

New Zealand Auditing and Assurance Standards Board

MEETING PACK

for

NZAuASB Board Meeting - 4 Jun - PUBLIC

Wednesday, 4 June 2025

9:15 am (NZST)

Held at:

XRB Boardroom

Level 6, 154 Featherston Street, Wellington

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AGENDA

NZAUASB BOARD MEETING - 4 JUN - PUBLIC

Name:	New Zealand Auditing and Assurance Standards Board
Date:	Wednesday, 4 June 2025
Time:	9:15 am to 5:00 pm (NZST)
Location:	XRB Boardroom, Level 6, 154 Featherston Street, Wellington
Committee Members:	Marje Russ (Committee Chair), David Hay, Doug Niven, John Kensington, Richard Kirkland, Todd Beardsworth, Vasana Vanpraseuth
Attendees:	Anna Herlender, Bruce Mcniven, Karen Griffin, Karen Tipper, Lisa Thomas, Misha Pieters, Sharon Walker, Susan Johnstone, Wendy Venter

1. Standing items (PRIVATE)

2. Board Management (PUBLIC)

2.1 Action List

9:15 am (5 min)

For Decision

Supporting Documents:

2.1.a	2.1 Action List June 2025.docx	8
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2.2 Chair Report

9:20 am (5 min)

For Noting

Verbal

2.3 AUASB Update

9:25 am (5 min)

For Noting

Verbal

3. ISA for LCE (PUBLIC)

3.1 Summary paper

9:30 am (5 min)

Bruce Mcniven

For Decision

Supporting Documents:

3.1.a	3.1 Summary Paper ISA for LCE June.pdf	9
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3.2 Issues paper

9:35 am (10 min)

Bruce Mcniven

For Noting

Supporting Documents:

3.2.a	3.2 Issues paper ISA for LCE June.pdf	11
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3.3 SUPPLEMENTARY: ISA (NZ) for LCE

9:45 am (15 min)

Bruce McNiven

For Decision

3.4 Explanation for decisions made

10:00 am (10 min)

Bruce McNiven

For Decision

Supporting Documents:

3.4.a	3.4 Explanation for Decisions Made.pdf	19
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3.5 Signing Memorandum

10:10 am (5 min)

Supporting Documents:

3.5.a	3.5 Signing Memo - ISA (NZ) for LCE.pdf	29
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3.6 Morning Tea

10:15 am (15 min)

4. IAASB Update (PUBLIC)

4.1 IAASB Update from Greg

10:30 am (30 min)

Verbal

5. Sustainability assurance (PUBLIC)

5.1 Summary paper

11:00 am (10 min)

Anna Herlender, Karen Tipper

For Decision

Supporting Documents:

5.1.a	5.1 NZAuASB Board Meeting Summary Paper Template Sustainability.docx	35
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5.2 Consultation paper

11:10 am (10 min)

Anna Herlender, Karen Tipper

For Decision

Supporting Documents:

5.2.a	5.2 Sustainability Assurance and Ethics Consultation.docx	41
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5.3 SUPPLEMENTARY: ED ISSA (NZ) 5000

11:20 am (15 min)

Anna Herlender, Karen Tipper

For Decision

5.4 SUPPLEMENTARY: ED Conforming Amendments resulting from ISSA (NZ) 5000

5.5 SUPPLEMENTARY: ED IESSA (NZ)

11:35 am (15 min)

Anna Herlender, Karen Tipper

For Decision

5.6 SUPPLEMENTARY: ED Conforming Amendments resulting from the IESSA and...

5.7 SUPPLEMENTARY: ED Use of Experts

11:50 am (10 min)

For Decision

5.8 SUPPLEMENTARY: ED Amendments to NZ SAE 1

12:00 pm (15 min)

Anna Herlender, Karen Tipper

For Decision

5.9 Lunch

12:15 pm (90 min)

6. XRB Update (PRIVATE)

7. NZAuASB workplan (PUBLIC)

7.1 Summary Paper

1:45 pm (5 min)

For Noting

Supporting Documents:

7.1.a	7.1 Summary paper June 2025.docx	61
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7.2 SUPPLEMENTARY: Prioritisation Schedule 2024/25

1:50 pm (5 min)

For Noting

7.3 Prioritisation schedule 2025/26

1:55 pm (5 min)

For Noting

Supporting Documents:

7.3.a	7.3 Prioritisation plan 2025_26 June.docx	64
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8. Going Concern (PUBLIC)

8.1 Summary paper

2:00 pm (20 min)

Sharon Walker

For Decision

Supporting Documents:

8.1.a	8.1 BMSP Going Concern 06 2025.docx	67
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8.2 SUPPLEMENTARY: Draft ISA (NZ) 570 (Revised) 2:20 pm (20 min)

For Decision

8.3 Signing memorandum 2:40 pm (20 min)

For Decision

Supporting Documents:

8.3.a	8.3 Signing Memorandum - Going Concern.docx	73
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9. CIV consultation paper (PUBLIC)

9.1 Summary paper 3:00 pm (15 min)

Karen Tipper

For Discussion

Supporting Documents:

9.1.a	9.1 NZAuASB Board June 2025 Meeting Summary Paper Collective Investment Vehicle.docx	79
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9.2 MIS Structure summary 3:15 pm (5 min)

For Discussion

Supporting Documents:

9.2.a	9.2 MIS Scheme Structures.pptx	80
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9.3 Draft submission 3:20 pm (20 min)

For Decision

Supporting Documents:

9.3.a	9.3 Submission to IESBA Letter Template CIV.docx	91
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9.4 SUPPLEMENTARY: IESBA Consultation Paper 3:40 pm (5 min)

For Noting

9.5 Afternoon tea 3:45 pm (15 min)

10. Guidance on service orgs (PUBLIC)

10.1 Summary paper 4:00 pm (10 min)

For Decision

Thinus is the presenter

Supporting Documents:

10.1.a	10.1 NZAuASB Board Meeting Summary Paper EG Au 8.docx	95
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10.2 Joint project plan

4:10 pm (10 min)

For Decision

Supporting Documents:

10.2.a 10.2 Joint Project Plan EG Au 8_GS 007.docx

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10.3 SUPPLEMENTARY: AUASB prepared PAG Terms of Reference GS 007/EG Au 8

4:20 pm (10 min)

For Decision

11. Proposed narrow scope amendments from use of experts (PUBLIC)

11.1 Summary paper

4:30 pm (5 min)

Bruce Mcniven

For Discussion

Supporting Documents:

11.1.a 11.1 Summary Paper Use of experts.pdf

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11.2 Draft submission

4:35 pm (5 min)

For Decision

Supporting Documents:

11.2.a 11.2 IAASB-Exposure-Draft-Narrow-Scope-Amendments-Experts-Response-Template.pdf

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11.3 SUPPLEMENTARY: Exposure Draft

4:40 pm (5 min)

For Noting

12. Board management (PRIVATE)

13. Close Meeting

13.1 Close the meeting

Next meeting: No date for the next meeting has been set.

NZAuASB Action list

Meeting Arose	Board Action	Target Meeting	Status
Oct 2023	Continue to explore next steps on trust and confidence	2026	In February agreed to defer user perspectives on climate assurance to a later date
June 2024	Consider implications of IFRS name change on the auditing standards	2026	Deferred until IFRS 18 is applicable. Address with going concern standard – refer agenda
Feb 2025	Document the rationale for the approach of retaining FMC HLPAs, and not introducing publicly traded entity (PTE). Follow up with Australia to understand who are PTE's in their context. Consider the harmonisation policy.	June 2025	Work ongoing. To update in June following discussion by the IAASB on next steps.
April 2025	Request formal response from the FMA if desire the public interest entity requirements to apply to all FMC reporting entities	June 2025	Request made. Response was the FMA will respond once further considered.



NZAuASB Board Meeting Summary Paper

Meeting date: 9 June 2025
Subject: ISA (NZ) for Less Complex Entities
Date: 22 May 2025
Prepared By: BM



Action Required



For Information Purposes Only

Agenda Item Objectives

1. The objective of this agenda item is to APPROVE the following:
 - a. ISA (NZ) for LCE
 - b. Explanation for decisions made
 - c. Signing memorandum

Background

2. At the April meeting, the NZAuASB agreed to recommend to the XRB Board that the ISA (NZ) for LCE should be adopted in New Zealand, given the support for its adoption based on feedback received.
3. The Board also discussed the detailed analysis of the feedback from the consultation of the exposure draft. The Board agreed:
 - a. That staff should further consider respondents' suggestions to enhance and clarify the Essential Explanatory Material (EEM) and requirements in Part 11.
 - b. Part 11 should be consistent with NZ AS 1 (Revised) i.e., that the audit report should refer to the entity's measurement bases or evaluation methods and should retain requirements for the methods to be available to intended users.
 - c. With a respondent's suggestion to incorporate the requirement of obtaining a legal letter from in-house counsel, aligning with ISA (NZ) 501.
4. At the IAASB's Jurisdictional Standard Setters (JSS) meeting in May, it was noted what countries are adopting or not adopting the ISA for LCE. Countries adopting or in the process to adopt include the Nordic countries (Denmark, Finland, Norway, Sweden), India and Hong Kong. We are also aware that Bangladesh, the Czech Republic, Greece, Iceland, Mexico, and Nepal have also adopted the ISA for LCE. Countries that will not adopt include Australia, Austria, Canada, Saudi Arabia, South Africa, UK and US (AICPA). Germany and Belgium already have their own local standards for auditing LCEs so will not be adopting the ISA for LCE at this stage. Staff continue to monitor progress of adoption around the world.
5. Early adopters in the Nordic countries and from India presented to the JSS on learnings so far. They indicated the need for implementation support and sharing of stories and learnings. We will continue to reflect on how best to support implementation and monitor uptake in New Zealand and continue to share and collaborate with other jurisdictions who are adopting this standard.

Matters to Consider

ISA (NZ) for LCE

6. Staff have considered the suggestions to enhance and clarify the EEM and requirements in Part 11. These are discussed in detail in the issues paper, but in summary they cover:

For Part 11 *The Audit of Service Performance Information* (SPI):

- a. The EEM at the objective (at para. 11.1.1. of the ISA(NZ) for LCE) to simplify or reduce the suggested confusion or better align with two-tier process.
- b. The presentation of EEM regarding risks at the assertion level (at 11.7.2.)
- c. Clarify the EEM on audit evidence and attribution of SPI to the reporting entity (at 11.9.1.)
- d. Removing the term “extremely rare circumstances” - when an auditor concludes in a compliance framework engagement, *in extremely rare circumstances*, that the SPI is misleading (at para 11.13.4.)

For the rest of the ISA (NZ) for LCE:

- e. Adding a requirement for obtaining a legal letter from in-house counsel, to be consistent with the NZ paragraph of ISA (NZ) 501 (at NZ 7.4.21.1.)
7. The Board is asked if it agrees with the staff responses and recommended changes to the standard as outlined in the issues paper.
8. Staff recommend aligning the application date with the IAASB, i.e., balance dates beginning on or after 15 December 2025, with early application permitted.
9. We are seeking approval of the standard (see supplementary agenda pack. Tracked changes have been used to reflect changes from the exposure draft to the final standard).

Explanation for decisions made and Signing memorandum

10. We also seek approval for the explanation for decisions made document and the signing memorandum.
11. We draw particular attention to paragraphs 18-22 of the signing memorandum on the costs and benefits of issuing the standard, which were explored in the previous board meeting and in the consultation paper.

Recommendations

12. Subject to our discussions, we recommend that the Board APPROVE the materials presented.
13. Plans to communicate and enhance awareness and understanding of the new standard will be finalised after the standard has been approved. Staff acknowledge that significant resource will be required to support the adoption and implementation of the standard in New Zealand. A more detailed implementation plan will be brought to a later meeting of the NZAuASB.

Material Presented

Board Meeting Summary Paper
 Issues paper
 ISA (NZ) for LCE (see supplementary pack)
 Explanation for decisions made
 Signing memorandum



ISA (NZ) for LCE: Issues Paper

1. The objective of this issues paper is to conclude on the drafting changes to the draft ISA (NZ) for LCE.

#	Reference to ED	Respondent's Observation	Respondent's suggested actions
1.	The following suggestions are from the OAG: The wording of (a) in the EEM following 11.1.1 on page 119	We consider that some of the terminology that has been carried across from NZ AS 1 (Revised) is confusing and should be simplified. The wording of (a) in the EEM following 11.1.1. is confusing because it does not align with the plain English wording in the applicable accounting standard. We think it should do so.	We recommend that the wording of (a) in the EEM following 11.1.1 is reworded to align to the requirements in paragraphs A43 and A44 of the Tier 3 (NFP) Standard - Reporting Requirements for Tier 3 Not-for-Profit Entities (Issued May 2023). Suggested wording is: <i>"The auditor may achieve the objectives of this Part by considering the following two steps:</i> (a) <i>Assess whether the following aspects of the service performance information are appropriate and meaningful in accordance with the applicable financial reporting framework:</i> <ul style="list-style-type: none"> <i>Describe what the entity is seeking to achieve over the medium to long term (that should be closely related to the entity's mission or purpose); and</i> <i>Describe, and quantify to the extent practicable, the significant activities the entity has undertaken or what it has achieved during the financial year." ...</i>

Staff response

2. Staff recommend that ISA (NZ) for LCE should be neutral of the reporting framework, not just be aligned with what is in Tier 3. For example, many schools apply Tier 2 requirements.
3. We have further simplified the objective in a way that aligns with any applicable financial reporting framework, but keeping the key two step approach. We also have added reference to Part 11.5., which covers the requirements of the evaluation of appropriate and meaningful and the applicable financial reporting framework.
4. Staff propose that the EEM is amended, as follows:

The auditor may achieve the objectives of this Part by considering the following two steps:

- (a) *Assess whether ~~the following aspects of the service performance information~~ is ~~are~~ appropriate and meaningful in accordance with the applicable financial reporting framework – see Part 11.5.*
- ~~• The elements/aspects of service performance that the entity has selected to report on.~~
 - ~~• The performance measures and/or descriptions the entity has used to report on what it has done in relation to those elements/aspects of service performance during the reporting period.~~
 - ~~• The measurement basis or evaluation method used to measure or evaluate the performance measure and/or description.~~
- (b) *Assess whether the reported service performance information fairly reflects the actual service performance and is not materially misstated. ...*

#	Reference to ED	Respondent's Observation	Respondent's suggested actions
2.	11.7.2	<p>Paragraph 11.7.2.(b)(i) and the last paragraph under "Assertion Level Risks" in the explanatory material appear to be confusing two matters - assertions and identifying significant (material) measures. We identify material measures first, then consider inherent risk at the assertion level for those measures.</p> <p>In other words, if we think about the "two-step" process in the explanatory material following 11.1.1, we would only consider inherent risk for the "aspects" of service performance that are assessed as being "appropriate and meaningful". This assessment is carried out under 11.6.1 (a).</p>	We suggest that the sequencing of the procedures in relation to identifying and assessing the risks of material misstatement are clarified. This process equates with (b) in the explanatory material following 11.1.1 – being step 2 of the "two step" process.

Staff response

5. We consider that the sequencing of the procedures is correct, but further clarification could be made. We note that there may be confusion from the use of the word "significant" in two different places: when determining materiality, and when assessing assertion level risks. But the use of *significant* is related to two different concepts.

Significant elements/aspects of service performance (para. 11.6.2.)

6. When considering or determining materiality, the auditor firstly identifies which elements/aspects of service performance are important to intended users, i.e., the significant elements/aspects of service performance. Staff explored using another word, but alternatives may cause further confusion, and would not align with NZ AS 1 (Revised).
7. Staff have edited the materiality requirements to:
- 1) Emphasise the importance of applying a filter when determining materiality by moving the requirement to determine the significant elements/aspects of service performance to a standalone requirement (para. 11.6.1.)
 - 2) Emphasise that the auditor applies materiality to assess whether significant elements/aspects of service performance and related material performance measures and/or descriptions are appropriate and meaningful by moving content from the EEM to paragraph 11.6.3., this is the equivalent to para. 29 in NZ AS 1 (Revised).
8. The underlined and strike-through text below shows staff recommended clarifications to the requirements:
- 11.6.1. The auditor shall: ~~(a)~~ using the understanding gained in part 11.4., determine the significant elements/aspects of service performance.
- 11.6.2. The auditor shall:
- (ba) Consider materiality for qualitative service performance information; and
 - (eb) Determine materiality for quantitative service performance information.
- 11.6.3. The auditor shall apply materiality to assess whether:
- (a) The significant elements/aspects of service performance and related material performance measures and/or descriptions are appropriate and meaningful; and
 - (b) The performance measures and/or descriptions, measurement bases or evaluation methods ~~service performance information~~ contains individual or collective misstatements, that based

on the auditor's judgement, are likely to influence the decisions of the intended users based on the information. [moved from EEM]

9. After materiality, the auditor then identifies and assesses the risks of material misstatement, whether due to fraud or error, (ROMM) at the service performance information and assertion levels. As part of this the auditor is required to determine relevant assertions and related *significant* performance measures, descriptions or disclosures.

Significant performance measures, descriptions or disclosures (para. 11.7.2.)

10. In ISA (NZ) 315 (Revised 2019) the auditor is required determine the relevant assertions and the related "significant classes of transactions, account balances and disclosures". Applying this concept to service performance information, we refer to "*significant performance measures, descriptions or disclosures*". We have therefore not changed the reference to this term in para. 11.7.2.
11. However, we do note that there may be uncertainty as to whether the risk assessment is done to performance measures, descriptions or disclosures that are appropriate and meaningful, or to every performance measure etc. Therefore, we propose clarifying Para 11.7.2. by adding "appropriate and meaningful" as underlined below (along with a couple of minor edits):

11.7.2. In applying part 6.4. and based on the understanding obtained in part 11.4., the auditor shall identify and assess the risks of material misstatement, whether due to fraud or error, ~~of the service performance information~~:

- (a) At the service performance information level. In doing so, the auditor shall determine whether they affect risks at the assertion level and consider the nature and extent of the pervasive effect of identified risks on the service performance information; and
 - (b) At the assertion level for performance measures, descriptions or disclosures that are appropriate and meaningful. In doing so, the auditor shall:
 - (i) Determine the relevant assertions and the related significant performance measures, descriptions or disclosures; and
 - (ii) Assess inherent risk for identified risks of material misstatement at the assertion level by assessing the likelihood and magnitude of misstatement.
12. To emphasise that "significant performance measures, descriptions or disclosures" is a distinct concept, we have also added that term to the Glossary at Appendix 1. This is consistent with the treatment of the definition of "significant classes of transactions, account balances and disclosures" already being in the Glossary.

#	Reference to ED	Respondent's Observation	Respondent's suggested actions
3.	The EEM following 11.7.2	The last sentence in the explanatory material for 11.7.2 notes that " <i>the [inherent] risk assessment is conducted at a meaningful level ...</i> ".	We were not sure what the phrase "meaningful level" means. Could this be explained or rephrased in another way.

Staff response

13. Staff have considered this paragraph, an although it aligns with NZ AS 1 (Revised), the use of the word "meaningful" may be confusing, and an alternative wording could be found – particularly as this has

nothing to do with ‘appropriate and meaningful’. We note that this is EEM, and not a requirement, therefore we are not creating an inconsistency with NZ AS 1 (Revised).

14. Staff have considered other standards, particularly of para. A408 of ISSA 5000, for inspiration.
15. In this EEM, it was also pointed out that we should consider referring to the requirements of control risk, as these play a part in assessing inherent risk. We have done that as well.
16. Staff propose to amend EEM as follows:

Assessing Inherent Risk

~~Due to the variation in The aggregation, measurement, and presentation of service performance information may affect how the auditor identifies and assesses the inherent risk the risk assessment is conducted at a meaningful level to reflect the inherent risk of the measure.~~

The requirements for assessing control risk are set out in paragraph 6.4.7.

#	Reference to ED	Respondent's Observation	Respondent's suggested actions
4.	The EEM following 11.9.1	The 4 th paragraph of the EEM following 11.9.1 is not clear. In particular we had difficulty in understanding how the second sentence relates to the first sentence.	We suggest this paragraph is clarified.
5.	The EEM following 11.9.1	<p>The 5th paragraph of the EEM following 11.9.1 (on pages 128 and 129) discusses the difficult assertion of “attribution”. In some instances a number of separate entities contribute to an outcome but find it difficult to quantify their individual contribution towards the outcome. In this situation auditors’ responsibilities are likely to be limited to:</p> <ol style="list-style-type: none"> 1. Ensuring there is a connection between the reported measure and the entity’s activity during the reporting period; and 2. Assessing the adequacy of the entity’s disclosures in that they fairly reflect the extent of the entity’s contribution towards an outcome. <p>This involves the exercise of professional judgement by the auditor.</p>	<p>It is suggested that it may not be possible for the entity to quantify the extent to which its activities contribute to an outcome. In this situation the auditor will need to exercise professional judgement on the reliability of the disclosures made by the entity in the context of the “attribution” assertion. Currently the “attribution” assertion is presented as a “black and white” situation in the EEM. We would suggest that the verification of the “attribution” assertion is more nuanced in some situations and that the EEM should reflect this possibility.</p> <p>We also consider this paragraph should explain the relationship between the attribution assertion and the associated evidential processes.</p>

Staff response

17. We have revisited the whole EEM at 11.9.1. and clarified it by:
 - Adding titles: to denote the sections relating to audit evidence: sources of information, internal sources, sufficiency and appropriateness of audit evidence, attribution of SPI.
 - Adding more content in the sources of information section. The new first paragraph of this section is based on para A255 of ISSA 5000.
 - Moving the two paragraphs relating to internal sources immediately below the content on sources of information, so it flows better.

- Rearranging the sufficiency and appropriateness of audit evidence section, and bringing together the factors that affect the sufficiency and appropriateness of audit evidence as a bulleted list.
- Adding content about the auditor using professional judgement and professional scepticism in evaluating the sufficiency and appropriateness of audit evidence, based on para. A237 of ISSA 5000.
- Rewriting the section on attribution of service performance information, taking into account the points made by the respondent. In particular, adding guidance about areas for the auditor to consider when multiple entities contribute to an element/aspect of service performance.

18. Staff propose updating the EEM as follows:

Sources of information

Information intended to be used as evidence may come from internal sources or external sources that may affect the availability, accessibility and understandability of the information intended to be used as evidence.

The auditor is not required to perform an exhaustive search to identify all possible sources of information to be used as evidence. The auditor's understanding of the relevant aspects of the entity and the service performance information from part 11.4. may assist the auditor in identifying appropriate sources of information.

The auditor ordinarily obtains more assurance from consistent evidence obtained from different sources or of a different nature than from items of evidence considered individually. In addition, obtaining information intended to be used as evidence from different sources or of a different nature may indicate that an individual item of information intended to be used as evidence is not reliable. For example, corroborative information obtained from a source independent of the entity may increase the assurance the auditor obtains from a representation from management. Conversely, when evidence obtained from one source is inconsistent with that obtained from another, the auditor may determine what additional procedures are necessary to resolve the inconsistency.

Internal sources [moved up from end of this EEM]

The use of internal sources as a basis for reporting the information may present a challenge in the context of obtaining evidence for qualitative service performance information. For example, information may be entered directly into the entity's system on a real time basis without any hard copy documentation to support it, or may be obtained through informal communication by way of telephone calls, email or other internal communications.

The auditor may need to consider what evidence can be obtained to support the information being recorded or gathered in this way as these sources, alone, may not be sufficient. For example, when information is being captured by the entity directly onto a computerised system, the auditor may need to understand and confirm the physical and logical security and access controls in place around the entry of information, and the basis for the entries being made. When information is gathered through informal communications, the preparer's underlying books and records may need to include sufficient evidence to back up those communications.

Sufficiency and appropriateness of audit evidence

The auditor uses professional judgement and exercises professional scepticism in evaluating the sufficiency and appropriateness of audit evidence.

Factors that affect the sufficiency and appropriateness of audit evidence, include the following:

- Whether the source of the information used to prepare the disclosures is accessible. There may be limitations on management's ability to obtain information from entities outside of the reporting entity's operational control. For example, if the service performance information reported includes information from entities outside of the entity's operational control or there is an absence of direct contractual arrangements, there may be limitations on access to such information or to the work of another auditor that may have provided an assurance report on such information. Such limitations may affect the auditor's evaluation of the relevance and reliability of this information intended to be used as evidence.
- Other circumstances, such as when evidence that could reasonably be expected to exist is not available because of factors such as the nature of the relationship between the appropriate party(ies) affecting the auditor's ability to access records, documentation, and other information the practitioner may require as evidence to complete the engagement.

The auditor may be unable to obtain sufficient appropriate audit evidence if the auditor determines that it is not practicable to obtain information intended to be used as evidence or does not have a sufficient basis to evaluate the relevance and reliability of information (e.g., from an external source). In some circumstances, the practitioner may be able to obtain sufficient appropriate audit evidence through alternative procedures. The auditor's inability to obtain sufficient appropriate evidence may require the auditor to express a qualified opinion or disclaimer of opinion on the service performance information in accordance with paragraph 9.5.2. of the ISA (NZ) for LCE.

Attribution of service performance information

In some instances, multiple entities may contribute to an element/aspect of service performance, making it difficult to attribute performance measures and/or descriptions to the entity. The auditor's understanding of the relevant aspects of the entity and the service performance information from part 11.4., including understanding management's process for selecting service performance information and management's process for obtaining the underlying data, may assist the auditor in considering the attribution of service performance information.

The auditor may also consider:

- whether there is a connection between the entity's activities or services and the performance measure and/or description.
- whether the performance measure and/or description reflects the extent of the entity's contribution towards the element/aspect of service performance.
- what has been disclosed by the other entities in relation to the performance measure and/or description.
- the sources of information and the factors that affect the sufficiency and appropriateness of audit evidence.

#	Reference to ED	Respondent's Observation	Respondent's suggested actions
6.	11.13.4	The second sentence of 11.13.4 states: "However, if in <u>extremely rare circumstances</u> the auditor concludes, based on the audit evidence obtained, that such	We recommend that the words "in extremely rare circumstances" are removed from 11.13.4.

	<p><i>service performance information is misleading, the auditor shall discuss the matter with management and, depending on how it is resolved, shall determine whether, and how, to communicate it in the auditor's report."</i></p> <p>The use of the words "<i>in extremely rare circumstances</i>" makes an assumption about the integrity of a compliance framework that may be unfounded. An unintended consequence of including this wording may cause the auditor to abandon (or severely curtail) the exercise of "professional scepticism".</p>	
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Staff response

19. This paragraph was based on paragraph 9.3.3 which states "if in extremely rare circumstances the auditor concludes, based on the audit evidence obtained, that such financial statements are misleading, the auditor shall discuss the matter with management and, depending on how it is resolved, shall determine whether, and how, to communicate it in the auditor's report."
20. Staff have re-considered the current drafting, taking into account:
- the reasons presented by the respondent; and
 - that SPI reporting is relatively new and therefore there could be more than an *extremely rare* possibility that SPI could be misleading.
21. Staff recommend deleting reference to "in extremely rare circumstances" as follows:
- 11.13.4 If the service performance information is prepared in accordance with a compliance framework, the auditor is not required to evaluate whether the service performance information achieves fair presentation. However, if ~~in extremely rare circumstances~~ the auditor concludes, based on the audit evidence obtained, that such service performance information is misleading, the auditor shall discuss the matter with management and, depending on how it is resolved, shall determine whether, and how, to communicate it in the auditor's report.

#	Reference to ED	Respondent's Observation	Respondent's suggested actions
7.	The following suggestion is from PWC: Paragraph 7.4.23	It is noted the current requirement to obtain a legal letter from in-house legal counsel has not been included for situations where in-house legal counsel has primary responsibility. This is paragraph NZ10.1 in ISA (NZ) 501. While it will be uncommon for these types of entities to have in-house legal counsel, the fact that the scope does not have a size threshold means the standard could be used on a large private company which could encounter litigation. Therefore, it seems reasonable to include this for consistency purposes.	Implement the suggestions under the "Observation" column.

Staff response

22. Less complex entities may utilise in-house legal counsel, so we have added an equivalent of para. NZ 10 found in ISA (NZ) 501 *Audit Evidence – Specific Considerations for Selected Items*, albeit slightly amended to fit the drafting style of the ISA for LCE. The proposed new paragraph is as follows:
- NZ 7.4.24.1. Where in-house legal counsel has the primary responsibility for litigation and claims and is in the best position to corroborate representations from management and those charged with governance, the auditor shall, in addition to the procedures required by this standard, request written representation from in-house legal counsel, seeking information similar to that sought from the entity's external legal counsel.

Other minor changes in finalisation of the standard

23. We recommend the following minor changes to the standard, shown in track changes in the draft standard (see supplementary pack):
- (a) Footnote 55 – removed reference to Public Sector reporting requirements because in the public sector, an entity would only report on service performance information if legislation requires it.
 - (b) EEM at para. 11.4.2. – further simplify the EEM in relation to understanding laws and regulations.
 - (c) Move EEM from 11.4.3. up to the start of 11.4., as it considered to be relevant to all of the *understanding* section.
 - (d) 11.4.4 – clarified that the auditor obtains an understanding of the system of internal control (inline with the section heading), rather than control environment.
 - (e) Removed EEM at 11.5.1, as it was considered unnecessary to state each reporting requirement.
 - (f) EEM at 11.5.2. – Removed reference to the discussion at 11.3.2., as it is more important to get an understanding to evaluate whether SPI is appropriate and meaningful, rather than just undertaking the discussion. Removed EEM to engage early with the entity, as this suggestion is already at 11.1.1. Clarified that the auditor may consider whether the SPI is attributable to the entity, and aligning text with the definition of *attributable to the entity*.
 - (g) EEM at 11.6.3. – Simplified and clarified certain aspects of this EEM, including adding that the auditor’s professional judgement about materiality may provide a basis for determining the auditor’s tolerance for misstatement in relation to material service performance measures and/or descriptions.
 - (h) 11.14. – auditor’s report – clarified that those charged with governance are responsible on behalf of the entity for assessing the entity’s ability to continue as a going concern.
24. Staff do not consider it necessary to re-expose or further consult on the changes discussed above.

- | |
|--|
| <p>25. Does the Board agree with the staff responses and recommended changes to the draft standard as outlined above?</p> |
|--|

ISA (NZ) for Less Complex Entities

Explanation for decisions made



June 2025

This document relates to, but does not form part of, the ISA (NZ) for LCE, which was approved in June 2025.

It summarises the major issues raised by respondents to the Exposure Draft of the ISA (NZ) for LCE and how the NZAuASB has addressed them.

Reference should also be made to the IAASB's *Basis for Conclusions on the ISA for LCE*.

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Introduction

1. The ISA (NZ) for LCE is a stand-alone auditing standard available for auditors to use when auditing less complex entities. The standard contains all requirements necessary to obtain reasonable assurance about whether the financial statements of a less complex entity, as a whole, are free from material misstatements, whether due to fraud or error. The standard is optional for auditors to apply, but is only applicable if the entity meets the specific criteria set out in Part A of the standard.

Background

2. There had been growing concern about the length, scalability, and understandability of the International Standards on Auditing (ISAs), and their application to audits of Less Complex Entities (LCEs). In response, the IAASB developed the ISA for LCE.
3. At several points during the IAASB's development process, the XRB engaged with stakeholders to consider whether or not to adopt this standard. In particular, in a survey of auditors and other stakeholders, conducted in August 2023, we heard that there was support for the adoption of the standard in New Zealand and for the XRB to develop requirements in a separate Part to the standard to enable the audit of service performance information of LCEs in New Zealand.
4. The IAASB issued the ISA for LCE in December 2023. Subsequently, the XRB issued a consultation document and an exposure draft, and sought feedback from November 2024-February 2025. We consulted on the following areas:
 - a. Should we adopt the standard in NZ, and if so, who would actually use the standard
 - b. Which audits should the standard apply to (the applicability)
 - c. The addition of Part 11, audit of service performance information
 - d. NZ specific amendments to the ISAs (NZ) and conforming amendments arising from the ISA (NZ) for LCE.
5. We also consulted on the benefits and costs of adoption of the standard in New Zealand. In summary, the key benefits of adopting the ISA (NZ) for LCE include:
 - **Suited for New Zealand's environment:** New Zealand has many LCEs that are either required to have their financial statements audited or seek out audits voluntarily.
 - **Proportionate:** We are aware of capacity constraints affecting the audit profession. Some view the ISAs as increasingly long and complex, geared to large, regulated entities, making them challenging to apply. There is anxiety around compliance with very lengthy standards, in case something was missed. The NZAuASB considers that the ISA (NZ) for LCE is responsive to calls to address scalability concerns and may attract auditors to the profession by having a proportionate standard.
 - **Tailored:** The ISA (NZ) for LCE is specifically designed for the needs of audits of less complex entities, focusing on relevant requirements that are proportionate to the typical nature and circumstances of a less complex entity. The ISA (NZ) for LCE emphasises performing the right work in the right areas.
 - **Clear, Understandable and Concise:** The standard uses plain language and follows the flow of the audit, which may make it easy for auditors to understand and implement. Ease of access may enhance auditors' ability to understand and apply requirements consistently, and reduces anxiety over compliance.

- **Enhances Auditor Training:** The ISA (NZ) for LCE may be useful for training auditors, providing a clear and concise standard that is easier to understand and implement.
6. Costs or risks associated with the adoption of the standard include:
- **Perception of Reduced Audit Quality:** An audit performed in accordance with the ISA (NZ) for LCE may be perceived as a lesser quality or scaled down audit, creating the perception of a “two-tier” auditing environment. However, the ISA (NZ) for LCE does not reduce audit quality but is tailored to suit the characteristics of an LCE.
 - **Costs of maintaining two suites of auditing standards:** The XRB would need to maintain two suites of auditing standards going forward. The ISA (NZ) for LCE is to be maintained and updated internationally, reducing standard setting costs.
 - **Timing of the maintenance:** the ongoing maintenance of the ISA for LCE by the IAASB will create a one-year time lag between updates to the ISAs and the ISA for LCE. The IAASB is committed to maintaining consistency with the full ISAs but considered this to be the most pragmatic way to maintain the standard. The majority of respondents to our consultation did not consider the timing of maintenance to impact their view on adoption of the ISA (NZ) for LCE in New Zealand.
 - **Specialisation risk:** There are questions about the long-term implications for auditors who exclusively perform audits using the ISA (NZ) for LCE and may miss opportunities to audit more complex entities. However, the market already has specialisation, and the ISA for LCE is better tailored to be applied by those who specialise in audits of LCEs in New Zealand.
 - **Education and training costs:** There may be increased costs for auditors and firms that use both the ISAs (NZ) and the ISA (NZ) for LCE. There is an increased need for education of users to mitigate the perception risks. There may also be costs of training new auditors entering the profession to use this standard. There will be an increased need for the XRB to promote adoption and facilitate implementation.
 - **Audit fee pressures:** There may be an expectation that audits conducted under the ISA (NZ) for LCE will be “cheaper”. This could lead to pressure for auditors to lower fees, potentially impacting the quality of the work. It is important to emphasise that the tailored nature of the requirements of the ISA (NZ) for LCE doesn't necessarily translate into lower fees, as the level of assurance remains the same.
 - **Complexity assessment risk:** There may be a risk that an entity initially assessed as less complex may subsequently be determined to no longer meet the qualitative characteristics of a LCE. This would necessitate use of the full ISAs and potentially a significant rework of the audit file in that year. Early adopters experience is that this is not the case. The IAASB has issued guidance to assist in a transition to the full ISAs mid-engagement if it were to occur.
7. Based on feedback received our New Zealand stakeholders agree that the costs and risks will be offset by the benefits of having an auditing standard tailored for the audit of a less complex entity. Our feedback confirms that a number of auditors would use this standard, if made available for use.

What we heard

8. The XRB received 26 written submissions and obtained additional feedback from virtual events held during the consultation process of the exposure draft. Overall, respondents were supportive of the adoption of the standard.

Applicability

9. The ISA (NZ) for LCE is designed to be proportionate to the nature and circumstances of a LCE. It does not address complex circumstances. Compliance with the requirements of the ISA (NZ) for LCE would not be sufficient to obtain sufficient appropriate audit evidence to support a reasonable assurance opinion for a complex entity, because insufficient or inappropriate consideration would be given to the complex matters or circumstances.
10. Part A, Authority, of the standard describes three categories of limitations for use:
 - a. **Specific Prohibitions:** Specific classes of entities for which the use of the standard is prohibited. Examples include a listed entity, an entity one of whose main functions is to take deposits from the public, and an entity one of whose main functions is to provide insurance to the public.
 - b. **Qualitative characteristics of a less complex entity to determine if use of the ISA for LCE is appropriate:** The qualitative characteristics are to be considered both individually and in combination. If there is uncertainty about whether the characteristics in the Authority apply, the use of the ISA for LCE may not be appropriate. (i.e. if in doubt, you are out). The qualitative characteristics are not exhaustive nor absolute (including numerical indicators) and include:
 - **Business activities, business model and industry:** The business activities, business model, or the industry in which the entity operates, do not give rise to significant pervasive business risks. There are no specific laws or regulations that govern the business activities that add complexity (for example, prudential requirements). The entity's transactions result from lines of business or revenue streams.
 - **Organisational structure and size:** The structure is relatively straightforward, with few reporting lines or levels and a small key management team (for example, five individuals or less).
 - **Ownership structure:** The entity's ownership structure is straightforward and there is clear transparency of ownership and control, such that all individual owners and beneficial owners are known.
 - c. **A Quantitative threshold to further limit the applicability of the standard.** National standard setting authorities may set quantitative thresholds to exclude audits of entities to be conducted using the ISA (NZ) for LCE. Professional judgement is needed to determine whether the ISA (NZ) for LCE is appropriate for use.
11. Regarding specific prohibitions, the XRB proposed an additional prohibition stating that the ISA (NZ) for LCE may not be used to audit FMC reporting entities considered to have higher level of public accountability (FMC HLPAs). This added prohibition aims to ensure that entities with a greater public interest or higher complexity remain subject to audits conducted under the full ISAs (NZ).
12. We considered whether other FMC reporting entities, i.e., those considered to have a lower level of public accountability (FMC LLPA) should be prohibited but noted that there may be entities in this category that are less complex. FMC LLPA entities that have characteristics of complexity would be scoped out through the qualitative characteristics in the Authority.

13. Respondents were supportive for the proposed specific prohibition in the standard for FMC HLPAs reporting entities. Therefore, this prohibition has been added to paragraph A.1.(c) of the ISA (NZ) for LCE.
14. The qualitative characteristics were set by the IAASB. The XRB did not consider any need to amend what has been set, as they appear to be appropriate for use in New Zealand.
15. Regarding implementing a quantitative threshold, the XRB considered various quantitative thresholds, such as excluding all Tier 1 financial reporting entities, or using the definition of large from the Financial Reporting Act 2013 as a quantitative threshold. We determined that such a threshold is not needed in New Zealand because:
 - a. a quantitative threshold is not necessarily an indicator of complexity.
 - b. there could be undue audit effort in testing the accuracy of metrics used in the calculation of quantitative thresholds before determining whether the use of ISA (NZ) for LCE is appropriate.
 - c. the specific prohibitions and qualitative characteristics will already scope out entities which have characteristics of complexity.
16. Respondents supported this approach, and therefore we have not added a quantitative threshold to the ISA (NZ) for LCE.

The addition of Part 11, audit of service performance information

17. In New Zealand, many Public Benefit Entities (PBEs) are required to report Service Performance Information (SPI) based on the applicable financial reporting standard. Some of these PBEs are required to have their general-purpose financial report, including the SPI, audited. As many of these PBEs may be less complex entities, the XRB proposed adding a part to the ISA (NZ) for LCE to include requirements for auditing SPI of a less complex entity. This was included as Part 11 *Audit of Service Performance Information* in the Exposure Draft.
18. The XRB developed the requirements of Part 11, with reference to the approach in NZ AS 1 (Revised), but tailored and proportionate to an audit of a less complex entity. It is written to follow the flow of an audit of SPI. The requirements still enable the auditor to provide reasonable assurance. We used the drafting principles set by the IAASB to be:
 - a. Clear - meaning drafted in an easy to understand and unambiguous way.
 - b. Understandable - avoiding unnecessary words and elements and by using plain language.
 - c. Concise - avoiding unnecessary repetition.
19. Part 11 is used in conjunction with Parts 1-10 of the ISA (NZ) for LCE. Paragraph NZP.16A. notes that reference to “financial statements” in the ISA (NZ) for LCE refers to “service performance information” and where relevant “entity information”.
20. Respondents were asked:
 - a. Whether they support the addition of Part 11 to enable the audit of SPI
 - b. Whether the requirements and EEM in Part 11 are appropriately tailored for LCEs, and are there requirements in Parts 1-10 that would be difficult to apply and should be refined

21. The majority of respondents supported the addition of Part 11, noting that the requirements and EEM was appropriately tailored for LCEs.
22. We are aware of the challenges around the reporting and assurance of service performance information. The XRB is being proactive in addressing these challenges, and has an active project to support both the preparation and assurance of the statement of service performance.
23. We received suggestions for further clarification of EEM and requirements, in relation to:
 - a. EEM at para. 11.1.1. It was suggested that the wording related to the objectives should be more clear and concise and refer to Part 11.5 which covers the auditor's evaluation of whether service performance information is appropriate and meaningful. Therefore, we rewritten this EEM, but continuing to focus on the two step approach.
 - b. Requirement at 11.7.2(b) – it was suggested that the auditor determines the relevant assertions and the related performance measures, descriptions or disclosures that are appropriate and meaningful. We have therefore rewritten the requirement. We have also taken the opportunity to clarify the materiality requirements at 11.6.3. to recognise how the auditor applies materiality, moving this paragraph from EEM to a requirement.
 - c. EEM at para. 11.7.2. It was suggested that reference to inherent risk assessment being conducted at a *meaningful level* because of the aggregation, measurement and presentation of service performance information may be confused with the term appropriate and meaningful. We have rewritten this sentence to clarify that the how the service performance information is presented, aggregated or measured may affect how the auditor identifies and assesses the inherent risk.
 - d. EEM at para. 11.9.1. It was suggested to clarify the EEM in relation to attribution and sufficient appropriate audit evidence. We have clarified the EEM, adding titles to denote the sections relating to: sources of information, internal sources, sufficiency and appropriateness of audit evidence, attribution of SPI. We added further guidance on the areas that the auditor may need to consider regarding the attribution of SPI, when multiple entities contribute to an element/aspect of service performance.
 - e. Requirement at para. 11.13.4. It was suggested to reword the sentence that said that the auditor could conclude “in extremely rare circumstances” that the service performance information is misleading. As there could be more than an extremely rare possibility that SPI could be misleading. We have deleted reference to the phrase in 11.13.4.

In-house legal counsel

24. A respondent recommended adding the NZ requirement (para NZ 10.1) from ISA (NZ) 501 *Audit Evidence – Specific Considerations for Selected Items* for when an LCE utilises in-house legal counsel, for the auditor to obtain a legal letter from the in-house level counsel. While it may be uncommon for LCEs to have in-house legal counsel we acknowledge that there still may be entities that have them, and therefore the ISA (NZ) for LCE should have consistent requirements with ISA (NZ) 501. Therefore, we added para. NZ 7.4.24.1. to require a written representation from in-house legal counsel when the in-house legal counsel has the primary responsibility for litigation and claims and is in the best position to corroborate representations from management and those charged with governance.

NZ specific amendments to the ISA for LCE and consequential amendments to the ISAs (NZ)

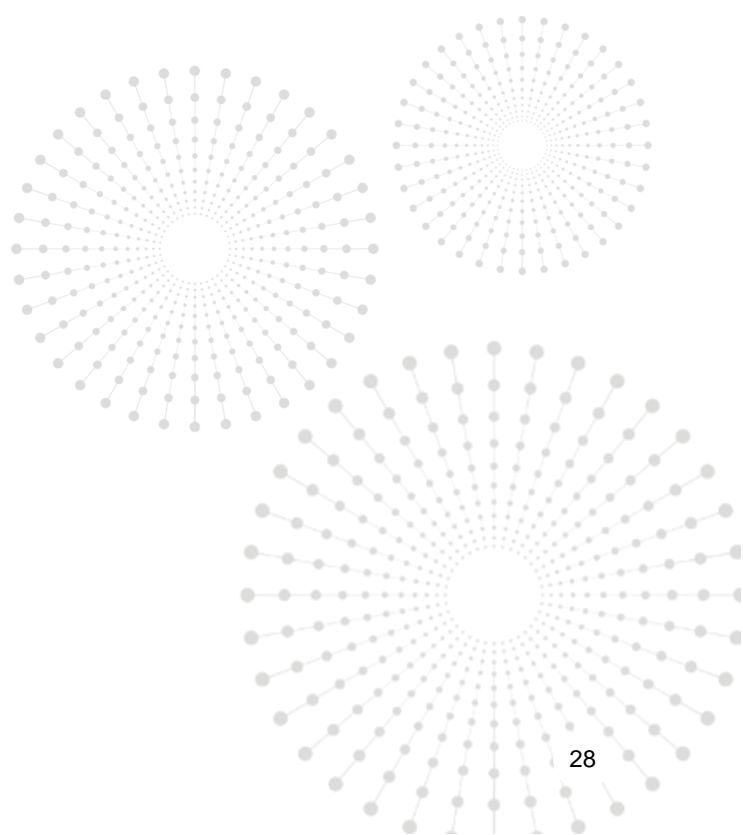
25. The XRB proposed minor amendments to harmonise the ISA for LCE with local principles and practices, as reflected in the ISAs (NZ). The amendments do not result in a standard that conflicts with, or results in lesser requirements. In summary, the amendments relate to:
 - Responsibilities for the financial statements being those of governance rather than management, including in requirements relating to the engagement letter, auditor's report, and written representations. (Ref: Para. NZ4.2.1, NZ8.6.7 and others)
 - Reference to the specific NZ financial reporting frameworks and Professional and Ethical Standards, and the NZ standard setters. (Ref: EEM under P.10., NZ4.3.4., and others)
 - Timing of the going concern assessment, being 12 months from the date of the auditor's current report to be consistent with the relevant ISAs (NZ). (Ref: Para. NZ9.5.20. and NZ7.4.2.)
 - Requiring, when applicable, the auditor to discuss facts which become known after the financial statements have been issued within a reasonable period of time with management and, where appropriate, those charged with governance. (Ref: Para. NZ8.4.7.)
 - Guidance for the auditor to communicate with management if the auditor will intend to rely on a written public statement. (Ref: EEM under 8.6.3.)
 - Adding guidance that comparative financial statements are not included in financial statements prepared under NZ generally accepted accounting practice. (Ref: EEM under 9.7.)
 - Delete reference to checks/cheques in the definition of Accounting Records – as these are no longer used in New Zealand, and they are unlikely to be applicable to less complex entities.
26. Each amended requirement paragraph or amended EEM in the ISA (NZ) for LCE is prefixed by "NZ". Amended requirement paragraphs have "[Amended by the NZAuASB]" to indicate that the paragraph differs from the international equivalent.
27. The XRB has also made Conforming amendments arising from the ISA (NZ) for LCE. These are based on the IAASB conforming amendments, but amend relevant New Zealand assurance standards. Broadly, these amendments add reference to the ISA (NZ) for LCE across the suite of assurance standards in New Zealand
28. We requested comments on the proposed NZ specific amendments and the conforming amendments, respondents were supportive of the amendments, there were no disagreements received on what was proposed.

Application date

29. There was general support for the proposed application date of periods beginning on or after 15 December 2025. The standard would be optional for use and only applicable if the entity meets the specific criteria set out in Part A of the standard.

Guidance

30. The IAASB have issued guidance documents over:
 - a. Adoption guide
 - b. Auditor reporting
 - c. Authority of the standard
 - d. First time implementation guide
31. We intend to issue a guidance document on auditor reporting, applicable to NZ circumstances, in due course.
32. We welcome any further comments or suggestions on guidance auditors would find useful as they implement the standard.
33. We intend to conduct a post implementation review of the ISA (NZ) for LCE in 2-3 years following implementation. We welcome feedback as auditors start to apply the ISA (NZ) for LCE and will look for ways to facilitate sharing experiences and learnings with others.



Memorandum

Date: [Date of Memo]

To: Michele Embling, Chair External Reporting Board

From: Marje Russ, Chair NZAuASB

Subject: **Certificate Signing Memorandum:**
ISA (NZ) for LCE

Introduction

1. In accordance with the protocols established by the XRB Board, the NZAuASB seeks your approval to issue the *International Standard on Auditing (NZ) for Audits of Financial Statements of Less Complex Entities (ISA (NZ) for LCE)*.

Background

2019 discussion [paper](#): possible options

2. The International Auditing and Assurance Standards Board (IAASB) issued a discussion paper: *Audits of Less Complex Entities: exploring possible options to address the challenges in applying the ISAs* in April 2019 to understand the challenges of using ISAs in audits of LCEs and views about possible actions to address these challenges.
3. The NZAuASB undertook various outreach activities to obtain feedback from its constituents on the Consultation Paper, including a webinar, online survey and one-on-one interviews with practitioners from both small and large firms.
4. The NZAuASB's submission supported the IAASB's proposed action to investigate the feasibility of a separate auditing standard for the audit of LCEs

2021 exposure [draft](#): *ISA (NZ) for LCE*

5. The IAASB issued an Exposure Draft *Proposed international standard on auditing of financial statements of Less Complex Entities* in July 2021.
6. Virtual feedback forums were held with smaller audit firms and sole practitioners, including the audit regulator, and separately to engage with users of audited financial statements. Views were sought from the Audit Reference Group and from XRAP. The NZAuASB also received submissions from New Zealand stakeholders, including from a professional body, audit practitioners, and from the Accounting and Finance Association of Australia and New Zealand.
7. The NZAuASB's submission continued to express support for the standard, however expressed reservations that group audits were not supported by exposure draft.

2023 Exposure [draft](#): *Part 10, audits of group financial statements*

8. Responsive to the NZuASB's submission, the IAASB consulted on adding a separate Part 10 to enable the audit of group financial statements. The exposure draft was advertised on our website and no submissions were received.

2023: [Survey](#)

9. In 2023 we surveyed auditors and users of audited financial statements (particularly public sector agencies and regulators) as to whether there was support for adoption of the standard, for which audits should the standard apply, and whether we should enable the audit of service performance information (SPI) within the ISA (NZ) for LCE.
10. We received 78 survey responses. 90% (70 of 78) of the survey participants supported the adoption of the ISA (NZ) for LCE in New Zealand. There was also strong support for enabling the audit of service performance information by adding a separate part to the standard, and specifically prohibiting FMC reporting entities with higher levels of public accountability (FMC HLPAs) from being audited with this standard.
11. The key common themes noted by survey participants for supporting the adoption of the ISA (NZ) for LCE, included: That the standard will reduce complexity and simplify the audit process which leads into a reduction in compliance costs and time involved in the audit process. Supporters also noted that the standard is appropriate for small entities and therefore suits the NZ economy.
12. There were no common themes from those 8 who did not support adoption of the ISA (NZ) for LCE but some comments included that it may introduce a two tier system of auditing, the ISAs are already scalable, additional training and methodologies will be required, and the firm won't use it if the global methodology doesn't permit it.

2024-2025 Exposure [draft](#): ISA (NZ) for LCE

13. In December 2023, the IAASB issued the ISA for LCE.
14. The NZAuASB developed a consultation document and an exposure draft amending the authority, adding NZ specific paragraphs, and developing Part 11 to enable the audit of service performance information. We consulted with a targeted range of practitioners, including the office of the auditor-general, to help us develop the exposure draft.
15. In November 2024, the NZAuASB released the consultation document and exposure draft to seek views on:
 - Whether auditors would use the ISA (NZ) for LCE if it is adopted in New Zealand.
 - The applicability of the standard in New Zealand: To specifically prohibit FMC HLPAs entities and have no quantitative threshold.
 - Service Performance Information: If and how to incorporate the audit of service performance information within the New Zealand Standard.
16. We received 26 written responses, had over 100 participants at our virtual events, and over 200 views of our videos of the walkthrough webcast and panel event on YouTube. We also presented at a conference held by Audit Assistant to over 100 participants on the proposals and heard supportive feedback from attendees.

17. What we heard is summarised in our feedback [statement](#). But overall:

- Support for the ISA (NZ) for LCE standard comes from small to medium-sized audit practices who will use the standard if it is adopted in New Zealand, both in regional areas and main centres. Their client base mainly consists of LCEs. The Auditor-General confirmed his support for adoption and use in the public sector. CPA Australia and CAANZ are also supportive after having held their own discussions with their members. Some users and preparers and charities made submissions in support of the standard as well. The overall sentiment is positive for the adoption of the ISA for LCE in New Zealand. “Let’s give it a go” were the concluding comments at our panel discussion.
- Five audit firms submitted that they may not use ISA for LCE where international firms methodology is restricted to the ISAs. One audit firm does not see the need for the ISA (NZ) for LCE, and considers that the ISAs are already scalable.
- Respondents agreed to specifically prohibit FMC HLPAs entities from being audited with the ISA (NZ) for LCE, and have no quantitative threshold to apply in NZ as a quantitative threshold is not necessarily an indicator of complexity.
- Respondents agreed with the inclusion of Part 11 on service performance information. Some minor suggested amendments were made in clarifying some essential explanatory material and requirements in Part 11, these have been considered by the board and where necessary Part 11 has been amended.

Consideration of Costs vs Benefits

18. Key benefits of the ISA (NZ) for LCE include:

- It is a standalone standard that is proportionate and tailored to the specific needs of an audit of LCEs.
- It will help maintain confidence in financial reporting as it provides the same level of assurance as an audit performed under the ISAs – reasonable assurance.
- It will promote the consistent application of auditing standards to audits of LCEs.

19. Key benefits of adoption of in New Zealand include:

- Suited for New Zealand’s environment: New Zealand has many LCEs that are either required to have their financial statements audited or seek out audits voluntarily.
- Proportionate: We are aware of capacity constraints affecting the audit profession. Some view the ISAs as increasingly long and complex, geared to large, regulated entities, making them challenging to apply. There is anxiety around compliance with very lengthy standards, in case something was missed. The NZAuASB considers that the ISA (NZ) for LCE is responsive to calls to address scalability concerns and may attract auditors to the profession by having a proportionate standard.
- Tailored: The ISA (NZ) for LCE is specifically designed for the needs of audits of less complex entities, focusing on relevant requirements that are proportionate to the typical nature and circumstances of a less complex entity. The ISA (NZ) for LCE emphasises performing the right work in the right areas.
- Clear, Understandable and Concise: The standard uses plain language and follows the flow of the audit, which may make it easy for auditors to understand and

implement. Ease of access may enhance auditors' ability to understand and apply requirements consistently, and reduces anxiety over compliance.

- Enhances Auditor Training: The ISA (NZ) for LCE may be useful for training auditors, providing a clear and concise standard that is easier to understand and implement.

20. The ISA (NZ) for LCE also presents potential costs or risks from its adoption, including:

- Perception of Reduced Audit Quality: An audit performed in accordance with the ISA (NZ) for LCE may be perceived as a lesser quality or scaled down audit, creating the perception of a "two-tier" auditing environment. However, the ISA (NZ) for LCE does not reduce audit quality but is tailored to suit the characteristics of an LCE.
- Costs of maintaining two suites of auditing standards: The XRB would need to maintain two suites of auditing standards going forward. The ISA (NZ) for LCE is to be maintained and updated internationally, reducing standard setting costs.
- Timing of the maintenance: the ongoing maintenance of the ISA for LCE by the IAASB will create a one-year time lag between updates to the ISAs and the ISA for LCE. The IAASB is committed to maintaining consistency with the full ISAs but considered this to be the most pragmatic way to maintain the standard. The majority of respondents to our consultation did not consider the timing of maintenance to impact their view on adoption of the ISA (NZ) for LCE in New Zealand.
- Specialisation risk: There are questions about the long-term implications for auditors who exclusively perform audits using the ISA (NZ) for LCE and may miss opportunities to audit more complex entities. However, the market already has specialisation, and the ISA for LCE is better tailored to be applied by those who specialise in audits of LCEs in New Zealand.
- Education and training costs: There may be increased costs for auditors and firms that use both the ISAs (NZ) and the ISA (NZ) for LCE. There is an increased need for education of users to mitigate the perception risks. There may also be costs of training new auditors entering the profession to use this standard. There will be an increased need for the XRB to promote adoption and facilitate implementation.
- Audit fee pressures: There may be an expectation that audits conducted under the ISA (NZ) for LCE will be "cheaper". This could lead to pressure for auditors to lower fees, potentially impacting the quality of the work. It is important to emphasise that the tailored nature of the requirements of the ISA (NZ) for LCE doesn't necessarily translate into lower fees, as the level of assurance remains the same.
- Complexity assessment risk: There may be a risk that an entity initially assessed as less complex may subsequently be determined to no longer meet the qualitative characteristics of a LCE. This would necessitate use of the full ISAs and potentially a significant rework of the audit file in that year. Early adopters experience is that this is not the case. The IAASB has issued guidance to assist in a transition to the full ISAs mid-engagement if it were to occur.

21. Based on feedback received our New Zealand stakeholders agree that the costs and risks will be offset by the benefits of having an auditing standard tailored for the audit of a less complex entity. Our feedback confirms that a number of auditors would use this standard, if made available for use.

22. We recognise that communication is key to mitigate the risks and issues, including:

- Enhance our communication plan: We will enhance our comprehensive communication plan. This plan will outline the methods and channels we will use to disseminate information, provide updates, and facilitate ongoing dialogue with stakeholders.
- Support adoption and implementation. We will monitor uptake and also monitor adoption benefits as well as challenges where further support may be needed.

ISA (NZ) for LCE compelling reason changes

23. The NZAuASB has incorporated NZ specific changes to the IAASB standard. We reviewed each ISA (NZ) auditing standard which has been amended for NZ circumstances. For each NZ paragraph, we considered whether there was a compelling reason to amend the ISA for LCE, i.e. relevance for an audit of a less complex entity. When making any modifications, we considered the drafting and alignment principles set by the IAASB. Each amended paragraph in the ISA (NZ) for LCE is prefixed by “NZ” with the text “[Amended by the NZAuASB]” added. These were included in the exposure draft and no issues were raised by respondents.

Conforming amendments arising from the ISA (NZ) for LCE

24. The ISA (NZ) for LCE includes conforming amendments to arising from the ISA (NZ) for LCE. These are based on the IAASB conforming amendments, but amend relevant New Zealand assurance standards. Broadly, these amendments add reference to the ISA (NZ) for LCE across the suite of assurance standards in New Zealand. These amendments were exposed and consulted on as part of the 2024 exposure draft. No issues were raised by respondents.

Australian process and harmonisation with Australia

25. In December 2023, the Auditing and Assurance Standards Board (AUASB) released a feedback statement – decision not to adopt the ISA (NZ) for LCE standard in Australia.

26. Practitioners in Australia did not support the adoption of the standard, as they considered that current guidance is sufficient for their needs. The view in Australia was that while the ISA for LCE may be a valuable educative and training tool and may allow some practitioners to focus on requirements relevant to the typical nature and circumstances of the audit of an LCE, these benefits are outweighed by public interest considerations including:

- the perception that an LCE standard is a lesser quality or scaled down audit product,
- a possible expectation of reduced work effort, despite the level of assurance being the same, and
- the time lag in updating the LCE standard.

27. The NZAuASB considered and agreed that the lack of adoption in Australia does not create Trans-Tasman harmonisation issues as use of the ISA (NZ) for LCE would be optional not mandatory.

28. This does however create a need to continue to work closely with CAANZ and CPA Australia to ensure that appropriate implementation support is provided for New Zealand practitioners who adopt the standard, and the XRB will need an ongoing communications approach with additional resources to monitor uptake in New Zealand, support adoption challenges and to share the stories of use of the standard.

Privacy

29. The Financial Reporting Act 2013, section 22(2) requires that the XRB consult with the Privacy Commissioner where an accounting or assurance standard is likely to require the disclosure of personal information. No such consultation is required in relation to this standard.

Due process

30. The due process followed by the NZAuASB complied with the due process requirements established by the XRB Board and in the NZAuASB's view meets the requirements of section 12(b) of the Financial Reporting Act 2013.

Consistency with XRB Financial Reporting Strategy

31. The adoption of ISA (NZ) for LCE is consistent with one of the strategic objectives set by the XRB Board for the NZAuASB to adopt international auditing and assurance standards, as applying in New Zealand and complies with the [NZAuASB's Policy and Process for International Conformance and Harmonisation of Standards](#).

Other matters

32. There are no other matters relating to the issue of these standards that the NZAuASB considers to be pertinent or that should be drawn to your attention.

Recommendation

33. The NZAuASB recommends that you sign the attached certificate of determination on behalf of the XRB Board.

Attachments

- ISA (NZ) for LCE
- Certificate of determination
- Approval Certificate

Marje Russ

Chair NZAuASB

NZAuASB Board Meeting Summary Paper

Meeting date: 4 June 2025
Subject: Sustainability Consultation
Date: 16 May 2025
Prepared By: Karen Tipper

☒ **Action Required**

☐ **For Information Purposes Only**

Agenda Item Objectives

1. The objective of this agenda item is for the Board:

- To approve the consultation paper for sustainability assurance and ethics and independence subject to clearance by the Chief Executive.
- To approve the 6 Exposure Drafts to be included with the consultation, being:
 - International Standard on Sustainability Assurance (New Zealand) 5000, General Requirements for Sustainability Assurance Engagements Exposure Draft
 - Conforming Amendments resulting from the International Standard on Sustainability Assurance (New Zealand) 5000, General Requirements for Sustainability Assurance Engagements Exposure Draft
 - International Ethics Standards for Sustainability Assurance (including International Independence Standards) (New Zealand) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting Exposure Draft
 - Other revisions to the Code Relating to Assurance And Reporting Exposure Draft
 - Revisions to the Code Addressing the Use of an External Expert Exposure Draft
 - Amendments to NZ SAE 1¹, Assurance of Greenhouse Gas disclosures Exposure Draft

These include New Zealand specific paragraphs to clarify scope, the application date and other NZ specific amendments.

- To agree to issue an FAQ on materiality using the application material included in ISAE (NZ) 3410, Assurance Engagements on Greenhouse Gas Statements.

Consultation document

2. In April, the NZAuASB agreed to consult on adoption of 3 international standards released by the IESBA and IAASB to explore whether the XRB should make these new standards available for use in New Zealand in the following circumstances:
- As an option within our temporary standard NZ SAE 1 that may be used to conduct the mandatory assurance engagement required by the Financial Markets Conducts Act 2013.

¹ NZ SAE 1, Assurance Engagements over Greenhouse Gas Emissions Disclosures

- For voluntary sustainability assurance engagements that are not required by legislation including:
 1. Assurance engagements over mandatory reporting such as climate statements (for the information that is not required to be assured)
 2. Assurance engagements over voluntary sustainability reporting frameworks.
- 3. This approach will enable international alignment.
- 4. The Board discussed the IAASB's decision to withdraw ISAE 3410 from 15 December 2026 to replace it with ISSA (NZ) 5000 from this date. It was noted that ISAE 3410 is topic specific to the current mandatory regime in New Zealand and that we do have the option to retain it in New Zealand.
- 5. It has been clarified that the IAASB will not support ISAE 3410 from 15 December 2026. Practitioners will not be able to assert compliance with international standards unless using ISSA 5000 for sustainability assurance engagements from then on.
- 6. The NZAuASB's preference was to defer a decision on whether to retain ISAE (NZ) 3410 in New Zealand to a later date. If the XRB continues to retain this standard, that approach will be out of alignment with international standards. However, the NZAuASB agreed it is important to continue to see how the market evolves before making a decision. We can revisit this approach closer to December 2026, when the new international standards are effective.
- 7. The consultation document sets out these key messages together with New Zealand specific proposed amendments in New Zealand.
- 8. The XRB Board will be updated on this approach at its May meeting. We seek approval of the consultation document from the NZAuASB. The final document will also be subject to a detailed review by the XRB's chief executive.

Proposed scope of the standards in New Zealand

9. All 3 international standards are proposed to be made available for use. The consultation document proposes that ISSA (NZ) 5000 and IESSA (NZ) refer to NZ SAE 1 for the mandatory assurance engagements that are required under the Financial Markets Conduct Act 2013.
10. The proposal is to add the option to use ISSA (NZ) 5000 into NZ SAE 1. We explain that while making the standards available for use, we are not proposing to replace NZ SAE 1 with these standards. We will continue to monitor and learn from the market as it develops and assurance reports are issued in line with NZ SAE 1. The consultation document highlights the matters we are monitoring to inform a final decision at a later stage.

Proposed Application Date

11. All EDs include a proposed application date for periods beginning on or after 15 December 2026. We are issuing the proposals well in advance of possible application to seek feedback and allow practitioners time to familiarise and prepare for adoption. This application date would mean that the standards would be applicable after two years of mandatory GHG disclosures assurance

New Zealand specific amendments

IESSA (NZ)

12. The IESSA mirrors the requirements in the extant Code. In April, the Board discussed possible amendments for New Zealand.

13. Staff have since identified further possible compelling reasons amendments based on changes made to extant PES 1², and considered whether the same requirements should be carried across into IESSA (NZ), as relevant for sustainability assurance engagements.
14. Staff identified the following amended paragraphs in PES 1 are relevant to sustainability assurance engagements. These have not been previously discussed with the Board. Staff propose to include these in the ED IESSA (NZ) and to seek feedback on consultation:

a) Confidentiality

PES 1 ([NZ 114.3 A1.1](#)) includes application material that advises an assurance practitioner to obtain legal advice before disclosing or using confidential information without client's consent.

We propose to add the application material in a corresponding paragraph NZ 5114.3 A1.1. to the IESSA (NZ). This change is harmonised with the Australian proposals and was included in the Australian Accounting Professional and Ethical Standards Board (APESB) proposed code for sustainability assurance practitioners.

b) Disclosure of safeguards

PES 1 ([NZ 310.9.1](#)) requires the assurance practitioner to disclose, in writing, the nature of the conflict of interest and the related safeguards applied to eliminate the threat or reduce it to an acceptable level to all clients or potential clients affected by the conflict. [NZ R310.9.2](#) requires the assurance practitioner to obtain the client's consent, in writing, to perform the assurance services when safeguards are applied. International Code and IESSA state that disclosure is generally necessary.

[NZ R310.12.1](#) requires an assurance practitioner to disengage from the relevant assurance engagement if adequate disclosure to the client of a conflict of interest is restricted as a result of confidentiality requirements. International Code and IESSA allow the engagement to proceed in limited circumstances.

Staff propose the same amendments to the IESSA (NZ) in the corresponding paragraphs (NZ 5310.9.1, NZ R5310.9.2 and NZ R5310.12.1). The APESB has not proposed to make these changes.

c) Referral fees or commissions

PES 1 ([NZ R330.5](#)) prohibits an assurance practitioner from accepting or paying referral fees, commissions or similar benefits in connection with an assurance engagement. [NZ 330.5 A1.1](#) explains that there are no safeguards that could reduce a threat to independence to an acceptable level. International Code and IESSA state possible safeguards.

We recommend amendments to the IESSA (NZ) in the corresponding paragraphs NZ R5330.5 and NZ 5330.5 A1.1 and at the same time the paragraphs 5330.5 A1 and 5330.5 A2 have been deleted. The APESB has proposed changes in this area, but these differ from the New Zealand changes. The APESB proposal requires practitioner to inform the client in writing about the existence of referral fee or commission arrangements, other party of the arrangement and method of calculation. Additionally, the APESB proposes to prohibit accepting commissions and similar benefits but referral fees are not explicitly included in the prohibition.

d) Non-compliance with laws and regulations

² Professional and Ethical Standard 1, *International Code of Ethics for Assurance Practitioners (including International Independence Standards)* (New Zealand)

PES 1 ([NZ 360.28 A1.1](#)) includes additional examples regarding documentation required by auditing standards. These examples are not included in the International Code and IESSA. These documentation requirements are in ISSA 5000. Given this is application material we do not consider that it is necessary to make this change at this time. This has not been amended or included in the proposals from APESB.

e) Multiple threats to independence

PES 1 ([NZ R400.19.1](#)) requires that when an assurance practitioner identifies multiple threats to independence, which individually may not be significant, the assurance practitioner evaluate the significance of those threats in aggregate and apply safeguards to eliminate or reduce them to an acceptable level in aggregate.

We have added the requirement in a corresponding paragraph NZ R5400.19.1 to the IESSA (NZ). This is consistent with the APESB proposals.

f) Service as Director or Officer

PES 1 ([NZ R523.3.1](#)) specifically prohibits a firm from providing audit services to an entity if the partner or employee of the firm serves as an officer or director, liquidator or receiver of an audit client of the firm. The IESSA does not include the prohibition in relation to liquidator or receiver. Staff propose adding this prohibition and have added this in proposal in paragraphs NZ R523.3.1 in IESSA (NZ) ED. APESB does not propose to include liquidator or receiver in the prohibition, however APESB proposes amendments that are in line with APESB Code, which clarify that firms shall refuse to perform or withdraw from engagement if director or employee were to serve as an officer or as a director of a sustainability assurance client, or as an employee in a position to exert direct and significant influence over the subject matter of the sustainability assurance engagement.

g) Tax advisory and tax planning services

PES 1 ([NZ604.12 A2.1](#)) includes additional explanation regarding the provision of tax advisory and tax planning services. This was agreed with the Board in April. Staff have included application material and requirements into the IESSA (NZ) ED to mirror the requirements in PES 1. APESB has proposed similar changes in Australia.

ISSA (NZ)

15. Staff has proposed the following amendments to ISSA (NZ) as discussed and agreed with the Board in the April meeting:

- a. A requirement to restrict the scope of ISSA (NZ) by including a NZ paragraph in ISSA (NZ) 5000 to refer to NZ SAE 1 for the purposes of mandatory assurance (NZ 8A)
- b. A requirement to include a statement as to the existence of any relationship which the assurance practitioner has with, or any interests which the assurance practitioner has in, the entity or any of its subsidiaries.
- c. A requirement for the lead assurance practitioner to form a conclusion on compliance with independence requirements as included in ISAE (NZ) 3000 has not been included in ISSA (NZ) ED as it is considered that this is covered by the following paragraphs in ISSA 5000:

190 The assurance report shall include at a minimum the following basic elements:

(iv) States that the practitioner complies with the independence and other ethical requirements of:

- a. *The IESBA Code related to sustainability assurance engagements; or*

b. *Other professional requirements or requirements in law or regulation, and shall:*

i. *Identify those requirements; and*

ii. *Disclose the name of the appropriate authority that has determined such requirements to be at least as demanding as the provisions of the IESBA Code related to sustainability assurance engagements;*

(v) *If the relevant ethical requirements require the practitioner to publicly disclose when the practitioner applied independence requirements specific to sustainability assurance engagements of certain entities, the statement in accordance with part (iv) above shall indicate that the practitioner is independent of the entity in accordance with the independence requirements applicable to the sustainability assurance engagements of those entities; (Ref: Para. A554)*

16. Within the ED of ISSA (NZ) 5000, references to the IESBA Code have been updated to PES 1. If we adopt ISSA (NZ) 5000 and IESSA in New Zealand, the IESSA will be included as Part 5 in PES 1 when the ISSA (NZ) 5000 becomes applicable.

Use of External Experts

17. Staff has not proposed any amendments to the use of experts revisions.

New Zealand specific amendments to all international EDs

18. In accordance with XRB policy, staff have moved the application date to the beginning of the standard and included it in the “commencement and application” section of the standard.
19. The EDs include a new section (Part 5) be added to PES 1. Given the whole section is new, the drafts show any NZ specific amendments in track changes. This is for the board information only, and will not be published in track changes in the exposure drafts when issued.
20. The EDs also include changes to extant PES 1. For these sections in the EDs, the track changes show what will be amended from the existing PES 1. These changes will be exposed showing the track changes.
21. The ED on Use of Experts includes changes to Part 5 and to the sections applicable to audits of financial statements. We intend to include the sections for sustainability engagements within Part 5 if we finalise the standards in New Zealand. However, at this stage we have kept them as a separate ED.

NZ SAE 1 proposals

22. We have drafted the inclusion on the option to allow the use of ISSA (NZ) 5000 for conducting the assurance engagement over GHG disclosures required by the financial markets conduct Act 2013.
23. Additionally, staff propose the inclusion of a requirement for one-to-many reports within NZ SAE 1 to drive consistency across practitioners, noting that any such requirement would not be applicable until periods commencing on or after 15 December 2026. This would require practitioners to determine whether the assurance report provides sufficient appropriate evidence for their purposes by evaluating whether the description of the procedures performed and the results thereof are appropriate for the assurance practitioner’s purposes. Staff consider this relevant to the GHG assurance regime given that assurance is required over scope 3. By including possible drafting we suggest we will get a clearer response as to whether this is needed at this time.

Materiality

24. Staff presented an analysis of the application material in ISAE (NZ) 3410 [A44](#) that was considered relevant to the assurance of GHG disclosures. Staff recommended that this be published as an FAQ on our website as it is useful for all practitioners currently.
25. The application material on materiality has been identified as a useful source of information for assurance practitioner. Staff propose to draft FAQs covering the following:
 - a. How may the concept of materiality be considered the context of planning and performing a GHG engagement
 - b. What may the needs of intended users be over this GHG information?
 - c. What are some qualitative and quantitative considerations of materiality for assurance engagements over GHG disclosures?

Recommendations

- d. We recommend that the Board Approve the consultation document and EDs

Material Presented

Agenda item	Board Meeting Summary Paper
Agenda item	Draft consultation paper
Supplementary	ED ISSA (NZ) 5000
	ED Conforming Amendments resulting from ISSA (NZ) 5000
	ED IESSA (NZ)
	ED Other revisions to the Code Relating to Assurance And Reporting
	ED Use of Experts
	ED Amendments to NZ SAE 1

Sustainability assurance, ethics and independence

Consultation document

June 2025

Consultation closes **DATE**

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Sustainability Assurance, Ethics and Independence

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PART 1: ABOUT THIS CONSULTATION

This consultation seeks your views on whether the External Reporting Board (XRB) should make the following package of three new international standards:

- a. International Standard on Sustainability Assurance 5000, *General Requirements for Sustainability Assurance Engagements* (ISSA 5000)
- b. *International Ethics Standards for Sustainability Assurance (including International Independence Standards) and Other Revisions to the Code relating to Sustainability Assurance (IESSA)*
- c. Revisions to the Code Addressing the Use of an External Expert

available for use in New Zealand in the following circumstances:

- As an option within our temporary standard, New Zealand Standard on Assurance Engagements (**NZ SAE 1**)¹ for the mandatory assurance of greenhouse gas disclosures that may be used to conduct the mandatory assurance engagement required by the Financial Markets Conducts Act 2013.
- For sustainability assurance engagements that are not required by legislation (referred to as voluntary assurance engagements). This would cover:
 - Assurance engagements over mandatory reporting such as climate statements (for the information that is not required to be assured)
 - Assurance engagements over voluntary sustainability reporting frameworks.

These international standards are applicable for periods beginning on or after 15 December 2026. This consultation is seeking views well in advance of possible application to allow sufficient time for assurance practitioners to familiarise and prepare for adoption.

The XRB proposes that these standards be made available for use in New Zealand. However, we are not proposing that they replace our temporary standard NZ SAE 1, for mandatory assurance over GHG emissions disclosures. We intend to continue to follow our wait and monitor approach for GHG emissions disclosure assurance, mindful that there are still many unknowns.

This approach allows us time to monitor how other jurisdictions (refer appendix A) intend to adopt these international standards and the extent to which a broad range of assurance practitioners needed to perform sustainability assurance engagements choose to adopt or apply these new international standards. We believe that it is important to retain NZ SAE 1 as these moving parts continue to evolve. A decision to move to a permanent solution will be based on our analysis and the global and local practice that emerges.

¹ NZ SAE 1, *Assurance Engagements over Greenhouse Gas Emissions Disclosures*

PART 2: HOW TO PROVIDE FEEDBACK

This document should be read in conjunction with the following exposure drafts (EDs):

- **ED ISSA (NZ) 5000 General Requirements for Sustainability Assurance Engagements**
- ***ED International Ethics Standards for Sustainability Assurance (including International Independence Standards) (New Zealand) and Other Revisions to the Code relating to Sustainability Assurance (IESSA (NZ))***
- ***ED Amendments to Professional and Ethical Standard 1 Addressing the Use of an External Expert***

You will be able to provide oral comments at feedback sessions. Information about dates and times can be found at <https://www.xrb.govt.nz/events/>.

Please provide written submissions by **X**. Your submission may respond to any or all questions below. Where possible, please include evidence in support of your views. When providing written feedback, you may either use the online submission template on our website or send your views (either directly in an email or via a comment letter) to assurance@xrb.govt.nz. You can send any questions about the submission process to the same email address. We will publish submissions on the XRB website, subject to any commercial confidentiality and privacy limitations. Please state if you wish to withhold the release of any information in your submission for commercial confidentiality reasons.

Q1: Do you agree with the proposal to adopt ISSA 5000 in New Zealand?
Q2: Is your firm intending to transition to ISSA 5000 for sustainability assurance engagements? If not, what concerns do you have related to the adoption?
Q3: Do you agree with the proposed New Zealand changes to ISSA (NZ) 5000: a) To clarify the scope b) To address the existence of relationships which the assurance practitioner may have Are there any other matters that you recommend the XRB consider adding to ISSA (NZ) 5000?
Q4: Do you agree with the proposal to adopt the IESSA in New Zealand?
Q5: Is your firm intending to transition to the IESSA for sustainability assurance engagements? If not, what concerns do you have related to the adoption?
Q6: Do you agree with the proposed New Zealand changes to IESSA (NZ): (a) To clarify the scope (b) To replicate amendments in PES 1 Are there any other matters that you recommend the XRB consider adding to IESSA (NZ)?
Q7: Do you agree with the proposal to adopt the amendments for the Use of an External Expert in New Zealand?
Q8: Are there any New Zealand changes that you recommend the XRB consider adding to the standards for the use of an external expert?
Q9: Do you support adding a third option to NZ SAE 1 to enable assurance practitioners to apply ISSA (NZ) 5000 for mandatory GHG assurance engagements?
Q10: Do you agree that the XRB should defer any decision to withdraw ISAE (NZ) 3410 to a later date?
Q11: Do you support these additional requirements being added to NZ SAE 1?
Q12: Do you agree with the proposed application date for periods beginning on or after 15 December 2026, consistent with the application date of the international standards.



PART 3: BACKGROUND

In December 2022, the XRB issued the New Zealand climate standards (**NZ CS**) applicable to climate reporting entities for periods beginning 1 January 2023. From 27 October 2024, the GHG disclosures contained within these climate statements are subject to assurance.

NZ SAE 1 was deliberately developed as a temporary standard, applicable for the assurance required by legislation. It was based on existing standards and best practice at the time. When developing NZ SAE 1, the new international assurance and ethical standards were still developing. The XRB's approach was aimed at ensuring the regime was open to all competent, independent assurance practitioners.

Currently, there are still many unknowns and this consultation is not proposing to replace our temporary approach at this time. The XRB remains committed to watching, waiting and monitoring the market as it develops and matures. The first assurance reports required in accordance with NZ SAE 1 are now in the market. We are actively monitoring how this market is developing. The XRB will make a final decision on the applicable assurance standards for our climate regime when we learn more about:

- Which practitioners are engaged to perform assurance
- Whether climate reporting entities seek assurance over more than just the GHG emissions disclosures
- How the recent international standards are adopted and applied in practice internationally

International standards

Since the issue of NZ SAE 1 there have been developments in international assurance and ethical standards:

- The International Auditing and Assurance Board (**IAASB**) released an international standard on sustainability assurance (**ISSA**) 5000, General Requirements for Sustainability Assurance Engagements². The IAASB will withdraw ISAE 3410³, once ISSA 5000 is effective. The impact is that once effective, ISSA 5000 will replace the international standard, ISAE 3000⁴, which has been referred to by many practitioners who may have performed sustainability assurance engagements in the past.
- The International Ethics Standards Board for Accountants (**IESBA**) released two standards:
 - International Ethics Standards for Sustainability Assurance (including Independence Standards) (**IESSA**) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting.
 - Amendments to the Code Addressing using the Work of an External Expert.

All of these international standards are applicable for periods beginning on or after 15 December 2026 and are designed to work together as a package. They have been

² International on sustainability assurance (**ISSA**) 5000, *General Requirements for Sustainability Assurance Engagements*

³ ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*

⁴ ISAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

developed to be framework neutral (applicable to a wide range of sustainability reporting under a suitable reporting framework) as well as practitioner neutral, applicable by a broad range of assurance practitioner, and not limited to those from a financial background.

There are collaborative initiatives underway globally to reach a consistent global baseline of standards that can be applied regardless of professional background. The IAASB and the IESBA are working with the International Accreditation Forum (IAF)⁵ to enable these standards to be applied by all competent, independent assurance practitioners. At the same time, the International Organization for Standardization is developing standards for the assurance of sustainability information.

Global reporting and assurance of sustainability information is evolving. Some jurisdictions are advancing at pace, while others are moving to delay. Please refer to the Appendix A for international developments.

PART 4: Summary of Proposals

The XRB is proposing to make the new international standards available for use in New Zealand. We are not proposing that they replace the temporary standard NZ SAE 1, applicable for mandatory GHG assurance engagements at this time.

We propose to make these standards available for use to enable New Zealand to remain aligned with international standards.

Adoption of ISSA (NZ) 5000 for a range of engagements

The XRB is proposing to issue ISSA (NZ) 5000, *General Requirements for Sustainability Assurance Engagements in New Zealand*, based on ISSA 5000.

We propose to make ISSA (NZ) 5000 available for use on sustainability assurance engagements including:

- As one option for engagements over GHG emissions disclosures within our temporary standard, NZ SAE 1.
- For voluntary assurance over other information included in the climate statements.
- Other voluntary assurance of voluntary sustainability information.

The standard covers both limited and reasonable assurance engagements. It is intended to be practitioner neutral but the format and language may be more familiar to accountants.

We propose to adopt this standard in New Zealand because once it is effective internationally, ISSA 5000 will replace ISAE 3000 as the global standard applicable to sustainability assurance engagements. ISAE 3410 will no longer be maintained internationally, and firms will not be able to assert compliance with international standards without reference to ISSA 5000 from its effective date.

⁵ The IAF is a global association of accreditation bodies, conformity assessment body associations and other organizations involved in conformity assessment in fields including validation/verification and the certification of management systems, products, processes, services and persons. The IAF and the IESBA have a [strategic partnership](#).

ISSA 5000 includes the most recent international thinking. Anecdotally we have heard that global firms are moving their methodologies to align with ISSA 5000 for sustainability assurance. Certain Australian entities are required to have some of their climate disclosures assured under the Australian equivalent of ISSA 5000 (ASSA 5000).

For more information about what is included in ISSA 5000, refer to appendix B.

Q1: Do you agree with the proposal to adopt ISSA 5000 in New Zealand?

Q2: Is your firm intending to transition to ISSA 5000 for sustainability assurance engagements? If not, what concerns do you have related to the adoption?

Proposed New Zealand specific amendments to ISSA 5000

The XRB proposes the following amendments to harmonise ISSA 5000 with local principles and practices. The amendments do not result in a standard that conflicts with or results in lesser requirements.

1. Scope

The scope of the international standard ISSA 5000 is intentionally broad and covers all sustainability information including GHG assurance. However, in New Zealand, NZ SAE 1 is the applicable standard for mandatory assurance over GHG emission disclosures in the climate statements of climate reporting entities.

For clarity, we are proposing that we include a NZ paragraph in ISSA (NZ) 5000 to refer to NZ SAE 1 for the purposes of mandatory assurance, as follows:

NZ8A The practitioner shall apply New Zealand Standard on Assurance Engagements 1 when conducting an assurance engagement for the disclosures within the climate statements relating to GHG emissions required by the Financial Markets Conduct Act 2013 (the Act) to be the subject of an assurance engagement.

2. Transparency around the existence of any relationships that exist

The XRB proposes to add a requirement that the assurance practitioner's report include a statement as to the existence of any relationship which the assurance practitioner has with, or any interests which the assurance practitioner has in, the entity or any of its subsidiaries. This requirement has been consistently added to all XRB's assurance standards, given the nature of our small market to address the perception risks of any associated conflicts of interest. Proposed drafting with underlines to show the additional text is include below:

Assurance Report Content

190. The assurance report shall include at a minimum the following basic elements: (Ref: Para. A539, A567–A569)

190 d (v) a (NZ): includes a statement as to the existence of any relationship (other than that of practitioner) which the practitioner has with, or any interests which the practitioner has in, the entity or any of its subsidiaries.

Q3: Do you agree with the proposed New Zealand specific changes to ISSA (NZ) 5000:

(a) To clarify the scope

(b) To address the existence of relationships which the assurance practitioner may have

Are there any further matters that you recommend the XRB consider adding to IESSA (NZ) 5000?

Adoption of IESSA (NZ)

The XRB is proposing to issue IESSA (NZ) in New Zealand as part 5 in PES 1⁶, based on the IESSA issued by the IESBA.

Once effective, IESSA will replace the extant provisions in the Code of Ethics as the global ethics and independence standard applicable to sustainability assurance engagements. Firms will not be able to assert compliance with international standards without reference to the IESSA from its effective date.

The IESSA includes the most up to date international thinking and has been tailored for specific ethical and independence considerations relevant to sustainability assurance.

[To update on published Australian decisions on use of the IESSA if published before we issue]

For more information about what is included in the IESSA, refer to appendix C.

Q4: Do you agree with the proposal to adopt the IESSA in New Zealand?

Q5: Is your firm intending to transition to the IESSA for sustainability assurance engagements? If not, what concerns do you have related to the adoption?

Proposed New Zealand specific amendments to IESSA

The XRB proposes the following amendments to harmonise IESSA with local principles and practices. The amendments do not result in a standard that conflicts with or results in lesser requirements.

3. Scope

The XRB proposes to make amendments to clarify the applicability of standards in New Zealand.

The IESSA is intended to be used by any assurance practitioner for sustainability assurance engagements, including GHG assurance engagements. However, in New Zealand, NZ SAE 1 is the applicable standard for mandatory GHG assurance. It includes the ethical and independence requirements and requires the assurance practitioner to report what specific ethical standards have been applied.

For clarity, we are proposing to add a NZ paragraph within the IESSA (NZ) to refer to NZ SAE 1 for the purposes of mandatory ethics and independence requirements for mandatory engagements over GHG emissions disclosures as follows:

⁶ PES 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)

NZ5100.0 *A sustainability assurance practitioner shall apply the independence requirements in NZ SAE 1 when conducting an assurance engagement for the disclosures within the climate statements relating to greenhouse gas emissions required by the Financial Markets Conduct Act 2013 (the Act) to be the subject of an assurance engagement. (para NZ 5100.0 in IESSA (NZ) Exposure Draft).*

The XRB is not proposing to amend the independence requirements included in NZ SAE 1 at this time, based on what is included in the IESSA. Rather, the XRB will make a final determination once more information about how the IESSA is applied more broadly is available.

The XRB is proposing some specific New Zealand amendments to replicate amendments that have been made to the PES 1 for audits and reviews of financial statements that are equally relevant to sustainability assurance. These amendments include the following:

- Application material to advise practitioners to seek legal advice when disclosing confidential information (NZ 5114.3 A1.1).
- A requirement, when an assurance practitioner identifies multiple threats to independence, which individually may not be significant, to evaluate the significance of those threats in aggregate and apply safeguards to eliminate or reduce them to an acceptable level in (NZ R5400.19.1).
- Additional application material regarding the provision of tax advisory planning and advisory services (NZ 5604.12.A2.1).
- Amendments relating to the disclosure of safeguards (NZ 5310.9.1, NZ R5310.9.2 and NZ R5310.12.1) and service as a director or officer (NZ R523.3.1).

Q6: Do you agree with the proposed compelling reason changes to IESSA (NZ):

- (a) To clarify the scope
- (b) To replicate amendments in PES 1

Are there any further matters that you recommend the XRB consider adding to IESSA (NZ)?

Adoption of Amendments for the Use of an External Expert

The XRB is proposing to adopt Amendments Addressing the Use of an External Expert in New Zealand.

These amendments include the ethical and independence requirements to apply when an expert is used. The requirements are applicable for both financial statement audits and sustainability assurance. It is expected that experts will be used more in sustainability assurance engagements including the assurance over scope 3 GHG emissions disclosures given the emissions from the value chain.

Q7: Do you agree with the proposal to adopt the amendments for the Use of an External Expert in New Zealand?

For more information about what is included in these amendments, refer to appendix D.

New Zealand specific amendments to the Use of External Expert

The XRB is not proposing any specific New Zealand amendments to the Amendments Addressing the Use of an External Expert.

Q8: Are there any New Zealand specific changes that you recommend the XRB consider adding to the standards for the use of an external expert?

Amendments to NZ SAE 1

4. Option to use ISSA (NZ) 5000 for the assurance of GHG emissions

The XRB is not proposing to mandate the use of ISSA (NZ) 5000 for GHG emissions assurance but instead is proposing to make ISSA (NZ) 5000 available for use on these engagements as an option alongside ISAE (NZ) 3410 and ISO 14064:3-2019 to assure GHG emissions disclosures within our temporary standard.

Internationally ISSA 5000 will replace ISAE 3410 for periods beginning on or after 15 December 2026. Thereafter, ISAE 3410 will not be maintained internationally and assurance practitioners will not be able to assert compliance with international standards if referencing ISAE 3410. The XRB currently intend to retain ISAE (NZ) 3410 as an XRB standard and as an option within NZ SAE 1 as it is subject matter specific to GHG emissions, the scope of the mandatory assurance required for climate statements.

We will continue to monitor GHG assurance reports and the New Zealand market and continue to engage on the value of retaining ISAE (NZ) 3410 in New Zealand once more information is available. We are mindful that the global environment for reporting and assurance over sustainability information is in flux, so we do not wish to rush our transition to the new standards. We wish to monitor and learn from others to enable implementation and reflect on best practices that promote high quality assurance engagements.

However, we acknowledge that practitioners may wish to transition to the latest international standards. ISSA 5000 includes the relevant requirements from extant ISAE 3410 but has been updated and enhanced for latest best practice. It includes requirements for the value chain and groups, which are relevant for GHG emission engagements. We understand that some firms may already be updating their methodologies to align to ISSA 5000 and international best practice. Once ISSA 5000 becomes effective internationally, firms may be required by their global methodology to transition to ISSA 5000.

There may be some application material in ISAE (NZ) 3410 that practitioners find useful relating to materiality judgements (ref para. A44 to A51). We will promote this guidance as a frequently asked question, as we consider all practitioners, irrespective of what standard they use may benefit from this guidance. We note, however, that it does not impact the requirements.

Given the new climate reporting and assurance requirements in Australia (refer appendix A), permitting use of ISSA (NZ) 5000 within New Zealand may reduce the costs and administrative burden, avoiding the need to apply different standards across Trans-Tasman engagements.

Proposed drafting for this amendment in extant NZ SAE 1 (with underlines to show the change) is as follows:

11. When conducting the [assurance engagement](#) required by the Financial Markets Conduct Act 2013, the [assurance practitioner](#):

Shall comply with either ISO 14064-3: 2019 Greenhouse gases — Part 3: Specification with guidance for the verification and validation of greenhouse gas statements⁴ or ISAE (NZ) 3410 Assurance Engagements on Greenhouse Gas Statement or ISSA (NZ) 5000 General Requirements for Sustainability Assurance Engagements

Q9: Do you support adding a third option to NZ SAE 1 to enable assurance practitioners to apply ISSA (NZ) 5000 for mandatory GHG assurance engagements?

Q10: Do you agree that the XRB should defer any decision to withdraw ISAE (NZ) 3410 to a later date?

5. Value Chain

Value chain considerations are especially relevant to New Zealand given that the scope 3 GHG emission disclosures are subject to mandatory assurance.

During our recent consultation on the amendments to the climate standards, the use of service organization and controls reports were highlighted by practitioners for third party data providers. ISSA 5000 includes requirements and considerations for one-to-many reports (refer appendix B for details) if the practitioner plans to use an assurance report of another practitioner that has been designed for use by user entities.

NZ SAE 1 includes high level principles for the use of the work of others (refer paragraph 26). Two of these requirements state that, if the assurance practitioner intends to use the work of others that they shall:

- agree the nature, scope and objectives of their work.
- evaluate the adequacy of the work performed for their purposes.

We are interested to understand how practitioners are dealing with scope 3 GHG assurance and whether further changes are needed within our temporary standard. We are exploring adding a requirement for one-to-many reports within NZ SAE 1 to drive consistency across practitioners, noting that any such requirement would not be applicable until periods commencing on or after 15 December 2026.

Proposed drafting is:

Use of Work of Others

26A In agreeing the nature of the work performed in accordance with paragraph 26 (d) and evaluating the adequacy of the work in accordance with paragraph 26 (e), if an assurance practitioner plans to use an assurance report of another assurance practitioner that has been designed for use by user entities and their assurance practitioner across a value chain (a one-to-many report), the assurance practitioner shall determine whether the assurance report provides sufficient appropriate evidence for their purposes by evaluating:

- a) Whether the description of the procedures performed and the results thereof are appropriate for the assurance practitioner's purposes; and*
- b) The adequacy of the standard(s) under which the assurance report was issued.*

Q11: Do you support adding the proposed value chain requirement into NZ SAE 1?

Part 5: Application date

The XRB proposes to align with the application dates of the international standards, i.e., applicable for assurance engagements on sustainability information reported:

- (a) For periods beginning on or after 15 December 2026; or
- (b) As at a specific date on or after 15 December 2026.

The XRB is proposing to allow but not require early adoption.

Q12: Do you agree with the proposed application date for periods beginning on or after 15 December 2026, consistent with the application date of the international standards.

Appendix A: International sustainability assurance developments

Summary of adoption status of ISSA 5000 in other jurisdictions:

Australia:

For periods beginning on or after 1 January 2025, certain Australian entities are required to report climate statements in accordance with AASB S1 General Requirements for Disclosure of Sustainability-related Financial Information and AASB S2 Climate-related Disclosures. Certain entities will be required to obtain limited assurance of the governance, strategy – risks and opportunities and scope 1 and 2 GHG emissions disclosures in their sustainability reports prepared under the Corporations Act 2001. These assurance requirements are being phased in over time with reasonable assurance being required for all disclosures in the climate reports of some entities for periods beginning on or after 1 July 2030.

These assurance engagements are required to be conducted in accordance with ASSA 5000 General Requirements for Sustainability Assurance Engagements and ASSA 5010 Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001⁷. ASSA 5000 is aligned to ISSA 5000 and requires assurance practitioners to apply the international version of the IESSA for relevant ethical requirements.

The Accounting Professional & Ethical Standards Board (APESB) is currently considering feedback in response to their consultation to adopt the IESSA and Use of External Experts Amendments in Australia.

Harmonisation with Australia is considered important. The NZAuASB has a policy of harmonisation with Australia given that some entities are dual listed and harmonisation enables businesses, consumers and investors to conduct operations across the Tasman in a seamless regulatory environment⁸.

Europe

The European Union (EU) requires limited assurance over the sustainability information required to be reported as part of its Corporate Sustainability Reporting Directive (CSRD) regime for periods beginning on or after 1 January 2025.

In April 2025, the EU voted to delay the implementation of certain specific sustainability reporting rules particularly those affecting small and mid-medium sized enterprises. The EU's simplification omnibus package was introduced in February 2025 with the aim to reduce bureaucracy and by exempting smaller firms from certain sustainability reporting requirements.

The adoption of ISSA 5000 in Europe is still undetermined.

Other jurisdictions

Many standard setters in other jurisdictions have exposed or are working to expose ISSA 5000. Some countries have made it available for voluntary use.

⁷ ASSA 5000 General Requirements for Sustainability Assurance Engagements and ASSA 5010 Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001

⁸ [How we set our standards](#)

Appendix B: Summary of ISSA 5000

This Appendix summarises key elements in ISSA 5000. ISSA 5000 is a standalone umbrella standard that covers the whole sustainability assurance engagement process. It includes requirements for both limited and reasonable assurance engagements.

Scope

- Applicable to assurance of all types of sustainability prepared under any suitable reporting framework, including GHG emissions.

Acceptance and continuance of the engagement

- Relevant ethical requirements, including independence, to be satisfied (ISSA 5000 para 26). These include the IESBA's Code of Ethics or requirements at least as demanding (para 6(a)).
- The engagement team has appropriate competence, capabilities and resources to perform the engagement. (para 26).
- Appropriate preconditions exist before the acceptance of the engagement. (para 75-84). This includes obtaining a preliminary knowledge of the sustainability information and considering whether the entity has a process to identify sustainability information to be reported. The entity's process to identify sustainability information to be reported needs to be considered at all stages of the assurance engagement (Appendix B of ISSA 5000).

Planning

- Develop an overall strategy and engagement plan (para 95)
- Consider materiality for qualitative disclosures and determine materiality for quantitative disclosures (para 98)

Risk assessment

- Risk assessment is required at the disclosure level for limited assurance and at the assertion level for the disclosures for reasonable assurance (para 103)
- Risk assessment procedures include:
 - determining the suitability of the applicable criteria (para 107)
 - obtaining an understanding of the sustainability matters and sustainability information, entity's reporting policies, entity and its environment, the legal and regulatory framework, components of the entity's system of internal control (paras 108 – 111, 113)
 - Enquiries with those charged with governance and others within the entity about fraud and non-compliance with laws and regulations (para 112)

Responding to assessed risk

- Design and perform further procedures to respond to identified risks of material misstatement and to design and perform overall responses in specific situations, for example when suspected fraud or non-compliance with laws and regulations are identified (paras 126 and 128)
- Perform procedures related to the entity's process for assembling the sustainability information (para 149)

- Respond to assessed risk relating to estimates and forward-looking information (para 146) It includes specific application material on evidence for estimates and forward-looking information, including strategy, targets, risk and opportunities is included (paras A242-A244)
- For group engagements, design and perform further procedures to respond to risk of material misstatement from the aggregation process (para 151)
- Communicate with the financial statement auditor if the other information reported with the sustainability information is the audited financial statements and a material inconsistency in that other information is identified (para 174)

Concluding and reporting

- Minimum content elements of an assurance report (para 190), including illustrative reports (Appendix 3 of ISSA 5000)
- Identification of inherent limitations and how to report on them - a paragraph on inherent limitations to be included in the assurance report, if applicable (para 190g).

Groups and value chains

- ISSA 5000 can be applied to stand alone and group sustainability information. The concept of “group” in ISSA 5000 is broad and, if specified under the framework criteria, includes not only a parent and subsidiaries but also entities that are part of the downstream or the upstream value chain of the entity.
- For purpose of planning and performing the assurance engagement, the practitioner determines group components and value chain components (para A18). To address the practical challenges of gaining assurance over information that may come from the value chain, ISSA 5000 includes provisions for using “one to many reports” (para 51).

Using work of others

- If practitioner decides to use work of another practitioner or practitioner’s expert, the standard includes requirements about the steps that need to be followed. These includes evaluating competence and capabilities and whether the work of others is adequate for the practitioner’s purposes.

Other resources

[IAASB ISSA 5000 FACTSHEET](#)

[IAASB FREQUENTLY ASKED QUESTIONS](#)

[IAASB Basis for conclusions on ISSA 5000](#)

[First time implementation guides.](#)

Appendix C -Summary of the IESSA

This Appendix summarises key requirements from the IESSA. The IESSA has been developed to be profession agnostic and framework neutral. It has been designed on the presumption that sustainability assurance engagements should be subject to the same high ethical and independence requirements as financial statement audits. The IESSA largely mirrors the requirements for audits of financial statements included in PES 1, tailored for sustainability.

Ethics provisions [sections 5100 - 5300]:

- Fundamental principles, conceptual framework and pressures to breach fundamental principles
- Application of fundamental principles and conceptual framework in certain situations.

These ethics provisions apply to sustainability assurance practitioners performing:

- sustainability assurance engagements that are designed to enhance the degree of confidence of the intended users about the sustainability information. They are not intended to apply to certification engagements that confirm compliance with the specifications set out in relevant certification programmes or accreditation standards.
- other professional services performed by sustainability assurance practitioners for the same sustainability assurance client. It does not cover other services and activities that the assurance practitioner provides that do not require sustainability assurance engagements.

Independence provisions [sections 5400 – 5600]:

Independence provisions apply when reported information:

- is prepared in accordance with a general-purpose framework, and
- required by law or used for decision-making.

The independence requirements apply to all public interest entities that are classified as such for the purposes of financial statement audits.

Communication of non-compliance with laws and regulations (NOCLAR)

The IESSA requires the sustainability assurance practitioner to:

- communicate NOCLAR or suspected NOCLAR to the external auditor, when the sustainability assurance client is also an audit client or a component of an audit client of the firm (R5360.18a).
- consider whether to communicate NOCLAR or suspected NOCLAR to the external auditor, when the sustainability assurance client is an audit client or a component of an audit client of a network firm or a firm outside the network (R5360.18b).

Value chain [section 5405]

The IESSA introduces two definitions of components that differ based on the reporting boundary. These are:

- group component – “component required to be included in the reporting entity’s group financial statements”

- value chain component – “a component within the reporting entity’s value chain that is not included in the group financial statements.”

While independence requirements relating to group components are as stringent as group requirements for the audits of financial statements, the provisions relating to value chain components take a practical approach. These provisions require independence of a firm and assurance team members in relation to the entity on which the assurance work is performed. They do not require independence of the network firms, and they do not require independence from entities other than those on which the assurance work is performed (R5405.30A – R5404.37).

The value chain provisions are applicable for periods beginning on or after 1 July 2028.

Use of another practitioner [section 5406]

The IESSA includes independence requirements when a firm intends to use the assurance work of another sustainability assurance practitioner, and the firm is unable to be sufficiently and appropriately involved in that assurance work.

The requirements depend on whether the work is performed on the group component or value chain component:

- If another practitioner performs work at a group component, the firm needs to request confirmation of independence (including the firm and individuals performing the work) from the entity at which another practitioner performs the assurance work (R5406.5).
- If another practitioner performs work at the value chain component, the firm needs to be satisfied that another practitioner is independent from the value chain component. The firm can be satisfied by reviewing a statement in a public report issued by another practitioner or can request confirmation from another practitioner (R5406.6).

Long association of personnel [section 5540]

This section mirrors audit rotation requirements and additionally introduces circumstances when an individual could be involved in a combination of audit and sustainability assurance engagements for the same client. In these circumstances the roles on both the sustainability and audit engagements need to be included into considerations of familiarity threats and calculations of “time-on” and “cool-off” periods for individuals working on sustainability assurance engagements.

Provision of non-assurance services to a sustainability assurance client [section 5600]

This section mirrors audit requirements and introduces new services such as sustainability data and information services and advisory services on forward-looking information.

Fees [section 5410]

This section mirrors audit requirements relating to fees. It includes the same requirement as for the audit of financial statements to disclose:

- paid or payable fees for sustainability assurance engagements,
- fees paid for the provision of services during the reporting period of the engagement,
- the fact that total fees received from the sustainability assurance client represent or likely to represent more than 15% of the total fees.

Conforming amendments -changes for the financial statement auditors

Below we summarise the main proposed changes to Part 3 and Part 4A of PES 1, that result from the requirements in IESSA:

- Requirements regarding communication of NOCLAR by auditor to sustainability assurance practitioner [amendments to section 360 of the Code]
- If a firm or network firm provides a sustainability assurance engagement addressed in the International Independence Standards in IESSA, the fee for that sustainability assurance engagement does not impact the level of the self-interest threat or intimidation threat created by the proportion of fees for services other than audit to the audit fee [amendments to section 410 of the Code]
- Amendments resulting from the fact that the self-interest or familiarity threat might be created by involvement in a combination of audit and sustainability assurance engagements for the same client over a long period of time [section 540 of the Code].

Transitional provisions

The IESSA includes transitional provisions for:

- non-assurance services engagements
- if a firm adopted the IESSA before the effective date, they can accept the other practitioner's statement of independence in accordance with provisions of PES 1 Part 4B
- rotation requirements.

Other resources

- [IESSA Basis for Conclusions](#)
- [Technical Overview](#)
- [Fact Sheet](#)

Appendix D: Summary of Amendments for Using the Work of An External Expert

This appendix summarises the key requirements included in the Using the Work of an External Expert amendments.

New concepts included in Using the Work of An External Expert [sections 290, 390 and 5390]?

- New definitions for “expert” and “expertise”, revised definition for ‘external expert’ (included in the revised glossary)
- A requirement to agree the terms of engagement with the external expert
- For an audit, sustainability assurance or other assurance engagement, a requirement to request the external expert to provide specific information in writing, such as financial interests, conflicts of interest, previous or current engagements in relation to the entity at which the external expert is performing the work and in relation to the assurance client
- For an audit, review or sustainability assurance engagements of clients that are public interest entities, a requirement to obtain in writing the information about the external expert’s additional objectivity considerations
- For an audit, sustainability assurance or other assurance engagement, a requirement to agree with the external expert that they will communicate any changes to the information provided during the period covered by the audit, sustainability assurance or other assurance report through to the issuance of that report
- A requirement to evaluate whether the external expert has the necessary competence, capabilities and objectivity (CCO), to re-evaluate the external expert’s CCO when facts and circumstances change, and to conclude on such evaluation (R290.6,.7)
- A prohibition to use the work of the external expert when the assurance practitioner concludes that the external expert doesn’t have necessary CCO
- Comprehensive guidance to assist in identifying, evaluating and addressing threats to compliance with the fundamental principles when using the work of an external expert.
- Guidance to communicate with those charged with governance where appropriate
- Guidance to document steps taken to evaluate the external experts CCO and the resulting conclusions, significant threats identified, and actions taken, as well as the results of any significant discussions with the external expert



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Meeting date: 4 June 2025
Subject: NZAuASB Work Plan
Date: 22 May 2025
Prepared By: Misha Pieters

☒ **Action Required**

☐ **For Information Purposes Only**

Objective

1. The objective is for the Board to:
 - a. NOTE the update on the XRB's statement of performance expectations for 2024/25 and the prioritisation schedule for the remainder of 2024/25.
 - b. DISCUSS the draft prioritisation schedule for the 2025/26 period.

Statement of performance expectations for 2024/25

2. The following provides a summary of how we are tracking against the SPE for 2024/25.
3. The following matters have already been achieved for the period:

Issue relevant exposure drafts

- IAASB's Narrow scope amendments to the auditing and assurance standards for use of experts (April 2025)
- IESBA's consultation on collective investment vehicles (April 2025)
- A consultation document and exposure draft of Proposed Amendments to Climate and Assurance Standards (October 2024)
- A consultation document and exposure draft of the International Standard on Auditing (New Zealand) for Less Complex Entities (November 2024).

4. The following matters are on track to be achieved by 30 June 2025:

Issue relevant standards

- ISA (NZ) for Less Complex Entities by June 2025 – the NZAuASB is asked to approve the standard at this June agenda and we will aim to gazette the standard mid to late June

Issue relevant guidance by June 2025

- Support the audit of service performance information – guidance on audit evidence
- Guidance on scope 3 GHG emissions for preparers and practitioners
- What is limited and reasonable assurance - covered in the navigating the GHG assurance report guidance. We will aim to supplement this with a short video by the end of June
- Snapshot of GHG assurance reports for the first mandatory assurance engagements

Issue relevant exposure drafts

- A consultation document and exposure drafts of the sustainability assurance and ethical standards. This is in addition to what we set out to achieve. The NZAuASB is asked to approve this at the June meeting.

5. The following matters have been achieved and are in addition to what we set out to achieve:
 - A consultation document and exposure draft of Proposed Amendments to Climate and Assurance Standards (October 2024)
 - A consultation document and exposure draft of the International Standard on Auditing (New Zealand) for Less Complex Entities (November 2024)
 - The final standard Amendments to Assurance Engagements over Greenhouse Gas Emissions Disclosures responsive to stakeholder feedback (November 2024)
 - A submission to the IESBA's collective investment vehicles consultation – to be discussed at the June NZAuASB meeting. The submission is due on 30 June 2025.
6. The following matters will be delayed for the period:

Issue relevant exposure drafts

- IESBA's post implementation review of requirements related to non-compliance with laws and regulations - The IESBA's post implementation review has been delayed, and discussions at the international board are now expected to commence in the third quarter of 2025.

Issue relevant standards

- Review standard for service performance information – the target was to issue in December 2024, however the Board agreed to issue after the summary break, so we gazetted this in February 2025.
- ISSA (NZ) 5000 - the target was to issue by June 2025. We are aiming to consult on this by June 2025 as part of a consultation on all applicable sustainability assurance and ethical standards.
- Revised going concern standard – to be discussed at this agenda and determine whether to delay the gazetting of the standard together with the revisions to fraud and other amendments.
- Narrow scope revisions to the auditing and assurance standards for the revised public interest entity definition. This has been delayed internationally as the IAASB undertook a second limited consultation and has not yet obtained PIOB certification.

Prioritisation schedules

7. An updated prioritisation schedule for 2024/2025 has been included in addition to the update on 2024/25 for noting.
8. An updated approach has been used to develop a draft prioritisation plan for 2025/26. This is subject to finalisation of the XRB's statement of intent and statement of performance expectations and further input from a cross XRB perspective.
9. We have retained a three-page approach: one for domestic focus, one for IAASB projects and one for IESBA projects.
10. Heading rows have been added to reflect the draft SPE measure goals for 2025/26. These rows are highlighted blue.
11. The resourcing column has been separated from the priority and it is more transparent which of the staff team are working on what.
12. The priority column connects to the four draft key strategic priorities of the XRB. Colours are used to reflect the strategic priority as follows: orange for high, grey for medium and white for low. Largely, the topics covered by the international standards setting board are reflected as medium strategic priority. Collectively there is a high priority to align with international standards, while ensuring these are locally relevant. Technology is a high priority focus internationally, and will flow through in a number of projects. The individual projects are shown as medium while high priority is reflected the domestic focus on technology.
13. The Board is asked to discuss the draft prioritisation schedule for 2025/26.

Environmental updates

14. Key environmental matters to highlight relevant to the work of the NZAuASB include:

- a. [Does Convergence with International Standards on Auditing Improve Audit Quality? | The Accounting Review | American Accounting Association](#) This study finds that ISA convergence leads to higher audit quality on average. The positive effect is stronger for clients of domestic audit firms, in jurisdictions with stronger enforcement, and when the ISA convergence level is higher.
- b. The UK FRC published a [report](#) on a market study into assurance of sustainability reporting. The report found that while the UK's market for the assurance of sustainability reporting is functioning well, there are concerns over quality consistency amid growing demand. The FRC has recommended three key actions to support the market's development:
 - i. Establish a clear UK policy framework for sustainability assurance that provides medium-term certainty for providers and reporters, supports investment, and aligns with international frameworks.
 - ii. Create a unified regulatory regime that consolidates standard setting, oversight, enforcement, and market monitoring to maximise certainty for companies, providers, and investors.
 - iii. Improve the calibre of available information on the quality of sustainability assurance to support how the assurance market functions
- c. The House Financial Services Committee has released [draft language](#) for a measure that would defund the Public Company Accounting Oversight Board (PCAOB) and transfer its activities to the Securities and Exchange Commission. The transfer would occur within a year of the bill's enactment. The transferred duties would include PCAOB's inspections and enforcement activities involving firms that audit listed companies, as well as rule-making and standard-setting activities.
- d. Meanwhile the PCAOB has adopted new requirements [Amendments Related to Aspects of Designing and Performing Audit Procedures that Involve Technology-Assisted Analysis of Information in Electronic Form](#) and is currently consulting on [Proposed Auditing Standard – Designing and Performing Substantive Analytical Procedures and Amendments to Other PCAOB Standards](#). The proposal is designed to increase the likelihood that substantive analytical procedures will be appropriately designed and performed to provide relevant and reliable audit evidence when responding to assessed risks of material misstatement.
- e. The IAASB [announced](#) the withdrawal of ISAE 3410 for assurance engagements on greenhouse gas statements following the approval and certification of ISSA 5000.
- f. IFAC, IESBA and IAASB convened a [summit](#) on furthering the public interest.
- g. The global accounting alliance issued a [letter](#) to the IESBA.

Recommendation

15. We request feedback from the Board on:

- a. The draft prioritisation schedule for 2025/26.
- b. Other matters impacting the work plan and priorities for the NZAuASB.

Domestic Project	2025/26 planned action	Resource	Priority	Key deliverable	Due
SPE measure: Support adoption and implementation (A&I) through support activities with surveyed respondents satisfied with the quality of support					
ISA (NZ) for LCE	Support adoption and implementation	Bruce	Support A&I	Webinars and guidance	Ongoing
Support adoption and implementation of audit and review of service performance standards	Engage in consultation with preparers, practitioners and users and respond to feedback received	Lisa	Support A&I	Workshops and guidance	Ongoing
Monitor and issue guidance for GHG assurance	Monitor, hold workshops and issue guidance on partial reporting of scope 3, documentation, exclusions & restatements	Karen	Support A&I	Workshops and guidance	Ongoing
Update EG AU8 in conjunction with AUASB	Work with project advisory group to update existing guidance	Thinus	Support A&I	Revised guidance	Mar 26
Public Sector performance reporting	Contribute to parliamentary enquiry from assurance perspective	To manage	PBEs	TBD	TBD
Value of audit	Monitor audit reform in UK/Aus.	To manage	Fit for purpose	TBD	Ongoing
	Monitor inspection findings.	To manage	Fit for purpose	TBD	Ongoing
ISO developments	Monitor developments for GHG and sustainability assurance	Karen	Fit for purpose	TBD	TBD
XRB strategy for climate assurance and implications for NZ SAE 1	Continue to monitor developments, update MBIE to inform longer term plan for temporary standard	To manage	Fit for purpose Integrated	Decide	TBD
Update standard setting policy based on developments in assurance over climate disclosures	Revise EG Au2 and update harmonisation/convergence policy. Discussion pending on approach for sustainability matters	Bruce	Fit for purpose	Updated policy as appropriate	TBD
Consider assurance related issues related to He Tauira and engage on audits of Māori entities	Monitor developments and if appropriate, consider assurance Engage proactively to seek Māori views on relevant issues	To manage	Integrated	TBD	Ongoing
Digitisation and accessibility	Standards navigator is live. Compiled standards included	To manage	Fit for purpose	TBD	Ongoing
Technology	<u>IAASB technology position</u> . Monitor opportunities and challenges and respond accordingly. Contribute to IAASB JSS group	Bruce and Thinus	Fit for purpose	TBD	Ongoing
Better understanding user needs, taking an integrated approach and leveraging research across the XRB					
Assessing costs and benefits – review our approach across the XRB					

IAASB	Internationally aligned, locally relevant actions	Resource	Priority	Key deliverable	Due
SPE measure: Issue all relevant international consultation and exposure drafts in accordance with due process and withing 3 weeks of international release					
Audit evidence & responding to assessed risk	IAASB Exposure drafts expect approval in March 2025	BM & TP	Fit for purpose	Exposure draft	April 26
IAASB Strategy and work plan 2028-2031	IAASB to approve a survey in December 2025	Karen	Fit for purpose	Consultation	Mar 26
Revisions to ISA for LCE	IAASB to develop an exposure draft	Bruce	Fit for purpose	Exposure draft	May 26
ISRE 2410 Interim Review Engagements	XRB staff support project. Expected approval of ED in June 2026	Sharon	Fit for purpose	Exposure draft	July 26
SPE measure: Issue all relevant international standards in accordance with due process convergence and harmonisation policy, with a minimum of 6-12 months before effective date. Support adoption and implementation (A&I) through support activities with surveyed respondents satisfied with the quality of support					
Going Concern revised standard effective periods beginning on or after Dec 2026	Gazette standard. Record walk-throughs and webinars. Issue flowchart and guidance for prepares and auditors.	Sharon	Support A&I	Webinars and guidance	Ongoing
Fraud standard revised effective beginning from Dec 2026	Gazette standard. Record walk-throughs, webinars. Arrange a panel discussion	Sharon	Support A&I	Webinars	Aug 25
Public Interest Entity effective periods from Dec 26	Gazette standard	Anna	Fit for purpose	Standard	Oct 2025
ISSA 5000 Sustainability	Issue consultation document. Gazette standard. Implementation guidance	Karen	Support A&I	Standard	Dec 25
SPE Measure: Make submissions on relevant documents before the commencement period closes					
Narrow scope amendments use of experts	IAASB expected to approve final standard Sep 2025	Anna	Fit for purpose	Submission	July 25
Inventory counts, confirmations, sampling	Information gathering – technology focus	Thinus	Fit for purpose	Monitoring	N/a
Technology focus on quality management	Gather info and contribute to JSS monitoring group.	Lisa	Fit for purpose	Monitoring	N/a
Post implementation review of ISA 540	IAASB approval of consultation expected in Dec 2025	TBC	Fit for purpose	Respond to PIR	April 26
SPE Measure: Build and maintain relationships by demonstrated relationships with and access to key decision makers					
Participate in JSS/advisory groups/host guests	IAASB membership maintained. Participate and lead JSS discussion.	Available	Support A&I	TBD	May 26

IESBA	Internationally aligned, locally relevant 2025/26 planned action	Resource	Priority	Key deliverable	Due date
SPE measure: Issue all relevant international consultation and exposure drafts in accordance with due process and withing 3 weeks of international release					
IESBA Strategy and Work plan 2028-2031	IESBA to issue a survey	Karen	Fit for purpose	Survey	April 26
Firm culture and governance	IESBA to issue an exposure draft expected approval TBD	Lisa	Fit for purpose	Exposure draft	June 26
SPE measure: Issue all relevant international standards in accordance with due process convergence and harmonisation policy, with a minimum of 6-12 months before effective date. Support adoption and implementation (A&I) through support activities with surveyed respondents satisfied with the quality of support					
IESSA	Issue consultation document and respond based on feedback	Anna	Fit for purpose	Standard	Dec 25
Use of external experts	Issue consultation document and respond based on feedback	Anna	Fit for purpose	Standard	Dec 25
SPE Measure: Make submissions on relevant documents before the commencement period closes					
Post implementation review of non-compliance with laws and regulations (NOCLAR)	Participate in IESBA PIR	TBD	Fit for purpose	TBD	TBD
Collective investment vehicles	To monitor developments post submission	Karen	Fit for purpose	Monitor	N/a
Profession agnostic independence standards for sustainability assurance not in scope of Part 5	To monitor developments	TBD	Fit for purpose	Monitor	N/a
Private equity investment in firms	To monitor developments in New Zealand	TBD	Fit for purpose	Monitor	N/a
SPE Measure: Build and maintain relationships by demonstrated relationships with and access to key decision makers					
Participate in JSS meetings/advisory groups/host international guests	Host IESBA members/staff. Participate and lead a discussion at JSS meeting.	Available	Support A&I	TBD	May 26



NZAuASB Board Meeting Summary Paper

Meeting date: 4 June 2025
Subject: Going Concern
Date: 22 May 2025
Prepared By: Sharon Walker

☒ Action Required

☐ For Information Purposes Only

Project purpose	<p><u>Revise ISA 570 (Revised), <i>Going Concern</i> to:</u></p> <ul style="list-style-type: none"> Promote consistent practice and behaviour; Strengthen the auditor's evaluation of management's assessment of going concern; and Enhance transparency with respect to the auditor's responsibilities and work related to going concern.
Project priority	Medium

Agenda Item Objectives

- The objective of this agenda item is to:
 - Consider and determine whether:
 - to issue the going concern, fraud and listed entity and PIE standards along with relevant conforming and consequential amendments as a package;
 - early application should be permitted. We recommend it should not.
 - Approve draft ISA (NZ) 570 (Revised 2024), *Going Concern* and the related draft signing memorandum.
 - Update the Board on plans for guidance.

Background

- ISA 570 (Revised 2024) *Going Concern* was approved by the IAASB in December 2024 and issued in April following PIOB certification. The revised international standard is effective for audits of financial statements for periods beginning on or after 15 December 2026.
- In February, the NZAuASB agreed, in principle, to adopt the revised standard.

Interaction with NZ Accounting Standards

- NZ accounting standards require management to make an assessment of an entity's ability to continue as a going concern when preparing financial statements and that financial statements are prepared on a going concern basis unless management either intends to

liquidate the entity or to cease trading or has no realistic alternative but to do so. In addition, the entity is required to disclose the basis of preparation. There is no requirement to state explicitly that the financial statements have been prepared on the going concern basis in NZ IFRS (there is such a requirement for Tier 3 entities).

5. At their respective meetings in December 2024, the NZASB and the NZAuASB considered a joint paper dealing with the implications of the proposals for preparers and auditors. The NZASB agreed not to add a project on going concern with a view to consider this topic after the final version of the revised auditing standard is considered by the NZAuASB.¹
6. The NZAuASB² highlighted the value in requiring an explicit statement to reflect the entity's assessment related to going concern. The view of the NZAuASB is that the onus should be on the preparer to make an explicit statement in the first instance.
7. Staff of the XRB Accounting and Assurance Standards teams are working together to consider how the expectations about the preparer's and auditor's responsibilities in relation to going concern are best communicated.

Timing of adoption and application

8. The following three standards (either issued, approved or approved in principle by the IAASB):
 - revised going concern standard,
 - revised fraud standard,
 - revisions to the listed entity and PIE amendments.

all affect the auditor's report. They therefore have the same effective date. These three standards must be applied at the same time due to the impact on the auditors' reports.

9. There will be complexity in drafting legal application dates if three separate pieces of secondary legislation are required to be applied together if applied early. We recommend that early adoption is not permitted.

1. Does the NZAuASB agree that early application should not be permitted in New Zealand?

Timing of issue and gazetting

10. We recommend issuing the revised going concern, fraud, and listed entity and PIE standards at the same time. We consider that issuing these standards together will ensure that firms understand that they must be applied at the same time. It will also ensure that we reduce the risk of complexity of application dates.
11. There are a number of conforming and consequential amendments that flow from the revised going concern and fraud standards. Along with the amendments from the listed entity and PIE project, the conforming and consequential amendments will change most of the ISAs (NZ), leaving only five of the ISAs (NZ) are unchanged.
12. Delaying gazetting and issuing the standards at the same time benefits practitioners and the XRB.

¹ Refer NZASB minutes, [December 2024](#)

² Refer NZAuASB December 2024 minutes

- The amendments affect all the illustrative reports throughout the suite of ISAs (NZ). Practitioners will be able to update their report templates in one go, incorporating not only the amendments resulting from changes to the auditing standards, but also the amendments that need to be made as a result of NZ IFRS 18³.
 - Approving but not issuing the revised going concern standard is efficient for the XRB. If we issue and gazette the revised going concern standard immediately following approval, we will need to make conforming amendments to the new standard before it becomes effective as the revised fraud standard and the listed entity and PIE amendments both amend the revised going concern standard.
13. Rather than issuing three amending standards, we see this as an opportunity to change each ISA (NZ) once, noting that the application dates are the same. We are also exploring whether there may be an opportunity to reduce the number of secondary legislation instruments in application in the process.
 14. We also recommend that the XRB board is informed that this approach will mean that the XRB's performance measure of issuing the going concern standard by June 2025, as set out in 2024/25 Statement of Performance Expectations will not be achieved.
 15. We note that the approach to issue the standards will be in line with the proposed performance expectations for the 2025/6 period, which is that we issue New Zealand equivalents to international standards 12 months before the effective date to allow sufficient time for adoption and implementation.
 16. We propose the following timeline:



2. Does the NZAuASB agree with the recommendation to gazette and issue the three standards, along with the related conforming and consequential amendments, at the same time?

3. Does the NZAuASB agree with the proposed timeline?

³ NZ IFRS 18 *Presentation and Disclosure in Financial Statements*

NZ Amendments to ISA 570 to consider before approval

17. The draft ISA (NZ) 570 (Revised 2024) includes NZ modifications to

- Reflect NZ legal and regulatory arrangements (i.e., directors are responsible for the preparation of the financial statements).
- Amend references to listed entities in the proposed ISA to instead refer to FMC reporting entities considered to have a higher level of public accountability.

These modifications are marked as NZ paragraphs.

18. Draft ISA (NZ) 570 (Revised 2024) also reflects NZ spelling and contextual changes. These changes are shown in mark up in the draft standard.

19. We also recommend tweaking illustrative report 6 dealing with an adverse opinion where adequate disclosure has not been made relating to a material uncertainty as follows:

In our opinion, because of the significance of the omission of the information described ~~mentioned~~ in the Basis for Adverse Opinion section of our report, the accompanying financial statements do not present fairly (or do not give a true and fair view of), the financial position of the Company as at December 31, 20X1, and of its financial performance and its cash flows for the year then ended in accordance with New Zealand equivalents to IFRS Accounting Standards.

20. Staff believes this more accurately reflects the requirements of ISA (NZ) 705 (Revised)⁴.

Other amendments

21. We are asking the NZAuASB to approve the draft ISA (NZ) 570 (Revised 2024) and have captured all changes we have identified to date from all IAASB projects that will impact on this standard. In this way we consider that the text will not need to be updated prior to gazetting. However, if any additional changes are identified as we work through the process, we will work with the NZAuASB Chair to agree next steps.

22. These changes are largely to update the standard title, names, paragraph references etc. The following paragraphs in the draft ISA (NZ) 570 (Revised 2024) are affected (highlighted yellow in the accompanying draft):

- A8 and footnote 18
- A31 and footnote 24
- A57
- Footnote 36 (at paragraph A71)
- NZA82 and footnote 40

Cross References to Accounting Standards

23. Draft ISA (NZ) 570 (Revised 2024) contains references to NZ IAS 1 which will be superseded by NZ IFRS 18 on 1 January 2027. From that date, the going concern references in the accounting standards will be moved to NZ IAS 8 *Basis of Preparation of Financial Statements*.

24. If we do not permit early adoption, the application date of draft ISA 570 (Revised 2024), in practical terms, aligns with the application date of NZ IFRS 18.

⁴ ISA (NZ) 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*, paragraph 18

25. Accordingly, we recommend that the references to NZ accounting standards throughout the draft standard be updated to reference the new accounting standard requirements.

4. Does the NZAuASB agree with the changes identified above to the draft ISA (NZ) 570 (Revised 2024)?

5. Does the NZAuASB approve ISA (NZ) 570 (Revised 2024)?

Harmonisation with Australia

26. At its May 2025 meeting the AUASB approved for adoption a revised going concern standard with the following Australian amendments:

- Removal of the optional sub-heading “No material uncertainty exists” in example auditor’s reports – this was agreed at the last AUASB meeting.

The IAASB standard requires the heading “going concern”. The sub-heading “no material uncertainty exists” is not a required element of the report. The IAASB considered this subheading may be useful to enhance intended users’ understanding about the nature of the matters addressed in the Going Concern section of the auditor’s report. Staff agrees with this. The IAASB noted that there was precedent to include a heading in the illustrative report that was not a required element and has included a footnote to this effect. We do not consider that there is a compelling reason to remove this optional heading and do not believe this will create a substantive difference with the Australian standard.

- Paragraph Aus 3.1 - Corporations Act 2001 requirements where a formal statement as to the solvency of the entity to be made by those charged with governance and included as part of the financial report upon which the auditor’s opinion is expressed. This paragraph is also in extant ASA 570.

In line with our [policy](#) and process for international conformance and harmonization of standards there are different legal and regulatory requirements that apply in Australia that are not relevant in NZ.

- Amending listed entities example auditor’s reports in the Appendix (Illustrations 2, 4, 5 and 6) for Corporations Act 2001 requirements – this is also in extant ASA 570.

In line with our [policy](#) and process for international conformance and harmonization of standards there are different legal and regulatory requirements that apply in Australia that are not relevant in NZ

- Replication of the walkthrough of the auditor’s decision-making process for going concern in Appendix 2 of IAASB Basis for Conclusions and will be included as [Aus] Appendix 2 in ASA 570. This will replace the Going Concern flowchart that is currently in Appendix 1 of extant ASA 570.

XRB staff recommend publishing the decision-making process as staff guidance on the XRB website. As staff guidance the flow chart can be given a more prominent position on the website and will be easier to maintain and update.

6. Does the NZAuASB have any comments on harmonisation with Australia?

Guidance

27. Staff of the Accounting Standards and Audit and Assurance Standards teams will work together to develop joint guidance to support the message that the primary responsibility for the going concern assessment rests with management and educate them about the upcoming changes to the auditing standards.
28. XRB staff propose to issue the “walkthrough of the auditor’s decision-making process for going concern” included as [Appendix 2 of IAASB Basis for Conclusions](#) as staff guidance on the XRB website. We will also update the existing flow chart that links the going concern considerations and types of audit opinions.

7. Does the NZAuASB have any comments on guidance to support adoption and implementation?

Material Presented

Board Meeting Summary Paper – to consider
ISA (NZ) 570 (Revised 2024) – for approval
Signing memorandum – for approval



Date: 4 June 2025

To: Michele Embling, Chair External Reporting Board

From: Marje Russ, Chair NZAuASB

Subject: **Certificate Signing Memorandum:**
ISA (NZ) 570 (Revised 2024), *Going Concern*

Introduction

1. In accordance with the protocols established by the XRB Board, the NZAuASB seeks your approval to issue ISA (NZ) 570 (Revised 2024), *Going Concern*.

Background

2. Corporate failures worldwide raised questions about auditors' responsibilities, while global challenges, including war and pandemic, intensified focus on going concern. These factors heightened stakeholder expectations for a more robust auditing standard and greater transparency in auditors' work related to going concern. In response, the IAASB enhanced and clarified its auditing standard on going concern to ensure it remains fit for purpose in an evolving macroeconomic and geopolitical landscape.
3. The project objectives supporting the public interest included enhancing or clarifying ISA 570 (Revised) to:
 - Promote consistent practice and behaviour and facilitate effective responses to identified risks of material misstatement related to going concern;
 - Strengthen the auditor's evaluation of management's assessment of going concern, including reinforcing the importance, throughout the audit, of the appropriate exercise of professional scepticism; and
 - Enhance transparency with respect to the auditor's responsibilities and work related to going concern where appropriate, including strengthening communications and reporting requirements.
4. We propose to adopt ISA (NZ) 570 (Revised 2024).

International due process

5. The IAASB issued its exposure draft (ED) of a revised going concern auditing standard in April 2023.
6. The IAASB received 78 responses from a diverse range of stakeholder constituencies, including four Monitoring Group member respondents, regulators and audit oversight authorities, jurisdictional/ national auditing standard setters (NSS), accounting firms, public sector organizations, member bodies and other professional organizations, academics, and individuals. No written responses were received from investor constituents. Accordingly,

the going concern task force undertook further outreach with this stakeholder group to supplement the information gathering on the ED.

7. Internationally, there was broad support that the ED was responsive to the public interest. Going concern is an area in which user expectations often exceed the auditor's work effort under the extant standard. However, respondents also expressed the view that broader considerations are also critical to support the public interest including:
 - Coordinated actions from all stakeholders in the financial reporting ecosystem to establish trust and narrow the expectation gap.
 - Improvements to the financial reporting framework for going concern, including enhancements to the requirements for management's disclosures in relation to going concern.
8. The IAASB approved ISA 570 (Revised 2024), subject to PIOB certification, at its December 2024 meeting. at its June 2023 meeting. The final standard was [published](#) on 9 April 2025.
9. We believe that the changes made by the IAASB in finalising ISA 570 (Revised 2024) are responsive to the XRB's comments and suggestions.

Domestic due process

10. The XRB issued a NZ wraparound consultation document in May 2023 with submissions due on 31 July 2023. Our domestic consultation undertaken concurrently with the consultation on the international proposals questioned the continued appropriateness of the extant NZ compelling reason amendments and application of the proposed differential requirements to FMC reporting entities considered to have a higher level of public accountability.
11. Outreach included a walk-through webcast, virtual feed-back forum and an in person panel discussion event. Three written responses were received on the consultation.
12. Key messages we heard from New Zealand stakeholders about the international proposals included:
 - Support for defining and clarifying specific terms that are used pervasively throughout the proposed standards (e.g., material uncertainty) so that they are clear and understood and to promote consistency in practice, but some further refinement is needed.
 - Support for the enhanced risk assessment process and for strengthening the procedures to enhance the auditor's evaluation of management's assessment. However, further guidance was needed so that the required procedures are responsive to assessed risks and scalable.
 - Support for including more information about going concern in the auditor's report but concern that the proposals may have the unintended consequence of widening the audit expectation gap. Concerns were expressed that including a going concern paragraph in the auditor's report when no material uncertainty exists may be too confirmatory, i.e., it may be misinterpreted as guaranteeing the future viability of the

entity or that readers may not note information that signals an issue with management's going concern assessment.

- A holistic solution is needed from both the accounting and auditing standard setters to ensure the appropriate balance between management and auditor responsibilities is maintained.
13. The outreach undertaken informed the XRB's [submission](#) to the IAASB
 14. New Zealand stakeholders supported retaining existing NZ specific amendments addressing NZ legal and regulatory arrangements, i.e., the responsibility of those charged with governance for the preparation of the financial statements and for providing written representations.
 15. New Zealand stakeholders also agreed that the ED's proposed differential requirements should apply to FMC reporting entities considered to have a higher level of public accountability.

Timing of adoption and application

16. The following three standards (either issued, approved or approved in principle by the IAASB):
 - revised going concern standard,
 - revised fraud standard,
 - revisions to the listed entity and PIE amendments.

all affect the auditor's report. They therefore have the same effective date. These three standards must be applied as a package due to the potential for confusion for users if auditors' reports for the same or similar periods lack consistency.
17. There will be complexity in drafting legal application dates if three separate pieces of secondary legislation are required to be applied together if applied early.
18. Early application is not permitted.

Timing of issue and gazetting.

19. The NZAuASB recommends issuing the revised going concern, fraud, and listed entity and PIE standards at the same time. We consider that issuing these standards together will ensure that firms understand that they must be applied at the same time. It will also ensure that we reduce the risk of complexity of application dates.
20. There are a number of conforming and consequential amendments that flow from the revised going concern and fraud standards. Along with the amendments from the listed entity and PIE project, the conforming and consequential amendments will change most of the ISAs (NZ), leaving only five of the ISAs (NZ) are unchanged.
21. Delaying gazetting and issuing the standards at the same time benefits practitioners and the XRB.
 - The amendments affect all the illustrative reports throughout the suite of ISAs (NZ). Practitioners will be able to update their report templates in one go,

incorporating not only the amendments resulting from changes to the auditing standards, but also the amendments that need to be made as a result of NZ IFRS 18¹.

- Approving but not issuing the revised going concern standard is efficient for the XRB. If we issue and gazette the revised going concern standard immediately following approval, we will need to make conforming amendments to the new standard before it becomes effective as the revised fraud standard and the listed entity and PIE amendments both amend the revised going concern standard.
22. Rather than issuing three amending standards, we see this as an opportunity to change each ISA (NZ) once, noting that the application dates are the same. We are also exploring whether there may be an opportunity to reduce the number of secondary legislation instruments in application in the process.
 23. This approach will mean that that the XRB's performance measure of issuing the going concern standard by June 2025, as set out in 2024/25 Statement of Performance Expectations will not be achieved.
 24. We note that the approach to issue the standards will be in line with the proposed performance expectations for the 2025/6 period, which is that we issue New Zealand equivalents to international standards 12 months before the effective date to allow sufficient time for adoption and implementation.
 25. The table below shows the proposed timeline.



Harmonisation with Australia

26. At its May 2025 meeting, the AUASB approved for adoption a revised going concern standard with Australian amendments that reflect Australian legislative requirements specific to the Corporations Act 2001. These changes are not relevant in New Zealand.

¹ NZ IFRS 18 *Presentation and Disclosure in Financial Statements*

27. The AUASB also made changes to:

- remove the optional subheading included in the illustrative reports. This change has not been made in New Zealand; and
- include, as an appendix to the auditing standard, the walk through of the auditor's decision-making process for going concern presented in Appendix 2 of the IAASB's basis for conclusions. In New Zealand the decision-making flowchart is to be published as staff guidance on the XRB website.

Guidance

28. To support implementation, XRB staff plan to develop the following staff guidance:

- Walk-through of the auditor's decision-making process and update the existing flow chart that links the going concern considerations and types of audit opinions.
- Joint guidance to be developed by the accounting and assurance standards teams to support the message that the primary responsibility for the going concern assessment rests with management and educate them about the upcoming changes to the auditing standards.

Privacy

29. The Financial Reporting Act 2013, section 22(2) requires that the External Reporting Board consult with the Privacy Commissioner where an accounting or assurance standard is likely to require the disclosure of personal information. This standard does not require disclosure of personal information, accordingly consultation with the Privacy Commissioner is not required.

Due process

30. The due process followed by the NZAuASB complied with the due process requirements established by the XRB Board and in the NZAuASB's view meets the requirements of section 12(b) of the Financial Reporting Act 2013.

Consistency with XRB Financial Reporting Strategy

31. The adoption of ISA (NZ) 570 (Revised 2024), *Going Concern*, is consistent with one of the key strategic objectives set by the XRB Board for the NZAuASB to adopt international auditing and assurance standards, as applying in New Zealand unless there are compelling reasons not to.

Other matters

32. There are no other matters relating to the issue of this amending standard that the NZAuASB considers to be pertinent or that should be drawn to your attention.

Recommendation

33. The NZAuASB recommends that you sign the attached certificate of determination and signing memorandum on behalf of the XRB Board.

Attachments

- ISA (NZ) 570 (Revised 2024), *Going Concern*
- Certificate of Determination
- Approval Certificate

Marje Russ

Chair NZAuASB

DRAFT

NZAuASB Board Meeting Summary Paper

Meeting date:	5 June 2025
Subject:	IESBA Draft Submission Collective Investment vehicles
Date:	21 May 2025
Prepared By:	Karen Tipper

☒ **Action Required**

☐ **For Information Purposes Only**

Agenda Item Objectives

1. The Objective of this agenda is to:
 - a. NOTE the mapping of collective investment vehicles (CIV) landscape in New Zealand; and
 - b. APPROVE the draft submission to the IESBA, subject to any feedback from New Zealand stakeholders.

Background

2. The IESBA issued a consultation paper to obtain feedback from stakeholders about the independence considerations for audits of collective investment vehicles (CIVs) and pension funds. Submissions are due to the IESBA by 30 June
3. The NZAuASB approved the staff proposal and agreed to respond in their April meeting.
4. Consistent with the low priority level and narrow scope of the IESBA consultation paper, staff followed a targeted approach. Staff have:
 - a. Published the consultation paper on the XRB's website.
 - b. Conducted desktop research on investment scheme structures in New Zealand.
 - c. Held targeted conversations with firms and regulators.
 - d. Raised awareness in our April need-to-know webinar.
5. The XRB's consultation closes on 13 June and the draft submission will be updated for any responses received.

Collective Investment Scheme Mapping

6. Staff have mapped their understanding of the CIV scheme environment in New Zealand. This mapping is included in the PowerPoint presentation included in this agenda item.

Recommendations

7. Staff recommend that the Board APPROVE the draft submission to the IESBA, subject to feedback to be received.

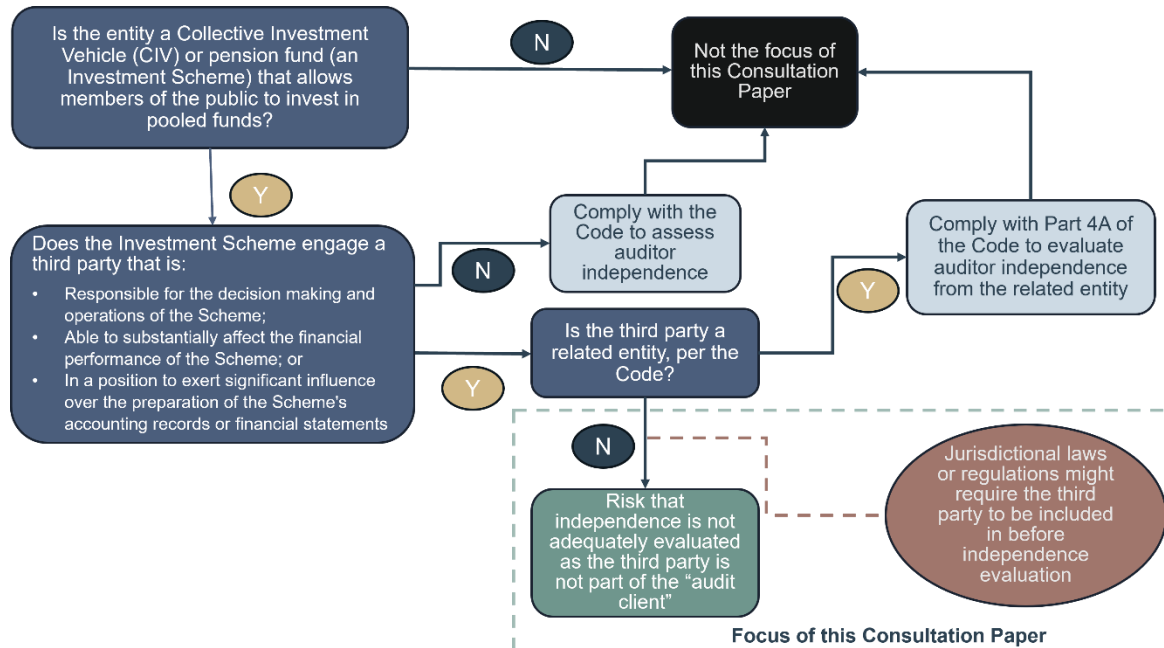
Material Presented

Agenda item	Board Meeting Summary Paper
	PowerPoint – MIS structures
	Draft submission
Supplementary Pack	Consultation Paper

Managed Investment Scheme Structures in New Zealand

What problem is the IESBA trying to solve?

- The IESBA noted that the definitions of “Related Entity:” and “Audit Client” in the IESBA Code might not capture “unrelated third parties” that have significant management responsibilities in investment schemes as a number of roles may be outsourced.
- This potential gap is depicted in the flowchart below:



Related Entity and Audit Client Definitions

Related Entity Definition ([PES 1](#))

- Related entity An entity that has any of the following relationships with the client:
- (a) An entity that has direct or indirect control over the client if the client is material to such entity;
 - (b) An entity with a direct financial interest in the client if that entity has significant influence over the client and the interest in the client is material to such entity;
 - (c) An entity over which the client has direct or indirect control;
 - (d) An entity in which the client, or an entity related to the client under (c) above, has a direct financial interest that gives it significant influence over such entity and the interest is material to the client and its related entity in (c); and
 - (e) An entity which is under common control with the client (a “sister entity”) if the sister entity and the client are both material to the entity that controls both the client and sister entity

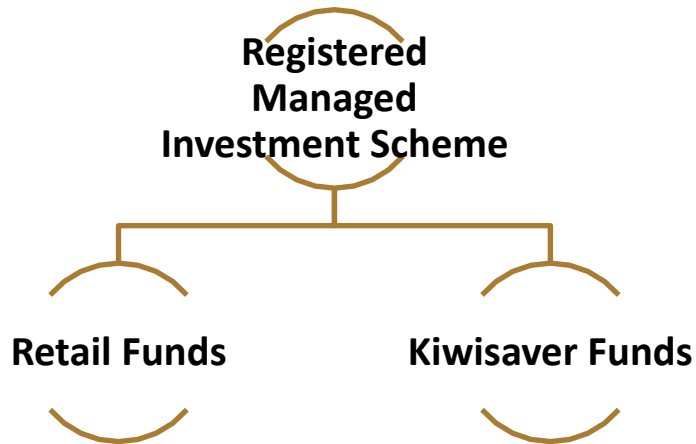
Audit Client Definition ([PES 1](#))

An entity in respect of which a firm conducts an audit engagement. When the client is a FMC reporting entity considered to have a higher level of public accountability, audit client will always include its related entities. When the audit client is not a FMC reporting entity considered to have a higher level of public accountability, audit client includes those related entities over which the client has direct or indirect control. (*See also paragraph R400.27.*)

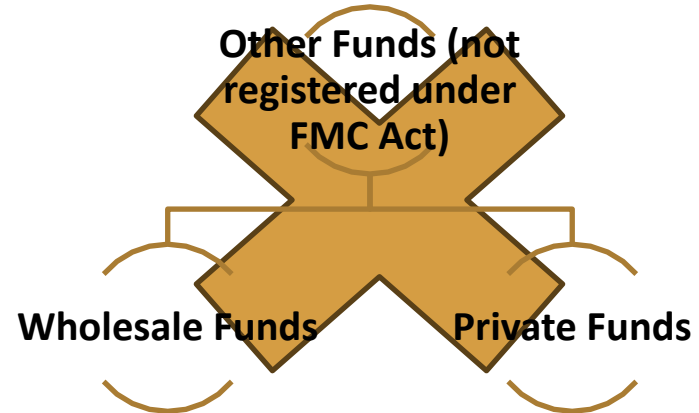
In Part 4.A, the term “audit client” applies equally to “review client”.

In the case of a group audit, see the definition of group audit client

What does the IESBA consultation paper cover?



Covered



Outside Scope

Requirements under Financial Markets Conduct (FMC) Act (2013)

Retail and KiwiSaver Funds

- Reporting entities under the FMC Act
- They can be both restricted or non-restricted funds. No new restricted funds can be created.
- Restricted funds may have a licensed trustee rather than a licensed manager or supervisor
- An audit is required for these funds
- Auditors required to report to supervisor any reportable matters under FMC Act (S198/199)
- Registry audit and a custodial assurance report for the custodian are required

What is a Managed Investment Scheme in New Zealand?

The following are examples of managed investment schemes included under the Financial Markets and Conduct Act 2013 (FMC Act)

- Unit trusts under current law
- KiwiSaver schemes (s128)
- Superannuation schemes (s129)
- Workplace savings schemes (s130)
- Some participatory securities under current law
- Investments declared by the FMA (s512)

Required Roles for Managed investment Schemes

Fund Manager

- Offers/issues managed investment products
- Responsible for financial statement preparation

Custodian

- Holds the money/assets

Auditor

- Required to audit the fund and report to supervisor
- Registry audit also required

Supervisor

- Independent party responsible for ensuring the Manager complies with trust deed
- Acts on behalf of members

Registry

- responsible for maintaining register records of each investor

Required by FMC Act

Investment Manager (commonly outsourced)

- Entity responsible for the investment of money
- Makes investment decisions

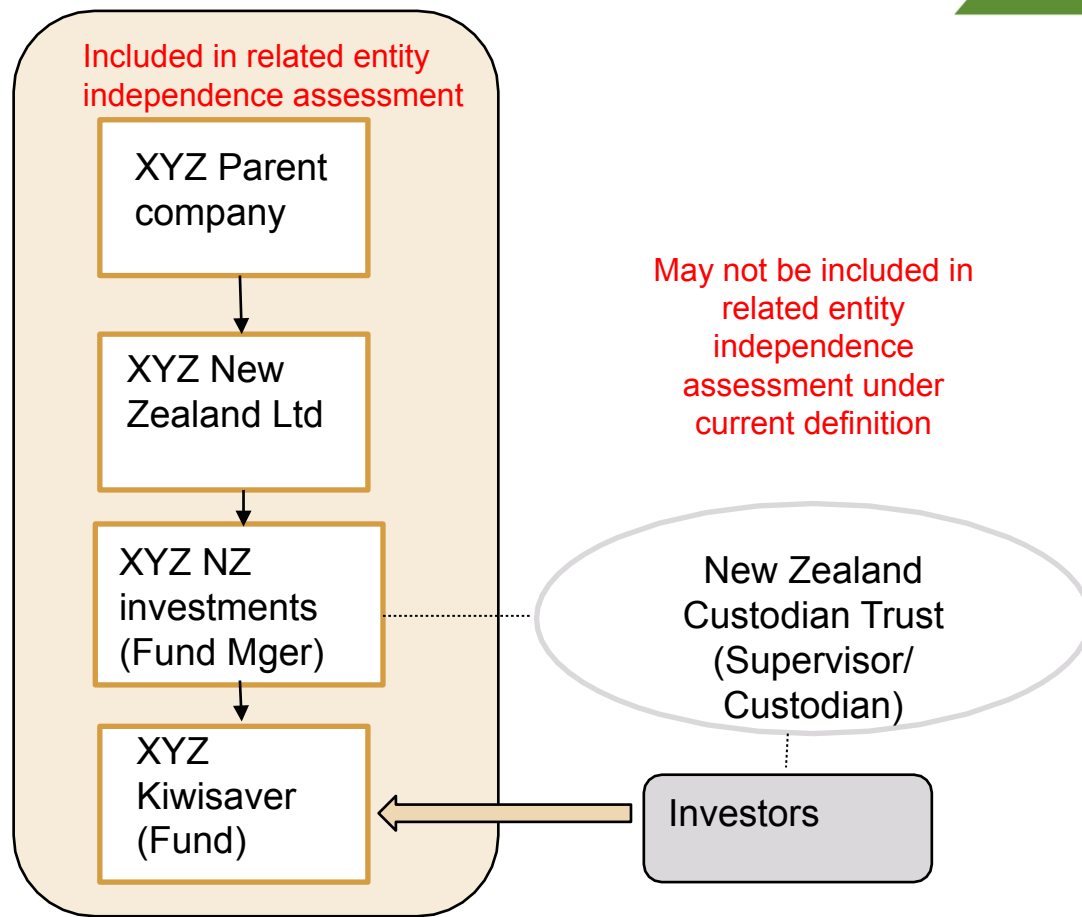
Investors

- Invest in the fund

Fund Administrator (commonly outsourced)

- Day to day accounting
- Includes financial statement preparation

Independence considerations in example limited company MIS structure



MIS Manager (Requirement of FMC Act)

Who are they?

- Registered managers under the FMC Act

Key functions

- offering the managed investment products
- issuing the managed investment products
- managing the scheme property and investments
- administering the scheme

1 or more of these can and often are delegated

Supervisor (Requirement of FMC Act)

Who are they?

Under the FMC Act:

- trustees of unit trusts, KiwiSaver schemes, superannuation schemes, workplace savings schemes, and other managed investment schemes
- trustees of debt securities
- statutory supervisors of participatory securities that are managed investment schemes.
- Must be licensed

Key functions

- Acting on behalf of the scheme participants
- Supervising
- Holding the scheme property
- Other conferred or imposed by the FMC Act

Cannot be delegated

Auditor

Required to report the following to the Supervisor (Trustee)

- Matters that, in the auditor's opinion, are relevant to the exercise or performance of the powers or duties of the supervisor of the debt security or registered scheme ([S198](#))
- Serious problems ([S199](#)). These are required to reported by an auditor, an investment manager, an administration manager, a custodian, or an actuary of a registered scheme

30 June 2025

Gabriela Figueiredo Dias
Chair
International Ethics Standards Board for Accountants
Via email

Dear Gabriela,

IESBA Collective Investment Vehicles and Pension Funds – Auditor Independence

Thank you for the opportunity to comment on the IESBA Collective Investment Vehicles and Pension Funds – Auditor Independence Consultation Paper. We submit the feedback from the New Zealand External Reporting Board (XRB).

The XRB is a Crown Entity responsible for developing and issuing climate, accounting, auditing and assurance standards (including professional and ethical standards in New Zealand). The XRB enables high-quality, credible and integrated reporting by providing robust frameworks and standards that are internationally credible, while being relevant to Aotearoa, New Zealand. This ensures reporting and assurance in New Zealand promotes trust, confidence, transparency and accountability.

The XRB's mandate is limited to developing ethical standards for assurance practitioners. Our consideration of the questions is therefore informed in this context. In our responses we have highlighted some unique jurisdictional considerations relevant to this consultation paper.

The XRB supports the IESBA initiative to seek feedback about whether revisions are required to the extant Code in respect of independence of investment schemes and pension funds.

Should you have any queries concerning our submission please contact either myself at the address details provided below or Misha Pieters (misha.pieters@xrb.govt.nz).

Yours sincerely,

Marje Russ
Chair - NZAuASB
Email: MRuss@tonkintaylor.co.nz



Submission of the New Zealand External Reporting Board

IESBA Collective Investment Vehicles and Pension Funds – Auditor Independence

Question 1

Does the Code’s definition of related entity capture all relevant parties that need to be included in the auditor’s independence assessment when auditing CIVs/pension funds?

Please provide reasons for your response.

No, we do not believe that a current definition captures all relevant parties. Our response is specific to New Zealand and the structures and requirements for collective investment schemes and pension funds in New Zealand.

In New Zealand, the Financial Markets Conducts Act 2013 (FMC Act) includes the requirements for collective investment vehicles and funds. Collective investment schemes are known in New Zealand as managed investment schemes (MIS). The KiwiSaver Act 2006 contain additional requirements on KiwiSaver schemes (a type of MIS).

The FMC Act requires all funds to have the following roles with the following responsibilities:

- Fund Manager (S142)
 - The fund manager is responsible for the management of the fund including offering and issuing managed investment products.
 - Does not hold or look after investors money or property.
 - Responsible for the administrative functions of the fund.
- Supervisor or Trustee ([S152](#))
 - Independent party responsible for ensuring the Manager complies with the scheme trust deed.
 - Legislation (S156 of the FMC Act) requires the supervisor or other independent person to be the custodian.
 - Acts on behalf of members (like Directors do for shareholders).
- Custodian (this could be the same entity as the supervisor)
 - Entity appointed to hold investors property of a registered MIS “on trust” on behalf of members.
 - Has the legal responsibility for safekeeping investors securities.
 - Responsible for keeping MIS records and reporting on MIS property.

The parties fulfilling the above-mentioned roles and responsibilities are regulated by the Financial Markets Authority.

Depending on the legal form and structure of the MIS, some of these parties may not necessarily be seen as a related entity and may therefore not be considered by the auditor in their assessment of independence. The auditor’s consideration of who the related entities are may also differ when the MIS is established as a group of companies versus a limited partnership.

The Supervisor role, as included above, may not fall within the current definition of a related entity because the definition is based on control, direct financial interest and significant influence and the supervisor may not have control.

Question 2

Questions 2 and 3 pertain to audit of a CIV/pension fund where a Connected Party to the Scheme meets the criteria set out in paragraph 35, i.e., the Connected Party is:

- a) Responsible for its decision making and operations;
- b) Able to substantially affect its financial performance; or
- c) In a position to exert significant influence over the preparation of its accounting records or financial statements.

Do you believe the criteria set out above are appropriate and sufficient to capture Connected Parties that should be considered in relation to the assessment of auditor independence with respect to the audit of a CIV/pension fund?

Please provide reasons for your response.

We agree with a, if a connected entity is responsible for decision making and operations then it should be included in the assessment of independence and they may not be captured under the definition of related entity within the extant Code.

If a party is able to substantially affect the financial performance of an entity, then we agree that it should be included in the assessment of independence.

We are unclear whether the wording of c may capture service organisations that may prepare financial statements or maintain accounting records on behalf of funds but are being used for their GAAP knowledge rather than making decisions on behalf of the fund. These may be considered as service organisations under ISA 402 or ISAE 3402.

Question 3

Where there are such Connected Parties, do you believe that the application of the conceptual framework in Section 120 of the Code is sufficiently clear as to how to identify, evaluate and address threats to independence resulting from interests, relationships, or circumstances between the auditor of the CIV/pension fund and the Connected Parties?

If not, do you believe the application of the conceptual framework in the Code as applicable to Connected Parties associated with Investment Schemes warrants additional clarification?

Please provide reasons for your response.

We believe that the conceptual framework is appropriate and sufficiently clear as to how to identify, evaluate and address threats to independence.

Without including a new definition of connected parties we question whether the auditor would include these entities in their independence assessment and therefore whether they would look to apply the conceptual framework.

Question 4

Do you believe that the conceptual framework in Section 120 of the Code is consistently applied in practice with respect to the assessment of auditor independence in relation to Connected Parties when auditing a CIV/pension fund?

Please provide reasons for your response.

We do not believe that connected parties are currently being considered in independence considerations.

Question 5

Are there certain interests, relationships, or circumstances between the auditor of a CIV/pension fund and its Connected Parties that should be addressed? Please provide reasons for your response.

None that are specific to New Zealand that we have identified.

DRAFT

NZAuASB Board Meeting Summary Paper

Meeting date: 4 June 2025
Subject: Joint NZAuASB/AUASB project to revise the “Audit Implications of the Use of Service Organisations for Investment Management Services” explanatory guidance
Date: 15 May 2025
Prepared By: Thinus Peyper

☒ **Action Required**
☐ **For Information Purposes Only**

Agenda Item Objectives

1. The Objective of this agenda item is to:
 - a. UPDATE the Board on the progress made to revise the “Audit Implications of the Use of Service Organisations for Investment Management Services” explanatory guidance (the guidance).
 - b. APPROVE the **Joint Project Plan**.

Background

2. On 9 April 2025, the Board received an update on the joint project with the AUASB:
 - a. A project advisory group (PAG) has been established. The PAG consists of New Zealand and Australian members and is chaired by AUASB board member, Klynton Hankin.
 - b. AUASB staff collated areas in the existing guidance that the PAG members find difficult to apply. These application issues informed the draft scope of the project and would be refined as the project progresses.
 - c. On 2 April 2025 the PAG held its first meeting. The draft scope was agreed, including that the guide would only deal with financial reporting. The application issues were discussed in detail and refined.
3. On 1 May 2025, the PAG held its second meeting. The discussions focussed on the following points related to subservice organisations (SSO):
 - a. The importance of an upfront risk assessment for an appropriately scoped engagement, was reiterated. (The guidance in this area will be updated by AUASB staff.)
 - b. A need for guidance on what is considered adequate monitoring of controls by the service organisation to provide evidence that the SSO’s controls are operating effectively. (The guidance in this area will be updated by XRB staff. ICAEW technical release 01/20 AAF will be considered when drafting this guidance.)
4. AUASB staff used the above information to prepare a project plan and discussed it with XRB staff. The project plan was approved by the AUASB at its 14 May 2025 board meeting.

5. The PAG agreed that the approved plan should be discussed with ASIC. Similarly, the project will be discussed with the FMA.
6. The next PAG meeting is being planned for mid-June 2025.

Matters to Consider

1. It is important for the Board to consider the *Action Plan steps*, and the detailed application issues which informs the *Project Scope*. Board members may have views on the timelines of the project and/or the application issues that are being considered. Refer to the tables on pages 3 and 4 to 6 of the **Joint Project Plan**, respectively.

Recommendation

1. We recommend that the Board approve the **Joint Project Plan**

Material Presented

Agenda item	Board Meeting Summary Paper
Agenda item	Joint Project Plan
Supplementary Agenda item	AUASB prepared PAG Terms of Reference

Joint Project Plan

Project Title:	Revision of Explanatory Guidance EG Au8 <i>Audit Implications of the Use of Service Organisations for Investment Management Services</i> (New Zealand version) and Guidance Statement GS 007 <i>Audit Implications of the Use of Service Organisations for Investment Management Services</i> (Australian version)
Date Prepared:	29 April 2025
Prepared By:	Rajen Pillay and Thinus Peyper (15 May 2025)

Overview of Project

Information Gathering/Background

GS 007 was first issued in March 2008 and subsequently updated and reissued on 25 October 2011 by the AUASB. EG Au8 was issued in September 2013 by the NZAuASB.

Feedback from audit firms and regulators highlighted that the audit landscape has evolved since EG Au8 and GS 007 (the guidance) were last issued for example, changes in auditing standards, and changes in technology and its use by entities. Therefore, the current versions of the guidance require revisions to align it with current practice. Further details are noted under the project scope area below.

Consistent with the Principles of harmonisation of New Zealand and Australian Standards, the NZAuASB and AUASB (the boards) will work jointly on revising the guidance to achieve consistency where appropriate across jurisdictions.

At the AUASB Board meeting in November 2024, it was agreed that Klynton Hankin (a current AUASB Board Member) will be the project sponsor for the revision of the guidance. A subsequent meeting was held with him in December 2024 to get a brief overview of the issues with the application of GS 007 and to inform the scope of the project. The issues have been further informed by input from Project Advisory Group (PAG) members, before and during an initial PAG meeting on 2 April 2025.

Stakeholder engagement

The guidance is widely used in the investment management services industry. Key stakeholders impacted by the revision are:

- service/subservice organisations that provide investment management and related services to the superannuation and wealth management industry and their auditors providing assurance on the design and effective operation of relevant controls; and

- user entities (e.g. managed schemes, responsible entities, registrable superannuation entities and RSE licensees/trustees) and the auditors of their financial reports.

It is also expected that there will be ongoing discussions with the FMA and ASIC which regulate financial reports and audits.

An Australian stakeholder group from whom input may be sought, is the Australian Custodial Services Association, an industry body representing members of Australia's custodial and investment administration sector.

XRB staff will also endeavour to seek input from any relevant stakeholder groups in New Zealand, as the revision progress.

Scope

Project Objective

To review and revise the guidance for key issues with its application by auditors of financial reports of entities in the investment management and superannuation industry.

Project Scope

The application section of the guidance has been retained. The guidance is provided to:

- (i) user auditors of a financial report of a user entity which uses a third-party service organisation to provide investment management services; and
- (ii) service auditors of those service organisations who provide reports on controls (or financial information) which may be used as audit evidence in the audit of the user entity's financial report.

To meet the project objective this project will address the application issues with the current guidance having regard to feedback from audit firms and practitioners that undertake audit work in the investment management services industry.

The application issues to be addressed are outlined in the **Appendix** to this project plan identified by the PAG chair and members. These issues will be refined as we progress with the review.

The review of the guidance and the approach to deal with issues identified will be informed by a review of guidance/practices in the US and UK (i.e. SSAE 18 in the US (2017) and ICAEW 01/20 AAF in the UK (2020)), and possibly other jurisdictions.

Issues Out of Scope of this project

The project is confined to the use of service organisations in the context of a financial report audit. The update will not cover, for example, sustainability reporting and associated value chain reporting by service organisations. This could be addressed as a separate project at a future date.

Project Governance

PAG

To assist the Boards with this project, a PAG was formed to advise on the development of proposed amendments to the guidance. The PAG comprises member representatives from the largest audit firms from New Zealand and Australia. The PAG Chair is Klynton Hankin.

The Boards sought nominations of suitably experienced individuals to serve on the PAG. Following AUASB protocols, the AUASB Chair made the final decision on selecting PAG members to ensure appropriate representation on the PAG. XRB staff was also consulted in making his decision.

Targeted Implementation Date

The reporting period targeted is years ending 30 June 2026 and later. It is planned to provide a final draft in February/March 2026 for review and approval by the Boards (refer action plan below).

Risks/Issues

Risk/Issue to meeting project objective	Planned Mitigation Activities
Scope not well defined – “scope creep”	Discussions at the PAG and the Boards (including approval of this project plan) to clearly define scope
Amendments go beyond or are not consistent with the underlying requirements in the auditing and assurance standards	Review by the PAG and the Boards

Action Plan

Action plan steps outlined in the table below.

Date	NZAuASB Timing	Date	Description/AUASB timing
18 Feb 2025	Initial NZAuASB Discussion	14 Feb 2025	Initial discussion AUASB staff
2 April 2025	Project scope issues discussed at 1 st PAG meeting – inform plan	2 April 2025	Joint project same timing
9 April 2025	NZAuASB updated on project progress and scope	-	-
4 June 2025	Plan approval by NZAuASB Board	14 May 2025	Plan approval by AUASB Board
3 April to Dec 2025	Project work undertaken and ongoing PAG review		Joint project same timing
Jan/Feb 2026	Early draft of the guidance for PAG review		Joint project same timing
Feb/Mar 2026	Final draft of the guidance to NZAuASB Board for review/approval	Feb/Mar 2026	Final draft of the guidance to AUASB Board for review/approval

Communication with stakeholders

The necessary protocols of the Boards will be followed to issue updated non-authoritative pronouncements.

Appendix

Project scope issues are detailed in the table below. This is subject to further consideration/refinement during the PAG process.

	Issues / Observations	Related Action / Response
A. Subservice organisations		
1	<p>Subservice organisations (SSO) and the inconsistent application of the carve-out method. Where carve-out is applied some principles-based guidance is needed, including:</p> <ul style="list-style-type: none"> • Initial risk assessment procedures to justify why SSO is carved out. • Monitoring of controls by the service organisation to evidence design and operating effectiveness of controls at the SSO to support a conclusion regarding achievement of the in-scope objectives. • Adequacy of reporting around control objectives/controls by service/subservice organisation? • Consideration of ability to obtain sufficient appropriate audit evidence on the relevant control objectives where there are carved out SSOs. 	
2	<p>Limitations on user auditor access to SSOs where controls are at the SSO rather than the service organisation.</p> <ul style="list-style-type: none"> • Consider whether guidance may be useful for SSOs that are considered significant and the absence of a contractual relationship between the user entity and the SSO – linking into issue 1 above on risk assessments and possible carve out (e.g. superannuation fund audits)? 	
B. Gap periods		
3	<p>Gaps in time periods between:</p> <p>(i) service organisations relying on subservice organisations; and</p> <p>(ii) service organisations and user entity financial reporting year end.</p> <p>Applying a risk lens, clarity on the nature and extent of additional audit procedures that could be used by user/service auditor to address:</p> <ul style="list-style-type: none"> • Coverage of a gap period and over what duration; • Risk considerations around duration of the gap, nature of the control and system changes; and the criticality of the service provider to the subject matter; and • Consider regulatory requirements / expectations i.e. FMA and ASIC. <p>For example, consideration may be given to the impact of the combination of:</p> <ul style="list-style-type: none"> • the gap period at a subservice organisation; and • the time lag between the date of the report from the service organisation auditor and the balance date of the entity subject to audit. 	

	Issues / Observations	Related Action / Response
C. Nature and extent of controls testing (and related considerations)		
4	<p>Clarity on requirements for evidencing the extent of controls testing (including IT dependencies) on the following.</p> <ul style="list-style-type: none"> • The extent of testing on automated controls or key reports, and IT dependent manual controls? Can it be assumed that service auditor has tested the IT dependency for report generation and completeness and accuracy of the source population as part of an IT dependent manual control or should this be set out in the service auditor's assurance report? • Where control samples are selected from a population, what testing has been performed over the completeness and accuracy of the population. <p>NB: Further clarity around definition of:</p> <ul style="list-style-type: none"> • in-scope IT systems underpinning reporting (and therefore subject to Section G IT controls) • the key reports subject to controls/substantive testing. 	
5	<p>Are controls described at too high a level leading to inconsistency in interpretation (including Section G IT controls).</p> <ul style="list-style-type: none"> • Do descriptions need to be more specific and more clearly articulated (e.g. details of precision of review controls, in-scope systems tested)? • Need for further guidance over description of controls (including examples). 	
6	<p>Should service organisation auditors provide clarity on the approach to determining sample sizes, provide sample sizes in reports and reference the frequency of testing for each control with the report? Alternatively, should reliance be placed on the professional judgement of the service organisation auditor.</p> <ul style="list-style-type: none"> • Some base line level of sampling might be included in the guidance. • This would exclude how auditors should determine sample sizes. 	
7	<p>Extent to which roll forward test procedures are performed over differing period ends, and whether and how this is disclosed in service organisation auditor reports. It may be appropriate to draft based on UK guidance AAF 01/20.</p>	
D. Other areas of challenge		
8	<p>Use of EoM (emphasis of matter) paragraphs when controls exist but were not required to operate within the period (e.g. controls over client acceptance where no new clients were accepted during the period).</p> <ul style="list-style-type: none"> • Clarifying when and how such matters should be reported is seen as important for consistency and for informing the user auditor's conclusions. 	

	Issues / Observations	Related Action / Response
9	<p>Expectations on interaction between user auditor and service auditor having regard to likely report content, particularly where the report will be received late in the audit.</p> <ul style="list-style-type: none"> • Communication throughout to avoid surprises when final report is received. • Timing of the receipt of the controls report to allow sufficient time for the user entity auditor to use the evidence it contains prior to completion of the user entity's audit. Further procedures may be required for opinion modifications and/or deviations reported, as well as seeking more clarity on the controls tested, etc. • Clarifying the expectations regarding findings and qualification – any additional information required to be included in the report or to support the report to assist user entity auditors or auditors of the service organisation • Disclosure of procedures undertaken to determine completeness and accuracy of population where completed? 	
10	<p>While the guidance is focused on financial reporting, a statement might be included that service organisation reports may also need to include controls to address operational resilience or other reporting matters required by regulatory bodies. This could include business continuity plans and cyber-security. However, guidance on these matters would remain outside the scope of the guidance.</p>	



NZAuASB Board Meeting Summary Paper

Meeting date: 4 June 2025
 Subject: Use of external experts narrow-scope amendments
 Date: 14 May 2025
 Prepared By: BM

☒ Action Required

☐ For Information Purposes Only

Agenda Item Objectives

1. The Objective of this agenda item is to approve a draft submission to the IAASB on the exposure draft (ED) of *Proposed Narrow-Scope Amendments to IAASB Standards Arising from the IESBA's Using the Work of an External Expert Project*, subject to any further feedback received from New Zealand stakeholders.

Background

2. In response to the IESBA's amendments to the code of ethics on using the work of an external expert, the IAASB's ED proposes targeted amendments to the IAASB standards. This is to ensure the standards remain interoperable when the auditor uses the work of an external expert. At the April meeting, the NZAuASB agreed in principle to respond to the ED.
3. Following the April 2025 NZAuASB meeting, the IAASB issued an ED. The ED proposes:
 - a. Targeted amendments to the auditing standard ISA 620¹.
 - b. Targeted amendments to other IAASB standards ISAE 3000 (Revised)², ISRE 2400³, and ISRS 4400⁴.
4. These amendments include:
 - a. a new requirement in ISA 620 for the auditor to consider the provisions of relevant ethical requirements related to using the work of an expert. This will draw a bridge between the ISA requirements and the new Code of Ethics provisions. The new Code of Ethics provisions require:
 - i. external experts to provide written information on their objectivity and
 - ii. written terms of engagement between the practitioner and external expert.
 - b. application material in ISA 620 regarding the evaluation of the adequacy of the auditors' expert's work now explicitly states that the "requirement to evaluate the adequacy of the auditor's expert's work is based on the presumption that the auditor has determined that the expert has the necessary CCO". Previously this presumption had been implicit in the standard.

¹ ISA (NZ) 620, *Using the Work of an Auditor's Expert*

² ISAE (NZ) 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*

³ ISRE (NZ) 2400 *Review of Historical Financial Statements Performed by an Assurance Practitioner who is Not the Auditor of the Entity*

⁴ ISRS (NZ) 4400 *Agreed-Upon Procedures Engagements*

- c. new application material in ISA 620 for auditors to consider relevant ethical requirements when evaluating the CCO of the expert. Similar material is added to for ISAE 3000 (Revised), ISRE 2400 and ISRS 4400.
5. The ED has been posted on the XRB's [website](#), and is available as a supplementary agenda item. The IAASB's comment period closes July 24, 2025. To allow us time to finalise a submission, and provide NZ constituents sufficient time to respond, our comment period closes on July 10. These dates are before the next NZAuASB meeting in August.
6. In line with our planned engagement, which was discussed at the April 2025 NZAUASB meeting, we have notified constituents of this consultation through our need-to-know webinar in April, the assurance alert, LinkedIn and Pitopito kōrero. To date, no submissions have been received.
7. The developing proposed wording for the ED was discussed at our technical reference group on 11 March to inform the discussion at the March IAASB meeting. Overall, feedback supported the amendments. At the time no changes had been proposed for ISRE 2400 (Revised). The group queried that, given the standard's use in NZ and that external experts may be used in a review engagement. Greg Schollum raised this feedback at the IAASB meeting, and recommended that the IAASB propose to add application material to ISRE 2400, similar to the amendments in the other standards.
8. The IAASB is proposing to add application material in ISRE 2400 (see paragraph A97C, page 22 in the ED), to provide a bridge to the Code provisions - indicating circumstances in which relevant ethical requirements may prohibit the auditor from using the work of an auditor's expert. In addition, the IAASB is proposing to add application material (see paragraph A97A-A97B, page 22 in the ED), based on the concepts in the application material in ISA 620, to help provide appropriate context.
9. As this is the only NZAuASB meeting between now and July 24, and the low priority nature of this consultation, we have drafted a response, at the following agenda item. Overall, we are supportive of the proposed amendments and do not have any suggestions for further changes. We welcome comments or suggested additions to the draft response, at the board meeting.

Next steps

10. We will analyse any responses received from our constituents by July 10, and update the response form accordingly. If any changes to the submission are identified, we will circulate those changes for approval. Otherwise, subject to board approval at this meeting, we will submit the response by July 24.

Recommendations

11. We recommend that the Board approve the response to the IAASB, subject to any further comments from constituents.

Material Presented

Agenda item	Board Meeting Summary Paper
Agenda item	Response to the IAASB
Supplementary Agenda item	IAASB Exposure Draft <i>Proposed Narrow-Scope Amendments to IAASB Standards Arising from the IESBA's Using the Work of an External Expert Project</i>

Responses to IAASB's Request for Comments in the EM for the ED, Proposed Narrow-Scope Amendments to IAASB Standards Arising from the IESBA's Using the Work of an External Expert Project

PART A: Respondent Details and Demographic information

Your organization's name (or your name if you are making a submission in your personal capacity)	New Zealand Auditing and Assurance Standards Board (NZAuASB)
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	Marje Russ, Chair NZAuASB
Name(s) of contact(s) for this submission (or leave blank if the same as above)	Misha Pieters
E-mail address(es) of contact(s)	Misha.pieters@xrb.govt.nz
Geographical profile that best represents your situation (i.e., from which geographical perspective are you providing feedback on the ED). Select the most appropriate option.	Asia Pacific
	If "Other", please clarify
The stakeholder group to which you belong (i.e., from which perspective are you providing feedback on the ED). Select the most appropriate option.	Jurisdictional standard setter
	If "Other", please specify
Should you choose to do so, you may include information about your organization (or yourself, as applicable).	The External Reporting Board (XRB) is a Crown Entity responsible for issuing accounting, climate and audit and assurance standards in New Zealand. We enable high quality, trusted, and integrated reporting through frameworks and standards that are internationally credible and locally relevant. We are focused on reporting and assurance in New Zealand that promotes trust, confidence, transparency and accountability. The XRB delegates responsibility for issuing auditing and assurance standards to the NZAuASB.

Should you choose to do so, you may provide overall views or additional background to your submission. **Please note that this is optional.** The IAASB's preference is that you incorporate all your views in your comments to the questions (also, the last question in Part B allows for raising any other matters in relation to the ED).

Information, if any, not already included in responding to the questions in Parts B and C:

PART B: Responses to Questions in the EM for the ED

For each question, please start with your overall response by selecting one of the items in the drop-down list under the question. Provide your detailed comments, if any, below as indicated.

Overall Question

Public Interest Responsiveness

1. Do you agree that the proposed narrow-scope amendments are responsive to the public interest, considering the qualitative standard-setting characteristics and standard-setting actions in the project proposal? If not, why not?

(See EM, Section 1-A)

Overall response: Agree, with comments below

Detailed comments (if any):

Yes, we agree that the proposed narrow-scope are responsive to the public interest. The rationale for this agreement is based on the following considerations:

1. **Relevance:** The amendments ensure that the IAASB standards, including ISA 620, remain relevant in light of the new provisions in the IESBA Code related to using the work of an external expert. This is particularly important given the growing involvement of experts in areas such as estimates, technology, and sustainability.
2. **Timeliness:** The timely alignment of the effective date between the IESBA standard and IAASB amending standard is crucial to avoid inconsistencies and ensure consistent implementation.
3. **Appropriateness of scope:** The amendments are targeted and necessary to maintain interoperability of the audit, assurance, and related services standards with the IESBA code. We support the use of narrow scope amendments to respond quickly to matters of this nature.
4. **Coherence and Comprehensiveness:** The amendments ensure consistency across the audit, assurance, and related services standards, and ethical standards, preventing conflicts in requirements related to using the work of an external expert. This coherence is vital for the effective application of the standards. The proposals also ensure comprehensiveness particularly pointing out that the practitioner takes into account relevant ethical requirements when evaluating an external expert's CCO.
5. **Enforceability:** The amendments clearly state the responsibilities of the practitioner, making the standards enforceable.

Specific Questions*Proposed Narrow-Scope Amendments to ISA 620¹*

2. Do you agree that the proposed narrow-scope amendments to ISA 620 are appropriate to maintain interoperability with the new provisions in the Code related to using the work of an external expert?

(See EM, Section 1-C)

Overall response: Agree, with comments below

Detailed comments (if any):

Yes, we agree that the proposed narrow-scope amendments to ISA 620 are appropriate to maintain interoperability with the new provisions in the Code related to using the work of an external expert. We agree with the addition of sub-requirement (f) in paragraph 8. This requirement is particularly necessary given the new provision in the Code for the external expert to provide written information relating to objectivity.

We agree that the additional application material in paragraph of A31A helps to clarify that the auditor would not evaluate the adequacy of the auditor's expert's work if the expert does not possess the necessary CCO and therefore paragraph 12 would not apply in this circumstance.

If you do not agree, what alternatives do you suggest (please identify the specific paragraphs and be specific as to why you believe the proposals are not appropriate, and why you believe your alternatives would be more appropriate)?

Detailed comments (if any):

N/A

Proposed Narrow-Scope Amendments to ISRE 2400 (Revised),² ISAE 3000 (Revised)³ and ISRS 4400 (Revised)⁴

- 3.1 Do you agree that the proposed narrow-scope amendments to ISRE 2400 (Revised) are consistent with the proposed amendments to ISA 620, and are appropriate to maintain interoperability with the new provisions in the Code related to using the work of an external expert?

(See EM, Section 1-D)

Overall response: Agree, with comments below

Detailed comments (if any):

¹ International Standard on Auditing (ISA) 620, *Using the Work of an Auditor's Expert*

² International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements*

³ International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

⁴ International Standards on Related Services (ISRS) 4400 (Revised), *Agreed-upon Procedures Engagements*

Yes, we agree that the proposed narrow-scope amendments to ISRE 2400 (Revised) are consistent with the proposed amendments to ISA 620 and are appropriate to maintain interoperability with the new provisions in the Code related to using the work of an external expert.

We agree that it is necessary to add application material to the standard to provide a bridge to the Code provisions indicating circumstances in which relevant ethical requirements may prohibit the assurance practitioner from using the work of an external expert. This standard is well used in NZ, particularly by auditors of small charities which are legally required to be reviewed. The additions to the application material providing context regarding the use of an expert are welcome.

If you do not agree, what alternatives do you suggest (please identify the specific paragraphs and be specific as to why you believe the proposals are not appropriate, and why you believe your alternatives would be more appropriate)?

Detailed comments (if any):

3.2 Do you agree that the proposed narrow-scope amendments to ISAE 3000 (Revised) are consistent with the proposed amendments to ISA 620, and are appropriate to maintain interoperability with the new provisions in the Code related to using the work of an external expert?

(See EM, Section 1-E)

Overall response: Agree, with comments below

Detailed comments (if any):

Yes, we agree that the proposed narrow-scope amendments to ISAE 3000 (Revised) are consistent with the proposed amendments to ISA 620 and are appropriate to maintain interoperability with the new provisions in the Code related to using the work of an external expert.

If you do not agree, what alternatives do you suggest (please identify the specific paragraphs and be specific as to why you believe the proposals are not appropriate, and why you believe your alternatives would be more appropriate)?

Detailed comments (if any):

N/A

3.3 Do you agree that the proposed narrow-scope amendments to ISRS 4400 (Revised) are consistent with the proposed amendments to ISA 620, and are appropriate to maintain interoperability with the new provisions in the Code related to using the work of an external expert?

(See EM, Section 1-F)

Overall response: Agree, with comments below

Detailed comments (if any):

Yes, we agree that the proposed narrow-scope amendments to ISRS 4400 (Revised) are consistent with the proposed amendments to ISA 620 and are appropriate to maintain interoperability with the new provisions in the Code related to using the work of an external expert.

If you do not agree, what alternatives do you suggest (please identify the specific paragraphs and be specific as to why you believe the proposals are not appropriate, and why you believe your alternatives would be more appropriate)?

Detailed comments (if any):

N/A

Other Matters

4. Are there any other matters you would like to raise in relation to the ED? If so, please clearly indicate the standard(s), and the specific requirement(s) or application material, to which your comment(s) relate.

Overall response: No other matters to raise

Detailed comments (if any):

Part C: Request for General Comments

The IAASB is also seeking comments on the matters set out below:

5. Translations—Recognizing that many respondents may intend to translate the final narrow-scope amendments for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing the ED.

Overall response: No response

Detailed comments (if any):

6. Effective Date—Given the public interest benefit of aligning the effective date of these proposed narrow-scope amendments with the effective date of the revised Code provisions related to using the work of an external expert, the IAASB believes that an appropriate implementation period would be approximately 12 months after the PIOB's process of certification of the final narrow-scope amendments. The IAASB welcomes comments on whether this would provide a sufficient period to support effective implementation of the narrow-scope amendments.

(See EM, Section 1-G)

Overall response: See comments on effective date below

Detailed comments (if any):

We agree with the proposed effective date of approximately 12 months after the PIOB's process of certification of the final narrow-scope amendments.