

NZAuASB Board Meeting Agenda

30 November 2023

9:15 am to 5.00 pm, XRB Offices, Level 6, 154 Featherston Street (Wellington Chambers).

Apologies: None

Est.Time	Item	Topic	Objective		Page	Supplementary	
B: PUBLIC SESSION							
10.15am	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			
10.35am	2	<u>Environmental scanning</u>				<i>Anna</i>	
	2.1	International Update	Note	Paper	4		
	2.2	Domestic Update	Note	Paper	9		
	2.3	Update for XRB	Note	Paper	11		
10.45am	<i>Morning tea</i>						
11:00am	3	<u>Sustainability Assurance ED ISSA 5000</u>				<i>Karen</i>	
	3.1	Summary paper	Note	Late			
	3.2	Submission		Late			
12:00pm	4	<u>Service Performance Review Standard</u>				<i>Lisa/Bruce</i>	
	4.1	Summary paper	Note	Paper	21		
	4.2a	Issues Paper – Worked Example	Discuss	Paper	23		
	4.2b	Issues Paper – Draft Requirements	Discuss	Paper		3	
	4.3	Issues Paper – Other Information	Discuss	Paper	29		
1:00pm	<i>Lunch</i>						
1:45pm	5	<u>Assurance over sustainability reporting next steps</u>				<i>Misha</i>	
	5.1	Summary paper	Note	Paper	30		
	5.2	Slides to explore	Consider	Paper	32		
	5.3	Key messages focus group discussions	Note	Paper		11	
2:30pm	6	<u>Sustainability Ethics and Independence and Use of Experts</u>				<i>Anna</i>	
	6.1	Summary paper – NZ Outreach Plan	Note	Paper	46		
3pm	7	<u>Fraud</u>				<i>Sharon</i>	
	7.1	Summary paper	Note	Paper	50		
3.15 pm	<i>Afternoon tea (Christmas Cheer)</i>						
3:30 pm	8	<u>IAASB Public interest entity track 2</u>				<i>Sharon</i>	
	8.1	Summary paper	Note	Paper	53		
	8.2	Issues paper			56		

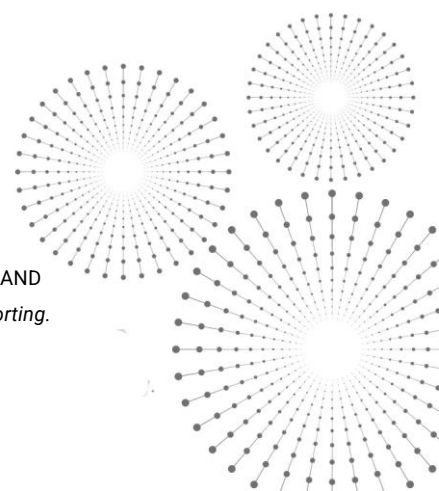
Est.Time	Item	Topic	Objective		Page	Supplementary
4:00pm	9	<u>Ngā pou o te kawa ora update</u>			<i>Amelia</i>	
	9.1	Update	Note	Verbal		

Next meeting: 14 February 2024, in-person, Wellington

NZAuASB Action list

Following October 2023 meeting

Meeting Arose	Board Action	Target Meeting	Status
June 2022	Engage with FMA to understand and consider developing FAQ on application of paragraph 10 of ISA (NZ) 320 on determining materiality for the financial statements as a whole or determining lesser amounts for classes of transactions, account balances or disclosures.	Nov 2023	Continue to explore if and what guidance may be needed. Discuss FRC UK Audit Sandbox project on Materiality in Local Government Audit with Mark Babington
Aug 2023	To issue the narrow scope amendments to ISAs (NZ) arising from public interest entity related revisions following provisional approval by the NZAuASB in August, subject to PIOB approval and issue	Nov 2023	Standard issued in by the IAASB in October. Expect to gazette in November
Oct 2023	Continue to explore next steps on trust and confidence with the IOD	Feb 2024	Meeting to discuss deferred to late November



NZAuASB Board Meeting Summary Paper

AGENDA ITEM NO.	2.1
Meeting date:	30 November 2023
Subject:	International Update
Date:	15 November 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 October 2023. This agenda item is for information purposes.

Background

2. 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: IAASB issues additional guidance material on the proposed ISSA 5000

The Application of Materiality by the Entity and the Assurance Practitioner FAQ, IAASB, 25 October 2023, [Read here](#).

“As part of the IAASB’s intensive outreach campaign across the globe, there were requests from a range of stakeholders to provide additional information on materiality matters to better help them navigate the recently proposed ISSA 5000.

This comprehensive set of Frequently Asked Questions addresses a variety of questions, including how the concept of materiality applies to sustainability reporting and assurance; the definition of double materiality; and how an assurance practitioner considers an organization’s “materiality process” during a sustainability assurance engagement, among other questions and answers.”

Hot Topic 2: Australia issues an exposure draft on sustainability reporting standards

Exposure Draft ED SR1 Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information, AASB, 23 October 2023, [Read here.](#)

The AASB has released Exposure Draft ED SR1 Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information to propose climate-related financial disclosure requirements. ED SR1 is available for comment until Friday, 1 March 2024.

Press commentary: [Australia Releases Proposed IFRS-based Climate-related Reporting Standards - ESG Today](#)

Hot Topic 3: Quality Management Toolkit for Small- and Medium-Sized Firms and Illustrative Risk Matrix

Quality Management Toolkit for Small- and Medium-Sized Firms and Illustrative Risk Matrix, joint publication by IFAC and CA ANZ, 6 November 2023, [Read here.](#)

This toolkit and accompanying matrix will help small- and medium-sized practices (SMPs) implement the International Auditing and Assurance Standards Board's suite of quality management standards. The publications include a suite of illustrative documents, policies, checklists, sample letters and forms to help SMPs establish their quality objectives, identify and assess quality risks, and design and implement responses to address their identified quality risks.

Other publications

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

Audit Standards/ Standard Setting

IAASB Enhances Auditor's Report Transparency on Independence to Reflect Revisions in the IESBA Code of Ethics, 12 October 2023, [Read here.](#)

IESBA Staff Q&As Revisions to the Code Relating to the Definition of Engagement Team and Group Audit, 23 October 2023, [Read here.](#)

The FRC launched a consultation to strengthen auditor requirements to detect and report material misstatements from non-compliance with laws and regulations, 18 October 2023, [Read here.](#)

Audit Quality / System of quality management

Spotlight: Inspection Observations Related to Engagement Quality Reviews. PCAOB, 12 October 2023, [Read here.](#)

CPAB Audit Quality Insights Report: 2023 Interim Inspection Results, CPAB, October 2023, [Read here.](#)

Ethics

Ethical dilemmas in an era of sustainability reporting, ACCA, 18 October 2023, [Read here.](#)

Sustainability assurance

Proposed ISSA 5000: IAASB's Global Outreach Campaign, 2 November 2023, [Read here.](#)

Sustainability Assurance is a Journey and Collaboration & Upskilling are Key, say Experts at IFAC and Accountancy Europe Conference, IFAC, Cecile Bonino, David Madon, Vita Ramanauskaite, Harun Saki, 16 October 2023, [Read here](#).

Public sector needs to prepare for sustainability reporting and assurance challenge. Public sector finance and audit professionals urged to take the lead on the sustainability reporting and assurance agenda, 16 October 2023, IFAC and ACCA, [Read here](#).

Sustainability reporting standards

➤ Australian Reporting

A director's guide to mandatory climate reporting, Australian Institute of Company Directors, 3 October 2023, [Read here](#).

➤ Global Reporting Initiative

GRI establishes Sustainability Innovation Lab in coordination with the IFRS Foundation, 9 November 2023, [Read here](#).

Bridging the gap: achieving credible and comparable impact reporting, GRI – Letter from Carol Adams, Chair of the GSSB, 5 October 2023, [Read here](#).

➤ The Taskforce on Nature-related Financial Disclosures (TNFD)

TNFD: a briefing to address nature in the boardroom, Climate Governance Initiative, 16 October 2023, [Read here](#).

➤ Various articles on sustainability reporting

Small Business Sustainability Checklist, IFAC, 14 November 2023, *“a diagnostic tool designed to be tailored by each business according to its own unique circumstances, including its industry sector, lifecycle, and products and services provided. It lists a comprehensive range of initiatives and actions to be considered in terms of environmental, social, and governance (ESG) factors.”*. The checklist contains links to some ISO standards and to Modern Slavery Index. [Read here](#).

Reporting matters 2023 (WBCSD) launches with a focus on impact amidst complexity, Sustainability-Reports.com, 18 October 2023, [Read here](#).

Progress Report on Climate-Related Disclosures. 2023 Report, Financial Stability Board, 12 October 2023, [Read here](#).

➤ Nature / Biodiversity

“5 nature trends starting to shape business in 2023”, Alex Novarro, GreenBuzz, 9 October 2023, [Read here](#).

Nature Risk Barometer, EY US, September 2023, [Read here](#).

Technology

AI and Intelligent Automation: Opportunities for Professional Accountants, IFAC, 23 October 2023, [Read here](#).

Use of technology in audits – observations, risks and further evolution, IFIAR, 1 November 2023, [Read here](#).

Various other publication – wider contextual scan

FRC publishes review of companies' IFRS 17 disclosures, FRC, 15 November 2023, [Read here](#).

Lee White, Managing Director of IFRS Foundation, Named Next CEO of International Federation of Accountants, IFAC, 8 November 2023, [Read here](#).

FRC UK Policy Update, FRC, 7 November 2023, [Read here](#).

FRC report looks at "Materiality Mindset" for better corporate reporting, 30 October 2023, [Read here](#).

Net Zero Readiness Report 2023, KPMG US, November 2023 Update, [Read here](#).

PIOB launches "Mind the Gap" series, October 2023, *"In our ever-evolving world, growing gaps emerge. Many of them may be addressed by enhancing the focus on the Public Interest. The PIOB proudly introduces the 'Mind The Gap' series, a groundbreaking initiative that aims to bridge the distance between the key players in the financial ecosystem (accountants, preparers, audit practitioners and other assurance providers, policy makers, investors, users of financial statements, financial executives, audit committees, academics), and our society at large."* [Watch here](#).

Nearly 90% of European market capitalization disclosing environmental impact ahead of mandatory reporting, Sustainability-Reports.com, 18 October 2023, [Read here](#).

Annual Review of Corporate Reporting 2022/2023, FRC, 5 October 2023, [Read here](#).

Current trends in remote working, KPMG US, September 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)

United States

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

Canada

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

Insights from practitioners and other publications

24. Insights from practitioners
25. Other articles

NZAuASB Board Meeting Summary Paper

AGENDA ITEM NO.	2.2
Meeting date:	30 November 2023
Subject:	Domestic Update
Date:	10 November 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 28 September 2023. This agenda item is for information purposes.

Background

2. Publications from the following organisations were 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 1

FMA publishes final Climate Related Disclosures regime record keeping guidance, 4 October 2023

The guidance sets out principles and the FMA's expectations on CREs for creating, keeping, and maintaining proper records as evidence that climate statements comply with the Financial Markets Conduct Act (FMCA) and the Aotearoa New Zealand Climate Standards framework.

The guidance was finalised following consultation earlier this year. The FMA received 13 submissions from a range of stakeholders during the formal consultation.

[Read here](#) full media release.

[Read here](#) final guidance.

[Read here](#) summary of key consultation themes.

Hot topic 2

FMA Climate-related Disclosures – Scenario analysis information sheet, 31 October 2023

This information sheet sets out:

- *how the FMA will apply the CRD framework relating to scenario analysis,*
- *what the FMA will look for when determining compliance with those standards; and*
- *other considerations that may help CREs ensure they meet the disclosure requirements.*

[Read here](#) full media release.

[Read here](#) information sheet.

Other publications

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

The Chartered Accountants Australia and New Zealand (CA ANZ)

CA ANZ launches new guide: Measuring social impact for better reporting, Support for members and others working with for-purpose organisations seeking to measure and report outcomes and impact, 30 October 2023, [Read here](#).

Understanding Audit. 20 questions: a plain English guide to audit in Australia and New Zealand for investors and other stakeholders, 25 October 2023, [Read here](#).

Investor confidence is recovering in 2023. In its fifth year, the Investor Confidence Survey shows that confidence has recovered from 2022 but is not yet back to pre-pandemic levels, 6 October 2023, [Read here](#).

Understanding accounting standards. A new guide aimed to assist with deciphering accounting standards. 4 October 2023, [Read here](#).

The Institute of Directors (IoD)

Practical guidance by directors for directors on climate governance, 29 September 2023, [Read here](#)

Climate scenario analysis, 12 October 2023, [Read here](#).

Other publications

Fraud Barometer 2023. A snapshot of fraud in New Zealand: November 2023, KPMG, 9 November 2023, [Read here](#)

Sustainability Reporting Toolbox, Sustainable Business Council, October 2023, The toolbox includes an overview of reporting types and reporting frameworks and standards with links to the reports prepared by New Zealand entities. [Read here](#)

Note: This is Environmental Update prepared for XRB Board. It is attached for NZAuASB Board information purposes.

Memorandum

Date: 12 October 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 7 September 2023 to 12 October 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) IASB begins project on [Climate-related risks and other uncertainties](#) in financial statements.
- (b) EFRAG published [findings from outreach](#) on Climate-related risks in financial statements.
- (c) UKEB published two reports on [Connectivity](#).
- (d) TNFD issues its [final recommendations](#).

Domestic

- (e) Simpson Grierson discuss whether [NZ businesses should adopt ISSB standards](#).
- (f) FMA publishes guidance for keeping [proper CRD records](#).
- (g) Chapman Tripp reviews the recent cabinet paper on the [Modern Slavery Bill](#).

Recent Climate reports

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).

- (h) Auckland Airport and Pamu (ex-Landcorp) issue their [2023 Climate reports](#) which report on the recent flooding and cyclone.

International

IFAC: Global regulatory report

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

IASB Chair: Speech at the World Standard-setters Conference (WSS)

5. Andreas Barckow spoke at WSS in September 2023 about the following topics:
- (a) History of global standard setting – this year marks 50 years since the IASC was created in 1973.
 - (b) The role of the IFRS Interpretations Committee in maintaining consistency.
 - (c) IFRS 18 is due to be issued in the second quarter of 2024 and will replace IAS 1 *Presentation of Financial Statements*.
 - (d) Current Post-implementation Reviews.

[IFRS - Andreas Barckow speaks at World Standard-setters Conference 2023](#)

IASB: New project exploring Climate-related risks and other uncertainties in financial statements

6. The IASB decided in September 2023 to explore targeted actions to improve the reporting of climate-related and other uncertainties in the financial statements.
7. The possible actions include development of educational materials, illustrative examples and targeted amendments to IFRS Accounting Standards to improve application of existing requirements.
8. Given the pace of change in this area, the IASB will also continue to monitor developments to determine whether to take further action.
9. In progressing this work, IASB technical staff will continue to work closely with ISSB technical staff to facilitate connections in the Boards' work.
10. As part of this project, which is named [Climate-related and Other Uncertainties in the Financial Statements](#), the IASB has brought together in one place all its available materials supporting companies in their reporting of the effects of climate-related and other uncertainties in the financial statements. The [materials can be found on the project page](#), and will include translations of educational material published earlier in the year as they become available.

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Opinion- Responsible Investor: How the ISSB should incorporate social issues in Sustainability Reporting

11. This article discusses the ISSB 's recent agenda consultation and suggests that the ISSB should merge the possible research projects on human capital and human rights. It notes the CDSB Framework provides a 4 part architecture for social reporting including "own workforce", "value chain workers", "affected communities" (at operations or in value chains) and "consumers and end users". The ESRS² social standards already follow this framework. The article proposes that a merged project should be renamed "Social issues".

[How the ISSB should incorporate social issues in sustainability reporting](#)

EFRAG: Publishes Briefing summary on the IASB's climate-related risks in financial statements project

12. The [Briefing Summary](#) highlights key findings from EFRAG's outreach and engagement with stakeholders on the International Accounting Standards Board (IASB) project on Climate-related Risks in the Financial Statements (CRFS).
13. The Briefing Summary has findings on:
 - (a) Nature and prevalence of concerns related to the reporting of climate-related risks in the financial statements – Although an improving trend in the reporting of climate risk in financial statements, there are still several areas of concern including the disconnect between the information inside and outside the financial statements.
 - (b) Causes of concerns –The concerns arise due to a perceived lack of full compliance with existing requirements of IFRS Accounting Standards including by some entities excluding material information. There are also limitations of existing IFRS Accounting requirements and the current IASB educational material. Other causes are challenges in the quantification of climate risk and the expectation gaps on the financial statements in part due to new types of users.
 - (c) Suggested IASB actions – Stakeholders have suggested the issuance of illustrative examples, application guidance on challenging reporting areas, enhancement of the IASB educational material and limited amendments to some IFRS Accounting Standards.
 - (d) Suggested scope of the IASB project – Mixed views have been expressed on the scope of the project with some stakeholders suggesting a climate-risk first approach while others support broadening the scope to encompass other long-term risks.

[News - EFRAG](#)

² European Sustainability Reporting Framework.

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UK Endorsement Board: Climate-related Matters Research Project

14. The UKEB has published two reports arising from its Climate-related Matters Research Project:
 - (a) The '[Climate-Related Matters: Summary of Connectivity Research](#)' provides an overview of recent third-party research into connectivity challenges between TCFD disclosures (a proxy for the disclosures required by IFRS S2) and the financial statements.
 - (b) '[A Study in Connectivity: Analysis of 2022 UK Company Annual Reports](#)' which provides a deep-dive analysis from an investor's perspective of potential connectivity challenges and includes stakeholder feedback on possible causes.

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TNFD: Final Recommendations released on Nature disclosures

15. The Taskforce for Nature-related Financial Disclosures (TCFD) released its final recommendations in September 2023. The Executive summary of these is on pp 7-10 of the Final Recommendations Report.
16. These disclosures are motivated by the statement that "Nature is no longer a corporate social responsibility issue, but a core and strategic risk management issue alongside climate change."

[Taskforce on Nature-related Financial Disclosures \(TNFD\) Recommendations – TNFD](#)

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Guardian: Carbon offset projects may not cut carbon emissions

17. The Majority of offset projects that have sold the most carbon credits are 'likely junk', according to analysis by Corporate Accountability and the Guardian.
18. The global, multibillion-dollar voluntary carbon trading industry has been embraced by governments, organisations and corporations as a way of claiming to reduce their greenhouse gas footprint.
19. It works by carbon offset credits being tradable "allowances" that allows the purchaser to compensate for 1 ton of carbon dioxide or the equivalent in greenhouse gases by investing in environmental projects that claim to reduce carbon emissions.
20. In a new investigation, the Guardian and researchers from Corporate Accountability, a non-profit, transnational corporate watchdog, analysed the top 50 emission offset projects, those that have sold the most carbon credits in the global market.

21. In their analysis, a project was classified as “likely junk” if there was compelling evidence, claims or high risk that it cannot guarantee additional, permanent greenhouse gas cuts among other criteria. In some cases, there was evidence suggesting the project could leak greenhouse gas emissions or shift emissions elsewhere. In other cases, the climate benefits appeared to be exaggerated or the project would have happened independently – with or without the voluntary carbon market.

[Revealed: top carbon offset projects may not cut planet-heating emissions | Carbon offsetting | The Guardian](#)

Australian Government: New National Net Zero Authority

22. The Australian Government has established a Net Zero Authority from 1 July 2023.
23. The new Net Zero Authority will:
- (a) Support workers in emissions-intensive sectors to access new employment, skills and support as the net zero transformation continues.
 - (b) Coordinate programs and policies across government to support regions and communities to attract and take advantage of new clean energy industries and set those industries up for success.
 - (c) Help investors and companies to engage with net zero transformation opportunities.

[A new national Net Zero Authority \(pmc.gov.au\)](#)

Trans-Tasman

Acuity: Article on Andreas Barckow

24. The article discusses the current IASB post-Implementation reviews (“PIR”) of IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* as well as the upcoming PIR on IFRS 16 *Leases*.
25. Andreas elaborates on digitisation and climate-risk disclosures being priority areas for the IASB.

[Acuity Made to Measure: Andreas Barckow](#)

CA ANZ and CPA Australia: Guide to understanding accounting standards

26. This 21-page guide provides a short generic introduction to accounting standards in Australia and New Zealand, with a focus on IFRS Standards. Lacks lists of standards with links which would be helpful. Probably most useful to accountancy students.

[Understanding accounting standards | CA ANZ \(charteredaccountantsanz.com\)](https://www.charteredaccountantsanz.com/understanding-accounting-standards)

Domestic

Simpson Grierson: Should NZ businesses adopt the ISSB Sustainability Standards?

27. This article looks at the ISSB's standards and whether NZ should adopt them.
28. Reference to the XRB:

How do the standards relate to New Zealand?

The standards are not currently mandatory in New Zealand and the XRB has stated that New Zealand will continue to rely on the existing CRD regime as the standard framework for climate reporting.

Nonetheless, it is entirely possible that the XRB will look to merge the Standards with the existing CRD regime, or replace the CRD regime altogether. This may lead to a broader application of climate and sustainability reporting in New Zealand, encompassing not only the 200 large financial institutions to which the CRD regime currently applies, but also smaller companies and NZX participants.

[Simpson Grierson - The new International Sustainability and Climate Standards – should New Zealand businesses adopt them?](#)

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FMA: Publication of Guidance for keeping proper Climate related Disclosure Records

29. The FMA published its final guidance for Climate Reporting Entities (CREs) on meeting their record keeping obligations. The guidance sets out principles and the FMA's expectations on CREs for creating, keeping, and maintaining proper records as evidence that climate statements comply with the Financial Markets Conduct Act (FMCA) and the Aotearoa New Zealand Climate Standards framework.
30. The FMA received 13 submissions to its recent consultation on this matter.

[Guidance for keeping proper climate-related disclosure records | Financial Markets Authority \(fma.govt.nz\)](https://fma.govt.nz/guidance-for-keeping-proper-climate-related-disclosure-records)

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FMA: Review of Catalyst:

31. The Catalyst Public Market is aimed at small and medium-sized businesses (SMEs) seeking liquidity or seeking to raise capital up to \$20m, with a view that once these entities reach a certain scale and size, they would transition on to the next phase of their growth, which may be a listing on the NZX. It was designed to be a lower-cost

and simplified financial products market, offering trading by way of an online auction platform with periodic (rather than continuous) trading and disclosure.

32. This is the FMA's second review of Catalist and concluded that it complied with its licensed market operator obligations during the review period.

[Catalist market operator obligations review 2023. \(fma.govt.nz\)](https://www.fma.govt.nz)

Newsroom: Draft National Policy Statement on Natural Hazards

33. The Government is consulting on new national direction under the Resource Management Act to prevent development in areas exposed to risk from natural hazards, including climate change.
34. A [discussion document](#) and [draft National Policy Statement on Natural Hazard Decision-making](#) were released in September 2023.
35. In areas of high risk, new development is barred unless the risk can be reduced to "at least a tolerable level" or in special circumstances where the development is necessary and there's no practicable alternative location. Areas of moderate risk can be developed as long as mitigation measures are taken and areas of low risk can be developed without any additional requirements.
36. When action is taken to reduce natural hazard risk, "nature-based solutions are preferred over hard-engineering solutions" and "comprehensive area-wide measures are preferred over site-specific solutions".
37. The policy would also require Māori to be consulted early in the process of natural hazard risk determinations on Māori land, with the discussion document noting Māori are disproportionately exposed to natural hazard risk.
38. Environment Minister David Parker said that the national direction would help ensure consistency across councils when making development decisions.
39. The article referenced an earlier article where [IAG said it wouldn't offer ongoing insurance for properties affected by this year's extreme weather events](#) which have been rated as Category Three (which are considered unsafe to live in because of flood or landslide risk). It may also change terms of insurance for properties in lower-risk categories.

[Govt Suggests Barring Development In Climate-Exposed Areas | Newsroom](#)

Chapman Tripp: Proposed Modern Slavery Bill

40. A Cabinet paper on modern slavery has been released which gives some insights into the future legislation:

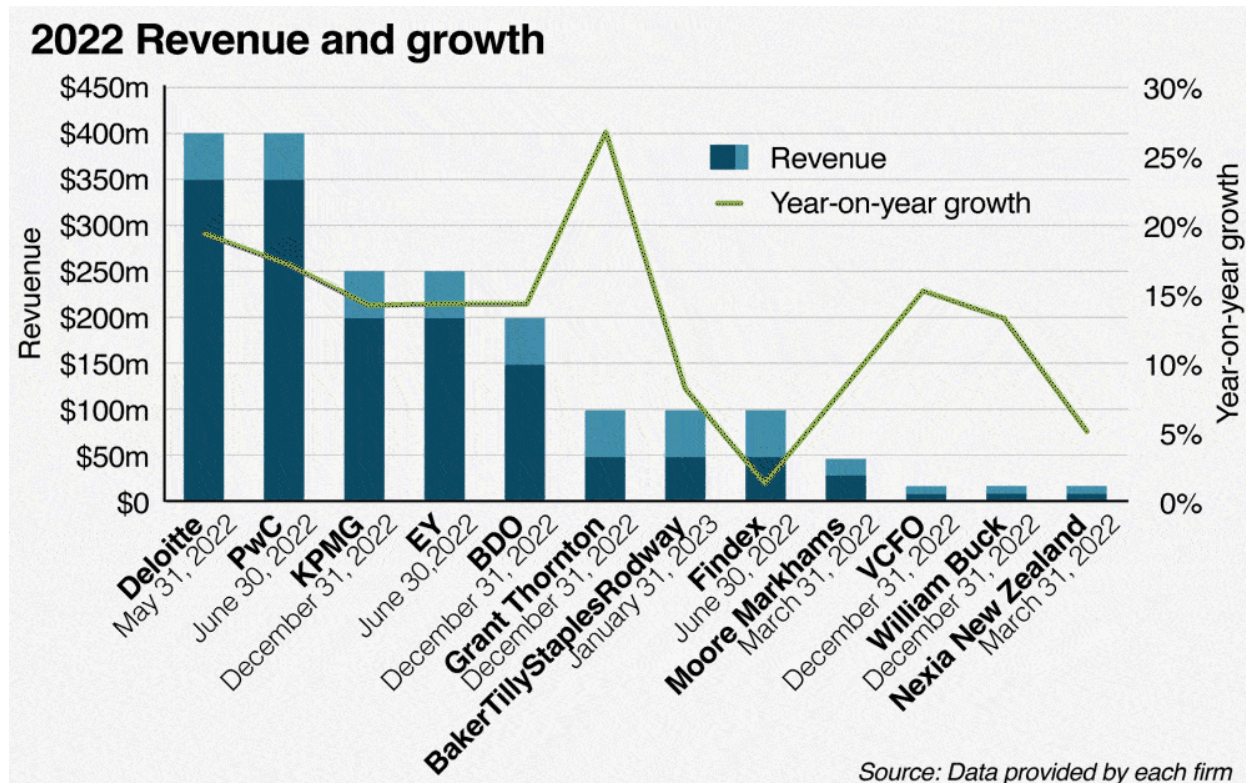
- (a) Reporting threshold of over \$20m revenue covering for-profit and public benefit entities;
- (b) Annual disclosure statement of the risks of modern slavery and worker exploitation will be required covering all the entity’s supply chains;
- (c) Penalties for non-compliance.

[Chapman Tripp | More detail on proposed New Zealand Modern Slavery Bill](#)

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NBR: Review of the NZ Accounting industry

41. The NBR review includes the following table of the size of the NZ accounting industry



[Bookkeepers 2023: NZ’s \\$2b accountants thriving on change \(nbr.co.nz\)](#)

NBR: Review of the Companies Act suggested in Mainzeal Decision

[Rethinking directors’ duties \(nbr.co.nz\)](#)

Opinion – Mike Tisdall : Learnings from the 2023 Reporting Season

42. A light read which covers current and ongoing trends including:
- (a) Moves towards integrated reporting;
 - (b) Pressure on content with increased sustainability and Te ao Māori content;
 - (c) Digital delivery;
 - (d) Telling the story; and
 - (e) Suites of documents rather than one report.

[Learnings from the 2023 reporting season | LinkedIn](#)

2023 Climate Reports

Pāmu (previously Landcorp): Climate-related Disclosure 2023

43. Pāmu is a State owned enterprise reporting under NZ IFRS and voluntarily disclosing under XRB Climate standards. The report on the impact of Cyclone Gabrielle was primarily an extract from a Farm manager’s address which recalled his personal experience. In addition, there was the following summary:

Cyclones Hale and Gabrielle hit 24 Pāmu farms with losses in pasture, livestock, forestry and infrastructure, mainly in the East Coast region. Around \$3 million of costs have been incurred to reinstate infrastructure and repair or replace damaged assets. It will continue to impact our bottom line as we reinstate infrastructure and work to regrass lost pasture, repair or replace damaged fences, clear slips and maintain farm tracks.

[Pamu-CRD-290923.pdf \(pamunewzealand.com\)](#)

Auckland International Airport Ltd (AIA): Climate Change Disclosure report.

44. AIA has produced a 16 page Climate report. In previous years’ reports the International terminal was deemed safe from flooding until the 2040s. 27 January 2023 proved otherwise. AIA has brought forward stormwater improvements as a result of the flood. There was no quantification of the financial impact of the flood. The case study of the January 2023 floods is included as [Appendix 1](#).

Appendix 1: AIA – Case study January 2023 floods

**Case study:
January 2023 floods**

On 27th January 2023, Auckland received the highest ever recorded level of rainfall in a 24-hour period, which came on top of an already wet summer with January 2023 being the wettest month since records began in 1853. Flooding around the city was widespread, with water levels up to rooftops in some areas. Multiple lives were lost in the floods and landslides that occurred over the Auckland Anniversary weekend.

Auckland Airport received over 200 mm of rainfall in a single day. The worst impacts were felt inside the International Terminal, where flooding halted all passenger processing and restricted aircraft movements. With the local transport networks also disrupted, and accommodation across the city limited, many passengers slept in the International Terminal with some choosing to stay for up to four days. The flooding also impacted the whole aviation network, with many long-haul flights diverted to Christchurch Airport and several flights having to return to their place of origin. The generosity and teamwork of Auckland Airport employees, contractors and airline partners in response to the event ensured domestic travel was able to resume after approximately 24 hours and international flights after 37 hours. Flood Modelling, undertaken by Auckland Airport in 2020 and 2022, demonstrated that the international



201mm

of rainfall fell in 24 hours at
Auckland Airport

terminal was safe from flooding until well into the 2040s. However, the unprecedented level of rainfall received on 27th January came much earlier than predicted under even the worst case climate scenario. This event demonstrated the importance of transition and adaptation plans. While the ‘worst-case’ scenario cannot necessarily always be foreseen and planned for, it is important to remain adaptive and consider climate change in all aspects of company operations. Auckland Airport has a comprehensive stormwater masterplan that guides infrastructure development around the

precinct. Upgrades to the stormwater network commenced in 2020, carried out in parallel with our infrastructure development programme. Since the January flooding event, key projects have been brought forward to improve resilience against severe weather events. Stormwater improvements were incorporated into upgrades along George Bolt Memorial Drive, the new terminal exit road and the under-construction Te Ara Kōrako.

[Back to Domestic](#)

NZAuASB Board Meeting Summary Paper

AGENDA ITEM NO. 4.1
Meeting date: 30 November 2023
Subject: NZ SRE 1: Review of Service Performance Information
Date: 16 November 2023
Prepared By: Bruce Mcniven and Lisa Thomas

Action Required

For Information Purposes Only

Agenda Item Objectives

1. The objective of this agenda item is for the Board to DISCUSS what “work effort” may look like for a limited assurance engagement and to PROVIDE feedback on the developing review standard for Service Performance Information.
2. Examining “work effort” for a limited assurance engagement is priority for this agenda item. If time permits we would also like to discuss “other information” and “scope”. If time does not permit, as the Board does not convene again until February 2024, we welcome your comments and feedback offline following the meeting.

Matters to consider

Scope

3. The only statutory obligation for a review of service performance information that we are aware of is for medium¹ tier 3 charities who have the option of either an audit or a review of their financial statements. Financial statements prepared in accordance with the tier 3 reporting framework includes requirements for the preparation of a statement of service performance. As such when developing the review standard, a priority is making sure the standard is fit for purpose for the nature of the circumstances of engagements for these entities. For example, processes in developing service performance information may be less complex or forecasting of service performance information is unlikely and therefore shouldn't be addressed as they would make the standard longer than necessary.
4. We are seeking views of the Board as to whether this approach is appropriate or whether the Board is aware of other groups of entities who may require a review of their service performance information, where the nature of the circumstances of the engagement may be quite different.

¹ Total operating expenditure for each of the previous two accounting periods was between \$550k and \$1.1m

Work Effort

5. At the NZAuASB October 2023 meeting, the work effort required to assess whether service performance information was appropriate and meaningful for a limited assurance engagement was discussed.
6. Following that discussion, we have explored this topic further using a worked example to consider the work effort for each stage of a limited assurance engagement.
7. Agenda item 4.2a contains the worked example of possible procedures that an assurance practitioner may perform to review service performance information, contrasted with possible audit procedures. The purpose of this is facilitate a discussion by the Board on what work effort is required for a limited assurance engagement for service performance information.
8. Supplementary agenda item 4.2b contains suggested requirements for the review standard, which are contrasted with the requirements of NZ AS 1 (Revised).
9. We recommend you read agenda item 4.2a and supplementary agenda item 4.2b side by side. Board members are asked for views on:
 - a. The work effort for a limited assurance engagement explored through the worked example in agenda item 4.2a
 - b. The suggested requirements drafted in supplementary agenda item 4.2b

Other information

10. This issue and paper have been carried forward for discussion from the NZAuASB October meeting. In previous discussions, the Board requested staff to consider if requirements for “Other Information” should be included in ISRE (NZ) 2400 or the developing SPI review standard. Staff consideration of this is discussed at agenda item 4.3.

Material Presented

Agenda item 4.1	Board Meeting Summary Paper
Agenda item 4.2a	Issues Paper – Worked Example
Supplementary Agenda item 4.2b	Issues Paper – Draft requirements
Agenda item 4.3	Issues Paper – Other Information

Worked effort example: Review of SPI

Objective:

To explore the appropriate work effort for a limited assurance engagement to develop the review engagement standard for service performance information.

Approach:

We used a real-life example statement of service performance and considered practically what the assurance practitioner would “do” at each stage of an engagement to enable them to reach a limited assurance conclusion. This document covers the following stages of the review:

- 1) Acceptance
- 2) Understanding
- 3) Planning
- 4) Consideration/Evaluation of appropriate and meaningful
- 5) Risk assessment
- 6) Auditor’s response to assessed risks
- 7) Conclusion.

We contrast this with what an auditor might do for an audit, to reflect the different levels of assurance and summarise whether the work effort would be the same or differ for a review engagement.

From this we have drafted proposed requirements to reflect the work effort for a review engagement. These can be found at agenda item X.X.

*Statement of Service Performance
For the year ended 30 June 202X*

Long Term Outcome: Parity of educational outcomes

Vision: Tino rangatiratanga for everyone through lifelong learning

Mission: Driving systems change to make education and skills more effective and equitable across “the city”

Outputs:

- Create campaigns of significance
- Drive sustainable systems change
- Be a trusted source of data and solutions.

Service Level Statement	Measure	202X Actual	202X Budget	202X Actual
Delivering initiatives and projects to agreed timeframes and outputs	% of initiatives that fully meet timelines and outputs as listed in the SOI	90%	90%	83%
Quality of work to support education and skills	% of stakeholder who rate entity’s work as valuable or very valuable	87%	75%	86%
Influencing action towards more effective and equitable education and skills in “the city”	% of stakeholders who attended entity’s events rating them moderately to highly valuable for influencing action	67%	75%	89%
Raising awareness of key education and skills issues	Number of media articles generated	20	35	51
Providing data and information that is valued and used by stakeholders	% of stakeholders rating entity’s reports as moderately to highly valuable	82%	80%	82%
Leveraging council support	Value of external funding as a percentage of council grant	367%	>300%	338%

- The highlighted measure is used to demonstrate the procedures.

1

Acceptance

Objective: To obtain preliminary knowledge to provide an appropriate basis to determine whether preconditions for accepting an engagement to assure service performance information have been met.

REVIEW	AUDIT
<p><i>Procedures</i></p> <ul style="list-style-type: none"> • Discussion with client to gain understanding of: <ul style="list-style-type: none"> ○ What financial reporting framework the entity reports under. ○ The maturity of systems for service performance information. ○ What level of assurance is required. ○ What service performance information is intended to be reported. ○ What measurement bases or evaluation methods the entity intends on adopting. ○ What information is available to support the SPI reported or intending to be reported. • Obtain draft of SPI if available and prior year SPI. • Obtain understanding of the entity by reviewing prior year financial statements. • Compare prior year or proposed SPI reporting to other entities in the industry. • An engagement letter would be prepared in accordance with ISRE (NZ) 2400 including specific requirements and responsibilities for the practitioner and entity over service performance information. 	<p><i>Procedures</i></p> <ul style="list-style-type: none"> • Discussion with client to gain understanding of: <ul style="list-style-type: none"> ○ What financial reporting framework the entity reports under. ○ The maturity of systems for service performance information. ○ What level of assurance is required. ○ What service performance information is intended to be reported. ○ What measurement bases or evaluation methods the entity intends on adopting. ○ What information is available to support the SPI reported or intending to be reported. • Obtain draft of SPI if available and prior year SPI. • Obtain understanding of the entity by reviewing prior year financial statements. • Compare prior year or proposed SPI reporting to other entities in the industry. • An engagement letter would be prepared which include specific requirements relevant to the audit of SPI, in accordance with NZ AS 1 (Revised).

Conclusion
 No differences identified in procedures between a review and audit engagement.

2


Understanding


Objective: To obtain an understanding of:

- the nature and purpose of the entity, what it’s seeking to achieve, and its service performance information reporting process; and
- the requirements relating to obtaining an understanding of the entity as set out in ISA (NZ) 315 (Revised 2019) for an audit and ISRE (NZ) 2400 for a review.

REVIEW	AUDIT
<p><i>Procedures</i></p> <p>This may be achieved by the following procedures:</p> <ul style="list-style-type: none"> • Enquiries of management and others, verbally or questionnaire. • Inspection: Inspecting entity’s documentation such as process documentation, the entity’s constitution, public website, newsletters to key stakeholders, funding agreements, prior year statements of service performance. 	<p><i>Procedures</i></p> <p>This may be achieved by the following procedures:</p> <ul style="list-style-type: none"> • Enquiries of management and others, verbally or questionnaire. • Inspection: Inspecting entity’s documentation which may include (in addition to that for a review) more detailed documentation such as internal management reporting, internal audit reports etc

<ul style="list-style-type: none"> Understanding of the internal controls mainly through enquiry but could undertake other procedures if the practitioner considers it necessary. 	<ul style="list-style-type: none"> Understanding of the internal controls through enquiry and other procedures and walkthroughs, in accordance with ISA 315 (Revised 2019).
<p><i>Conclusion</i> Key differences between the review and audit:</p> <ul style="list-style-type: none"> Assurance practitioner may have lesser depth of understanding for a review versus an audit. For example, understanding of internal controls for an audit is required to be in accordance with ISA 315 (Revised 2019) and may be obtained by performing a walkthrough. For a review, per ISRE (NZ) 2400, this may be limited to enquiry. For a review, the procedures are performed to gain an understanding of where a material misstatement is likely to arise. However, for an audit, the understanding is to assist the auditor in identifying the types of misstatements and factors that affect the risks of material misstatement in the subject matter information. 	


 <h3 style="text-align: center;">Planning</h3>	
<p>Objective: To prepare an assurance plan to concurrently cover the service performance information and the financial statements, so that the assurance engagement is performed in an effective manner.</p>	
<p style="text-align: center;">REVIEW</p>	<p style="text-align: center;">AUDIT</p>
<p><i>Procedures</i></p> <ul style="list-style-type: none"> The practitioner would prepare a review plan to concurrently cover the service performance information and the financial statement review plan taking into consideration engagement circumstances such as: <ul style="list-style-type: none"> Use of experts depending on subject matter the entity intends on reporting. Timing of availability of “what and how” the entity intends on reporting for its service performance information. Materiality. 	<p><i>Procedures</i></p> <ul style="list-style-type: none"> The practitioner would prepare an audit plan to concurrently cover the service performance information and the financial statement audit plan taking into consideration engagement circumstances such as: <ul style="list-style-type: none"> Use of experts depending on subject matter the entity intends on reporting. Timing of availability of “what and how” the entity intends on reporting for its service performance information. Materiality.
<p><i>Conclusion</i> No differences identified in procedures between a review and audit engagement.</p>	

 <h3 style="text-align: center;">Consideration/Evaluation of Appropriate and Meaningful</h3>	
<p>Objective: To determine/consider whether the entity has balanced the qualitative characteristics to report service performance information that is appropriate and meaningful.</p>	

<p style="text-align: center;">REVIEW</p>	<p style="text-align: center;">AUDIT</p>
<p><i>Procedures</i></p> <p>To consider whether the service performance information is appropriate and meaningful, the assurance practitioner may perform a combination of the following:</p> <ul style="list-style-type: none"> Enquiries based on assurance practitioner’s professional judgement. Observation. 	<p><i>Procedures</i></p> <p>To evaluate whether the service performance information is appropriate and meaningful the auditor may perform a combination of the following:</p> <ul style="list-style-type: none"> Enquiries (must be in conjunction with other procedures¹) based on auditor’s professional judgement.

¹ ISA (NZ) 500 *Audit Evidence, paragraph A6*

REVIEW	AUDIT
<ul style="list-style-type: none"> • Inspection: Entity’s process documentation, constitution, public website, newsletter to key stakeholders, funding agreements. • Identify and understand any key differences between the current and previous period. • Comparisons such as to other entities in the industry. <p>Documentation may include a high-level statement of what sources of information the practitioner has reviewed, and why they have come to their conclusion on how well the entity has balanced the qualitative characteristics.</p>	<ul style="list-style-type: none"> • Observation. • Inspection: Entity’s process documentation, constitution, public website, newsletter to key stakeholders, funding agreements. • A detailed analysis of the key differences between the current and previous periods' SPI, including what measures have changed, the reasons for those changes, and the overall impact of the changes. • Comparisons such as to other entities in the industry. <p>Documentation may include a matrix of each qualitative characteristic and details of appropriate audit evidence of how the entity has balanced these.</p>
<p><i>Conclusion</i></p> <p>Key difference between the review and audit is:</p> <ul style="list-style-type: none"> • Practitioner may be required to “consider” appropriate and meaningful for a review rather than “evaluate” as required for an audit. For example, to “evaluate” the practitioner’s focus may be on identifying and analysing information to conclude how well the entity has balanced the qualitative characteristics. Whereas for a review, the practitioner may reflect on the various sources of information to conclude on how well the entity has balanced the qualitative characteristics. • The level of documentation • To reflect the level of work effort for “consider”, a review may stipulate procedures as enquiry, analytical and “other procedures”. 	



Risk assessment

Objective: For an audit, to design and perform risk assessment procedures, in accordance with ISA (NZ) 315 (Revised 2019), to identify and assess the risks of material misstatement.

For a review, the assurance practitioner uses their understanding, to identify areas in the service performance information where material misstatements are likely to arise and thereby provide a basis for designing procedures to address those areas.

For demonstration purposes, the assurance practitioner may have identified the following performance measure as an area where there is a risk of misstatement:

“% of stakeholders who attended the entity’s events rating them moderately to highly valuable for influencing action”

REVIEW	AUDIT
<p><i>Procedures</i></p> <p>The following procedures may be performed:</p> <ul style="list-style-type: none"> • Using their understanding of the entity, the assurance practitioner may determine that because the entity’s funding is based on the stakeholder satisfaction measured by surveys, an area where material misstatements is likely to arise are the survey results. • The assurance practitioner may document the following considerations such as survey design process, controls over results, third party involvement, measurement error, risk of fraud etc. in determining that this is an area where material misstatements are likely to arise. 	<p><i>Procedures</i></p> <p>The following procedures may be performed:</p> <ul style="list-style-type: none"> • Enquiries of management. • Walkthrough of processes and design and implementation controls for surveys being issued and collated. • Analytical procedures. • Considering the survey design process [<i>accuracy</i>], whether the full population of the survey results have been captured [<i>completeness</i>], have the responses been recorded correctly [<i>accuracy</i>], did the event occur in the financial year [<i>cut off</i>], did the entity conduct the course [<i>attributable to the entity</i>].
<p><i>Conclusion</i></p> <p>In a review engagement the practitioner does not specifically undertake a risk assessment. Rather the assurance practitioner is required to obtain an understanding of the entity and its environment, and the applicable financial reporting framework, to identify</p>	

REVIEW	AUDIT
<p>areas in the service performance information where material misstatements are likely to arise and thereby provide a basis for designing procedures to address those areas.</p> <p>However, for an audit, the auditor must perform risk assessment procedures in accordance with ISA (NZ) 315 (Revised 2019) which includes assessment of the design and implementation of controls over the significant risks of SPI.</p> <p>The risk assessment must also be at the service performance information level and at assertion level.</p>	



Response to assessed risks

Objective: To perform procedures to obtain sufficient appropriate evidence that enable a practitioner to form a conclusion/opinion.

REVIEW	AUDIT
<p><i>Procedures</i></p> <p>The following procedures may be performed:</p> <ul style="list-style-type: none"> • Enquiry and discussion with management: The assurance practitioner may enquire about the entity's processes for collecting and reporting on the survey results. The practitioner may ask high level questions regarding the process and/or may place greater reliance on enquiry to be satisfied that all relevant surveys have been reported. They could also discuss the results of the survey with management to understand the context and any trends. • Analytical procedures: The assurance practitioner could perform analytical procedures to compare the survey results to prior periods, budgets, or other metrics to look for any unusual fluctuations or inconsistencies in the data. For example, a trend analytic of satisfaction scores to prior years may be appropriate or a comparison to other metrics such as 'repeat attendee numbers' to 'highly satisfied' survey results. • Other procedures: if difficulties are encountered to obtain reliable evidence to perform analytical procedures; to identify appropriate relationships between data elements or the results of the analytical procedure require further investigation, the practitioner may perform "other" procedures. For example, a trend analytic on survey results indicates there may be a material misstatement as current year higher than past 4 years. A test of detail may be performed on a sample of surveys to check the responses have been categorized correctly but using a smaller sample size than for an audit. 	<p><i>Procedures</i></p> <p>The following procedures may be performed:</p> <ul style="list-style-type: none"> • Enquiry and discussion with management into the survey process including how respondents are selected, how responses are collated, whether completing the survey is optional or mandatory, what happens to illegible responses when calculating percentages. They could also discuss the results of the survey with management to understand the context and any trends. [<i>accuracy, completeness, attributable to the entity</i>] • Testing and relying upon the operating effectiveness of internal control for issuing and collating the survey [<i>completeness</i>] • Performing analytics: from the enquiries and understanding of the entity, relationships between the output and financial data may be identified, or between other non-financial data. These analytical review procedures would need to meet the requirements of ISA (NZ) 520 <i>Analytical procedures</i> • Substantive testing: using statistical sampling techniques to test; that surveys have been correctly categorized as poor value, moderately valuable, highly valuable and been recorded against the correct course [<i>accuracy, cut off</i>] • Inspection of event documentation [<i>attributable to the entity</i>]

Conclusion

Key differences between review and audit include:

- Procedures for an audit shall be designed to respond to assessed risks at an assertion level. Whereas for a review, it is to address areas where a material misstatement may arise.
- Analytical procedures performed for an audit must be in accordance with ISA (NZ) 520. For a review, the practitioner may set a less precise expectation, or use data at a more aggregated level etc.
- Audit procedures may include testing the operating effectiveness of internal controls. This may be done for a review but unlikely.
- Substantive testing for an audit may include statistical sampling whereas a review may be more haphazard sampling and/or have a smaller sample size.
- An audit must include substantive testing for all material service performance information.

7

Reporting

Objective: To prepare a report documenting the conclusion/opinion of the practitioner over the service performance information.

REVIEW	AUDIT
<p><i>Procedures</i></p> <ul style="list-style-type: none"> • An independent assurance practitioner’s review report would be prepared which includes specific requirements relevant to the review of SPI. • A conclusion is expressed by the assurance practitioner. • This is expressed in negative form, in accordance with ISRE (NZ) 2400 that nothing has come to the assurance practitioner’s attention that causes them to believe that the SPI do not present fairly, in all material respects: <ul style="list-style-type: none"> ○ the service performance for the year, in that the service performance information is appropriate and meaningful and prepared in accordance with the entity’s measurement bases or evaluation methods in accordance with the applicable financial reporting framework. 	<p><i>Procedures</i></p> <ul style="list-style-type: none"> • An independent auditor’s report would be prepared which include specific requirements relevant to the audit of SPI. • An opinion is expressed by the auditor. • This is expressed in the positive form, in accordance with NZ AS 1 (Revised), that in the auditor’s opinion, the SPI presents fairly, in all material respects: <ul style="list-style-type: none"> ○ The service performance for the year, in that the service performance information is appropriate and meaningful and prepared in accordance with the entity’s measurement bases or evaluation methods in accordance with the applicable financial reporting framework.
<p><i>Conclusion</i></p> <p>Key differences between a review and audit include:</p> <ul style="list-style-type: none"> • For a review, the practitioner expresses a conclusion, in the negative form. • For an audit, a positive assurance opinion is provided in the report. 	

Other information

1. When undertaking a review of financial statements ISRE (NZ) 2400 (Revised) does not require consideration of other information included in a report accompanying the financial statements. The Basis for Conclusions for ISRE 2400¹ published by the IAASB in September 2012, has no discussion on other information and why it was not included in the standard.
2. When undertaking a review of non-financial information ISAE (NZ) 3000 (Revised) (and EG Au 9) requires the assurance practitioner to read the other information to identify material inconsistencies. Because of this, assurance practitioners who review a statement of service performance in the scope of their review are currently required to consider other information that accompanies a performance report. However, the requirements of ISAE (NZ) 3000 (Revised) will not form part of NZ SRE 1.
3. In the September 2021 the board recommended that the review standard should address the responsibility related to other information, with a request to staff to consider if this sits in ISRE (NZ) 2400 or the developing service performance review standard.
4. On further consideration, staff believe that other information should not be considered as part of the review of service performance information because:
 - There is no requirement to consider other information in ISRE (NZ) 2400. Any amendments to ISRE (NZ) 2400 would mean the NZ standard does not align with the requirements of the international review engagement standard.
 - We do not see there being any compelling reasons to amend ISRE (NZ) 2400 to include considerations of other information. It is also not in this project's scope to amend ISRE (NZ) 2400.
 - Removing the requirement to consider other information would simplify the review process and enable practitioners to focus on core review procedures.
 - If we were to add an additional requirement in NZ SRE 1 to consider other information only when reviewing service performance information, this would create inconsistencies between reviews of performance reports which include SPI which use NZ SRE 1, and reviews of just financial statements which do not use NZ SRE 1, just ISRE (NZ) 2400.
 - It is also difficult to see how the consideration of other information is relevant solely to the review of service performance information, particularly in the context of NZ SRE 1 being used in conjunction with ISRE (NZ) 2400.

5. **Does the Board agree that other information should not be included in NZ SRE 1. If it does not agree, what does it recommend?**

¹ [Basis for Conclusions for ISRE 2400](#), September 2012. Similarly, there is no discussion on other information in the XRB publication [Explanation of Decisions made by the NZAuASB in Finalising ISRE \(NZ\) 2400](#)

NZAuASB Board Meeting Summary Paper

AGENDA ITEM NO.	5.1
Meeting date:	18 October 2023
Subject:	Assurance over sustainability reporting next steps
Date:	17 November 2023
Prepared By:	Misha Pieters, Karen Tipper and Nimash Bhika

 Action Required **For Information Purposes Only**

Agenda Item Objectives

1. To:
 - a. Recap on where NZ, international and others are at
 - b. Reflect on messages heard at recent focus group discussions
 - c. Agree next steps and prioritiesas we continue to explore what assurance means for sustainability reporting (including the type, nature or scope of assurance)

Background

2. While thinking about ED ISSA 5000, we have been exploring issues related to what does assurance mean, what does it look like, to step back from and explore where to next.

Matters to consider

3. We recommend deferring any discussion on the XRB strategy for assurance over sustainability reporting until more of the unknowns fall into place. (what reporting framework, will assurance become mandatory, who will do the work, how will assurance practitioners be licensed, who is the assurance actually for)
4. Meanwhile, we recommend:
 - a. Continue to monitor assurance developments in Australia and other jurisdictions
 - b. Clarify what problems we are trying to solve, and what is the best way to go about solving those problems.
5. To assist us, we ask board members to provide views on what problems the assurance team should focus on, bearing in mind the XRB's mandate, until more of the unknowns fall into place.
6. Some interesting questions that arose out of the focus group discussions for consideration include:
 - a. Are we trying to tackle projects that have no link to financial information (i.e. focus only on the state of nature or any other sustainability "topic") or sustainability information that does tie to financial information (i.e. business strategy and governance)
 - b. Are we tackling special purpose assurance or only general purpose

- c. should we focus only on climate statements, to ring fence the discussion and avoid trying to be all things to all people and provide context for what is being assured?
- d. Who is the assurance that is provided under XRB's assurance standards for? (i.e., internal or external stakeholders)
- e. What does assurance over a sustainability report actually mean – is it that the entity has applied its criteria, is it that the entity is aspirational enough, how relevant is an assurance opinion at a point in time where the information value may be in signalling behaviour change over time.
- f. Should we focus on communications as to the value of assurance and what assurance is or is not rather than what the assurance standard should be.

Material Presented

Agenda item 5.1	Board Meeting Summary Paper
Agenda item 5.2	Slides to consider
Agenda item 5.3	Summary from recent focus group discussions

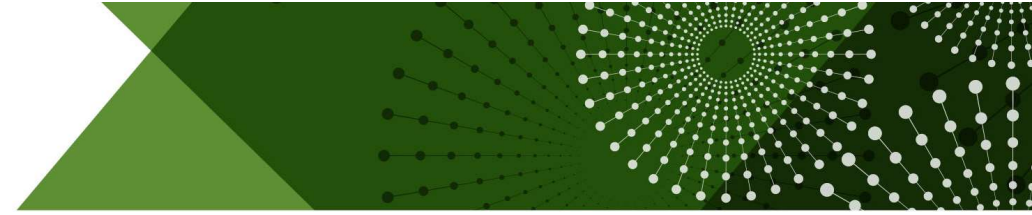


Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Assurance over general purpose sustainability reporting



Recap



- Temporary GHG assurance standard issued to address mandatory assurance under the Act

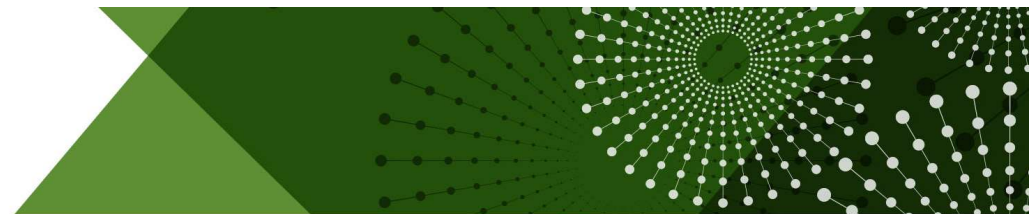
Voluntary assurance

- No further update on MBIE's proposal to extend scope of mandatory assurance to full climate statement
- Trust and confidence perceptions from audit committee chairs

International developments

- Australia proposals for mandatory reporting and mandatory assurance
- IAASB ED 5000 exposed, endorsed by IOSCO
- IESBA ethics and independence under construction
- ISO 14019 still under construction (expected December 2025)
 - To cover more than 3rd party independent assurance (as it also covers 1 and 2 party e.g., business to business arrangements including “agreed upon procedures” and more “special purpose” engagements)

Unknowns



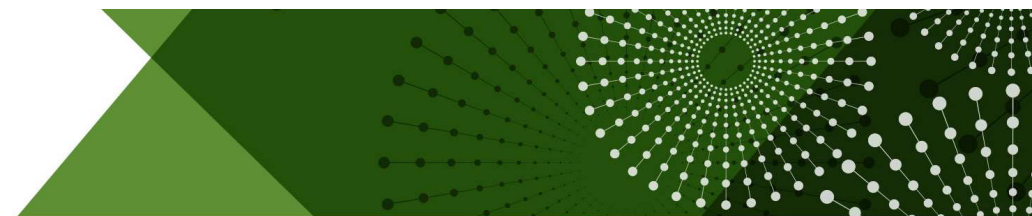
New Zealand Climate reporting entities

- who will undertake the mandatory GHG assurance work and if that will change if extended to full climate
- whether mandatory assurance will be extended
- will voluntary assurance be sought and who will undertake that assurance engagement (and whether that will differ if the scope of mandatory assurance changes)
- who will license and regulate the assurance practitioners

Sustainability reporting

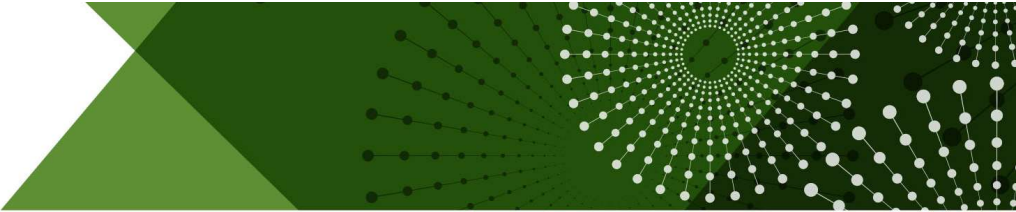
- What will be the reporting framework used most prevalently in New Zealand and by what entities
- Will independent external assurance over entity's sustainability report be required or voluntarily sought
- Who will be the key users of these reports
- What are these users' external assurance expectations
- What are regulators expectations for external assurance
- Are there any specific Te Ao Māori perspectives relevant for assurance

Timelines



	2023	2024	2025	2028
IAASB	ED consultation closes 1 December	Expect ISSA 5000 to be final in Dec 2024		
IESBA		January ED Expect standard final Dec 2024		
ISO			Expected 2025	
Australian proposal		Limited GHG Reasonable governance	Reasonable GHG Limited scope 3 ...	Reasonable assurance of all climate disclosures
Proposed MBIE consultation on pause				Mandatory assurance over full climate statement

Objective: What is our swim lane?



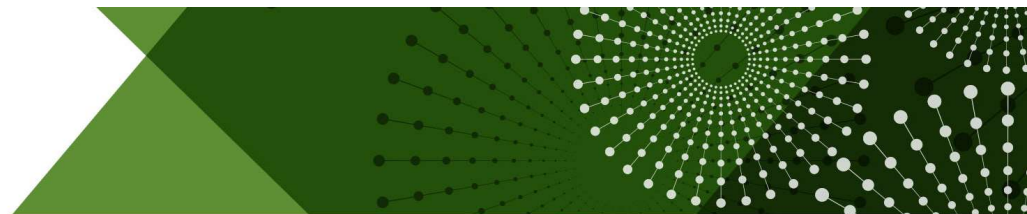
Sustainability reporting frameworks

Activities that enhance trust and confidence



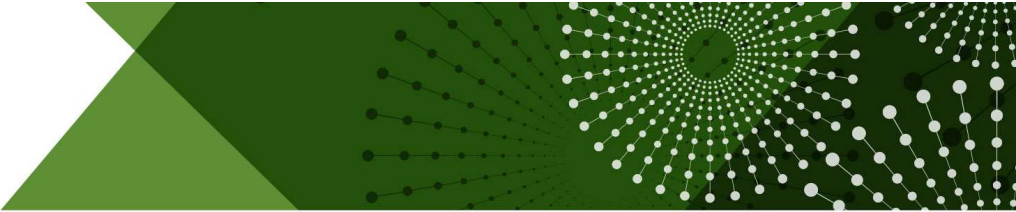
IAASB... IESBA... ISO... Accountability ... NZ specific

Recommendation

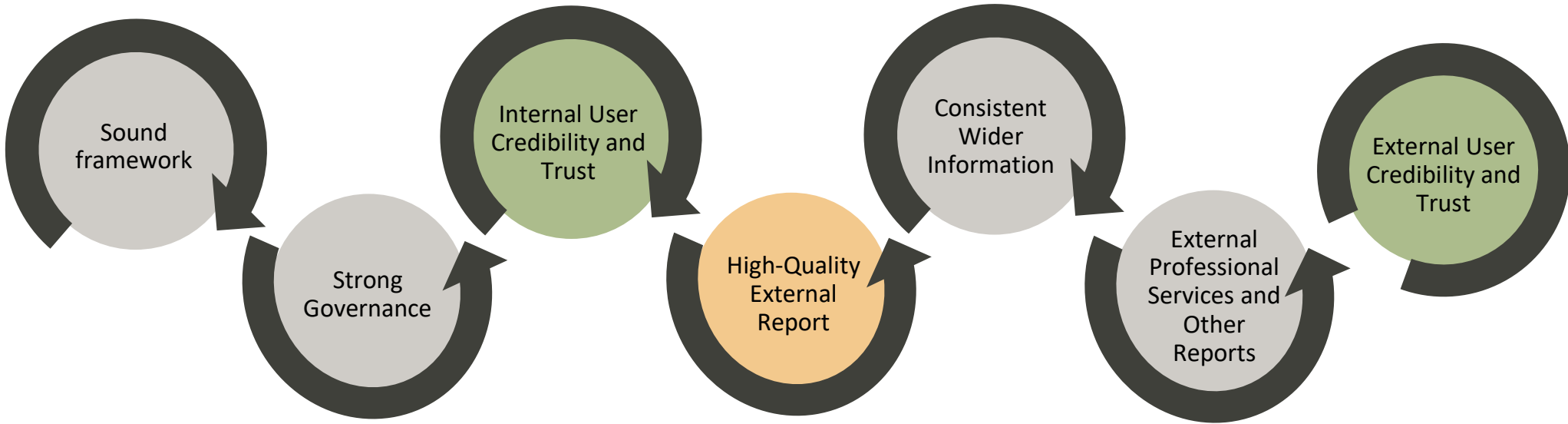


- Assurance team focus on assurance over general purpose reporting frameworks issued by the XRB
- Defer decision on XRB standard setting policy for assurance over sustainability information until later
- Continue to monitor for relevance and application to assurance over general purpose reporting frameworks issued by the XRB
 - IAASB's ISSA 5000 – Decide on adoption only when standard is finalised (Expected September 2024)
 - IESBA's project – Decide on adoption only when standard is finalised (Expected December 2024)
 - ISO project – Determine if copyright challenges can be overcome
 - Australian developments (and other jurisdictions) – what is the update of ISSA 5000 or other assurance
- Options to continue to consider but no decision needed now:
 - Whether the XRB should adopt ISSA 5000 and/or the IESBA's developing ethical and independence requirements
 - Whether to develop a NZ specific standard for climate statements
 - What options are there for XRB to issue XRB ISOs, given the cross-reference approach was designed to be temporary
- Hold focus group discussions to explore independence considerations

Factors that build trust



KEY ◯ Four Factors ◯ Output ◯ Outcomes



► Criteria – who, what, why, when and how of the report

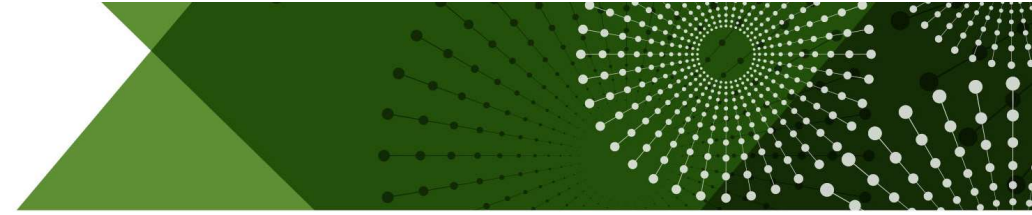
► Oversight and management functions
 Effective system of internal control, with “Lines of Defence”, including internal audit
 Obtaining external professional services

► Transparency of:
 - Reporting framework
 - Governance

► Internal and external sources of information
 e.g. benchmarking

► Publication of professional services reports(s):
 - Assurance
 - other

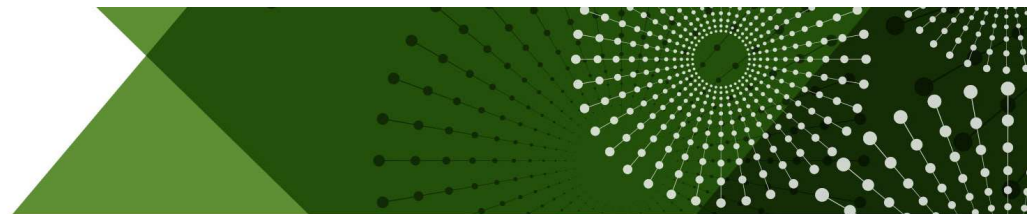
What is sustainability reporting?



What we heard in our focus group discussions

- Sustainability information is very broad and is addressed by a wide range of frameworks.
- Purpose is important – this will determine the audience/users
- There is a general lack of maturity in reporting
 - What reporting framework to use
 - Capacity and competence at the preparer
- Concern applying financial reporting expectations to “immature” sustainability information
- Assurance has a role to play
 - Mandatory assurance in GHG has led to improved processes, data and information

What do we mean by general purpose sustainability reporting?



We need to set the context for where we focus any next steps

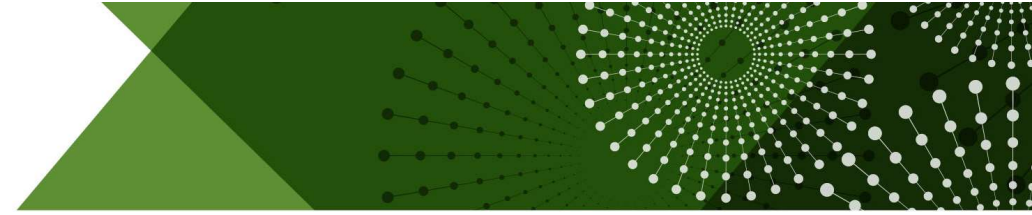
- Entity Wide (not business-business)
- Third Party Independent Assurance Statements
- Used by a wide range of users, investors, regulators, banks
- Publicly available

Is it too early to tackle assurance over all things “sustainability reporting” for New Zealand?

Shall we focus on assurance over climate statements?

Should our responses to international EDs be written in the context of application to the XRB’s reporting requirements?

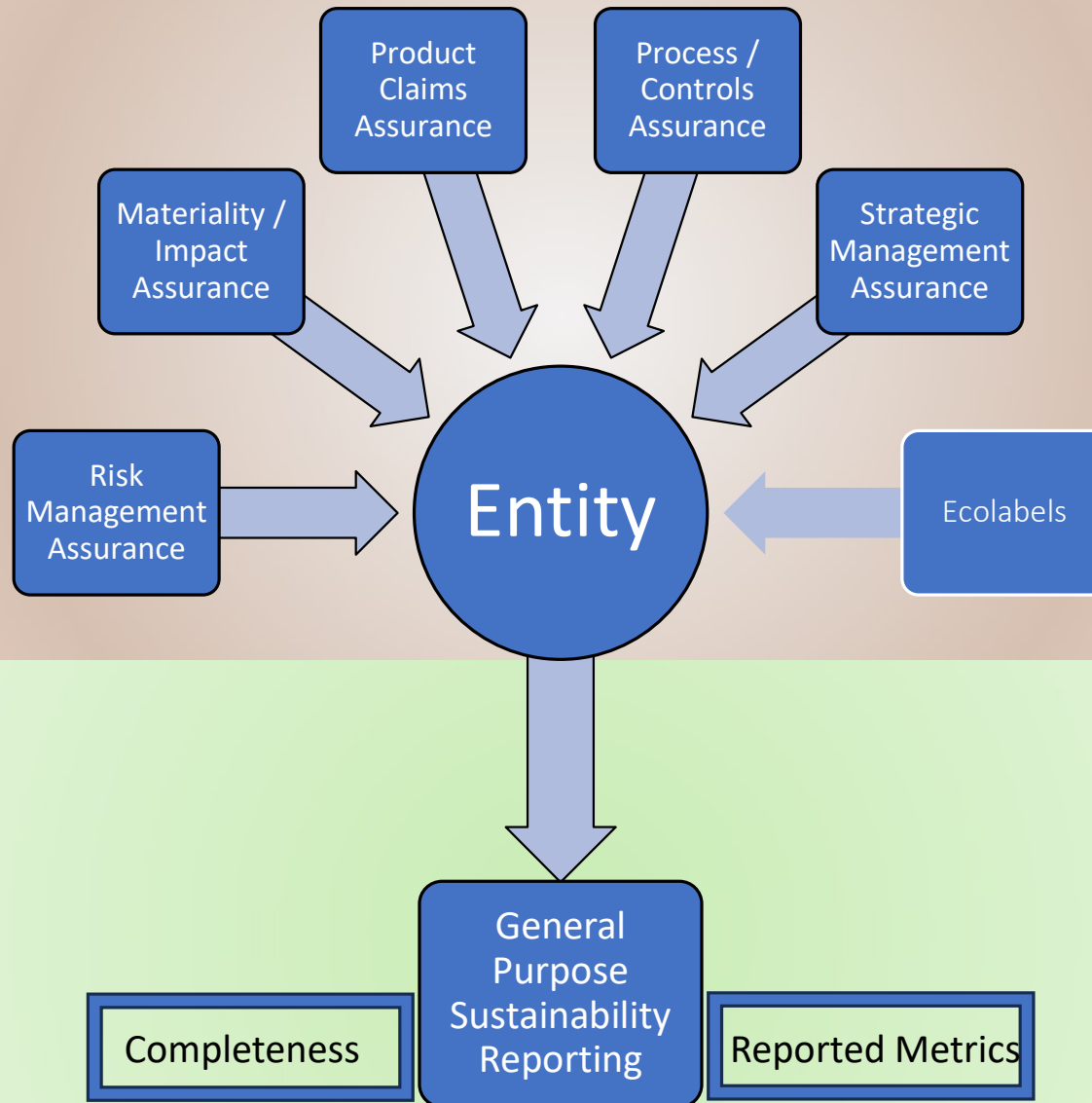
Activities that build trust and confidence



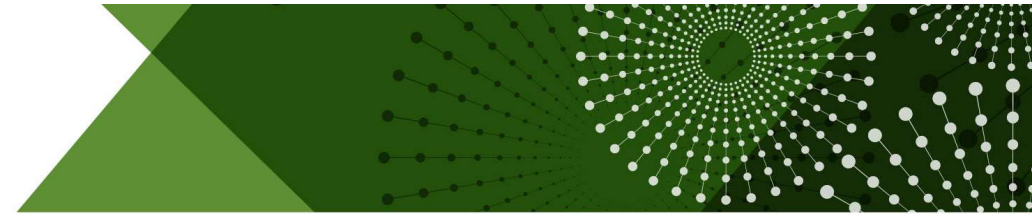
What we heard at our focus discussions

A range of activity, some special purpose:

- Activity to enhance an entity's confidence in its own reporting processes or information
- Enabling business to business interactions
- Enabling business to customer interactions
- Compliance
- Over general-purpose entity level reporting (for investors was mentioned specifically but could be broader)



What activities build trust and confidence

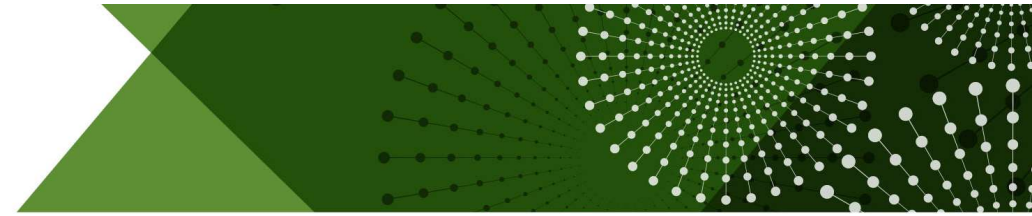


Questions to consider:

- What activities are best suited to New Zealand given current state of reporting frameworks and capacity/competence in the market?
- Who is the activity or assurance for?
- Is the XRB focus on assurance over general purpose entity level reporting only?
 - Where are the overlaps with these other activities?
- What different legal or risk factors play into if and how these activities differ for those that provide the service?
- For which of these activities is independence paramount? What is the extent of that independence?

	Sound Framework	Strong Governance	Internal User Trust	High Quality External Report	Consistent Wider Information	External Professional Services and Other Reports	External User Credibility and Trust	General purpose entity reporting
AUP	Process/ Controls	Risk Mgmt						
Business-Business						Chain of Custody		
Business-Consumer			Materiality Impact	Product Claim		Ecolabels		
General Purpose							Materiality assessment	CS1/2 NZ SAE 1 GRI ISSB

Challenges and practical considerations



What we heard in focus group discussions

- Concern about expectations
 - Information is not mature and imprecise
- Reasonable assurance may not be possible
 - But limited assurance is not understood
- Range of views, not all supportive, of longer form assurance reporting, use of emphasis of matters, KAM approach
 - Trying to solve the challenges of which activity is appropriate, at what stage or over what information is unlikely to be solved in communications in the assurance report alone as users “take” a level of assurance based on branding or the fact that it was assured rather than what is communicated in the report
- Qualified opinions may be limited to “except for” in this space
- Restatements will be more common

NZAuASB Board Meeting Summary Paper

AGENDA ITEM NO.	6.1
Meeting date:	30 November 2023
Subject:	Expected IESBA Exposure Drafts – NZ Outreach Plan
Date:	16 November 2023
Prepared By:	Anna Herlender, Nimash Bhikha

Action Required

For Information Purposes Only

Agenda Item Objectives

1. The objective of this agenda item is for the Board's to **CONSIDER** and **FEEDBACK** on the outreach plan for the IESBA's expected exposure drafts relating to sustainability and use of experts.

Background

2. The IESBA is expecting to approve the following revisions to the Code of Ethics in December:
 - Ethical considerations for professional accountants when they provide sustainability related services, including sustainability reporting.
 - Ethics and independence standards for all sustainability assurance practitioners (professional accountants and other professionals performing sustainability assurance engagements).
 - Ethical considerations around the use of experts in the preparation and presentation of financial and non-financial information and the provision of professional services; and use of experts in audit and assurance engagements, including sustainability engagements.
3. We expect IESBA will release two separate exposure drafts – one focussed on ethics and independence in relation to sustainability matters, and the other focussed on use of experts.
4. The exposure drafts are expected to be released in late January 2024 and the approval of final pronouncement is expected in December 2024.

Matters to Consider

Scope of expected changes to the Code

5. The expected revisions will impact all parts of the Code and will be relevant to New Zealand assurance practitioners:
 - Ethical considerations in relation to sustainability added to the current Code:
 - Sustainability examples will be added to Parts 1, 2 and 3 of the Code
 - Role of professional accountant in sustainability reporting, greenwashing, value chain, forward-looking information added to Part 2 and mirrored in Part 3 of the Code
 - New responsibilities for communication of non-compliance with laws and regulations added to Part 3.

- Ethics and independence relevant to the sustainability assurance of entities that are within the scope will be included in the new Part 5. Within scope is sustainability information reported in accordance with a general purpose framework and required to be provided in accordance with laws and regulations or publicly disclosed to support decision making by investors and other stakeholders.
- Use of expert's revisions will be added to Part 2, Part 3 and relevant sustainability matters will be in the new Part 5.

New Zealand Outreach Plan

6. We recommend that our outreach on these changes mirrors that of our recent outreach for sustainability assurance and the ISSA 5000 Exposure Draft. This involved a combination of written comments on the ED, and verbal discussions and feedback.
7. Our planned approach for the IESBA EDs would build on roundtable discussions held in Auckland during Mark Babington's visit in November 2023. We consider that these discussions established a good platform for sustainability professionals to engage on independence and ethical issues. Given the timing and direction of the conversation, this forum did not provide specific feedback on considerations within the proposed IESBA EDs.
8. Our next steps, following issue of the EDs, would include:
 - a. Posting the IESBA's Exposure Drafts on our website late January/early February 2024. We propose to invite comment on IESBA's proposals for the purposes for our response to the consultation. We do not intend to attach a New Zealand wraparound document to this consultation.
 - b. Linking the IESBA's consultation to the recorded webinar discussion with Mark Babington. This would provide useful context about the purpose and rationale for these revisions.
 - c. Holding focus group discussions with targeted individuals in February/March 2024. This would focus on independence and ethical considerations within the New Zealand market and targeted areas of the IESBA ED as considered appropriate. We plan to build off the platform and engagement created through Mark Babington's visit with stakeholders.
9. Within our previous GHG and sustainability consultations, we have asked our respondents to comment on ethical and independence considerations in relation to sustainability and non-financial information. This includes the questions outlined in Appendix 1 below.
10. We have not identified any New Zealand specific issues around ethics or independence that we believe are not addressed within the IESBA's draft ED or that we have not recently consulted on. As a result, we do not expect respondents to provide significantly different feedback on New Zealand specific matters if such questions were repeated as part of a New Zealand wraparound document.
11. We found our recent focus groups discussions on sustainability assurance very informative for understanding the New Zealand market, market specific considerations, and allowed for more specific feedback and follow-up of practical considerations.
12. We plan to follow a similar approach for ethical, independence and use of expert's considerations, and would invite targeted sustainability assurance practitioners to explore what independence means, how independence works in the context of limited resources within the New Zealand market, and when and how experts are used in professional engagements.
13. We anticipate the focus group discussions would be focussed on themes, rather than the specific consultation questions included in the IESBA's EDs.

Other considerations

14. Our communication messages are planned to be targeted to gathering feedback regarding the IESBA's proposed requirements. We will clearly indicate that this is about the IESBA's proposal and will be silent at this stage about if, and how, this would be incorporated into the Professional and Ethical Standard in New Zealand.
15. The XRB has a legal obligation to issue ethical standards:
 - for assurance services which are required by legislation to be performed in line with XRB's standards; and
 - for professional accountants where their rules require compliance with XRB's standards.
16. As a result, the XRB will need to consider the appropriateness of IESBA's revisions for professional accountants who perform assurance services separately. This is a different consideration compared to assessing ISSA ED-5000.
17. We will be monitoring developments in the sustainability assurance area to gather information to support the right decision-making regarding adoption of the requirements in the future, for both professional accountants and non-professional accountants who perform assurance services. We believe that the feedback from the focused groups discussions will provide us with the appropriate context for New Zealand.

Recommendations

18. We recommend the Board **CONSIDER** and **FEEDBACK** on our recommended approach:
 - to build off the outreach already performed through Mark Babington's visit and seek feedback directly on the IESBA EDs without a New Zealand wraparound consultation, and
 - to focus our outreach initiatives on focus group discussions around ethics and independence for New Zealand sustainability professionals.

Appendix 1 – Ethics and independence related questions asked in recent XRB consultations

Sustainability Assurance consultation – Released September 2023 – Responses November 2023

Consultation questions

- 8** What standards do you apply for Ethics and Independence when performing sustainability assurance engagements?
- 9** What could be some key pillars for Ethical and Independence standards for sustainability assurance?
- 10** What issues could Ethical and Independence standards for sustainability assurance address?

GHG Emissions Assurance consultation – Released December 2022 – Responses March 2023

We propose specific ethical requirements to address specific risk areas identified. These include:

- A prohibition to prevent an assurance organisation or an assurance practitioner from assuring their own work and prevent other services to the assurance client that might possibly create a self-review threat. The “might possibly” requirement is expected to set a high bar and prevent many other services from being sold to the assurance client.
- A prohibition on assuming management responsibilities.
- A prohibition on holding a financial interest in the assurance client.
- A requirement to address familiarity threats that arise due to long association with the assurance client.

Question for respondents

3. Do you consider the proposed ethical requirements are appropriate? If you disagree, please explain why.

NZAuASB Board Meeting Summary Paper

AGENDA ITEM NO. 7.1

Meeting date: 30 November 2023

Subject: Fraud

Date: 15 November 2023

Prepared By: Sharon Walker

Action Required

For Information Purposes Only

Agenda Item Objectives

1. The objective of this agenda item is to obtain Board agreement on:
 - the outreach plan to obtain feedback on the expected exposure draft; and
 - New Zealand compelling reason changes.

Background

2. Corporate failures and scandals across the globe in recent years have brought the topic of fraud to the forefront and led to stakeholder questions around the role and responsibilities of the auditor on fraud in a financial statement audit.
3. In early 2020 the IAASB commenced information gathering and research activities on fraud 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. The objective of the information gathering and research activities was to consider issues and challenges in applying ISA 240 in light of environmental and jurisdictional developments and changing public expectations.
4. The fraud project proposal is focused on standard setting actions aimed at enabling consistent and improved behaviour.
5. Project objectives that support the public interest are to:
 - Clarify the role and responsibilities of the auditor for fraud in an audit of financial statements.
 - Promote consistent behaviour and facilitate effective responses to identified risks of material misstatement due to fraud through strengthening ISA 240 to establish more robust requirements and enhance and clarify application material where necessary.
 - Enhance ISA 240 to reinforce the importance, throughout the audit, of the appropriate exercise of professional scepticism in fraud-related audit procedures; and

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

- Enhance transparency on fraud-related procedures where appropriate, including strengthening communications with those charged with governance and reporting requirements.
6. In revising ISA 240 the IAASB has considered changes that have been made in other jurisdictions to their fraud-related standards, such as:
- Japan - The Business Accounting Council established a standard in 2013 titled "[Standard to Address Risks of Fraud in an Audit](#)" to be applied to audits of publicly traded companies.²
 - The Netherlands - The Royal Nederlandse Beroepsorganisatie van Accountants (NBA) has amended standard 700 (December 2021) which requires auditors to include a "Fraud Risk Control" section in audit reports accompanying a full set of general-purpose financial statements.
 - The UK – The Financial Reporting Council (FRC) issued targeted revisions of its UK auditing standard on the responsibilities of auditors relating to fraud – "ISA (UK) 240 (Revised May 2021), The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements"³ in May 2021.
7. At its September 2023 meeting, the IAASB undertook its first full read of a draft standard. An exposure draft is expected to be approved at the December 2023 meeting.
8. Key enhancements expected in the revisions to the auditing standard on fraud include⁴:
- Reinforcing professional scepticism. The auditor is required to maintain professional scepticism throughout the audit. Applying the fraud lens means ongoing questioning whether the information and audit evidence obtained suggests that a material misstatement due to fraud may exist. The proposals remove the statements in the ISA 200⁵ and extant ISA 240 that the auditor may accept records and documents as genuine unless the auditor has reason to believe the contrary.
 - Applying a fraud lens to the risk identification process. This requires the auditor to think about how and where the financial statements may be susceptible to fraud. The risk assessment process is aligned with ISA 315 (Revised 2019).
 - Enhancing transparency in the auditor's report. The auditor will be required to determine, from the matters related to fraud that are communicated to those charged with governance, which matters required significant audit attention. The matters of most significance are to be reported as Key Audit Matters under a heading that clearly indicates that the matter relates to fraud. If the auditor

² This standard introduces an increased emphasis on professional scepticism, clarifies fraud-related audit procedures, requires more cautious performance of audit procedures in certain circumstances, particularly when the auditor has determined that any suspicion of a material misstatement due to fraud exists, and establishes additional quality control considerations.

³ The targeted revisions to the UK's equivalent standard are designed to provide increased clarity as to the auditor's obligations, addressing the concern raised by Sir Donald Brydon in his review of the quality and effectiveness of audit.

⁴ Key enhancements identified in the revisions to the auditing standard on fraud are based on the September 2023 IAASB papers.

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

determines that there are no Key Audit Matters related to fraud, the auditor will be required to make a statement to this effect in the Key Audit Matters section of the report.

NZ compelling reason changes

9. Based on the draft document presented to the IAASB at its September 2023 meeting, we have identified the following NZ compelling reason changes. These changes are included in extant ISA 240. Staff consider they should be retained.
 - Written representations to be obtained from those charged with governance, consistent with extant ISA (NZ) 240, paragraphs NZ40.1, NZA59.1 and NZA60.1.
 - References in application material to listed entities to be changed to FMC reporting entities considered to have a higher level of public accountability, consistent with extant ISA (NZ) 240 paragraph NZA30.1.

Our planned outreach and timeline

10. The revision to the auditing standard on fraud is identified as a project of medium strategic importance to the XRB.
11. Planned outreach activities include:
 - A walk-through webcast outlining why the standard is changing and the proposed significant changes
 - Feedback forum (in person Wellington) and virtual
 - LinkedIn posts
12. The international boards are expected to issue a number of exposure drafts during December 2023/January 2024. Assuming the fraud exposure draft is issued late December for a 90 day consultation (to be confirmed), our timeline for outreach on the proposals is as follows:
 - Publish walk-through webcast in January.
 - Feedback forums late February.

Action requested

13. We seek Board agreement:
 - to retain compelling reason changes included in extant ISA (NZ) 240 and
 - on the planned outreach activities.

Material Presented

Agenda item 7.1

Board Meeting Summary Paper

NZAuASB Board Meeting Summary Paper

AGENDA ITEM NO. 8.1
Meeting date: 30 November 2023
Subject: Listed or public interest entity in the ISAs
Date: 15 November 2023
Prepared By: Sharon Walker

Action Required

For Information Purposes Only

Agenda Item Objectives

1. The objective of this agenda item is to discuss:
 - the application of the developing proposals in New Zealand, as discussed in the issues paper at agenda item 8.2, to inform a decision on whether any New Zealand changes may be needed to the IAASB's ED

Background

2. At its December meeting, the International Auditing and Assurance Standards Board (IAASB) is expected to approve an exposure draft of proposed narrow scope amendments to its standards in response to recent revisions to the International Code of Ethics¹ as a result of the IESBA's project on the definitions of listed entity and public interest entity (PIE). The exposure draft is expected to be issued in January 2024 for a 90 day consultation.
3. The goals of the project are to:
 - Achieve, to the greatest extent 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.
 - Establish an objective and guidelines to support the IAASB's judgements regarding specific matters for which differential requirements for certain entities are appropriate.
 - Determine whether and the extent to which, to amend the applicability of the existing differential requirements for listed entities in the ISQMs² and ISAs³ to meet heightened expectations of stakeholders regarding the performance of audit engagements for certain entities, thereby enhancing confidence in audit engagements performed for those entities.

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

² International Standard on Quality Management (ISQM)

³ International Standard on Auditing (ISA)

4. Extant ISAs contain differential requirements that apply only to listed entities. The IAASB is expected to propose to:
 - adopt the IESBA definition of PIE and “publicly traded entity” into the definitions in ISQM 1⁴, ISA 200⁵ and the Glossary of Terms, as well as including further requirements and application material from the IESBA Code that address the scoping of PIEs.
 - extend the application of the differential requirements for listed entities to public interest entities (PIEs), with the exception of extant listed entity requirements in ISA 720 (Revised)⁶.
5. The IAASB believes that it is not in the public interest to extend the differential requirements in ISA 720 (Revised) at this time due to the practical difficulties associated with identifying and considering the other information received after the date of the auditor’s report.
6. The IAASB is also expected to propose revisions to ISRE 2400 (Revised)⁷. Given that Part 4A of the International Code of Ethics also applies to review engagements, in order to maintain consistency within its suite of standards, the IAASB proposes to include a new requirement in the review engagement standard that applies when the relevant ethical requirements require public disclosure that independence requirements for PIEs have been followed. (Consistent with the PIE Track 1 changes to the ISAs).
7. The IAASB acknowledges that review engagements over historical financial statements under ISRE 2400 (Revised) are not common in practice, however, the IAASB has no intention of amending ISRE 2410⁸ at this time.
8. The IAASB has indicated that these proposals, once finalised, would be effective approximately 18-24 months after PIOB approval. Early application would not be permitted due to concerns that early application may result in varying auditor’s reports for the same or similar periods within the marketplace, potentially causing confusion for users of financial statements.

Matters to Consider

9. For purposes of the XRB standards, references to listed entities are changed to FMC reporting entities considered to have a higher level of public accountability (FMC HLPAs) in the ISAs (NZ) and the New Zealand equivalent of ISQM 1.
10. The Board is asked to consider whether application of the differential requirements contained in Professional and Ethical Standards 3 and 4, and ISAs (NZ) should be expanded to apply to PIEs, or whether in New Zealand there is a compelling reason to continue to apply the differential requirements only to FMC Reporting Entities considered to have a higher level of public accountability. This question is explored in more detail in the issues paper at agenda item 8.2.

⁴ International Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

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

⁶ International Standard on Auditing 720 (Revised), *The Auditor’s Responsibility Relating to Other Information*

⁷ International Standard on Review Engagements 2400, *Review of Historical Financial Statements Performed by an Assurance Practitioner who is Not the Auditor of the Entity*

⁸ International Standard on Review Engagements 2410, *Review of Financial Statements Performed by the Independent Auditor of the Entity*

11. This discussion will assist us in planning for our outreach and whether or not we need to develop a separate NZ consultation document with any compelling reason changes.

Next steps

12. The project is identified as a project of low strategic importance to the XRB.

13. We recommend developing a NZ wrap around to issue with the IAASB exposure draft.

Action requested

14. We ask the Board to:

- Discuss and affirm the recommendation in the issues paper.
- Consider and agree next steps.

Material Presented

Agenda item 8.1 Board Meeting Summary Paper

Agenda item 8.2 Issues Paper

PIE and Listed Entities: Issues Paper

Expanding application of the differential requirement to Public Interest Entity (PIE)

1. The IAASB is proposing to expand the application of the differential requirements for listed entities in its standards to public interest entities (PIEs).
2. The Board is asked to consider whether application of the differential requirements contained in Professional and Ethical Standards 3 and 4, and ISAs (NZ) should be expanded to apply to PIEs, or whether in New Zealand there is a compelling reason to continue to apply the differential requirements only to FMC Reporting Entities considered to have a higher level of public accountability.
3. The IAASB standards include differential requirements that apply only to some entities. These differential requirements are necessary to address the significant public interest in the financial condition of these entities due to the potential impact of their financial well-being on stakeholders. The purpose of the differential requirements is to meet the heightened expectations of stakeholders regarding the audit engagement, thereby enhancing stakeholders' confidence in the entity's financial statements that can be used when assessing the entity's financial condition
4. The IAASB has not previously expanded the differential requirements beyond listed entities, mostly due to:
 - The lack of a global baseline for the definition of PIE that could be consistently applied across jurisdictions.
 - The unintended consequences of the requirements applying to smaller or less complex entities that could be scoped into the definition of a PIE and for which it may be impracticable or overly burdensome to apply the requirements in such cases.
5. In its recent revisions to the International Code of Ethics related to listed entity and PIE, the IESBA included a revised definition of PIE that includes a "top down" list of mandatory categories of entities that firms should treat as PIEs together with a "bottom up" approach. The IAASB believes that the revised approach to scoping PIEs in the International Code of Ethics addresses its previous concerns noted in paragraph 4.
6. The IAASB believes that there is now a sufficient basis to propose extending the differential requirements for listed entities in its standards to apply to PIEs. Extending the differential requirements to PIEs would:
 - Be responsive to stakeholder feedback from previous IAASB information gathering, including capturing certain financial institutions such as banks and insurance companies for which stakeholders have indicated it would be appropriate to apply the differential requirements.
 - Promote more consistency among jurisdictions globally when applying the IAASB standards given that some jurisdictions have already extended (or are considering extending) the applicability of the differential requirements to apply to PIEs in their national equivalent auditing standards.
 - Result in alignment of key concepts and definitions across the IAASB and IESBA standards and less complexity related to the types of entities to which the differential requirements in the respective standards apply.

7. The IAASB proposes to adopt the IESBA definition of PIE and “publicly traded entity” into the IAASB suite of standards, as well as further material from the IESBA Code that address the scoping of PIEs, reflecting the “top-down, bottom-up” approach.
8. The proposed definition includes a broadly defined list of mandatory, high-level PIE categories (top down):
 - A publicly traded entity (including listed entities);
 - An entity one of whose main functions is to take deposits from the public;
 - An entity one of whose main functions is to provide insurance to the public; or
 - An entity specified as such by law, regulation, or professional requirements, for a purpose related to the significance of the public interest in the financial condition of the entity.
9. Local jurisdictions are expected to add categories of public interest entities to meet their own requirements (bottom up). Examples of such categories include:
 - Pension funds
 - Collective investment vehicles
 - Private entities with large number of stakeholders (other than investors)
 - Not for profit organisations or governmental entities
 - Public utilities
10. In addition, firms are encouraged to determine whether to treat other entities as public interest entities.
11. The definition of public interest entity adopted in New Zealand (as set out in Professional and Ethical Standard 1¹) includes any entity that meets the Tier 1 criteria in accordance with XRB A1² and is not eligible to report in accordance with the accounting requirements of another tier.
12. Accordingly, in New Zealand, the PIE definition captures:
 - Entities that have public accountability; and
 - Entities that are large, as defined XRB A2³
13. FMC reporting entities considered to have a higher level of public accountability (FMC HLPAs) are deemed to have public accountability.
14. Large public sector and not-for-profit entities are also captured as PIEs under the New Zealand approach.

Application in New Zealand

15. Historically, the XRB has applied the differential “listed entity” requirements to FMC HLPAs entities when adopting the IAASB standards in New Zealand.
16. The extant differential requirements address:
 - Reporting key audit matters and other specific matters in the auditor’s report

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

² External Reporting Board Standard A1, *Application of the Accounting Standards Framework*

³ External Reporting Board Standard A2, *Meaning of Specified Statutory Size Thresholds*

- Communicating with those charged with governance about the system of quality management and independence
 - Mandatory engagement quality review
17. The appendix provides a summary of the interaction of the PIE requirements in Professional and Ethical Standard 1 with the extant FMC HLPAs requirements.
 18. Application of the differential requirements to FMC HLPAs entities captures entities from the IAASB's baseline of mandatory, high-level PIE categories outlined in paragraph 8. From a "top-down" approach, auditors in New Zealand are already applying the differential requirements to entities that are captured within the IAASB PIE definition.
 19. However, consistent with the IESBA Code, the IAASB proposals also require a bottom-up approach to be applied at a jurisdictional level. In New Zealand, for purposes of Professional and Ethical Standard 1, as noted in paragraph 11, the XRB defines entities that report in accordance with the Tier 1 reporting requirements to be PIEs.
 20. Applying the differential requirements to FMC HLPAs entities only would meet the baseline requirements of the IAASB PIE definition, however, we do not consider the top-down only approach to be in the spirit of the proposals. The intent of the IAASB when adopting the IESBA definition of PIE is that the same entities would be identified as PIEs under both the IAASB and IESBA standards.
 21. We note that in the public sector, the Auditor-General has already expanded the requirement for mandatory engagement quality review. AG PES 3⁴ requires an engagement quality review to be performed for:
 - FMC reporting entity annual audits and other engagements;
 - Long-term plan audits and
 - Annual audits assessed as high-risk audits.

carried out on behalf of the Auditor-General.

The Auditor-General has not made any changes to the differential requirements in relation to key audit matters or communications with those charged with governance in the Auditor-General's standards.

22. We have not identified any compelling reasons to depart from the international proposal. We therefore recommend that application of the differential requirements contained in Professional and Ethical Standards 3 and 4, and ISAs (NZ) should be expanded to apply to PIEs. Does the Board agree?

⁴ AG PES 3, *Quality Management for Firms that Perform Audits or Other Engagements on Behalf of the Auditor-General*

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

