

New Zealand Auditing and Assurance Standards Board (NZAuASB)

**Minutes of the Meeting of the NZAuASB held on Wednesday 12 February 2020 at XRB Offices,
Level 7, 50 Manners Street, Wellington**

Present:	Robert Buchanan, Chair John Kensington, Deputy Chair Craig Fisher, Board member David Hay, Board member Ian Marshall, Board member Karen Shires, Board member Roger Simnett, Board member Clyde D'Souza, Board member Marje Russ, Board member
Apologies:	Chong Lim, Board member
In attendance:	April Mackenzie, XRB Chief Executive (from 10:30 to 1) 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 Dave Bassett, Deputy Director Accounting Standards (for agenda item 7) Lisa Kelsey, Senior Project Manager Accounting Standards (for agenda item 7) Vanessa Sealy-Fisher, Senior Project Manager Accounting Standards (for agenda item 7)
Observers:	Nicola Hankinson, Baker Tilley (for agenda item 4) Nikki Morrison, Grant Thornton (for agenda item 4)

NON-PUBLIC SESSION – AGENDA ITEMS 1-3

- 1. WELCOME**
- 2. BOARD MANAGEMENT**
- 3. Brydon Review Report**

PUBLIC SESSION – AGENDA ITEMS 4 – 12

The Board moved into public session.

- 4. ISA (NZ) 315 (Revised) and conforming amendments**
The Board CONFIRMED its approval of ISA (NZ) 315 (Revised 2019) and APPROVED the conforming amendments.
- 5. Non-Assurance Services and Fees**
The Board CONSIDERED the planned outreach activities for the Non-Assurance Services and Fees projects and REQUESTED the activities include:

- Active encouragement to the IoD and Shareholders Association to attend outreach activities.
- One on one meetings with the large firms.

The Board further REQUESTED the roundtable discussions have particular focus on PIE vs non-PIE prohibitions.

6. Subsequent Events

The Board APPROVED the subsequent events revisions subject to requested changes to the signing memorandum. The Board AGREED to an effective date for periods beginning on or after 15 July 2020.

7. Primary Financial Statements

Dave Bassett, Deputy Director Accounting Standards, and Lisa Kelsey, Senior Project Manager Accounting Standards, presented key proposals of the IASB's exposure draft ED/2019/7 *General Presentation and Disclosures* under the *Primary Financial Statements* and received feedback on the proposals from the Board.

The Board expressed a preference that alternative performance measures (APMs) not be reported on the face of the financial statements. Users will expect APMs presented in the financial statements to be covered by the audit report and this may not be the case. Questions were also asked about the consistency of APMs year on year and the availability of suitable criteria if management, rather than the accounting standards, establish the APMs.

8. Mandate Change

The Board AGREED with the proposed revisions to XRB Au1 and the explanatory guides, EG Au1, *Overview of Auditing and Assurance Standards* and EG Au2, *Overview of the Auditing and Assurance Standards Setting Process*.

The Board RECOMMENDED that XRB Au1 be amended to incorporate definitions for both the terms 'assurance practitioner' and 'related services'. The Board considered that the definition of 'related services' align with the definition in law, which differs from the definition used by the IAASB. The IAASB's definition includes compilations, however the Board does not consider that compilations are engagements generally performed by an assurance practitioner, and therefore does not consider that compilations fall within the updated mandate.

The Board also AGREED to seek an amended delegation from the XRB Board to confirm the inclusion of related services standards within its remit.

9. Amendments to PES 1 (for Part 2)

The Board CONSIDERED and AGREED to the proposal to incorporate Part 2 of the IESBA Code into PES 1. The Invitation to Comment should clearly articulate the reasons for inclusion of Part 2.

The Board further AGREED that use of "assurance practitioner" in Part 2 is confusing and REQUESTED staff to consider alternatives. The Board did not support use of the term "professional accountant" or derivatives thereof.

The Board AGREED not to include the additional paragraphs added by CAANZ to the NZICA Code. Feedback will be sought from stakeholders in this regard.

The Board will continue its discussions with a view to approve an exposure draft at its next meeting.

10. Engagement Quality Reviewer Objectivity

The Board CONSIDERED the IESBA's Exposure Draft *Proposed Revision to the Code Addressing the Objectivity of Engagement Quality Reviewers*.

The Board NOTED that knowledge of the business is critical in performing the engagement quality review role. The engagement quality reviewer is an independent assessor and, in New Zealand, never meets the client.

The Board made the following observations on the proposals:

- Paragraph 120.14 A2 (a) – this situation occurs regularly in small firms. It only works for a very large firm. The Board questioned what the self-interest threat would be in this scenario.
- Paragraph 120.14 A3 – to add number of engagements; and number of partners in the office as additional factors that are relevant in evaluating threats.
- The Code should address the cooling off period, not the IAASB's quality management standards.
- The guidance on objectivity should be included in section 540, *Long Association of Personnel (Including Partner Rotation) with an Audit Client*, as it deals with moving between roles.

11. Part 4B Amendments to the Code

The Board SUPPORTED the use of the IESBA definition of Assurance Client in Part 4B and AGREED the extant NZ paragraphs should be retained.

The Board CONSIDERED and APPROVED the amendments to Part 4B of the Code and the signing memorandum.

12. Environmental Scanning

The Board NOTED the international, domestic and academic updates.

NON-PUBLIC SESSION – AGENDA ITEMS 13-14

The Board moved out of public session.