

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


Proposed drafting: Review of SPI Issues Paper

In this document we have drafted requirements for the review standard based on the work effort explored at each stage of the engagement. For each stage we have provided a conclusion of the work effort of a review compared to an audit and highlighted any key differences or similarities. We also provide questions for you to consider.

Extracts from NZ AS 1 (Revised) illustrate how the requirements for a review would contrast to an audit.

	
<h3>Acceptance</h3>	
<p>Conclusion: We did not identify any differences in the procedures between a review and an audit, to obtain preliminary knowledge to provide an appropriate basis on whether the preconditions for accepting an engagement to assure service performance information are met.</p>	
REVIEW	AUDIT
<p><i>Proposed Application Material</i> Service performance reporting requirements are generally less prescribed than financial information which may result in varied service performance reporting between similar entities and industries. The format of the information is not prescribed, and information may be presented outside the annual report and may be incorporated by cross reference. The assurance practitioner may benefit from early engagement with the entity to understand the entity’s service performance reporting process, where it intends to report its service performance information and address any challenges that may arise to consider whether the service performance information is appropriate and meaningful as required by paragraph XX.</p>	<p><i>NZ AS 1 (Revised) Application Material</i> A1. Service performance reporting requirements are generally less prescribed than financial information which may result in varied service performance reporting between similar entities and industries. The format of the information is not prescribed, and information may be presented outside the annual report and may be incorporated by cross reference. The auditor may benefit from early engagement with the entity to understand the entity’s service performance reporting process, where it intends to report its service performance information and address any challenges that may arise to evaluate whether the service performance information is appropriate and meaningful as required by paragraph 25.</p>

1. Does the Board agree with this conclusion and the proposed application material?

	
<h3>Understanding</h3>	
<p>Conclusion: The key difference in the practitioner’s understanding of the entity between an audit and a review is the depth of understanding required by the practitioner. Although the topics of understanding are similar, the level of understanding required for a review is to enable the practitioner to identify where a material misstatement is likely to arise (first paragraph). Whereas for an audit, a deeper level of understanding is required to enable the practitioner to identify the types of misstatements and factors that affect the risks of material misstatement in the subject matter.</p>	
REVIEW	AUDIT
<p><i>Proposed Requirement</i> The assurance practitioner shall obtain an understanding of the entity and its environment, and the applicable financial reporting framework, 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.</p>	<p><i>NZ AS 1 (Revised) Requirements</i></p>

The practitioner shall obtain an understanding of the following:

- (a) What the entity is seeking to achieve, its significant activities and what is important to primary stakeholders and intended users of service performance information.

- (b) The legal and regulatory framework applicable to the entity and the industry or sector in which the entity operates, and laws and regulations that specify the form, content, preparation, publication, and review of service performance information; and

- (c) Any actual, suspected or alleged non-compliance with provisions of those laws and regulations.

- (d) The applicable financial reporting framework relevant to the service performance information.

- (e) The process the entity undertook to determine what elements/aspects of service performance, performance measures and/or descriptions and measurement bases or evaluation methods and judgements to report.

- (f) The measurement bases or evaluation methods used by the entity to assess the performance measures and/or descriptions and how these are made available to intended users.

- (g) Changes to the elements/aspects of service performance, performance measures and/or descriptions and the measurement bases or evaluation methods used to report its service performance compared to prior year, planned, forecast or prospective information.

- (h) Where the entity intends to report its service performance information.

- (i) Internal control, as it relates to the preparation of the service performance information.

Understanding the Entity

- 15. The auditor shall obtain an understanding of:
 - (a) Why the entity exists and what it intends to achieve i.e., its purpose or objective.
 - (b) What activities or services the entity performs.
 - (c) Who the entity aims to serve i.e., the entity's primary stakeholders and the primary users of the service performance report.
 - (d) What is considered important to those stakeholders and users and what they may use the service performance information for.

Understanding Laws and Regulations

- 16. The auditor shall obtain an understanding of:
 - (a) The legal and regulatory framework applicable to the entity and the industry or sector in which the entity operates, and laws and regulations that specify the form, content, preparation, publication, and audit of service performance information; and
 - (b) How the entity is complying with that framework.

Understanding the Service Performance Information Reported

- 17. The auditor shall obtain an understanding of:
 - (a) The applicable financial reporting framework relevant to the service performance information.
 - (b) The process, including the rationale and logic the entity undertook to determine what elements/aspects of service performance, performance measures and/or descriptions and measurement bases or evaluation methods and judgements to report.
 - (c) The process the entity undertook to identify the intended users of the service performance information and the level of engagement with the intended users.
 - (d) The measurement bases or evaluation methods used by the entity to assess the performance measures and/or descriptions and how these are made available to intended users.
 - (e) Changes to the elements/aspects of service performance, performance measures and/or descriptions and the measurement bases or evaluation methods used to report its service performance compared to prior year, planned, forecast or prospective information.
 - (f) Where the entity intends to report its service performance information.

Understanding the Components of the Entity's System of Internal Control

- 18. In accordance with ISA (NZ) 315 (Revised 2019)¹, the auditor shall obtain an understanding of the entity's system of internal control over the preparation of the service performance information.
- 19. Based on the auditor's evaluation of each of the components of the entity's system of internal control, the auditor shall determine whether one or more control deficiencies have been identified.

¹ ISA (NZ) 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

2. Does the Board agree:
- That there's a difference in the depth of understanding required between an audit and a review, and
 - With the proposed requirements on the understanding of the entity?

3

Planning

Conclusion: We have not identified any differences for planning between an audit or review of service performance information. Both engagements should be conducted concurrently with the financial statement engagement and items specific to service performance information such as use of experts and materiality would be equally relevant.

REVIEW	AUDIT
<p><i>Proposed Requirements</i></p> <p>The assurance practitioner shall develop a plan with a single approach to the review engagement to concurrently cover the service performance information and the financial statements. In establishing the overall strategy, the assurance practitioner shall:</p> <ul style="list-style-type: none"> (a) Consider the factors that, in the assurance practitioner's professional judgement, are significant in directing the engagement team's efforts in respect of the review of service performance information. (b) Determine the timing of when to consider whether the entity's service performance information is appropriate and meaningful. <p>The assurance practitioner shall discuss with those charged with governance:</p> <ul style="list-style-type: none"> (a) What elements/aspects of service performance and performance measures and/or descriptions the entity intends to report as part of its service performance information; (b) What measurement bases or evaluation methods the entity intends to use to measure or evaluate its performance. <p>Any concerns identified shall then be communicated to those charged with governance as soon as practicable.</p>	<p><i>NZ AS 1 (Revised) Requirement</i></p> <ul style="list-style-type: none"> 21 The auditor shall develop an audit plan with a single audit approach to concurrently cover the service performance information and the financial statements. 22 In establishing the overall audit strategy, the auditor shall: <ul style="list-style-type: none"> (a) Consider the factors that, in the auditor's professional judgement, are significant in directing the engagement team's efforts in respect of the audit of service performance information. (b) Determine the timing of when to evaluate whether the entity's service performance information is appropriate and meaningful. 23 The auditor shall discuss with those charged with governance: <ul style="list-style-type: none"> (a) What elements/aspects of service performance and performance measures and/or descriptions the entity intends to report as part of its service performance information; (b) What measurement bases or evaluation methods the entity intends to use to measure or evaluate its performance; and 24 Any concerns identified shall then be communicated to those charged with governance as soon as practicable.

3. Does the Board agree that there is no difference in work effort required for planning between a review and an audit and that the proposed requirements above are appropriate?

4

Consideration/Evaluation of Appropriate and Meaningful

Conclusion: The work effort in the assessment of whether the service performance information is appropriate and meaningful should reflect the persuasiveness of evidence required to reflect the level of assurance being provided. Therefore, we recommend that the practitioner is only required to “consider” whether the SPI is appropriate and meaningful for a review however “evaluate” for an audit. Also the requirement should state the practitioner performs enquiry, analytical review and other procedures to further highlight the work effort expected for a review.

Although determining whether SPI is appropriate and meaningful is a requirement for both a reasonable and limited assurance engagement, we believe the level of assurance being provided should drive the work effort on how the practitioner reaches that conclusion. The work effort does not alter the fact of whether service performance is or isn’t appropriate and meaningful, but rather the persuasiveness of the evidence obtained to reduce the risk of an incorrect opinion to a level that is acceptable (for a limited assurance engagement) or acceptably low for a reasonable assurance engagement). For limited assurance, the procedures performed are limited compared with those necessary in a reasonable assurance engagement but are, nonetheless, planned to obtain a level of assurance that is meaningful². If the work effort for a limited assurance engagement determined that the service performance was not appropriate and meaningful, this conclusion would still apply to a reasonable assurance engagement and vice versa.

NZ AS 1 (Revised) provides a list of factors for the auditor to evaluate whether SPI is appropriate and meaningful. These requirements focus the practitioner to evaluate how well the entity has balanced the qualitative characteristics.

AUDIT*NZ AS 1 (Revised) Requirements*

25. The auditor shall **evaluate** whether the service performance information is appropriate and meaningful³ including whether:
- (a) It fairly reflects the auditor’s understanding of the entity’s performance from all other audit work performed on the audit.
 - (b) It is likely to meet the needs of the intended user to enable an informed assessment of the entity’s service performance.
 - (c) It relates to an element/aspect of service performance that significantly contributes to the entity’s core purpose, functions or objectives.
 - (d) There is likely to be sufficient appropriate evidence to support the performance measure and/or description.
 - (e) It is capable of measurement or evaluation in a consistent manner from period to period.
 - (f) It is presented in a way that is easy to follow, concise, logical and aggregated where appropriate so that it will enable a user to identify the main points of the entity’s service performance in that year.

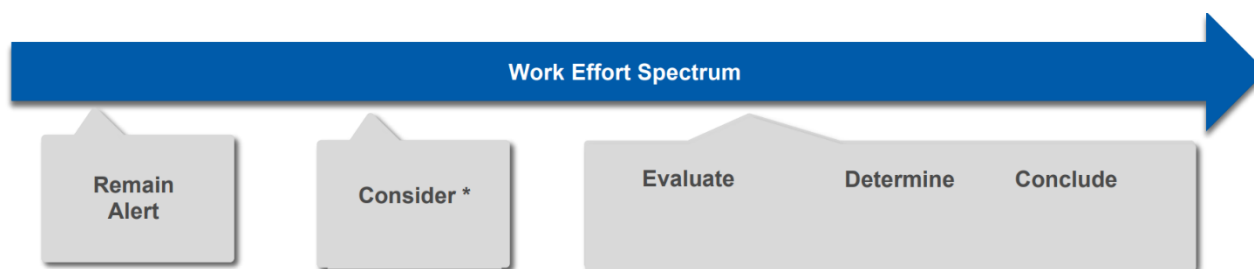
We propose bringing this requirement into the review standard, however given that limited assurance requires less work effort, rather than *evaluate* the factors provided, we believe using the word *consider* would be more suitable. This is consistent with EG Au9 which requires the practitioner to *consider* whether the underlying subject matter is appropriate, and that the criteria expected to be applied in the preparation of the subject matter information are suitable (appropriate and meaningful).

The use of a different verb is supported by the IAASB’s CUSP framework document which illustrates the work effort spectrum. *Consider* requires an active reflection by the practitioner about matters. Documentation may include the practitioner’s their rationale for the decision made or conclusion reached. On the other hand, *Evaluate* is focused around identifying and analysing the matter including performing further procedures as necessary, to come to a specific conclusion on that matter. Documentation may include details about the specific items considered by the auditor in coming to a conclusion, and the basis for the auditor’s conclusion.

² IAASB Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Sustainability and Other Extended External Reporting Assurance Engagements

³ PBE FRS 48, *Service Performance Reporting*, paragraph 7; *Reporting Requirements for Tier 3 Public Sector Entities* paragraphs A49-A50; *Reporting Requirements for Tier 3 Not-for-Profit Entities*, paragraphs A46-A47

The following illustration is from the IAASB’s CUSP framework document :



Options for the assessment of whether service performance information is appropriate and meaningful

Taking all the above into account, one option for the assessment of whether service performance information (SPI) is appropriate and meaningful is to use the requirements of paragraph 25 from NZ AS 1 (Revised), but to indicate a lesser work effort by using the verb *consider* instead of *evaluate*.

Work effort on how the practitioners “considers” whether SPI is appropriate and meaningful, would be silent and left to the assurance practitioner’s professional judgement.

Alternative option

An alternative option is that in addition to *consider* to indicate work effort, we specify that the assurance practitioner performs enquiry, analytical procedures and other procedures to consider whether SPI is appropriate and meaningful.

Option One	Option Two
<p><i>Proposed Requirement</i> <i>Appropriate and Meaningful</i> The assurance practitioner shall consider whether the service performance information is appropriate and meaningful including whether:</p> <ul style="list-style-type: none"> (a) It fairly reflects the assurance practitioner’s understanding of the entity’s performance from all other work performed on the review. (b) It is likely to meet the needs of the intended user to enable an informed assessment of the entity’s service performance. (c) It relates to an element/aspect of service performance that significantly contributes to the entity’s core purpose, functions or objectives. (d) There is likely to be sufficient appropriate evidence to support the performance measure and/or description. (e) It is capable of measurement or evaluation in a consistent manner from period to period. (f) It is presented in a way that is easy to follow, concise, logical and aggregated where appropriate so that it will enable a user to identify the main points of the entity’s service performance in that year. 	<p><i>Proposed Requirement</i> <i>Appropriate and Meaningful</i> The assurance practitioner shall consider, by performing enquiry, analytical procedures and other procedures (as the assurance practitioner considers necessary in the circumstances), whether the service performance information is appropriate and meaningful including whether:</p> <ul style="list-style-type: none"> (a) It fairly reflects the assurance practitioner’s understanding of the entity’s performance from all other work performed on the review. (b) It is likely to meet the needs of the intended user to enable an informed assessment of the entity’s service performance. (c) It relates to an element/aspect of service performance that significantly contributes to the entity’s core purpose, functions or objectives. (d) There is likely to be sufficient appropriate evidence to support the performance measure and/or description. (e) It is capable of measurement or evaluation in a consistent manner from period to period. (f) It is presented in a way that is easy to follow, concise, logical and aggregated where appropriate so that it will enable a user to identify the main points of the entity’s service performance in that year.

- 4. Does the Board agree with the verb “consider” to reflect the work effort for assessing appropriate and meaningful SPI for a review?
- 5. Does the Board prefer option 1 or option 2 above, or neither?

5

Risk assessment

Conclusion: 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 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.

However, for an audit, the auditor must perform risk assessment procedures in accordance with ISA (NZ) 315 (Revised 2019) which includes a walk through of processes and assessment of the design and implementation of controls over the SPI. The risk assessment must also be at the service performance information level and at assertion level.

REVIEW	AUDIT
<p><i>Proposed Requirement</i></p> <p>The assurance practitioner shall obtain an understanding of the entity and its environment, and the applicable financial reporting framework, 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.</p> <p>Note that this requirement would sit in the Understanding section and has been discussed under section 3 Understanding.</p>	<p><i>NZ AS 1 (Revised) Requirements</i></p> <p>32. The auditor shall design and perform risk assessment procedures, in accordance with ISA (NZ) 315 (Revised 2019) to obtain audit evidence that provides an appropriate basis for identification and assessment of risks of material misstatement, whether due to fraud or error:</p> <ul style="list-style-type: none"> (a) At the service performance information level; and (b) At the assertion level for performance measures, descriptions or disclosures. <p>33. The auditor shall determine whether any of the assessed risks of material misstatement are significant risks.</p>

6

Response to assessed risks

Conclusion: The procedures in an audit are in response to the assessed risks at the assertion level and addressing all material SPI. Whereas in a review the procedures are designed to address areas where material misstatements are likely to arise and address all material SPI.

What is considered sufficient appropriate evidence to achieve these objectives is a matter of professional judgement, however the persuasiveness of the evidence required should be reflected in the procedures performed. For example, analytical procedures for a review may not be as precise as an audit, samples sizes may be larger for an audit etc.

An appropriate level of work effort for a review may be indicated by enquiry, analytical procedures and other procedures.

REVIEW	AUDIT
<p><i>Proposed Requirement</i></p>	<p><i>NZ AS 1 (Revised) Requirements</i></p> <p>The Auditor's Responses to Assessed Risks</p> <p>34. The auditor shall design and perform procedures whose nature, timing and extent:</p> <ul style="list-style-type: none"> (a) Are responsive to assessed risks of material misstatement at the assertion level; and (b) Allow the auditor to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement. <p>35. The auditor's procedures shall include obtaining sufficient appropriate audit evidence as to the operating effectiveness of controls over the service performance information when:</p>

<p>Designing and Performing Procedures</p> <p>In obtaining sufficient appropriate evidence as the basis for a conclusion on the service performance information, the assurance practitioner shall design and perform enquiry and analytical procedures and other procedures (as the assurance practitioner considers necessary in the circumstances):</p> <ul style="list-style-type: none"> (a) In considering whether the Elements/aspects of service performance, performance measures and/or descriptions, and measurement bases or evaluation methods are appropriate and meaningful; (b) Whether performance measures and/or descriptions have been prepared in accordance with the entity's measurement bases or evaluations methods; (c) To address all material service performance information; and (d) To address areas where material misstatements are likely to arise. <p>In designing analytical procedures, the assurance practitioner shall consider whether the data from the entity's information system and records are adequate for the purpose of performing the analytical procedures.</p> <p>Where possible the assurance practitioner shall draw on relationships that exist between the service performance information and the financial statements.</p> <p>The assurance practitioner shall obtain sufficient appropriate evidence about whether any disclosures of judgements related to service performance information are reasonable in the context of the requirements of the applicable financial reporting framework.</p>	<ul style="list-style-type: none"> (a) The auditor's assessment of the risk of material misstatement includes the expectation that controls are operating effectively; or (b) Where procedures other than tests of controls cannot provide sufficient appropriate audit evidence. <p>36. Irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for all material service performance information.</p> <p>Audit Evidence</p> <p>37. The auditor shall obtain sufficient appropriate audit evidence that the:</p> <ul style="list-style-type: none"> (a) Elements/aspects of service performance, performance measures and/or descriptions, and measurement bases or evaluation methods are appropriate and meaningful; and (b) Performance measures and/or descriptions have been prepared in accordance with the entity's measurement bases or evaluations methods; and (c) Performance measures and/or descriptions are not materially misstated. <p>38. Where possible the auditor shall draw on relationships that exist between the service performance information and the financial statements.</p> <p>39. The auditor shall determine whether information to be used as audit evidence has been prepared using the work of a management's expert.⁴</p> <p>40. The auditor shall obtain sufficient appropriate audit evidence about whether any disclosures of judgements related to service performance information are reasonable in the context of the requirements of the applicable financial reporting framework.</p>
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6. Does the Board agree with the proposed requirements to reflect the difference in work effort?

⁴ We plan on including the requirement of paragraph 39 in a separate section "Use of Work performed by others". This aligns with the presentation of ISRE (NZ) 2400 which places this requirement in a separate section.

7

Reporting

Conclusion: A key difference between the content of a review report and an audit report is that the practitioner expresses a conclusion in the negative form in a review report, while the auditor expresses a positive assurance opinion in an audit report. The following is a proposed illustration of the conclusion section of an unmodified assurance practitioner’s report, which aligns with the format of ISRE (NZ) 2400 by using a conclusion expressed in the negative form, but also reflecting the two-step process for service performance information:

REVIEW	AUDIT
<p><i>Proposed Illustration</i></p> <p>Conclusion</p> <p>Based on our review, nothing has come to our attention that causes us to believe that the accompanying <i>[financial report/ performance report]</i> do not present fairly, in all material respects, <i>(or do not give a true and fair view of)</i>:</p> <ul style="list-style-type: none"> • <i>[the entity information as at December 31, 20X3;]</i> • the financial position of the entity as at December 31, 20X3, and its financial performance, and its cash flows for the year then ended; and • the service performance for the year ended December 31, 20X3 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 <i>[the applicable financial reporting framework (e.g.: PBE Standards)]</i> issued by the New Zealand Accounting Standards Board. 	<p><i>NZ AS 1 (Revised) Illustration</i></p> <p>Opinion</p> <p>In our opinion, the accompanying <i>[financial report/ performance report]</i> presents fairly, in all material respects, <i>(or gives a true and fair view of)</i>:</p> <ul style="list-style-type: none"> • <i>[the entity information as at December 31, 20X3;]</i> • the financial position of the entity as at December 31, 20X3, and its financial performance, and its cash flows for the year then ended; and • the service performance for the year ended December 31, 20X3 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 <i>[the applicable financial reporting framework (e.g.: PBE Standards)]</i> issued by the New Zealand Accounting Standards Board.

7. Does the Board agree with the proposed conclusion as drafted?

8. Does the Board have any other comments?

Key themes from focus group discussions

1. Recently, the XRB hosted three focus group discussions (one in-person and two virtually) to explore:
 - the types of sustainability reporting frameworks in use in New Zealand.
 - the range of activities, including but not limited to assurance, to enhance trust and confidence.
 - practical considerations, experiences and challenges.

2. The conversations in each session differed. Participants included practitioners from various backgrounds, however a user, professional bodies, and preparer perspectives were included. Key messages are summarised below.

Sustainability Information and Reporting

3. To start we explored the context, to set the scene as to what reporting might be before exploring what assurance might mean. Different people interpret the concept of sustainability information in different ways. Discussing an assurance approach without a specific reporting framework is hard.
4. The most common frameworks referenced, either due to preference or experience/focus, included NZ climate statements, TCFD, GRI, SDGs, ISSB. Environmental matters were the first thing mentioned. The “ESG” reference then came up as useful framing. Other ideas included nature and cultural matters. Service performance reporting was mentioned. Specific to farms, compliance reporting was provided as an example. The cherry farm that is reporting on fossil free was also cited. Other frameworks mentioned included: ISOs and GHG protocol, Environmental Choice, green building council requirements, Earthcheck, Living Wage, Mind your gap (gender pay gap), and more.
5. In summary it was agreed that sustainability information is very broad and is covered by a wide range of frameworks. It may include matters relevant to both value creation and value erosion.
6. The trade-off between comparability and relevance is still playing out between reporting frameworks.
7. The question as to whether sustainability information always has a financial link arose, with various views expressed. The link to the business model was also raised.
8. We were asked and did clarify that the XRB’s mandate is limited to mandatory climate reporting, and only non-binding guidance on other non-financial reporting matters.
9. A key theme was the overall lack of maturity in sustainability reporting at present and a lack of capacity and expertise. The shortage of experienced consultants was also raised.
10. Some entities are beginning to incorporate sustainability considerations into business-as-usual processes. Implications for smaller preparers (non-listed entities) was raised, citing the knock-on effect of mandatory reporting across the supply chain.
11. Finance teams are increasingly involved, the experience or discipline over a reporting process was highlighted.
12. The importance of the intended users and stakeholders of information was reiterated. With everyone coming from a different perspective it was not always clear who the users of the information would be. It was noted that assurance needs may differ for different users. The risk of trying to be all things to all people was raised.
13. Characteristics of Sustainability information were discussed. Words used included:
 - both backward-looking but also forward-looking
 - subject to inherent uncertainty and limitations, including data challenges
 - qualitative and quantitative information.

- more narrative information.

14. “Sustainability information” is thought about in the context of aspirations and changes in behaviours and attitudes about the future over time. Aspirations and behaviours pose assurance challenges.

15. Under “blue sky thinking”, ideas on improving the reporting were the first to spring to mind.

Examples of assurance or other activities that enhance trust and confidence

16. Activities referenced or described included, but were not limited to:

- Assurance readiness assessments
- Consultants assisting entities with their materiality assessment
- Agreed upon procedures
- Limited and reasonable assurance
- Following 3000 approach
- Sustainable Agri-framework on sustainable farming processes
- Environmental management systems
- Regulatory Compliance reports
- BCorp
- Assurance over specific emission factors
- Assurance over claims made by an entity – e.g. eco-claims and carbon credit claim
- Some assurance over performance against a target (a question was posed whether assurance is given over the target itself or over the progress made towards achieving the target).

17. Assurance over cultural matters was noted for caution, where most do not provide assurance due to a risk of offending or appearing insensitive (unless specifically defined and measured).

18. Some described assurance over future plans as focused on the expected impacts of the plans and actions, while subsequent auditors are used to assure what achievements are made through the plans as they occur over time. This reflected two parts of assurance however these steps may not be reported publicly.

19. Some felt that NZ is behind the world of assurance over sustainability reporting, as in other countries some types of sustainability reporting is mandatory and is subject to mandatory assurance.

20. When thinking about what value assurance adds, the following observations were made:

- Risk of introducing assurance too soon, but balanced against the rigour and discipline that an assurance process brings to information to help it lift its quality.
- Some want bespoke assurance over specific elements to assist in their decision-making processes. This is for internal purposes (or special purpose) without reporting to the public.
- Directors are nervous and looking for assurance as risk management/ as a reputation tool, to signal that management/those charged with governance have done their due diligence.
- Assurance process helps to upskill entities people and adds capacity to the system.
- Voluntary assurance may be sought to signal leading the pack in reporting.
- Address greenwashing concerns.
- Investors are demanding assurance over the forward-looking prospects of the business.

21. Concerns were raised about assurance trying to be all things to all people, particularly with the diverse nature of reporting and how companies/users want assurance. There may be value in thinking about assurance needs of various stakeholders differently.

22. Participants shared ideas from their perspective but also noted it was hard to piece it all together so it was not always clear in what context (and whether everyone was understanding the points made in the same context). With such a vast array of activity, participants started to query whether the XRB was expanding to cover assurance over all of these activities, and started to struggle to piece together how all the information fitted together.

23. Following our discussions, we summarize our understanding of a range of activity that builds trust and confidence, noting that the activities vary in purpose, approach and audience:

- Risk management for directors
- 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 work (with regulation as an example)
- Over general-purpose entity level reporting (for investors but could be broader).

24. A question explored was whether the assurance over the general-purpose reporting should:

- focus on the reporting process rather than on the outputs. It was discussed that assurance over the reporting, necessarily involves looking at the process to prepare the report as well as the output of the process. Currently it was observed that most assurance would opine over disclosures, rather than processes or systems and is generally only on specified metrics.
- involve two steps and whether these steps should be separated into two engagements or joined up as one. The first step would cover the "what and how" to report. Some questions arising for staff, is whether it is useful to users to understand how businesses have decided what to disclose (this may be relevant in the context of the immature reporting frameworks). We wonder if this activity is more of an "advisory/consulting" piece or more like a direct engagement if done by an external provider. Staff also query whether this is not firstly an obligation for the entity to work through, especially when not all frameworks require a "materiality" assessment or disclosure of the process the entity went through to decide what to report and which framework to use.

25. We explored activities over an entity's **reporting** about sustainability matters or around sustainability mindsets to improve the business and aspirations, with various views including:

- Not assuring an aspiration but providing confidence in the track record over time
- Data on improvements is reflected in metrics reported over time, such metrics can be assured.
- One can assure an aspiration – evaluating whether an action is appropriate to provide meaningful benefits from the resulting action

26. Under the "blue sky thinking" discussions, ideas like:

- dynamic reporting and assurance, questioning the relevance of assuring a report at a point in time, over dynamic data, where the trend is more important than the snapshot.
- A SOX-like regime – focus only on the process/control not the output
- One size does not fit all - assurance practitioners should be able to pick which opinion type and scope is most appropriate for their engagement, based on the specific situations of each entity
- Make the profession more forward thinking and dynamic

Challenges and practical considerations

27. It was noted that it has taken many years for financial reporting and audit to mature. Many noted that sustainability reporting is not as mature and the same expectations from financial reporting or audit should not be imposed onto this subject matter, at this stage (in any event).

28. Practitioners are enjoying working through new challenges that are of public importance.
29. Engagement acceptance is an important, difficult judgement based on the maturity of the reporting.
30. Concerns were raised that the assurance expectation gap would increase if the output from an assurance engagement looks the same as the output of a financial audit engagement, particularly when sustainability information is not as precise as and will likely be restated in the future.
31. Users may not understand the information – is it the assurance practitioner’s job to educate users?
32. An evaluation over the completeness of sustainability information was considered to be highly subjective and almost impossible to provide reasonable assurance over. There was a lot of nervousness from current practitioners if they were asked to provide assurance over “completeness”.
33. A two-step assurance approach, firstly looking at the completeness of an entity’s reporting, then providing assurance over the metrics which are reporting was discussed. Some practitioners noted that they would stop at the completeness step due to its challenges, and not obtain evidence to provide assurance over reported metrics.
34. The concept of fraud in relation to sustainability was discussed and the challenges that sustainability reporting may portray forwarding-looking aspirations which does not necessarily represent current reality. Greenwashing was noted as a key risk from investors perspective, but not all instances of greenwashing were considered to be fraud. Responsibilities to fraud/greenwashing were unclear.
35. Responsibilities regarding ‘other information’ were also discussed and noted as being especially challenging, given sustainability reporting may be scattered. ISO practitioners noted they did not have responsibilities related to other information. XRB was asked for more guidance here.
36. Liability for assurance practitioners was a key hurdle which needs to be worked through to encourage practitioners to provide reasonable assurance over all sustainability information. Providing assurance were generally considered more risky than financial audits, due to broader range of potential users and unintentional reliance which may be placed on an assurance report.
37. Reasonable assurance may not (or never) be possible on everything – especially at this stage of the reporting journey. There was support for the approach the XRB to restrict assurance on GHG emissions to limited assurance at this stage. However limited assurance is not well understood and will be hard to distinguish in mixed assurance reports.
38. There were mixed views on the pros and cons of different communication tools in assurance reports:
- Some expecting/encouraging increased use of emphasis of matter paragraphs.
 - Some opposed to communication tools that “caveat” the assurance.
 - Mixed views regarding the use of a “key sustainability matters” approach– useful tool to communicate work effort versus could signal that it looks like financial audit assurance.
 - Explored whether recommendations and findings on aspects and topics should be communicated in the assurance report. Concerns were raised regarding pursuing long-form reporting in the public.
 - Under blue sky thinking, a question was posed as to whether the assurance report should outline how the assessment over the suitability of the criteria was made.
39. Strong messages that the future of sustainability assurance should be developed together with sustainability reporting, as the responsibilities of directors will be as equally important as responsibilities of assurance practitioners.