

## New Zealand Auditing and Assurance Standards Board (NZAuASB)

**Minutes of the Meeting of the NZAuASB held on Wednesday 13 February 2019 at the XRB offices, 55 Manners Street, Wellington**

<b>Present:</b>	Robert Buchanan, Chair (absent between 10:55-11:30am) John Kensington, Deputy Chair (absent from 3:15pm) Clyde D'Souza, Board Member Craig Fisher, Board member Chong Lim, Board Member Ian Marshall, Board Member Marje Russ, Board Member Roger Simnett, Board Member Karen Shires, Board Member Rowena Sinclair, Board Member
<b>Apologies</b>	None
<b>In attendance:</b>	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 John Ryan (for agenda item 4) Tim Ng (for agenda item 5)
<b>Observers:</b>	None

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### NON-PUBLIC SESSION – AGENDA ITEMS 1-2

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

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### PUBLIC SESSION – AGENDA ITEMS 3 – 11

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The Board moved into public session.

## 3. **Service Performance Information**

The Board approved the issue NZ AS 1 *The Audit of Service Performance Information*, subject to:

- Removing the words “types of” in paragraph A29;
- Amending paragraph A41 to “may be important”;
- Amending paragraph A39 to refer to audit report;
- Confirming the drafting of two shall statements in paragraph 35 or separating the requirements;
- Editorial amendments identified.

The Board approved the signing memorandum, subject to consideration of including additional detail on the due process followed, i.e., details of the sub-committee meetings, joint-sub-committee meetings, etc.

The Board approved the Explanation for Decisions Made document subject to:

- Including a hyperlink in paragraph 5 to the invitation to comment where the two step approach is described;
- Including the titles of the tier 3 and tier 4 standards in paragraph 10;
- Amending paragraph 15 to refer to accounting standards rather than the service performance standard.

The Board expressed thanks to staff, the sub-committee and Chair for their commitment to developing a standard to be issued and tested through use and a relatively early post-implementation review.

#### **4. ED NZ SRE 2410**

The NZAuASB approved the invitation to comment and exposure draft to amend NZ SRE 2410, Review of Financial Statements Performed by the Independent Auditor of the Entity, subject to any matters the AUASB may raise at its March 2019 meeting, and the following amendments:

- Proposing an effective date for review engagements for periods ending on or after 31 December 2019, with a question for respondents as to whether this is appropriate;
- Clarifying that the changes described in paragraph 12 of the invitation to comment relate to “audit” reports;
- Clarifying the NZAuASB’s rationale that the reporting of key audit matters at the interim review is not appropriate given the nature of the limited procedures performed when performing a review;
- Editorial amendments, including paragraph 26;
- Adjusting the example of environmental reporting to a New Zealand example.

The NZAuASB discussed and agreed to refer to ISA (NZ) 720 (Revised) for guidance if the auditor has concerns related to the other information, rather than to mandate the inclusion of an Other information section in all interim review reports.

#### **5. Meeting with the Auditor-General**

The Board welcomed John Ryan, Auditor-General, to the meeting. The Chair provided an overview of the role of the Board, followed by an interesting dialogue with John about his vision for the Office of the Auditor-General.

The Board expressed its thanks to John for joining the meeting.

#### **6. Update on the Living Standards Framework**

The Board welcomed to the meeting Tim Ng, Deputy Secretary, Chief Economic Adviser, The Treasury, who provided a briefing on the Treasury’s living standards framework.

The Board expressed its thanks to Tim for joining the meeting and the informative presentation and discussion.

## 7. Alternative Engagement Project

The Board considered the recommendation from the working group on a possible approach for an alternative engagement (other than an audit or review) for small not-for-profits.

The working group's recommendation is to investigate using a similar approach /model as that of the Independent Examination regime in the UK to develop the engagement, by engaging with relevant stakeholders and considering the results of the NZAuASB's previous research on user needs of small New Zealand charities.

The Board noted its support for the recommended approach and provided the following feedback.

- It needs to be very clear that the alternative engagement is not an audit or a review and to be very specific on independence.
- This engagement is expected to be volunteer based. The competency and objectivity of the person undertaking the engagement are fundamental aspects of this project.
- There is a need to work closely with other interested parties, in particular the Charities Services and CAANZ and CPA Australia.

The Board will consider a project plan at the July meeting.

## 8. IAASB's Quality Management Exposure Drafts

Staff presented the Board with an overview of the IAASB's quality management exposure drafts, which consist of:

- Proposed ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*
- Proposed ISQM 2, *Engagement Quality Reviews*
- Proposed ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*

Submissions on the quality management suite are due by 1 July 2019.

The Board made the following general observations on proposed ISQM 1:

- The level of prescription and detail reduces the scalability of the standard;
- The standard is long and complex;
- To ensure proper implementation of the standards, it will be necessary to provide implementation guidance for the SMP community;
- The monitoring and remediation section of proposed ISQM1 focusses only on what is not working well, not what is working well.

The Board also considered and provided general feedback on the proposed outreach program.

## 9. Environmental Scanning

The Board NOTED the international, domestic and academic updates.

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### NON-PUBLIC SESSION – AGENDA ITEM 11

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The Board moved out of public session.