

4 June 2024

External Reporting Board  
PO Box 11250  
Manners St Central  
Wellington 6142

***Submitted electronically***

Dear Board Members

**Deloitte Submission on Public Interest Entity Amendments**

Thank you for the opportunity to comment on the Public Interest Entity Amendments Consultation which sets out the proposed narrow scope amendments to auditing and assurance standards.

Our global firm (Deloitte Touche Tohmatsu Limited) has provided a submission to the IAASB in response to the ED of *Proposed Narrow Scope Amendments to ISQMs, ISAs and ISRE 2400 (Revised)* which can be accessed [here](#). This submission largely disagrees with the proposals made by the IAASB.

We note that implementation of the proposals could have unintended consequences in New Zealand given our wider definition of a public interest entity in New Zealand. If the IAASB were to expand the differential requirements from “listed entities” to “public interest entities” then we consider further analysis will be required by the New Zealand standard-setter on the continued appropriateness of our public interest entity definition. At present we do not believe that there are strong reasons to depart from global standards (as per the NZAuASB’s approach to convergence to international standards).

We have included our reasons for this position in Appendix 1, along with our comments in response to the particular questions raised.

Please do not hesitate to contact me should you require further clarification on any of the matters discussed.

Yours sincerely



Victoria Turner  
**Partner**  
**for Deloitte Limited**

## Appendix 1: Specific Questions for Comment on Public Interest Entities Amendments

**1. Do you agree that the same definition of public interest entity should be used for the auditing and assurance standards and the professional and ethical standards? If not, please explain why not.**

Our global firm (Deloitte Touche Tohmatsu Limited) has provided a submission to the IAASB in response to the ED of *Proposed Narrow Scope Amendments to ISQMs, ISAs and ISRE 2400 (Revised)* which can be accessed [here](#). This comments on some of the difficulties in determining the definition of a PIE and the need for the IESBA and IAASB to undertake further dialogue on this point.

Our comments in this submission are limited to the New Zealand ramifications of these proposals given the wider definition of a public interest entity in New Zealand which includes large public sector and not-for-profit entities (such as registered charities and incorporated societies).

We note that the Consultation Document sets out the reason for the differential requirements, stating in section 3 that: *“These differential requirements have been considered necessary to address the significant public interest in the financial condition of certain entities due to the potential impact of their financial well-being on stakeholders.”* Large public sector and not-for-profit entities do not have the same investor relationship as for-profit entities, so financial condition is not always a primary driver for users of the financial statements. Further analysis is therefore required to determine whether the benefits obtained from the additional requirements outweigh the costs incurred. At present we do not believe that there are strong reasons to depart from global standards (as per the NZAuASB’s approach to convergence to international standards) which would only impose the differential requirements on their narrower definition of a public interest entity.

Further, we note that auditors are encouraged to treat other entities as public interest entities based on the factors set out in paragraph 400.9 and 400.19.A1 (refer PES 1.400.19 A1<sup>1</sup>). An unintended consequence of the differential requirements may be that entities pressure auditors (or auditors themselves feel pressure for other reasons) to not exercise their judgement in this way due to the additional cost and/or public nature of key audit matters that might be reported.

**2. For each of the existing differential requirements, do you agree with the proposal to extend the application to public interest entities? If not, please explain why not and why in your view it is not in the public interest to do so.**

- a) **Mandatory engagement quality review.**
- b) **Required communications with those charged with governance about the firm’s system of quality management.**
- c) **Communications about auditor independence.**
- d) **Communicating key audit matters in the auditor’s report.**
- e) **Name of the engagement partner.**

Our global firm submission, as referenced above, sets out the reasons why we largely disagree with the differential requirements being extended to public interest entities.

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<sup>1</sup> These references are taken from the version of PES 1 effective for periods beginning on or after 15 December 2024 after revisions are made to the definition of a public interest entity.

**3. Do you agree that the benefits of the proposals outweigh the expected costs? If not, why not?**

The Consultation Document does not provide any analysis as to whether the benefits would outweigh the costs other than the number of engagements likely to be impacted due to our wider definition of a public interest entity so we are unable to comment on whether the benefits are likely to outweigh the costs. We consider that the implementation of these differential requirements (if approved by the IAASB) should trigger a reconsideration of the New Zealand definition of a public interest entity, with further cost / benefit analysis needed.

Further, we note that section 3 of the consultation document stated that *“The differential requirements do not change the work effort required for an auditor to conclude whether the financial statements are fairly presented.”* We believe that this underestimates the effort required (and therefore cost incurred) to provide the additional communications proposed. In particular, communications to those charged with governance are different to communications of key audit matters in the audit report because the knowledge base of each group differs. Writing a key audit matter requires additional consideration to ensure that it is written in plain English and that it is consistent with the financial statements. Given the public nature of the audit report, there are often additional checks required to ensure the report is appropriate for the users, as well as enhanced dialogue with those charged with governance on the key audit matters.

**4. Are there any other significant public interest matters that you wish to raise?**

No.