

New Zealand Auditing and Assurance Standards Board (NZAuASB)

Minutes of the Meeting of the NZAuASB held on Thursday 8 February 2018 at the XRB Office, Manners Street, Wellington at 9.15 am

- Present:** Robert Buchanan, Chair
John Kensington, Deputy Chair (via telephone)
Clyde D'Souza, Board Member
Chong Lim, Board Member
Ian Marshall, Board Member (until 4pm)
Marje Russ, Board Member
Karen Shires, Board Member
Roger Simnett, Board Member
Rowena Sinclair, Board Member
- Apologies:** Craig Fisher, Board member
- In attendance:** Warren Allen, XRB Chief Executive
Sylvia van Dyk, Director Assurance Standards
Misha Pieters, Senior Project Manager Assurance Standards
Sharon Walker, Senior Project Manager Assurance Standards
Peyman Momenan, Project Manager Assurance Standards

NON-PUBLIC SESSION – AGENDA ITEMS 1-2

- 1. WELCOME**
- 2. BOARD MANAGEMENT**

PUBLIC SESSION – AGENDA ITEMS 3 – 10

The Board moved into public session.

3. PES 1 (Revised) Compelling Reason Amendments

The Board CONSIDERED the Subcommittee's recommendations in respect of the extant compelling reason amendments relating to other assurance engagements in Professional and Ethical Standard 1 (Revised).

The Board will further deliberate the Subcommittee's recommendations at its next meeting and REQUESTED the following items to be included in the agenda materials:

- A comparison of the extant requirement to the IESBA requirement where the subcommittee is recommending reverting back to the IESBA wording.
- The Subcommittee's compelling reason test analysis.

The Board expressed its appreciation to the Subcommittee for the work done to date.

4. PIE Definition

The Board CONSIDERED the feedback received in response to the exposure draft ED 2017-3, *Proposed Amendments to the Definition of a Public Interest Entity*.

The Board ACKNOWLEDGED the concerns expressed by KPMG that the definition of a PIE should not be linked to the financial reporting framework but rather that a PIE is classified as

having higher public accountability by the Financial Markets Authority. The Board NOTED that this matter was raised and discussed when the extant PIE definition was considered.

The Board AGREED that the effective date should be consistent with the effective date of the long association provisions and that early adoption should be permitted.

The Board APPROVED the amendments to the PIE definition and the signing memorandum.

5. The Audit of Service Performance Information

The Board NOTED the submissions received in response to ED NZAuASB 2017-2 New Zealand Auditing Standard XX *The Audit of Service Performance Information* and RECEIVED a verbal update on the next steps, including a joint sub-committee meeting with NZASB Board members later in February and a further NZAuASB sub-committee meeting planned for March. Staff will prepare a detailed analysis of feedback received together with recommendations from the sub-committee for consideration at the April meeting.

The Board members' initial response to the feedback indicated that the submissions had not raised any matters not previously discussed by the Board, including the deliberate choice to include ISAE 3000 requirements and not reopen the ISAs (NZ). The Board is aware of the length of the exposure draft and NOTED the feedback suggesting possible ways to shorten the standard, which is conflicted by requests for additional guidance in the standard. The Board also discussed the increasing importance of the shared services function in the audit of service performance information.

The Board acknowledged the response from the Office of the Auditor-General (OAG), highlighting that the OAG has the most experience in the audit of service performance information. The Board also acknowledged the Treasury's submission, which raised similar concerns. A way forward may be to identify key differences between the exposure draft and the OAG's current methodology to find a way to address concerns, which include documentation of materiality and the way in which the audit process has been described.

The Board RECOMMENDED that staff arrange meetings with the Deputy Controller and Auditor-General and Treasury to further explore the issues raised in these submissions.

6. Strategic Action Plan 2017/22

The Board NOTED the specific actions undertaken on the NZAuASB's 2017/18 Implementation Plan for the period 1 July 2017 to 31 January 2018. The Board DISCUSSED activities undertaken and REQUESTED staff to:

- add an action to agree a communication protocol with the APESB to Action 1A.2b;
- add the project on prospective information to Action 1A.3b;
- amend action taken in Action 1A.3d to observation and participation in Audit Oversight Committee meetings, including reporting as necessary to the Board;
- amend Action 1A.3e to audit, assurance and other related standards;
- add nominations to the IAASB EER PAP (as noted in the CE's update) to Action 3.3;
- give thought to specific communications to be made to this community for Action 4.4 under planned actions;
- add no specific action to date for Action 4.8;
- add obtaining an understanding of what the IOD's plans are for the director education series to Action 4.9 under planned actions.

7. Examination of Prospective Financial Information

The Board CONSIDERED and PROVIDED feedback on the issues raised in the agenda papers.

The Board AGREED to:

- Use ASAE 3450¹ as a base, and to expand the scope to tailor the standard to better reflect the needs of New Zealand stakeholders, including:
 - broadening the scope to address financial and non-financial prospective financial information;
 - adding specific public sector guidance where necessary; and
 - amending the title to better reflect the use in New Zealand.
- Permit the assurance practitioner to perform a reasonable assurance engagement over prospective financial information.
- Consider the relevance of references in ASAE 3450 to external documents including, where necessary, to add applicable guidance.
- Explore further ethical considerations including whether APES 350² and/or APES 345³ are needed in New Zealand.

The Board NOTED the project may take longer than initially contemplated and REQUESTED staff to revise the project plan timetable. The Chair will review the revised timetable.

8. Modified Auditor Reports Update

The Board NOTED the modified auditors reports update. The Board also NOTED that the XRB only receives modified auditor reports of companies and that it does not include modified auditor reports of other types of entities.

9. Guidance for Prescribers

The Board CONSIDERED and APPROVED the proposed plan for distributing the guidance for prescribers of assurance engagements subject to incorporating the following improvements:

- To prepare a short article on the guidance to be included in professional bodies' publications (e.g. NZ Law Society, Chartered Accountants of New Zealand and Australia).
- To add Ministry of Defence, Auckland City Council and Parliamentary Counsel Office to the list of entities to be contacted for promoting the guidance.

10. Environmental Scanning

The Board NOTED the international, domestic and academic updates and AGREED to share these with the AUASB.

NON-PUBLIC SESSION – AGENDA ITEM 11 – 12

The Board moved out of public session.

¹ ASAE 3450, *Assurance Engagements Involving Corporate Fundraisings and/or Prospective Financial Information*

² APES 350, *Participation by Members in Public Practice in Due Diligence Committees in Connection with a Public Document*

³ APES 345, *Reporting on Prospective Financial Information prepared in connection with a Public Document.*