

New Zealand Auditing and Assurance Standards Board (NZAuASB)

Minutes of the Meeting of the NZAuASB held on Wednesday 24 October 2018 at the XRB offices, 55 Manners Street, Wellington

Present:	Robert Buchanan, Chair (absent between 1:30-2pm) John Kensington, Deputy Chair 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 (absent between 1-2pm) Rowena Sinclair, Board Member
In attendance:	Warren Allen, XRB Chief Executive (until 3:30pm) 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 Felicity Caird (IOD) – for agenda item 5
Observers:	Claire Grayston – CPA Australia

NON-PUBLIC SESSION – AGENDA ITEMS 1-2

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

PUBLIC SESSION – AGENDA ITEMS 3 – 11

The Board moved into public session.

3. IAASB ED on ISA 315 (Revised)

The Board CONSIDERED the draft submission and REQUESTED the following amendments to be reflected in the submission.

- Emphasise in the covering letter that the length and complexity of ED-315 is a significant issue and a barrier to its understandability.
- Note that understanding ED-315 is likely to be disproportionately more difficult for smaller audit firms due to limited technical resources needs to be reflected in the covering letter.
- Include in the covering letter reference to Appendix 1 to the submission. Appendix 1 is to include paragraphs that can either be excluded (e.g. for being repetitive) or transferred to non- authoritative guidance material to shorten ED-315.
- Refer to scalability and understandability of ED-315 as separate issues.
- Delete the last paragraph of the draft response to question 1b.

- Restructure the draft response to question 4 and start with the fact that the Board does not support the proposed change in paragraph 17 of ED-315.
- In the response to question 6(b) refer to size of misstatements including omissions to clarify that size of misstatement does not only apply to overstatement of assets but also to understatements (such as unrecorded liabilities).
- Reword the last sentence to question 6(c) to clarify that ED-315's agnostic approach to firms' methodologies is appropriate.

4. Joint NSS meeting Australia

The Chair and Roger Simnett led a discussion of the purpose of the upcoming National Standard Setters (NSS) meeting being held in Australia. The Board CONSIDERED the draft vision and mission documents and PROVIDED feedback including:

- To clarify what is meant by "like-minded" NSS.
- Functional consistency between NSS, rather than legal consistency should be considered.
- There may be diplomatic initiatives to be aware of and consider.

5. Meeting with IoD

The Board met with Felicity Caird, Governance Leadership Centre Manager, of the Institute of Directors (IoD), sharing ideas on how to better engage with members of the IoD in a manner beyond the traditional type of event.

Ms Caird also shared preliminary results from the annual directors' sentiment survey. She noted that a significant theme that directors on boards are dealing with is around complex risk, for example, cyber risk, climate change and extreme weather events, low emissions economy, and environmental and social factors.

6. Service Performance Information

The Board NOTED the submissions received and AGREED:

- To revert back to "service performance criteria" given that feedback from the Office of the Auditor-General (OAG) was not supportive of the proposed approach to link more closely with the words used in PBE FRS 48 and that this term is more consistent with terminology used in the assurance framework;
- That the draft standard has an appropriate focus on accountability;
- Not to define service performance information as this term is not defined in the accounting standard and to do so may exacerbate any concern that the auditing standard does not link to PBE FRS 48;

The Board AGREED to the mark-up of changes to the amended draft standard based on feedback received and provided feedback as follows:

- To re-order the requirement to paragraph 23 as indicated in the agenda item and to move the term "whether" to the introductory sentence in that paragraph and replace the word "if" with "and" to make the requirement easier to understand;
- To replace the word as soon as "possible" with "practicable" in paragraph 26 and consider if further application material is needed to emphasise the reason for this is to

enable early remediation rather than meaning that the auditor has to report everything immediately.

The Board REQUESTED that should the OAG remain of the view that the draft standard may have unintended consequences in the public sector, to recognise that in the signing memorandum. The signing memorandum should then also note that the OAG is able to issue their own standard for the public sector as they see fit for the public sector. In addition, the signing memorandum should highlight the need to review the processes going forward on joint projects that impact on both the auditing and accounting standards boards to ensure that there is cross pollination of ideas and thinking.

The Board requested an amended standard to be prepared for approval at the December meeting.

7. ISA (NZ) 540 (Revised)

The NZAuASB CONSIDERED for approval:

- ISA (NZ) 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*;
- Conforming and Consequential Amendments to ISAs (NZ) and Other Pronouncements Arising from ISA (NZ) 540 (Revised); and
- The related signing memorandum.

The Chair MOVED that ISA (NZ) 540 (Revised) be approved for application in New Zealand with New Zealand changes as agreed in the papers and Conforming and Consequential Amendments.

The Board DISCUSSED and AGREED the following changes to be made to the signing memorandum:

- Note that the PIOB has now approved ISA 540 (Revised);
- Add that Lyn Provost voted in favour of re-exposure of ISA 540 in the public interest;
- Update the section detailing the Australian process to reflect the verbal update received from AUASB staff; and
- Minor editorial changes.

The Board expressed its appreciation to Lyn Provost and Sylvia van Dyk for their efforts at the IAASB in revising this standard in the public interest.

The IAASB will provide implementation support to help auditors navigate and apply the revised standard. The implementation plan will be provided to the Board at a future meeting.

8. Planning for EER roundtable

The Board received an update on registrations for the Auckland event and discussed the developing draft guidance. The Board was very supportive of the questions being posed and highlighted the following points of emphasis:

- The importance of the engagement “readiness” work and the need for a focus on the preconditions of an engagement prior to a “3000 engagement”. It was noted that this “readiness” assessment is already the focus, albeit under a different name, in some of the work undertaken in Australia on Emission reduction;

- A key matter will be competency, acknowledging that this may be covered by the remaining challenges yet to be addressed in the next phase of the project;
- That the structure may be improved by re-ordering in a logical manner in the order that an engagement would follow, rather than structuring around the key challenges;
- The importance of a wider user group in the context of meaningful information, not just limited to traditional investors;
- Support for a focus on materiality, which goes to the key challenge;
- The focus on the maturity of “control” may be a restrictive way of describing the need for a maturity of thinking on value creation that is needed to prepare much of this type of information.

The Board reiterated their support for the IAASB working in this space and stressed that there is a need to be seen as leading this space if the profession is to remain relevant into the future.

9. NZ SRE 2410

The Board AGREED:

- That the scope of the project should be limited to the auditor reporting changes and amendments to incorporate the non-compliance with laws and regulations;
- To refer to ethical requirements in New Zealand in the report;
- To include the description of the responsibility related to going concern in the report with reference to “enquiry” to describe the auditors’ responsibility.
- That inclusion of the section on Other Information should not be mandated at this stage given the level of confusion that the requirements are creating for annual reporting. This may be considered after a post implementation review of the reporting requirements has been completed by the IAASB. In addition, there is much less “other information” reported at the interim stage and therefore there is no need to place additional reporting requirements on the auditor at the interim stage.

The Board AGREED to work closely with the AUASB and will consider any feedback from the AUASB at the February 2019 meeting in order to approve an exposure draft.

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

The Board moved out of public session.