

New Zealand Auditing and Assurance Standards Board (NZAuASB)

Minutes of the Meeting of the NZAuASB held on Thursday 24 October 2019 at XRB Offices, Level 7, 50 Manners Street, Wellington

Present:	Robert Buchanan, Chair John Kensington, Deputy Chair (via Teleconference) Craig Fisher, Board member David Hay, Board member Chong Lim, Board member Ian Marshall, Board member Karen Shires, Board member Roger Simnett, Board member Clyde D'Souza, Board member Marje Russ, Board member
Apologies:	Warren Allen, XRB Chief Executive
In attendance:	Felicity Caird, Institute of Directors (for agenda item 4) Michele Embling, Chair XRB (for agenda items 4 and 6) 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 Matthew Zappulla, AUASB (for agenda item 5) Anne Waters, AUASB (for agenda item 5)
Observers:	Nicola Hankinson (Baker Tilley) (for agenda items 3 and 5)

NON-PUBLIC SESSION – AGENDA ITEMS 1-2

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

PUBLIC SESSION – AGENDA ITEMS 3 – 8

The Board moved into public session.

3. ISA 315 (Revised)

The Board received an update on amendments the IAASB made to ED 315 (Revised) in finalising the standard, and on the conforming amendments the IAASB approved. The NZAuASB will consider a New Zealand standard for approval at the December meeting.

4. Meet with IOD

The Board met with Felicity Caird, Governance Leadership Centre Manager, Institute of Directors about matters of audit and governance interest. It was a productive discussion which canvassed current developments in New Zealand and internationally, including the Institute's recent publication on the future of governance ("Always on Duty"), trends in reporting including extended reporting and assurance thereon, and the drivers of audit quality and the value of

audit. It was agreed that the discussions are valuable for both parties, and Ms Caird will return for a further discussion in 2020.

5. NZ SRE 2410

The Board NOTED the submissions received in response to NZAuASB ED 2019-1 and thanked stakeholders for their feedback. The Board noted the central theme of the submissions to both the Australian and New Zealand exposure drafts that a common Trans -Tasman approach to going concern reporting is in the public interest, and AGREED the importance of aligning the interim review report with that in the AUASB standard.

The Board DISCUSSED possible next steps and indicated a preference for remaining silent on both management's and the auditor's going concern responsibility in the report as an appropriate immediate way forward, subject to AUASB consideration and further exploring the possibility of a standard approach to the report wording. However, concern was expressed about the benefit of a meeting focussed only on wording given the wide range of suggestions emerging from the submissions. The respective Chairs would consider these comments and determine an approach which would be most effective and efficient for all concerned.

The Board also DISCUSSED the need for a separate project to clarify the responsibility of the auditor related to going concern in NZ SRE 2410. While this was identified as an important issue, it was noted that these considerations are beyond the scope of the current project and that the topic is likely to be addressed in the IAASB's forthcoming post-implementation review of the auditor reporting changes.

The Board also noted that the IAASB Chair had referred to going concern as a major strategic issue during his recent call with the NSS chairs, and REQUESTED that the topic of going concern be raised with the NZASB as a possible topic for future collaboration.

6. NZAuASB SAP Implementation Plan

The Board reviewed and approved the strategic action implementation plan, subject to the following amendments:

- 3.1d - include the possibility of Tom Seidenstein visiting NZ/Australia
- 3.2 - note Chair of NASS is Robert Buchanan
- Add 4.4 from the previous version back to the plan.

7. Review of SPI

The Board APPROVED a project plan to develop a standard where an assurance practitioner is engaged to review a general-purpose financial report that includes service performance information. The project will explore whether to update ISRE (NZ) 2400 (Revised) or develop a separate standard.

Craig Fisher, David Hay and Marje Russ agreed to assist on a sub-committee. The Board REQUESTED that the accounting standards team and the Office of the Auditor-General be advised of the project to determine if they wish to participate in the project by way of an advisory panel.

8. Conforming Amendments from the Code to ISAs NZ

The Board APPROVED an invitation to comment (ITC) and exposure draft (ED) of proposed amendments to the auditing and assurance standards to address the implications of the revised Professional and Ethical Standard 1, *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*, on standards issued by the NZAuASB. The Board agreed to a limited exposure period of 30 days.

The ITC and ED will be issued concurrently with the IAASB's exposure draft of amendments to the IAASB's auditing, assurance and related services standards to address inconsistencies between the extant international standards and the revised International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the IESBA.

The Board also NOTED its awareness of the issue of differing effective dates in the PES 1 – Parts 1 and 3 were effective on 15 June 2019; Parts 4A and 4B are effective for periods beginning on or after 15 June 2019 – noting this is a short-term technicality in the standard. Trying to address this in the report would be confusing to the user, accordingly, the Board has determined not to address the issue of the differing effective dates.

NON-PUBLIC SESSION – AGENDA ITEM 9

The Board moved out of public session.

9. FMA QA Review Findings

PUBLIC SESSION – AGENDA ITEMS 10 – 12

The Board moved into public session.

10. KAM Report Plan

The Board CONSIDERED a project proposal on a follow up report with the FMA on Key Audit Matters. The Board AGREED that outreach focused on users, with a preference for scheduling interviews, would be the most appropriate target and method for obtaining views on KAMs at this stage. This provides an opportunity to continue to build relationships with users as a stakeholder group.

11. FMA Subsequent Events Matter

The Board CONSIDERED and APPROVED an invitation to comment and exposure draft of proposed changes to ISA (NZ) 560 *Subsequent Events*, subject to requested editorial changes, to address concerns raised by the Financial Markets Authority around the clarity of ISA (NZ) 560 where subsequent to issuing the auditor's report a fact becomes known to the auditor that, had it been known to the auditor at the date of the report, may have caused the auditor to amend the auditor's report.

Some concern was expressed about the potential for constituency confusion as to why the Board is going to the length of separately exposing such a narrow change. The ITC should clearly state that the proposed change is the result of a regulatory initiative that has emerged from the ongoing collaborative relationship between the standard setter and the regulator.

12. Environmental Scanning

The Board NOTED the international, domestic and academic updates.

NON-PUBLIC SESSION – AGENDA ITEM 13

The Board moved out of public session.