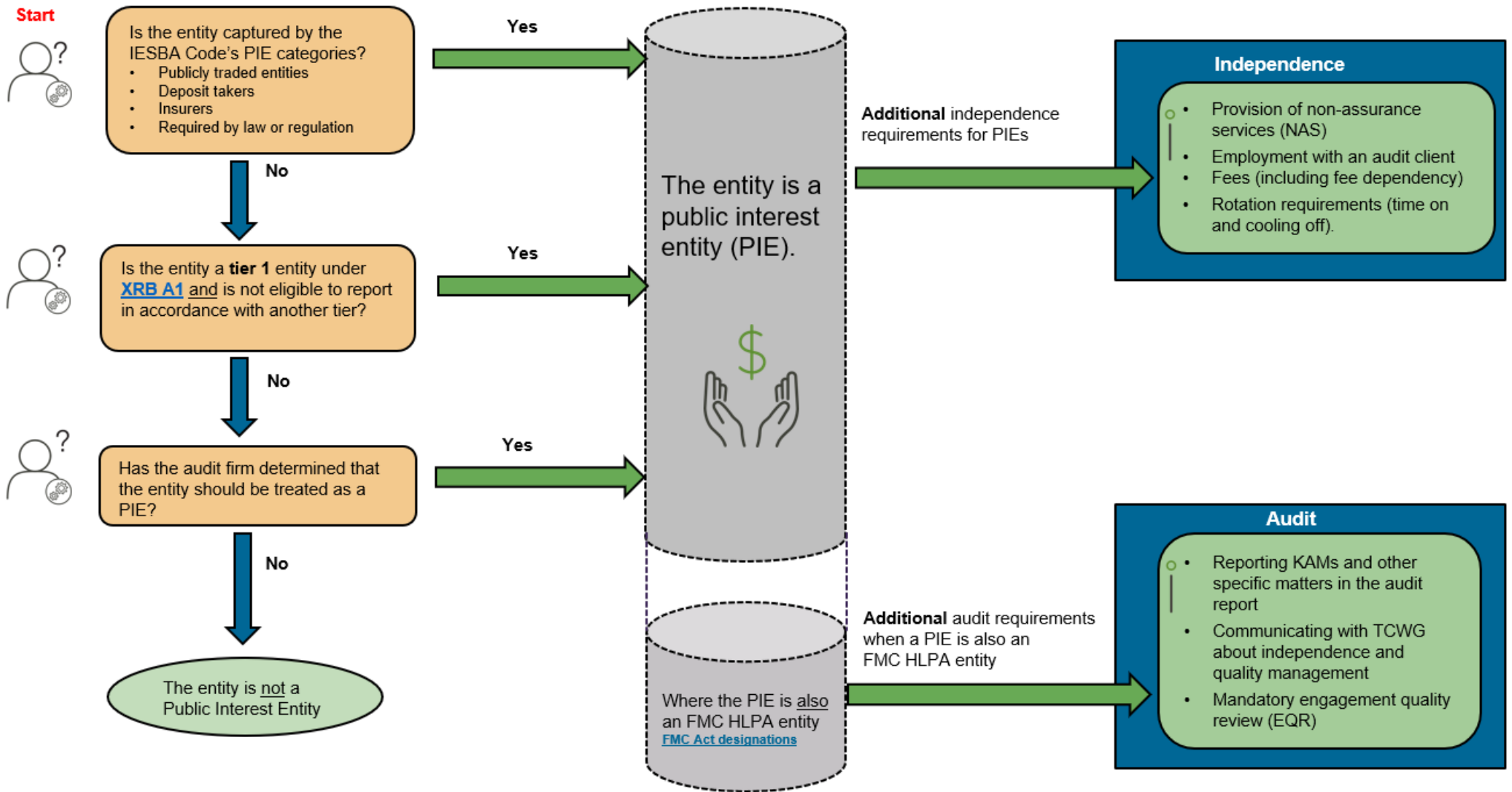
Other matter

10. Comments made by constituents when the PIE revisions to PES 1 (mentioned in paragraph 2 above) were exposed indicated a need to clearly communicate the different requirements for public interest entities versus Financial Market Conduct Act Entities with a Higher Level of Public Accountability (FMC HLPAs) in the XRB's standards.
11. The amendments in this amending standard are narrow in scope and relate only to disclosure in the auditor's report and to communicating with Those Charged with Governance (called Track 1 by the IAASB).
12. The Track 2 amendments for the IAASB's public interest entity project are yet to be exposed by the IAASB and will impact several ISAs. The diagram below is for noting and has been developed to assist with the XRB's communication(s) about the Track 2 amendments when issue an ED to bring these into our suite of ISAs (NZ).

Matters for consideration

13. Board members are being asked to:
 - (a) **AGREE** to permit early adoption; and
 - (b) **APPROVE** the amending standard (**agenda item 11.2**) and signing memorandum (**agenda item 11.3**) subject to, final approval by the PIOB.

Flow Diagram – Requirements for Public Interest Entities (PIEs) versus FMC Entities with a Higher Level of Public Accountability (FMC HLPAs)



Amendments to ISA (NZ) 700 (Revised) and ISA (NZ) 260 (Revised)

Public Interest Entity Revisions

Commencement and application dates: refer to Part A of this standard

Issued September 2023



AMENDMENTS TO ISA (NZ) 700 (Revised) and ISA (NZ) 260 (Revised) – Public Interest Entity Revisions

Legal status of this Standard

This Standard was issued on [xx] September 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. A firm 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.

In finalising this Standard, the New Zealand Auditing and Assurance Standards Board has carried out appropriate consultation in accordance with section 22(1) of the Financial Reporting Act 2013.

This Standard has been issued to reflect the amendments necessary to ISA (NZ) 700 (Revised) *Forming an Opinion and Reporting on Financial Statements* and ISA (NZ) 260 (Revised) *Communication with Those Charged with Governance* due to revisions to Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* that require a firm to publicly disclose when it has applied the independence requirements for public interest entities.

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A: Commencement and application

When the 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. Early adoption is permitted.

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 auditor, those accounting periods following, and including, the first accounting period that begins on or after the **mandatory date**.

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

early adoption accounting period means the accounting period:

- (a) that begins before the mandatory date 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 for any audit engagement; and
 - (ii) discloses in the auditor's report for that accounting period that this standard has been applied for that period.

mandatory date means 15 December 2024.

¹ The standard was published on [xx September 2023].

B: Introduction

This Standard contains amendments to ISA (NZ) 700 (Revised) *Forming an Opinion and Reporting on Financial Statements* and ISA (NZ) 260 (Revised) *Communication with Those Charged with Governance*, due to revisions to Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* that require a firm to publicly disclose when it has applied the independence requirements for public interest entities.

Section C of this Standard contains amendments arising from public interest entity related revisions. Underline and strikethrough are used to indicate changes.

C: Amendments

ISA (NZ) 700 (Revised) Forming an Opinion and Reporting on Financial Statements

...

Requirements

...

Auditor's Report

...

Auditor's Report for Audits Conducted in Accordance with International Standards on Auditing (New Zealand)

...

Basis for Opinion

28. The auditor's report shall include a section, directly following the Opinion section, with the heading "Basis for Opinion", that: (Ref: Para. A32)

...

- (c) Includes a statement that the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit, and has fulfilled the auditor's other ethical responsibilities in accordance with these requirements.

(i) The statement shall identify the jurisdiction of origin of the relevant ethical requirements or refer to the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code); (Ref: Para. A34–A35), A36-A37)

(ii) If the relevant ethical requirements² require the auditor to publicly disclose when the auditor applied the independence requirements for audits of financial statements of certain entities, the statement shall indicate that the auditor is independent of the entity in accordance with the independence requirements applicable to the audits of those entities (Ref: Para. A35A4–A39)

- NZ28(c) In New Zealand, the statement required by paragraph 28(c) shall refer to Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board.

...

Auditor's Report Prescribed by Law or Regulation

50. If the auditor is required by law or regulation of a specific jurisdiction to use a specific layout, or wording of the auditor's report, the auditor's report shall refer to International Standards

² Professional and Ethical Standard 1, R400.20-R400.21

on Auditing (New Zealand) only if the auditor's report includes, at a minimum, each of the following elements: (Ref: Para. A70–A71)

(a) ...

(e) A statement that the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit and has fulfilled the auditor's other ethical responsibilities in accordance with these requirements.

(i) The statement shall identify the jurisdiction of origin of the relevant ethical requirements or refer to the IESBA Code.

(ii) If the relevant ethical requirements require the auditor to publicly disclose when the auditor applied the independence requirements for audits of financial statements of certain entities, the statement shall indicate that the auditor is independent of the entity in accordance with the independence requirements applicable to the audits of those entities.

NZ50(e)(1) In New Zealand, the independence statement shall refer to Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board.

(f) ...

Application and Other Explanatory Material

...

Auditor's Report (Ref: Para 20)

...

Basis for Opinion (Ref: Para 28)

...

Relevant ethical requirements (Ref: Para 28 (c))

A34. The identification of the jurisdiction of origin of relevant ethical requirements increases transparency about those requirements relating to the particular audit engagement. ISA (NZ) 200 explains that relevant ethical requirements ordinarily comprise Professional and Ethical Standard 1.³ When the relevant ethical requirements include those of the IESBA Code, the statement may also make reference to the IESBA Code.

A35. In some cases, relevant ethical requirements may exist in several different sources, such as the ethical code(s) and additional rules and requirements within law and regulation. When the independence and other relevant ethical requirements are contained in a limited number of sources, the auditor may choose to name the relevant source(s) (e.g., the name of the code, rule or regulation applicable), or may refer to a term that is commonly understood and that appropriately

³ ISA (NZ) 200, paragraph A17

summarises those sources (e.g., independence requirements for audits of private entities in Jurisdiction X).

A35A. Relevant ethical requirements may:

- Establish independence requirements that are specific to audits of financial statements of certain entities specified in the relevant ethical requirements, such as the independence requirements for audits of financial statements of public interest entities in Professional and Ethical Standard 1. Relevant ethical requirements may also require or encourage the auditor to determine whether it is appropriate to apply such independence requirements to audits of financial statements of entities other than those entities specified in the relevant ethical requirements.
- Require the auditor to publicly disclose when the auditor applied independence requirements specific to audits of financial statements of certain entities. For example, Professional and Ethical Standard 1 requires that when a firm has applied the independence requirements for public interest entities in performing an audit of the financial statements of an entity, the firm publicly disclose that fact, unless making such disclosure would result in disclosing confidential future plans of the entity.⁴

ISA (NZ) 260 (Revised) sets out requirements and guidance about the auditor’s communication with those charged with governance, which includes communications for these cases.⁵

A36. Law or regulation, or the terms of an audit engagement may also require the auditor to provide in the auditor’s report more specific information about the sources of the relevant ethical requirements, including those related to independence, that applied to the audit of the financial statements.

A37. In determining the appropriate amount of information to include in the auditor’s report when there are multiple sources of relevant ethical requirements relating to the audit of the financial statements, an important consideration is balancing transparency against the risk of obscuring other useful information in the auditor’s report.

...

Appendix
(Ref: Para. A19)

...

[NZ] Illustration 1 – Auditor’s Report on Financial Statements of a FMC Reporting Entity Considered to have a Higher Level of Public Accountability Prepared in Accordance with a Fair Presentation Framework (for example NZ IFRS)

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of financial statements of a FMC reporting entity considered to have a higher level of public accountability using a fair presentation framework. The audit is not a group audit (i.e., ISA (NZ) 600 (Revised) does not apply).

⁴ Professional and Ethical Standard 1, paragraphs R400.20-R400.21

⁵ ISA (NZ) 260 (Revised) paragraph 16A and A29

- The financial statements are prepared by management of the entity in accordance with NZ IFRS (a general purpose framework).
 - The terms of the audit engagement reflect the description of the responsibilities of those charged with governance for the financial statements in ISA (NZ) 210.
 - The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.
 - The relevant ethical requirements that apply to the audit comprise Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*. The auditor has also chosen to refer to the International Ethics Standards Board for Accountants *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)*.
 - Professional and Ethical Standard 1 includes independence requirements that are applicable to audits of financial statements of public interest entities. It requires the auditor to publicly disclose that the independence requirements applicable to audits of financial statements of public interest entities were applied.
- ...

INDEPENDENT AUDITOR’S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of the Financial Statements⁶

...

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)*, as applicable to audits of financial statements of public interest entities. ~~and we~~ We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

...

[NZ] Illustration 2 – Auditor’s Report on Consolidated Financial Statements of a FMC Reporting Entity Considered to have a Higher Level of Public Accountability Prepared in Accordance with a Fair Presentation Framework (for example, NZ IFRS)
 For purposes of this illustrative auditor’s report, the following circumstances are assumed:

⁶ The sub-title “Report on the Audit of the Financial Statements” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

- Audit of a complete set of consolidated financial statements of a FMC reporting entity considered to have a higher level of public accountability using a fair presentation framework. The audit is a group audit of an entity with subsidiaries (i.e., ISA (NZ) 600 (Revised) applies).
- The consolidated financial statements are prepared by management of the entity in accordance with NZ IFRS (a general purpose framework).
- The terms of the audit engagement reflect the description of the responsibilities of those charged with governance for the consolidated financial statements in ISA (NZ) 210.
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.
- Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* comprises all of the relevant ethical requirements that apply to the audit. It includes independence requirements that are applicable to audits of financial statements of public interest entities and requires the auditor to publicly disclose that the independence requirements applicable to audits of financial statements of public interest entities were applied.

...

INDEPENDENT AUDITOR’S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of the Consolidated Financial Statements⁷

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards)* issued by the New Zealand Auditing and Assurance Standards Board, including ethical requirements that are relevant to audits of the financial statements of public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

⁷ The sub-title “Report on the Audit of the Consolidated Financial Statements” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

(ISA (NZ) 260 (Revised)) Communication with Those Charged with Governance Requirements

...

Matters to Be Communicated

...

Auditor Independence

16A. The auditor shall communicate with those charged with governance the relevant ethical requirements, including those related to independence, that the auditor applies for the audit engagement, including if applicable in the circumstances, any independence requirements specific to audits of financial statements of certain entities. (Ref. Para. A29).

17. [Amended by the NZAuASB].

NZ17.1 In the case of FMC reporting entities considered to have a higher level of public accountability, the auditor shall communicate with those charged with governance:

- (a) A statement that the engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence; and
 - (i) All relationships and other matters between the firm, network firms, and the entity that, in the auditor's professional judgement, may reasonably be thought to bear on independence. This shall include total fees charged during the period covered by the financial statements for audit and non-audit services provided by the firm and network firms to the entity and components controlled by the entity. These fees shall be allocated to categories that are appropriate to assist those charged with governance in assessing the effect of services on the independence of the auditor; and
 - (ii) In respect of threats to independence that are not at an acceptable level, the actions taken to address the threats, including actions that were taken to eliminate the circumstances that create the threats or applying safeguards to reduce the threats to an acceptable level. (Ref: Para. ~~A3029~~A32)

...

Application and Other Explanatory Material

...

Matters to Be Communicated

...

Auditor Independence (Ref: Para: 16A–17)

A29. The auditor is required to comply with relevant ethical requirements, including those related to independence, relating to financial statement audit engagements⁸ and to communicate with those charged with governance about the requirements the auditor applies. Relevant ethical requirements may:

- Establish independence requirements that are specific to audits of financial statements of certain entities, specified in the relevant ethical requirements, such as the independence requirements for audits of financial statements of public interest entities in Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*. If applicable in the circumstances of the audit engagement, this ISA (NZ) requires that the auditor also communicates with those charged with governance that the auditor applies such independence requirements.
- Require the auditor to publicly disclose when the auditor applied the independence requirements specific to audits of financial statements of certain entities, specified in the relevant ethical requirements.⁹ ISA (NZ) 700 (Revised) addresses the requirements for the auditor's report relating to the auditor's independence and the relevant ethical requirements the auditor applied.¹⁰
- Require or encourage the auditor to determine whether it is appropriate to apply independence requirements that are specific to audits of financial statements of certain entities to audits of financial statements of other entities not specified in the relevant ethical requirements.¹¹ If this is the case and the auditor is required to publicly disclose when the auditor applied such independence requirements, the auditor may discuss with management or those charged with governance whether there is a risk of misunderstanding the nature of the entity and any need for additional disclosure.

A30. The communication about relationships and other matters, and how threats to independence that are not at an acceptable level have been addressed varies with the circumstances of the engagement and generally addresses the threats to independence, safeguards to reduce the threats, and measures to eliminate the circumstances that created the threats.

A31. Relevant ethical requirements or law or regulation may also specify particular communications to those charged with governance in circumstances where breaches of independence requirements have been identified. For example, Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* requires the auditor to communicate with those charged with governance in writing about any breach and the action the firm has taken or proposes to take.¹²

A32. [Amended by the NZAuASB].

⁸ ISA (NZ) 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*, paragraph 14

⁹ See, for example, the public disclosure requirements in Professional and Ethical Standard 1, paragraphs R400.20-R400.21.

¹⁰ ISA (NZ) 700 (Revised), paragraph 28(c).

¹¹ See, for example, encouragement in the application material in PES 1, paragraph 400.19 A1.

¹² See, for example, paragraphs R400.80-R400.82 of Professional and Ethical Standard 1.

NZA32.1 The communication requirements relating to auditor independence that apply in the case of FMC reporting entities considered to have a higher level of public accountability may also be appropriate in the case of some other entities, including those that may be of significant public interest, for example because they have a large number and wide range of stakeholders and considering the nature and size of the business. Examples of such entities may include entities such as public sector entities or charities. On the other hand, there may be situations where communications regarding independence may not be relevant, for example, where all of those charged with governance have been informed of relevant facts through their management activities. This is particularly likely where the entity is owner-managed, and the auditor's firm and network firms have little involvement with the entity beyond a financial statement audit.

Date: 9 August 2023

To: Michele Embling, Chair External Reporting Board

From: Marje Russ, Chair NZAuASB

Subject: Certificate Signing Memorandum:
 Amendments to ISA (NZ) 700 (Revised) and ISA (NZ) 260 (Revised) – *Public Interest Entity Revisions*

Introduction

1. In accordance with the protocols established by the XRB Board, the NZAuASB seeks your approval to issue *Amendments to ISA (NZ) 700 (Revised) and ISA (NZ) 260 (Revised) – Public Interest Entity Revisions*.

Background

2. Recent Public Interest Entity (PIE) revisions to the IESBA Code¹ which were approved by the NZAuASB, as amendments to Professional and Ethical Standard 1², introduce a new transparency requirement for an audit firm to publicly disclose when it has applied the independence requirements for public interest entities.
3. To operationalise this transparency requirement, the International Audit and Assurance Standards Board (IAASB) recently approved an amending standard. The standard amends ISA 700 (Revised) *Forming an Opinion and Reporting on Financial Statements* and ISA 260 (Revised) *Communication with Those Charged with Governance*.
4. The IAASB has determined that besides the amendments to audit reports in ISA 700 (Revised), there are no other audit reports in ISAs that require a similar update.
5. We propose to bring these amendments into our suite of ISAs (NZ).

International due process

6. The IAASB issued its exposure draft (ED) proposing narrow scope amendments to ISA 700 (Revised) and ISA 260 (Revised) in July 2022.
7. The IAASB received 38 responses (which included accounting firms, public sector organisations and national standard setters). Respondents raised some minor matters for consideration, but overall supported the amendments including the proposal that the effective date for these amendments aligns with the effective date of the IESBA Code revisions.

¹ International Ethics Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code).

² Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners (including International Independence Standards)* (New Zealand)

8. The IAASB agreed to some drafting changes at its June 2023 meeting, and given the nature and extent of revisions proposed to the ED, there did not need to be a re-exposure of the ED.
9. The Public Interest Oversight Board (PIOB) is to give its approval to the IAASB's amending standard in September. We do not expect there to be any significant changes made to the amending standard as part of this approval process.

Domestic due process

10. As the amendments are narrow in scope, we prepared a website page outlining the proposals with a direct link to the IAASB's ED. We included a link to this website page in several Audit and Assurance Alerts to raise awareness of the ED among New Zealand constituents.
11. We did not receive any comments from New Zealand constituents.
12. In its submission to the IAASB on the ED, the NZAuASB expressed some concerns about its proposals (e.g., overloading the auditor's report) but ultimately acknowledged that the auditor's report is the most appropriate mechanism to operationalise the IESBA transparency requirement.
13. We published the NZAuASB's [submission](#) on the XRB website and included a link to this in an Audit and Assurance Alert.

Harmonisation with Australia

14. In Australia, we expect that the Australian Auditing and Assurance Standards Board (AuASB) will adopt these amendments into the Australian suite of auditing standards.

Privacy

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

Due process

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

Consistency with XRB Financial Reporting Strategy

17. The adoption of Amendments to *ISA (NZ) 700 (Revised) and ISA (NZ) 260 (Revised) – Public Interest Entity Revisions*, is consistent with one of the key strategic objectives set by the XRB Board for the NZAuASB to adopt international auditing and assurance standards, as applying in New Zealand unless there are compelling reasons not to.

Other matters

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

Recommendation

19. The NZAuASB recommends that you sign the attached certificate of determination and signing memorandum on behalf of the XRB Board.

Attachments

- Amendments to *ISA (NZ) 700 (Revised) and ISA (NZ) 260 (Revised) – Public Interest Entity Revisions*.
- Certificate of Determination
- Approval Certificate

Marje Russ

Chair NZAuASB