

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

**Minutes of the Meeting of the NZAuASB held on Thursday 6 December 2018 at the XRB offices, 55 Manners Street, Wellington**

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| <b>Present:</b>       | Robert Buchanan, Chair<br>John Kensington, Deputy Chair<br>Clyde D'Souza, Board Member<br>Craig Fisher, Board member<br>Chong Lim, Board Member<br>Ian Marshall, Board Member<br>Marje Russ, Board Member<br>Roger Simnett, Board Member<br>Rowena Sinclair, Board Member   |
| <b>Apologies</b>      | Karen Shires, Board Member  |
| <b>In attendance:</b> | Warren Allen, XRB Chief Executive<br>Sylvia van Dyk, Director Assurance Standards<br>Misha Pieters, Senior Project Manager Assurance Standards (for agenda item 3)<br>Sharon Walker, Senior Project Manager Assurance Standards<br>Peyman Momenan, Project Manager Assurance Standards<br>Jean-Francois Trepanier (Canadian AASB) (for agenda item 5)<br>Taryn Abate (CPA Canada) (for agenda item 5) |
| <b>Observers:</b>     | Nicola Hankinson (for agenda item 6)  |

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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. Strategic Plan Update**

The Board CONSIDERED the NZAuASB 2018-23 Draft Strategic Action Plan and NOTED the actual actions for the period 1 July 2018 to 31 October 2018 against the planned actions in the Strategic Action Implementation Plan for 2018/19.

Under Action 2.1, the Chair requested staff to look at the AUASB evidence-informed standard setting strategy to see if there are any relevant amendments needed to the NZAuASB SAP to align with the AUASB approach.

#### **4. Briefing on Blockchain and Assurance Challenges**

The Board welcomed to the meeting Jean-Francois Trepanier (Canadian AASB member) and Taryn Abate (CPA Canada), who provided a very informative briefing on blockchain and cryptocurrency assurance challenges.

The Board expressed its thanks to Jean-Francois and Taryn for joining the meeting and the informative presentation and discussion.

## 5. Restructured Code of Ethics

The Board NOTED the submissions received and CONSIDERED the feedback from stakeholders:

- The Board considered the suggestion from CA ANZ to use bold type for the requirements. This is the style used by the Accounting and Professional Ethical Standards Board in Australia and the style proposed in the restructured New Zealand Code of Ethics issued by the New Zealand Regulatory Board of the New Zealand Institute of Chartered Accountants. While noting the benefits of consistency within the New Zealand environment, the Board questioned whether departure from the IESBA structure would meet the compelling reason test. A number of Board members expressed a strong preference that international standards be followed. The Board also noted that there are other means available to assist with navigability of the Code. The Board agreed to communicate with CA ANZ thanking them for their submission and acknowledging the importance of working together.
- Notwithstanding the decision of the Board as a whole, one member expressed his concern that the ED and the final standard are not as prescriptive as the extant PES 1 (Revised) in terms of the requirement to communicate breaches of independence for other assurance engagements to those charged with governance.

The Board AGREED to the mark-up of changes to the ED based on feedback received and APPROVED Professional and Ethical Standard 1, *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* as a final standard subject to the following changes:

- Removing grey shading from paragraphs 120. 6 A1 and 120.8 A2;
- Amending the footnote to paragraph R540.5 to read, *law, regulation or other standards may specify a shorter time on period*;
- Removal of the 'draft' watermark

The Board CONSIDERED the draft signing memorandum and REQUESTED the following changes:

- Expand on the domestic process discussion, including the creation of the subcommittee to consider the compelling reason test, completion of the compelling reason test templates, the vigorous discussions held and tailoring of the questions in the invitation to comment to address the discussion.
- Add a paragraph to address communications with the privacy commissioner.

The Board APPROVED the signing memorandum, subject to the requested changes, and the explanation of decisions made.

Clyde D'Souza raised a question regarding the optics around a retired partner being appointed as a director to a former client. The Chair thanked Clyde for raising the issue and requested staff assist Clyde with working through the current provisions to ensure his concern is addressed in the Code.

## **6. Prospective Financial Information**

The Board RECEIVED an update on the progress of the prospective financial information project to date and provided direction on the issues raised in agenda item 7.2.

The Board AGREED:

- The New Zealand standard should be principles based and framework neutral.
- The scope of the project will include pro forma and prospective financial information.
- The proposed standard will build on ISAE (NZ) 3000 (Revised) but does not need to duplicate the requirements of ISAE (NZ) 3000 (Revised).

The Board also discussed its previous decision to address both financial and non-financial information, noting the IAASB's progress to date on its EER project. A key driver for this project is the need for a current standard for assurance over local government long term plans. The Chair will discuss the scope of the project with the OAG. The Board will further consider whether to address both financial and non-financial information in one standard.

A subcommittee was formed consisting of Board members Clyde D'Souza and Marje Russ. The Board agreed to co-opt a practitioner member and a representative from the OAG. It was also suggested that a practitioner member from the AUASB be co-opted to the subcommittee.

## **7. Alternative Engagement Project**

The Board expressed tentative support for the recommended approach and made the following observations on the agenda materials presented:

- It is not clear whether the alternative engagement will address service performance information.
- 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.
- There needs to be engagement with the expected users of this service to ensure that the proposed service will meet their needs.

Detailed consideration of the recommended approach was deferred to the February meeting.

## **8. Modified Audit Reports**

The Board NOTED the modified auditors' reports update. The Board again NOTED concerns over the possibility that some modified audit reports are not sent to the XRB.

## **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.