

# New Zealand Auditing and Assurance Standards Board

## MEETING PACK

for

### NZAuASB Board Meeting - Virtual - PUBLIC

Thursday, 14 August 2025

10:00 am (NZST)

Held at:

Virtual

Microsoft Teams Meeting

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# AGENDA

## NZAUASB BOARD MEETING - VIRTUAL - PUBLIC

<b>Name:</b>	New Zealand Auditing and Assurance Standards Board
<b>Date:</b>	Thursday, 14 August 2025
<b>Time:</b>	10:00 am to 5:00 pm (NZST)
<b>Location:</b>	Virtual, Microsoft Teams Meeting
<b>Committee Members:</b>	Marje Russ (Committee Chair), Darby Healey, David Hay, Doug Niven, John Kensington, Michael Bradbury, Richard Kirkland, Todd Beardsworth, Vasana Vanpraseuth
<b>Attendees:</b>	Anna Herlender, Bruce McNiven, Karen Tipper, Karen Griffin, Lisa Thomas, Misha Pieters, Sharon Walker, Susan Johnstone, Thinus Peyper, Wendy Venter

1. (PRIVATE)
2. (PRIVATE)
3. Board Management (PUBLIC)

### 3.1 Action List 10:00 am (5 min)

#### For Decision

Supporting Documents:

3.1.a	3.1 Action List Aug 2025.pdf	8
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### 3.2 Chair Update 10:05 am (10 min)

Verbal

### 3.3 AUASB Update 10:15 am (10 min)

#### For Noting

Verbal

### 3.4 IESBA Meeting Highlights and Decisions 10:25 am (10 min)

Supporting Documents:

3.4.a	3.4 June 2025 IESBA Meeting Highlights_0.pdf	9
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### 3.5 IAASB report 10:35 am (10 min)

Supporting Documents:

3.5.a	3.5 IAASB June 2025 report.docx	12
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### 3.6 Morning Tea

10:45 am (15 min)

## 4. NZAuASB workplan (PUBLIC)

### 4.1 Summary Paper

11:00 am (5 min)

Misha Pieters

#### For Decision

Supporting Documents:

4.1.a	4.1 Summary paper Work Plan Aug 2025.docx	18
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### 4.2 Prioritisation schedule

11:05 am (25 min)

Misha Pieters

#### For Decision

Supporting Documents:

4.2.a	4.2 Prioritisation plan 2025_26 July.docx	20
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## 5. Fraud (PUBLIC)

### 5.1 Summary paper

11:30 am (20 min)

Sharon Walker

#### For Decision

Supporting Documents:

5.1.a	5.1 BMSP Fraud 08 2025.docx	23
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### 5.2 SUPPLEMENTARY: ISA (NZ) 240

11:50 am (20 min)

Sharon Walker

#### For Decision

### 5.3 Signing memorandum

12:10 pm (20 min)

Sharon Walker

#### For Decision

Supporting Documents:

5.3.a	5.3 Draft Signing Memorandum - Fraud.docx	36
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## 6. Publicly traded entity amendments (PUBLIC)

### 6.1 Summary paper

12:30 pm (10 min)

Anna Herlender

#### For Noting

Supporting Documents:

6.1.a	6.1 PTE summary paper.docx	42
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<b>6.2 Issues paper</b>	12:40 pm (10 min)
Anna Herlender	
<b>For Noting</b>	
Supporting Documents:	
6.2.a 6.2 PTE Issues paper.docx	44
<b>6.3 SUPPLEMENTARY: Markups</b>	12:50 pm (10 min)
Anna Herlender	
<b>For Noting</b>	
<b>6.4 Lunch</b>	1:00 pm (30 min)
<b>7. Technology (PUBLIC)</b>	
<b>7.1 Summary paper</b>	1:30 pm (20 min)
Thinus Peyper	
<b>For Discussion</b>	
Supporting Documents:	
7.1.a 7.1 NZAuASB Technology summary.docx	50
<b>7.2 Technology update related to standard setting and guidance</b>	1:50 pm (20 min)
Thinus Peyper	
<b>For Discussion</b>	
Supporting Documents:	
7.2.a 7.2 NZAuASB Technology update.docx	52
<b>7.3 Technology plan for the financial year</b>	2:10 pm (20 min)
Thinus Peyper	
<b>For Discussion</b>	
Supporting Documents:	
7.3.a 7.3 NZAuASB Technology plan.docx	60
<b>8. ISA for LCE (PUBLIC)</b>	
<b>8.1 Summary Paper</b>	2:30 pm (5 min)
Bruce McNiven	
<b>For Discussion</b>	
Supporting Documents:	
8.1.a 8.1 ISA for LCE Summary.docx	62

## 8.2 Adoption and implementation plan

2:35 pm (25 min)

Bruce Mcniven

### For Discussion

Supporting Documents:

8.2.a	8.2 ISA for LCE implementation and adoption.docx	63
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## 9. GHG assurance (PUBLIC)

### 9.1 Summary Paper

3:00 pm (30 min)

Karen Tipper

### For Noting

Supporting Documents:

9.1.a	9.1 GHG Assurance Plan BMSP .docx	67
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### 9.2 Afternoon tea

3:30 pm (15 min)

## 10. Service performance information (PUBLIC)

### 10.1 Update on feedback heard

3:45 pm (45 min)

Lisa Thomas

### For Discussion

Verbal update

## 11. Board management (PRIVATE)

### 11.1 ISA (NZ) for LCE gazette notice

4:30 pm (5 min)

Supporting Documents:

11.1.a	11.1 Gazette Notice ISA for LCE.pdf	69
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### 11.2 Correspondence

4:35 pm (5 min)

### For Noting

Supporting Documents:

11.2.a	11.2 Correspondence Aug 2025.docx	70
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### 11.3 Communications from NZAuASB

4:40 pm (5 min)

### For Noting

Supporting Documents:

11.3.a	11.3 Communications from the NZAuASB August 2025.docx	71
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## 11.4 Speaking register

4:45 pm (5 min)

### For Noting

Supporting Documents:

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11.4.a 11.4 Speaking register August 2025.docx

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## 12. Close Meeting

### 12.1 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	Oct 2025	Address with going concern standard, fraud and all amending standards
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.	Aug 2025	Consider at August meeting – refer agenda
April 2025	Request formal response from the FMA if desire the public interest entity requirements to apply to all FMC reporting entities	TBC	Request made. The FMA will respond once further considered.
June 2025	Understand the AUASB's project to develop guidance on the use of AI and consider application in New Zealand	Aug 2025	Consider at August meeting – refer agenda



# IESBA Meeting Highlights and Decisions

June 2025

This summary of decisions of the International Ethics Standards Board for Accountants (IESBA) has been prepared for information purposes only. Except for documents approved for public exposure and issuance of final pronouncements, decisions reported on technical matters are tentative, reflect only the current status of discussions on projects, and may change after further deliberation by the IESBA.

The IESBA met in New York, USA on June 9-12, 2025. The video recording of the meeting is available on the IESBA [YouTube](#) channel.

Contact: Ken Siong, IESBA Program and Senior Director ([KenSiong@ethicsboard.org](mailto:KenSiong@ethicsboard.org))

## Trends in the External Reporting Ecosystem

### *Developments in European Union (EU) Capital Markets*

The IESBA considered a presentation from Dr. Apostolos Thomadakis, Head of the Financial Markets and Institutions Unit at the Centre for European Policy Studies (CEPS), on recent developments in EU capital markets. Among other matters, the presentation focused on the evolution of the EU financial markets, the complex and fragmented capital markets landscape and legal and regulatory framework across the EU, the EU Sustainability Omnibus Directive, and broader trends towards deregulation. The IESBA discussed the implications of these developments for its strategic planning.

### *Forward Strategy and Work Plan*

To inform potential adjustments to its forward strategy and work plan, the IESBA considered the key takeaways from the April 2025 IFAC-IESBA Global Summit in Paris, the May 2025 discussions with the Stakeholder Advisory Council (SAC) and the IESBA-Jurisdictional Standard Setters (JSS) liaison group, and outreach with other stakeholders in Q2 2025. Taking into account this feedback as well as its reflections on risks and opportunities relating to trends and developments in the external environment, the IESBA agreed to make some calibrated adjustments to its forward strategy and work plan for 2025-2026. These adjustments include a slowing down in the pace of standard-setting, with no significant new standards expected to be issued before 2027; a reinforcement of support for adoption and implementation (A&I) (including simplification initiatives); a greater focus on post-implementation reviews; and enhanced stakeholder engagement and communications.

### *Communications Strategy and SMART Framework*

The IESBA considered a strategic presentation from the IESBA Communications Team on a proposed SMART framework — Simplification, Mobilization, Adoption, Responsiveness, and Targeted Action — to support the execution of its strategic work plan. The framework sets out an approach to enhance the effectiveness and impact of the IESBA's activities, taking on board discussions with stakeholders as well as reflections and analysis at Board level about the appropriate responses to the current challenges the IESBA faces.

The IESBA agreed to apply the SMART framework as a stakeholder-centric approach to enhance the clarity, impact and coherence of its activities.

## Firm Culture & Governance

The IESBA considered a presentation from Mr. David Rodin, Founder and Chair of Principia, and Mr. Clive Garfield, Principia's Chief Executive Officer, on building and measuring ethical culture, including tools and tests to assess actions, and steps towards ethical decision-making. The IESBA also considered highlights of key comments from the Firm Culture & Governance (FCG) global roundtables and other stakeholder outreach in Q2 2025, as well as updates on coordination with the International Auditing and Assurance Standards Board (IAASB).

The IESBA supported the Project Team's proposed revised strategic approach to the project, aligned with the IESBA's revised overall forward strategy for 2025-2026. This revised approach includes a re-sequencing of the standard-setting and non-authoritative material (NAM) work streams, with a focus on the development of NAM and other supporting materials over the next 18 to 24 months whilst continuing to explore the best approach to the FCG framework.

As part of the re-sequencing, the IESBA agreed to develop a series of viewpoints on the eight elements of the FCG framework identified in the project proposal. Informed by further engagement with stakeholders on the proposed viewpoints from Q4 2025, the IESBA will consider the approach to the FCG framework at its June 2026 meeting.

The IESBA will consider a first draft of the viewpoints and the Project Team's draft plan on the development of NAM and other supporting materials and initiatives at its September 2025 meeting.

## Adoption and Implementation

### *Adoption & Implementation Working Group (A&I WG) Update*

The IESBA considered an update from the A&I WG on its activities since the March 2025 meeting, including ongoing coordination with the International Federation of Accountants (IFAC) and the IAASB, continued outreach with key stakeholders including the International Sustainability Standards Board (ISSB) and the International Accreditation Forum (IAF), and the development of additional planned implementation materials.

The A&I WG outlined its updated jurisdictional prioritization and strategic plans to focus A&I efforts, including developing jurisdictional profiles. The IESBA considered progress updates on a number of priority jurisdictions, including developments with respect to the adoption of the IESBA Sustainability and Experts Standards in Australia, Brazil, South Africa, and the United Kingdom. The IESBA also discussed status updates in other jurisdictions and additional suggestions for the A&I WG to consider for potential prioritization.

The IESBA will receive a further update from the A&I WG at its September 2025 meeting.

### *IESSA Implementation Monitoring Advisory Group (IIMAG) Update*

The IESBA considered an update from the A&I WG on the status of the recruitment process for the IIMAG, which will be chaired by an IESBA Board member. The IESBA noted that 9 IIMAG members have been recruited to date, with an additional three seats to be filled in the near future.

The IESBA will receive an update on the IIMAG's inaugural meeting in Q3 2025 at the IESBA's September 2025 meeting

## PIE Rollout

The IESBA considered an update from the IAASB Program & Technical Director, Willie Botha, on Track 2 of the IAASB's Listed Entity and Public Interest Entity project ([IAASB PIE Project](#)), including highlights of the relevant feedback from respondents to its [Post-Exposure Consultation: Invitation to Comment Before the IAASB Finalizes the Narrow Scope Amendments to the ISQMs and ISAs as a Result of the Revisions to the Definitions of Listed Entity and Public Interest Entity in the IESBA Code](#) (ITC). IESBA members expressed support for further coordination between the two Boards when the IESBA commences its post-implementation review of the PIE definition and related provisions in the Code, due to begin in 2027.

The IAASB approved the narrow scope amendments under Track 2 of its PIE project at [its June 2025 meeting](#).

## Technology

The IESBA considered an update from the Technology Working Group (TWG) on recent developments. The update included key insights from the SAC and IESBA-JSS meetings held in May 2025. The discussions emphasized the growing role of artificial intelligence (AI) in the profession, including related ethical challenges such as automation bias and overreliance on AI.

The IESBA also received an introduction to a proposed IESBA Chatbot, a Microsoft Copilot-based tool designed to support users in navigating the IESBA Code.

The IESBA will receive a further update from the TWG at its September 2025 meeting

## Private Equity Investments in Firms

The IESBA discussed a draft IESBA Staff Alert that highlights key ethics and independence considerations arising from private equity investment in accounting firms.

IESBA members expressed broad support for the initiative and provided feedback on the scope of, approach to, and matters addressed in, the document.

IESBA Staff will circulate a revised draft of the document for the IESBA's further input with the aim of finalizing the document for release by the end of July 2025.

## Next Meeting

The next IESBA meeting is scheduled for September 15-19, 2025 in Lisbon, Portugal.



**DATE:** 19 June 2025

**TO:** NZAuASB members

**FROM:** Greg Schollum, IAASB member  
Misha Pieters, Technical Advisor to Greg and Director Assurance

**SUBJECT: June 2025 IAASB meeting**

**Action:** To **NOTE** the update from the IAASB meeting and **CONSIDER** the areas of high strategic importance arising.

### Areas of high strategic importance to the XRB

1. Key areas of strategic importance arising are summarised below. The full meeting report is in the appendix.

Project	Timing	Strategic Priority for XRB
Audit Evidence and Risk Response	Exposure drafts are expected to be approved in March 2026	<b>High.</b> The project aims to encourage auditors' use of technology and strengthen their work on internal controls. It also explores fundamental principles that underpin the audit.
Technology and quality management	Information gathering. Roundtables planned for November.	<b>High.</b> The IAASB has asked XRB to host a roundtable discussion in November. This connects with the XRB's strategic intent to explore the implications of emerging technology (as reflected in the statement of intent).
Modernising ISA 500s	Project plan expected approval March 2026	<b>Medium.</b> The project is at the information gathering phase to understand the root cause of issues arising relating to inventory counts, external confirmations and audit sampling.
Review of interim financial information	Exposure draft expected to be approved in March 2026.	XRB staff are providing technical staff resource for this project, enhancing the XRB's ability to influence the direction.
IESBA's firm culture and governance project	Guidance targeted to be developed by the end of 2025	Promoting ethical culture and governance is critical for trust in CA firms. Guidance has been prioritised over standard setting. Close co-ordination between IAASB and IESBA is a priority. The XRB is well positioned to assist the co-ordination efforts, being a standard setter of both ethics and quality management standards.

## Appendix: Full report from the IAASB June 2025 meeting in New York

2. The PIOB observer congratulated the IAASB on the depth of the debate at its June meeting. New members are active participants, and the staff led model provided papers of high quality. The PIOB observer was quite vocal in recommending preferred actions for the IAASB to consider. In addition, the PIOB observer emphasised that the focus on non-authoritative materials on certain projects, rather than on standard setting, was something that the PIOB would reflect on further, noting that non-authoritative material was beyond the remit of their oversight. The PIOB's ongoing funding remains unclear, and the observer attended virtually, due to budget constraints.
3. The profession has recently been vocal, pushing back on some of the standard setting approaches of the standard setting boards. The system is evolving, and the pressures from stakeholders are changing.
4. Responsive to recent engagement with the profession, the IAASB discussed ways to strengthen stakeholder consultation processes, including:
  - To meet more regularly with representatives of the profession, in the same way they do with regulators. Following such meetings, the action will be to agree key summaries and include in project papers for transparency, and to provide more regular feedback to stakeholders.
  - When developing exposure drafts and in finalising standards, be more explicit about what changes look like to implement.
  - Focus on enhancing co-ordination with IESBA, including getting in earlier in the process and jointly developing strategies to support work plans, which is a matter that we have been encouraging.
5. On the matter of sustainability assurance, it was noted that the International Accreditation Forum's work on equivalence has stopped, given the slowing trend around sustainability reporting and assurance in Europe and IP issues with IFAC.

## Audit evidence and risk response project proposal

6. The IAASB discussed issues related to the revision of ISA 330<sup>1</sup>, ISA 500<sup>2</sup> and ISA 520<sup>3</sup>. In summary, this project looks to:
  - strengthen the auditor's work on internal controls;
  - clarify the impacts of technology. Currently certain requirements may be a barrier to the use of technology, or may result in unclear work effort.
7. The discussion included:
  - A follow-up of the polarised views on the auditor's role in relation to the authenticity of a document or record. ISA 200 (para A24) states: "*The auditor may accept records and documents as genuine unless the auditor has reason to believe the contrary*". The revised fraud standard aims to enhance professional scepticism. It requires the auditor to remain alert throughout the audit to fraud risk factors. There is a conditional requirement that is triggered only when conditions arise that cast doubt on the authenticity of a document or record. In proposed ISA 500, authenticity is one attribute to be considered by the auditor in relation to the reliability of information to be used as audit evidence. The discussion highlighted the need ensure that

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<sup>1</sup> ISA 330, The Auditor's Responses to Assessed Risks

<sup>2</sup> ISA 500, Audit Evidence

<sup>3</sup> ISA 520, Analytical Procedures

any revision to ISA 200 fits together with ISA 240 and ISA 500, as a package. Greg cautioned the IAASB not make all audits into forensic audits. However, there are some who are concerned that the current wording in ISA 200 could be misused by the auditor in not properly applying professional scepticism. The IAASB discussed the need to get the messaging right in the basis for conclusions and other communications.

- There are inconsistencies in practice relating to the use of audit evidence obtained in previous audits about the operating effectiveness of controls. In practice, automated controls are rotated in audit engagements, provided general IT controls are effective. Each period, the design is evaluated and implementation determined to establish if there is a change since they were last tested. Rotation of manual controls is sometimes not permitted. On balance, the board preferred to continue with the current, more prescriptive approach, including a baseline for rotating the test of controls at least once in every third audit, and with some controls required to be tested at each audit, or to more explicitly prescribe the rotating of controls with respect to automated controls, provided they have not changed.
  - One of the objectives of the project is to make it clearer when the auditor is required to test internal controls to overcome limitations of substantive testing. Staff recommended adding a new requirement when information used depends on effective operation of general IT controls. On balance, the IAASB agreed that this is an area that needs looking at.
  - Whether a threshold of performance materiality was appropriate for unexplained differences arising from substantive analytical procedures.
8. The PIOB observer emphasised the need to be clearer as to how the changes being debated fit in with the project objectives and the public interest framework. On the matter of the auditor accepting documents and records as genuine unless they have reason to believe the contrary, the PIOB continues to seek ways to strengthen the expectations on auditors.

#### **Implications for the XRB:**

Authenticity is a key point to monitor, given it is a fundamental principle underpinning the audit. Continuing to explore this and other issues in practice, and better understanding root causes will inform input into development of an exposure draft.

#### **Firm culture and governance**

9. The IESBA has an active project, to enhance ethical culture and governance within CA firms, in response to recent ethical failures. The plan had been for the IESBA to develop an exposure draft of an ethical framework by December 2025. Responsive to concerns raised at recent global roundtables and by the international accounting profession, at its June meeting, the IESBA agreed to prioritise developing non-authoritative guidance, rather than developing a standard (or amending the Code). The aim is to develop 9 short fact sheets, to provide an overview of a possible ethical framework, together with a factsheet about each of 8 elements within the framework.
10. This project is of interest to the IAASB as such a framework would need to interact with the requirements of a firm's system of quality management under

the ISQM 1<sup>4</sup>.

11. Greg is the IAASB/IESBA coordination liaison member, and we have been working closely with the IESBA staff to enhance understanding and encourage close collaboration. We will continue to engage closely as the IESBA works to develop the guidance progresses.
12. The PIOB member noted the shift from standard setting to non-authoritative material highlighting that the PIOB's lack of oversight over guidance is of concern. In addition, the PIOB emphasised that it is in the public interest that the IAASB/IESBA follow a co-ordinated approach, urging discussion and agreement before IESBA releases anything publicly.

**Implications for the XRB:**

The XRB may wish to monitor the developing ethical framework, particularly the interoperability between the framework and ISQM 1. The XRB may also be interested in monitoring the IESBA's approach to developing non-authoritative materials and the role the PIOB may seek to take going forward.

**Modernising the ISA 500 standards**

13. The discussion sought views on targeted issues that largely arise from inspection findings in scoping the project plan to revise the following three standards:

*ISA 501 Audit Evidence—Specific Considerations for Selected Items (focus on inventory)*

- Broad agreement that changes in technology are driving changes in how entities manage inventory. The standard is out of date and needs revision.
- Exploring 3rd party control of inventory, inventory held at multiple locations and the link to the risk-based audit (rather than conducting audit work because inventory is a material balance) were all matters highlighted to further explore.
- There was general agreement to limit the focus of the revision to inventory and not extend it to the whole of ISA 501 (I.e., segmental reporting and litigation and claims).

*ISA 505, External Confirmations*

- The discussion reflected that key issues to explore include the role of direct access, digital confirmations, and the use of service organisations.

*ISA 530, Audit Sampling*

- The discussion emphasised that this standard is different from the other two. There were mixed views on the need for a standard setting solution, and a caution that the IAASB needs to keep clear of audit methodology.

**Implications for the XRB:**

There is the opportunity for early engagement with stakeholders to gather information to further inform the project proposal.

**Quality management and technology**

<sup>4</sup> ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

14. This workstream is designed to understand how firms are applying ISQM 1 and ISA 220 (Revised)<sup>5</sup> to emerging technologies used on assurance engagements and assess whether additional guidance (or other activities) could facilitate the use of emerging technologies in a consistent way. The IAASB expressed broad support for the workstream and provided input to shape planned information gathering, including at global roundtables in Q4 2025.
15. Guest speaker, Reva Schwartz, a research scientist, linguist, and co-founder of Civitaas Insights shared insights on cross-sector practices related to the governance and oversight of advanced technologies, including AI.
16. Breakout discussions highlighted the following:
  - The principles in the current standards are considered to be sound;
  - Guidance about emerging technologies may be useful, noting that different jurisdictions and firms will be at different stages of adoption. Scalability considerations are therefore important. Topics for the IAASB to further explore include:
    1. How does the auditor know the tool is producing what it is expected to?
    2. Confidentiality and privacy considerations, in both in-house and off-the-shelf products
    3. Ethical considerations

#### **Implications for the XRB:**

The IAASB has asked XRB to host a roundtable discussion in November 2025 to gather information on the impact of emerging technologies on audit quality. This connects with the XRB's strategic intention to explore the implications of emerging technology (as reflected in the statement of intent).

#### **Public Interest Entity Track 2**

17. The IAASB unanimously approved narrow scope amendments as a result of the revisions in 2022 to the definitions of listed entity and public interest entity (PIE) in the IESBA Code. The IAASB has agreed not to include the definition of a public interest entity (PIE) in the assurance standards at this stage, rather has replaced the term "listed entity" with "publicly traded entity" (PTE).
18. Local jurisdictions are able to clarify the meaning of a PTE in the local context. It was clarified that if a different term is used in a jurisdiction to describe a PTE, then those are PTEs.
19. IOSCO is concerned that the IAASB is not going as far as it could to expand the differential requirements in the assurance standards to apply to the most significant audit engagements.
20. The IAASB discussed the timing of next steps, and the ongoing co-ordination between IAASB and IESBA. Stakeholders have called for joint action by the standard setting boards, and a joint project team is being established. This includes the post-implementation review by the IESBA and ongoing evidence gathering by the IAASB to understand the nature of global adoption of the revised IESBA PIE definition.

<sup>5</sup> ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*



21. Greg highlighted that the starting point of the two boards may be fundamentally irreconcilable. This is because the IAASB's approach is aiming to set a consistent global baseline, whereas the IESBA's approach is to leave it to local jurisdictions to determine what is a PIE, which is likely to result in inconsistent applications of the PIE definition around the world. The discussion reflected the need to be clear on the objectives of both boards.
22. The PIOB observer noted that the PIOB will move to certify the narrow scope amendments as soon as possible.

#### **Implications for the XRB**

The revisions will have little to no impact in New Zealand because the XRB currently extends differential requirements in the auditing standards to FMC reporting entities considered to have higher levels of public accountability (FMC HLPAs).

### **Review of Interim Financial Information**

23. The IAASB approved the project plan to revise ISRE 2410<sup>6</sup>. It was agreed to accelerate the timeline, and the approval of the exposure draft is now expected in March 2026, with a planned consultation period of 90 days.
24. The IAASB explored issues to progress the project, including:
  - The introductory material to set out the scope of the project, how this review engagement differs from both an audit in accordance with the ISAs, as well as a review engagement that is not undertaken by the auditor of the entity.
  - Definitions
  - Requirements related to ethics, quality management and acceptance and continuance.
  - Reporting matters. The IAASB agreed to re-order the review report, placing the conclusion upfront. This is consistent with the approach taken by the XRB in revising the standard in New Zealand.
  - Whether interim financial statements achieve fair presentation or whether this is a compliance engagement. It was noted that the review conclusion needed to align with the financial reporting framework. The IAASB requested further engagement with the IASB on this matter.
25. PIOB encouraged a focus on communicating with stakeholders about the difference between limited and reasonable assurance, ensuring the review report is proportionate for an interim review engagement and also the emphasis on 1st time interim review engagements. The PIOB observer also queried the use of non-authoritative material as an output from the project, noting such material is outside of the PIOB's oversight.

#### **Implications for the XRB**

XRB staff are providing technical staff resource for this project, enhancing the XRB's ability to influence the direction. The topic of going concern in the context of interim review engagements is likely to be discussed at the September meeting.

<sup>6</sup> ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*.

**Meeting date:** 4 August 2025  
**Subject:** NZAuASB Work Plan  
**Date:** 30 July 2025  
**Prepared By:** Misha Pieters

☒ **Action Required**

☐ **For Information Purposes Only**

### Objective

1. The objective is for the Board to:
  - a. NOTE key updates from the environment
  - b. IDENTIFY any other developments relevant to the NZAuASB work plan
  - c. DISCUSS the prioritisation schedule for the 2025/26 period.

### Environmental updates

2. Key environmental matters to highlight relevant to the work of the NZAuASB include:
  - a. The UK FRC published their [annual audit firm inspection](#) results in July. This report emphasises a strong degree of consensus on what matters among all involved in the audit landscape: public confidence, high quality and values, supporting growth and positioning the audit sector for future success. The report covers the systems of quality management and inspections of individual audits. Areas of findings include:

Revenue	Auditors should obtain sufficient and appropriate audit evidence to assess whether revenue is accurately recognised as it is a key driver of the entity's results.
Impairment of non-current assets	Auditors should adequately assess and challenge management's evaluation of impairment as this often involves significant judgement and can be subject to management bias or error.
Inventory	Auditors should perform appropriate procedures to assess the existence and valuation of inventory as it can be significant to an entity's balance sheet.
Provisions including expected credit loss provisions	Auditors should adequately assess and challenge the reasonableness of management's estimates and assumptions to respond to the risk of management bias.
Group audit oversight	The group audit team is responsible for the oversight of the group audit, including audit work at a component level, and should therefore demonstrate sufficient involvement throughout the audit.
Journal testing	Journals testing is a key procedure to address the risk of management override of controls and fraud. Auditors should test the appropriateness of journals entries, including examining the supporting evidence for the items selected

- b. The UK FRC published [Guidance for audits of smaller and/or less complex entities](#). WE continue to monitor developments in other jurisdictions to support adoption of the ISA (NZ) for LCE in New Zealand.
  - c. The IESBA is planning an Ethics and Independence Conference in September in Lisbon (and virtually) to explore how ethics, as a principle, a practice, and a culture, can strengthen resilience, support long-term growth, and reinforce public confidence in a world of accelerating change. Staff will report key messages at the October meeting.

- d. The IAASB requested information to inform a post implementation review of ISA 540 *Auditing Accounting Estimates and Related Disclosures*. The assurance team has held meetings over July to inform an XRB response and we will provide a verbal update at the meeting.
- e. The IAASB released [How the IAASB's revised going concern and fraud standards reinforce professional skepticism](#).
- f. In July, the APESB issued the new [ethics and independence standards for sustainability](#) in Australia.
- g. CAANZ and ACCA published [A case study: Demystifying materiality in accordance with ISSA 5000](#)
- h. KPMG New Zealand released [Audit Quality Transparency Report 2025](#) *ESG Reporting Those who get it, get it*. In the context of the XRB's consultation on sustainability assurance, we note that of KPMG's New Zealand ESG assurance portfolio, 70% are mandatory climate reporting entities and 30% are non CREs obtaining voluntary assurance. 79% of CREs assurance is just on GHG, while 21% of CREs are obtaining assurance over additional information.

### **Prioritisation schedule**

- 3. Given our refreshed accountability documents, an updated approach to reporting to the technical boards is currently under development, subject to further input from a cross XRB perspective. At this stage we have retained the NZAuASB prioritisation plan for 2025/26 using the same approach as reflected at the June meeting.
- 4. The prioritisation plan has three pages: one for domestic projects, one for IAASB projects and one for IESBA projects.
- 5. The plan connects to the SPE measures established in the XRB's statement of performance expectations and to the strategic priorities described in the statement of intent. Heading rows reflect the SPE measures. These rows are highlighted blue.
- 6. 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.
- 7. We submitted on the IAASB narrow scope proposals (refer correspondence register) and issued our sustainability consultation documents following the June NZAuASB meeting.
- 8. Technology is a high priority focus internationally and impacts several projects. We have a separate agenda item on technology for this meeting.
- 9. Supporting adoption and implementation of standards is a priority focus area. We continue to refine our approach to consultation outreach and implementation support activities (including need to know updates, deep dive webinars, feedback forums, workshops and guidance material). We continue to develop our plans to issue staff guidance to support assurance over service performance information and assurance of greenhouse gas emissions. These are discussed as separate agenda items. We also have plans to issue staff guidance targeted at preparers and auditors, with the accounting team, to support the revised going concern standard.
- 10. The Board is asked to discuss the draft prioritisation schedule for 2025/26.

### **Recommendation**

- 11. We request feedback from the Board on:
  - a. The prioritisation schedule for 2025/26.
  - b. Other matters impacting the work plan and priorities for the NZAuASB.

Domestic Project	2025/26 planned action	Resource	SOI 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 <a href="#">Walk through video 1 done</a>	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 <a href="#">Refer agenda item</a>	Lisa	Support A&I	Workshops and guidance	Ongoing
Monitor and issue guidance for GHG assurance	Monitor, hold workshops and issue guidance <a href="#">Refer agenda item</a>	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	Thinus	PBEs	TBD	TBD
Value of audit	Monitor audit reform in UK/Aus.	Thinus	Fit for purpose	TBD	Ongoing
	Monitor inspection findings.	Thinus	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	<a href="#">IAASB technology position</a> . Monitor opportunities and challenges and respond accordingly. Contribute to IAASB JSS group	Thinus	Fit for purpose	<a href="#">Agenda for discussion</a>	Ongoing
SOI: Better understanding user needs, taking an integrated approach and leveraging research across the XRB					
SOI: Assessing costs and benefits – review our approach across the XRB					

IAASB	Internationally aligned, locally relevant actions	Resource	SOI Priority	Key deliverable	Due
SPE measure: Issue all relevant international consultation and exposure drafts in accordance with due process and within 3 weeks of international release					
Audit evidence & responding to assessed risk	IAASB Exposure drafts expect approval in March 2025	Thinus	Fit for purpose	Exposure draft	Apr 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 March 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	In principle been approved by the NZAuASB. Gazette standard. Record walk-throughs and webinars. Issue flowchart and guidance for prepares and auditors.	Sharon	Support A&I	Webinars and guidance	Nov 25
Fraud standard revised effective beginning from Dec 2026	<a href="#">Approval for discussion</a> . Gazette standard in November. Record walk-throughs, webinars. Arrange a panel discussion	Sharon	Support A&I	Webinars	Aug 25
Public Interest Entity effective from Dec 2026	<a href="#">Discuss and agree options</a> . Gazette standards in November.	Anna	Fit for purpose	Standard	Oct 25
ISSA 5000 Sustainability	<a href="#">Issued consultation document in July</a> . 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 <a href="#">IAASB expected to approve standard in September To consider implications for XRB standards with aim for 12 month lead time</a>	Bruce Anna	Fit for purpose	<a href="#">Submission</a>	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 <a href="#">Respond to request for info</a>	Lisa	Fit for purpose	Respond to PIR	Apr 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	<a href="#">Event Nov 25</a>	May 26

IESBA	Internationally aligned, locally relevant 2025/26 planned action	Resource	SOI 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 guidance following Dec 2025 meeting	Lisa	Fit for purpose	TBD	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	Issued consultation document and respond based on feedback	Anna	Fit for purpose	Standard	Dec 25
Use of external experts	Issued 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- IESBA discussion at September meeting	TBD	Fit for purpose	TBD	TBD
Post implementation review of restructured Code	Participate in IESBA PIR - IESBA discussion at September meeting	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 IESBA discussion at September meeting	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: 14 August 2025  
Subject: Fraud  
Date: 29 July 2025  
Prepared By: Sharon Walker

☒ Action Required

☐ For Information Purposes Only

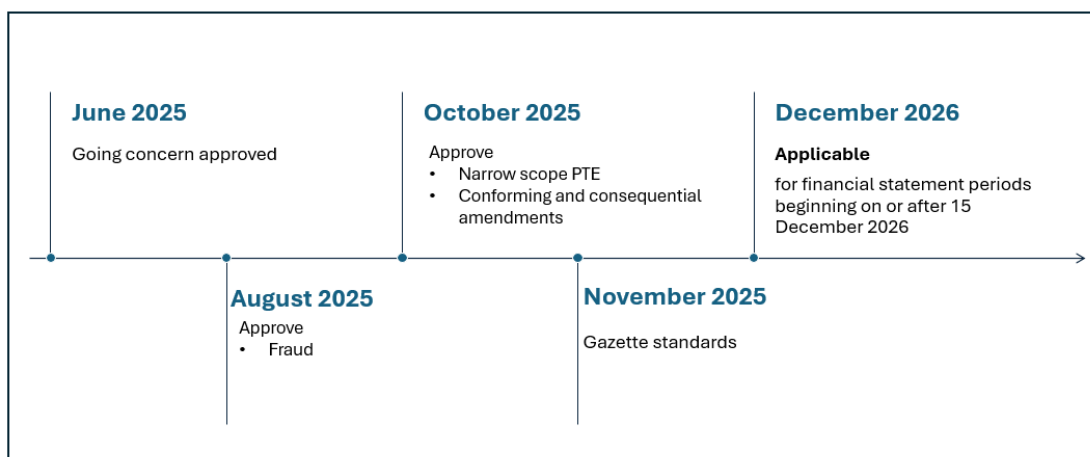
### Agenda Item Objectives

1. The objective of this agenda item is to:
  - Approve draft ISA (NZ) 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements* (2025) and the related draft signing memorandum.
  - Update the Board on opportunities to simplify secondary legislation and align with new guidelines.

### Background

2. ISA 240 (Revised) was approved by the IAASB in March 2025 and issued in July following PIOB certification. The revised international standard is effective for audits of financial statements for periods beginning on or after 15 December 2026.
3. In April, the NZAuASB agreed, in principle, to adopt the revised standard. The revisions clarify the auditor's responsibilities, emphasize a fraud lens in the auditor's risk assessment, require a stronger risk response and improve transparency in the auditor's reports for some entities.
4. The Appendix to this paper includes an extract from April 2025 Fraud issues paper summarising the main messages in the XRB submission and how our significant comments were addressed along with other changes made by the IAASB in finalising the revised fraud standard.
5. The NZAuASB considered and agreed at its June meeting that the revised going concern and fraud standards, together with the narrow scope listed entity and PIE amendments once approved would be gazetted and issued at the same time and have the same application date. In addition, the Board agreed, due to the complexities in drafting legal application dates, not to permit early application.

6. We recommend the following timeline:



#### **NZ Amendments to ISA 240 (Revised) to consider before approval**

7. The draft ISA (NZ) 240 (2025) 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 international standard to instead refer to FMC reporting entities considered to have a higher level of public accountability (subject to the related discussion on publicly traded entities).

These modifications are marked as NZ paragraphs.

8. Draft ISA (NZ) 240 (2025) also reflects NZ spelling and contextual changes. These changes are shown in mark up in the draft standard.

#### *Other amendments*

9. We are asking the NZAuASB to approve the draft ISA (NZ) 240 (2025) 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.

4. Does the NZAuASB agree with the changes identified above to the draft ISA (NZ) 240 (2025)?

5. Does the NZAuASB approve ISA (NZ) 240 (2025)?

#### **Harmonisation with Australia**

10. At its July 2025 meeting the AUASB approved in principle a revised fraud standard with the following Australian amendments, applicable to the Corporations Act:

- Withdrawal/resignation from the appointment as auditor may require consent from Australian Securities and Investments Commission (ASIC)



- Auditor to maintain the confidentiality of information disclosed to the auditor under Protection for Whistleblowers section of the Act
- Notification to ASIC if the auditor is aware of certain circumstances

11. These paragraphs are not relevant for ISA (NZ) 240 (2025).

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

### **Opportunity to simplify secondary legislation**

12. Each standard, whether a principal standard (e.g., ISA (NZ) 240 is a principal standard) or an amending standard (e.g. a standard that amends an existing standard), issued by the XRB, is a piece of secondary legislation. Our usual process is to gazette an amending standard. We then compile amendments to create a single version available on the website that includes all amendments. These versions (consolidations) are not secondary legislation.
13. Because the going concern, fraud and narrow scope publicly traded entity amendments touch most of the ISAs (NZ), we consider there is an opportunity to simplify our secondary legislation.
14. Rather than producing an amending standard that captures the conforming and consequential amendments from the fraud and going concern projects, along with the narrow scope Publicly Traded Entity amendments, and then needing to compile all of these standards, we propose to gazette refreshed principal standards for each of the ISAs (NZ) that are affected by the various amendments. In effect, we would revoke and replace the majority of our existing ISAs (NZ).

### **Titles of ISAs (NZ)**

15. Staff also recommend that we reconsider the naming convention of our ISAs (NZ). Historically, we have adopted the IAASB name including, where applicable, the word “Revised” and the year of revision. For example, following the IAASB and our current naming convention, ISA (NZ) 570 (Revised) would become ISA (NZ) 570 (Revised 2024), even though it will only be gazetted in 2025. ISA (NZ) 240 would become ISA (NZ) 240 (Revised).
16. Staff recommendation is that going forward we follow the Parliamentary Counsel Office drafting guidelines for the title of the standard, such that the year of issue is included in the title. This format is [instrument title][type of instrument (principal or amendment)][year]. In the case of the revised fraud standard, the title would become, International Standard on Auditing (New Zealand) (ISA (NZ)) 240 *The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements*. Standard. 2025.
17. We recommend that we stop including (Revised) in the title of the standards. We would clarify within the standard that the new version supersedes the previous version. Within the text of the ISAs (NZ) we could simply refer to, for example, ISA (NZ) 240, which would substantially reduce the volume of conforming amendments required to reflect the word “Revised” in the standard title.
18. We note that this approach aligns with the AUASB approach in Australia, where the “Revised” is not included in the title.

7. Does the NZAuASB agree with the recommended naming convention for standards?

### **Implementation and adoption plan**

19. We plan to issue these standards in November and will plan implementation and adoption events in conjunction with the going concern changes. To date we have not identified any specific staff guidance but may do so in due course.

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

### **Material Presented**

Board Meeting Summary Paper – to consider

Draft ISA (NZ) 240 (2025) – for approval

Draft Signing Memorandum – for approval

## Appendix

### *Extract from April 2025 Fraud Issues Paper*

#### ***XRB Submission and how significant comments were addressed***

2. The main messages in the XRB submission (available [here](#)) were:
  - Overall support for clarifying the auditor’s responsibility for fraud in an audit of financial statements and strengthening the auditor’s consideration of fraud.
  - Concern that there may be some “scope creep” with regard to third-party fraud. (paragraph 7)
  - Request for clarification whether mitigating controls can be taken into account in assessing fraud risks. (paragraphs 9 to 10)
  - Concern about the practicality and scalability of the required response when the auditor identifies or suspects fraud, including allegations of fraud. Lack of any reference to materiality considerations in applying the requirement may lead the auditor to spend significant time investigating matters that are clearly inconsequential to the audit. (paragraphs 11 to 12)
  - Support for the use of the key audit matter mechanism for communicating fraud-related matters, noting however, that the ability to report fraud-related matters as key audit matters is already available to auditors but: (paragraphs 13 to 17)
    - Concern that creating a separate subset of key audit matters may give fraud related matters greater prominence than is warranted. While we support enhancing transparency and the auditor’s report highlighting fraud considerations more regularly within key audit matters, a heading that highlights “fraud” implies that key audit matters are about either fraud or not. In our view it is more likely that key audit matters will contain elements of both fraud and error.
    - Disagreement with including a statement that there are no key audit matters related to fraud.
    - The XRB recommendation to the IAASB was to retain the existing title “key audit matters” and to delete paragraphs 63 and 64 in the ED<sup>1</sup>.
  - The need to be transparent about plans to update and maintain the ISA for LCE in line with relevant revisions to the ISAs. Refer to ISA (NZ) for LCE papers in agenda item 5.
3. Below staff analyse the extent to which we consider the XRB’s concerns have been addressed. Grey shaded boxes provide the approved text of the [final standard](#) or related [conforming and consequential amendments](#), as appropriate. [Note: paragraph references

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<sup>1</sup> Paragraphs 63 and 64 of the ED proposed to require (63) an appropriate subheading that clearly describes that the matter relates to fraud and (64) when, depending on the facts and circumstances of the entity and the audit, the auditor determines that there are no key audit matters related to fraud to communicate, the auditor shall include a statement to this effect in the Key Audit Matters section of the auditor’s report.

have been updated from the approved text to align with the paragraph numbering in the final standard]

#### The auditor's responsibilities for fraud in an audit of financial statements

4. The ED proposed to decouple the inherent limitations relating to fraud in an audit of financial statements from the auditor's responsibilities. The description of the auditor's responsibilities is more succinct and unencumbered by language that may be construed as diminishing the auditor's responsibilities.
5. The XRB submission supported the decoupling of the inherent limitations of the audit, noting that the inherent limitations do not diminish the auditor's responsibility to plan and perform the audit to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud. However, the XRB did express concern that (1) the auditor's responsibilities regarding third-party fraud are not clearly defined and (2) the link with ISA 250 (Revised)<sup>2</sup> (given fraud constitutes an instance of non-compliance with laws and regulations) could be clearer.
6. The ED clarified that fraud constitutes an instance of non-compliance with laws and regulations. As such, if the auditor identifies fraud or suspected fraud, the auditor may have additional responsibilities under law, regulation or relevant ethical requirements regarding an entity's non-compliance with laws and regulations, which may differ from or go beyond this and other ISAs.
7. In response to concerns (including from the XRB) about a lack of clarity around the auditor's responsibilities relating to third-party fraud the IAASB has introduced application material in paragraphs A22-A23 that describes the third parties that may be considered by the auditor in applying the proposed standard.

A22. Fraud or suspected fraud committed against the entity by parties external to the entity is generally described as third-party fraud. Fraud as defined in paragraph 18(a) can include an intentional act by a third party and, accordingly, if an intentional act by a third party is identified or suspected that may have resulted in misappropriation of the entity's assets or fraudulent financial reporting by the entity, the auditor performs audit procedures in paragraphs 55–58.

A23. Parties external to the entity that may commit third-party fraud may include:

- Related parties, where potential opportunities for collusion with management, overly complex transactions, or bias in the structure of transactions may exist, as explained in ISA 550<sup>3</sup>.
- Third parties with which the entity has a relationship to support their business model such as customers, suppliers, service providers or other external parties known to the entity. These relationships may introduce the risk of collusion with employees or others in the entity to, for example, create fictitious transactions to manipulate financial results.

<sup>2</sup> ISA 250 (Revised), *Consideration of Laws and Regulations in an Audit of Financial Statements*

<sup>3</sup> ISA 550, *Related Parties*

- Third parties unknown to the entity that may, for example, attempt to gain unauthorized access to an entity's IT environment that affects financial reporting or assets, or disrupts the entity's business operations or financial reporting processes.

8. To address requests for clarity about how proposed ISA 240 (Revised) is intended to interact with ISA 250 (Revised), the IAASB has:

- Revised paragraph 14 to soften the link with ISA 250 (Revised), to state that fraud ordinarily constitutes an instance of non-compliance with laws and regulations. This recognizes that third party fraud may not always be an instance of non-compliance, however it is expected in most cases that fraud would constitute an instance of NOCLAR.
- Introduced application material in paragraph A16, including an example, to clarify that complying with the requirements of proposed ISA 240 (Revised) may also fulfil certain applicable requirements in ISA 250 (Revised).

A16. Complying with the requirements of this ISA may also fulfill certain applicable requirements in ISA 250 (Revised).

Example:

- When performing tests of details on a bank's loan portfolio, the auditor identified a series of loans to newly formed entities connected to senior management that lacked appropriate documentation. The auditor determined the circumstances were indicative of fraudulent approvals of loans by senior management to related parties. After obtaining an understanding of the suspected fraud in accordance with paragraph 55, the auditor concluded the understanding was also sufficient to meet the requirement in paragraph 19(a) of ISA 250 (Revised). The auditor evaluated the possible effect on the financial statements of the fine for the entity's suspected violation of banking regulations regarding related-party lending in accordance with paragraph 19(b) of ISA 250 (Revised).

### Risk Identification and Assessment

9. Respondents to the ED, including the XRB, expressed confusion with regard to the relationship between fraud risk factors and the concept of inherent risk factors in ISA 315 (Revised 2019)<sup>4</sup>. ISA 315 (Revised 2019) states, the identification of risks of material misstatement to be performed before consideration of related controls (i.e., the inherent risk) and is based on the auditor's preliminary consideration of misstatements that have a reasonable possibility of both occurring, and being material if they were to occur.<sup>5</sup>
10. The IAASB has clarified in the application material, when fraud risk factors are inherent risk factors, the inherent risk is assessed before consideration of controls.

<sup>4</sup> ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

<sup>5</sup> ISA 315 (Revised 2019), paragraph A186

A24. The presence of fraud risk factors may affect the auditor's assessment of inherent risk or control risk. Fraud risk factors may:

- Be inherent risk factors, insofar as they affect inherent risk, and may be due to management bias. They may also arise from other identified inherent risk factors (e.g., complexity or uncertainty may create opportunities that result in a susceptibility to misstatement due to fraud). When fraud risk factors are inherent risk factors, the inherent risk is assessed before consideration of controls.
- Relate to events or conditions that may exist in the entity's system of internal control that provide an opportunity to commit fraud and are relevant to the consideration of the entity's controls (i.e., related to control risk), and may be an indicator that other fraud risk factors are present.

#### Identified or Suspected Fraud

11. Respondents to the ED, including the XRB, were concerned that the proposal for the auditor to obtain an understanding of all instances of identified fraud or suspected fraud, without any reference to materiality or limiting factors, was impracticable and lacked scalability.
12. In response to these concerns, the IAASB:
  - introduced a threshold in the fraud or suspected fraud requirements that allows auditors to exclude instances of fraud or suspected fraud determined to be 'clearly inconsequential' based on the understanding obtained
  - developed application material in paragraph A160 on how the auditor can leverage the understanding of the whistleblower program to determine whether allegations of fraud (i.e., which are treated as suspected fraud) are clearly inconsequential.

A162. The auditor may use information obtained from their understanding of the entity's whistleblower program in accordance with paragraph 32(a)(ii), including the entity's process for investigating and remediating allegations of fraud that came through the entity's whistleblower program, to determine whether a fraud or suspected fraud is clearly inconsequential.

Example:

- Based on an understanding of the suspected fraud obtained through understanding the entity's whistleblower program, the engagement partner believed the suspected fraud was clearly inconsequential because it was limited to the misappropriation of immaterial assets by employees.

#### Enhanced Transparency on Fraud-Related Responsibilities and Procedures in the Auditor's Report

13. In the ED, the IAASB sought to develop requirements and application material that drive the communication of Key Audit Matters (KAMs) related to fraud to meet the needs expressed by stakeholders for more transparency about matters related to fraud in the auditor's report. To do so, the IAASB proposed:

- A requirement that the auditor should include a statement in the auditor's report when there are no KAMs related to fraud to communicate; and
  - Application material that encourages the auditor to communicate KAMs related to fraud.
14. Respondents to the ED, including the XRB, were generally supportive of the IAASB's efforts to enhance transparency but expressed various concerns, including:
- The risk of widening the expectation gap
  - The inconsistency to state that there are no KAMs related to fraud when a KAM related to fraud can't be communicated in the auditor's report (e.g., when a fraud or suspected fraud is under investigation).
  - The risk of having standardized boilerplate KAMs
15. In finalizing the revised standard, the IAASB removed the proposed requirement to state that there are no KAMs related to fraud. The IAASB also removed the words "including Matters Related to Fraud" from the Key Audit Matters section heading. XRB staff support this change.
16. The requirement to use an appropriate subheading for each KAM that clearly describes that the matter relates to fraud) is retained. The IAASB is of the view that it is important to signal to users of the financial statements that a specific KAM relates to fraud particularly given the proposed changes to the header of the KAMs section. Not signalling this would make it harder for users of the financial statements to identify which KAMs relate to fraud and which do not. Thus, it would also make the auditor's report less transparent which contradicts one of the objectives of this project.

62. In applying ISA 701<sup>6</sup>, in the Key Audit Matters section of the auditor's report, the auditor shall use an appropriate subheading that clearly describes that the matter relates to fraud. (Ref: Para A187-A192)

17. The XRB's submission also expressed that fraud and error are often interlinked. The IAASB added the following application material in paragraph A187 that explains,

A187. If a matter related to fraud is determined to be a key audit matter and there are a number of separate, but related, considerations that were of most significance in the audit, the auditor may communicate the matters together in the auditor's report. For example, long-term contracts may involve significant auditor attention with respect to revenue recognition and revenue recognition may also be identified as a risk of material misstatement due to fraud. In such circumstances, the auditor may include in the auditor's report one key audit matter related to revenue recognition with an appropriate subheading that clearly describes the matter, including that it relates to fraud.

#### *Responsiveness to XRB concerns*

18. Based on the analysis above, staff consider that the IAASB has been responsive to the comments and suggestions made by the XRB.

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<sup>6</sup> ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

### *Other Changes Made by the IAASB in Finalising the ISA 240 (Revised)*

#### Definition of fraud risk factors

19. The definition of fraud risk factors has been revised to include “a rationalisation that justifies the fraudulent action.”

18(b) Fraud risk factors – Events or conditions that indicate an incentive or pressure to commit fraud, or provide an opportunity to commit fraud, or an attitude or rationalization that justifies the fraudulent action. (Ref: Para. A24–A26)

#### Professional scepticism

20. The IAASB has added a requirement for the auditor to investigate inconsistencies in responses to inquiries.

21. Where responses to inquiries of management, those charged with governance, individuals within the internal audit function, or others within the entity are inconsistent, the auditor shall investigate the inconsistencies. (Ref: Para. A33)

A33. Inconsistent responses to inquiries may include inconsistencies both between the different groups of individuals specified in paragraph 21 (i.e., management, those charged with governance, individuals within the internal audit function, or others within the entity) and among individuals within the same group. For example, the auditor may identify inconsistent responses among different individuals within management.

#### Engagement team discussion

21. Additional elements have been specified in the required engagement team discussion, as follows:

29. In applying ISA 315 (Revised 2019), when holding the engagement team discussion, the engagement partner and other key engagement team members shall place particular emphasis on how and where the entity’s financial statements may be susceptible to material misstatement due to fraud, including how fraud may occur. In doing so, the engagement team discussion shall include: (Ref: Para. A43, A53–A54 and A59)

(a) An exchange of ideas about: ...

(iii) Which types of revenue, revenue transactions or relevant assertions may give rise to the risks of material misstatement due to fraud in revenue recognition; and

(iv) How management may be able to override controls. (Ref: Para. A58)

#### Management override of controls

22. Consistent with extant ISA 240<sup>7</sup>, the ED proposed that the risk of management override of controls is a risk of material misstatement due to fraud and thus a significant risk.

<sup>7</sup> ISA 240, *The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements*, paragraph 32



23. Respondents to the ED sought clarification whether the significant risk related to management override of controls exists at the financial statement level or at the assertion level for classes of transactions, account balances and disclosures.
24. The IAASB confirmed that assessed risks of material misstatement (ROMMs) due to fraud are always treated as significant risks. The IAASB further clarified that ROMMs due to fraud at the financial statement level can be a significant risk, in addition to ROMMs at the assertion level. In accordance with ISA 315 (Revised 2019), ISA 240 (Revised) designate ROMMs at the financial statement level as significant risks and includes the requirements for what the auditor needs to do as a result. The approved text highlights that ROMMs due to fraud related to management override of controls are at the financial statement level. The auditor is also required to determine whether they affect risks at the assertion level.

#### **Identifying and Assessing the Risks of Material Misstatement due to Fraud**

39. In applying ISA 315 (Revised 2019), the auditor shall:

(a) Identify and assess the risks of material misstatement due to fraud and determine whether they exist at the financial statement level, or the assertion level for classes of transactions, account balances and disclosures, taking into account fraud risk factors. (Ref: Para. A113–A114 and A116)

(b) Treat those assessed risks of material misstatement due to fraud as significant risks. Accordingly, to the extent not already done so, the auditor shall identify controls that address such significant risks, evaluate whether they have been designed effectively to address the risks of material misstatement, or designed effectively to support the operation of other controls, and determine whether they have been implemented. (Ref: Para. A115)

#### *Risks of Material Misstatement Due to Fraud Related to Management Override of Controls*

40. Due to the unpredictable way in which management is able to override controls and irrespective of the auditor's assessment of the risks of management override of controls, the auditor shall: (Ref: Para. A117–A118)

(a) Treat the risks of management override of controls as risks of material misstatement due to fraud at the financial statement level; and

(b) Determine whether such risks affect the assessment of risks at the assertion level.

#### Stand-back requirement

25. In finalising the standard, the IAASB agreed to include a stand-back requirement. There had been mixed views throughout the project, with some (including the XRB) concerned at the proliferation of stand-back requirements across the suite of ISAs. The XRB view was that a separate stand-back requirement was not necessary given the general stand-back requirements already in place, for example in ISA 315 (Revised 2019) and ISA 330, that address both fraud and error.

54. In applying ISA 330<sup>8</sup>, the auditor shall evaluate, based on the audit procedures performed and audit evidence obtained, whether:

- (a) The assessments of the risks of material misstatement due to fraud remain appropriate; and
- (b) Sufficient appropriate audit evidence has been obtained in response to the assessed risks of material misstatement due to fraud.

#### Written representations

26. In finalising the approved text, the IAASB requires the auditor to obtain written representations from management, and where appropriate those charged with governance that: (approved text, paragraph 63)

(c) They have disclosed to the auditor their knowledge of any fraud or suspected fraud, including allegations of fraud, affecting the entity involving:

- (i) Management;
- (ii) Employees who have significant roles in internal control; or
- (iii) Others where the fraud could have *an effect on* the financial statements; and... [emphasis added]

27. The extant requirement relates to fraud or suspected fraud involving others that may have a *material* effect on the financial statements.

#### Communication with those charged with governance

28. In finalising the approved text, the IAASB has changed the requirement to communicate with those charged with governance fraud or suspected fraud involving “others where the fraud results in a *material misstatement* to the financial statements” to “others, except for matters that are *clearly inconsequential*.” [emphasis added]

65. Unless all of those charged with governance are involved in managing the entity, if the auditor identifies fraud or suspected fraud, involving:

- (a) Management;
- (b) Employees who have significant roles in internal control; or
- (c) Others, except for matters that are clearly inconsequential,

the auditor shall communicate these matters with those charged with governance on a timely basis. If the auditor identifies suspected fraud involving management, the auditor shall communicate the suspected fraud with those charged with governance and discuss with them the nature, timing, and extent of audit procedures necessary to complete the audit. Such communications with those charged with governance are required unless the communication is prohibited by law or regulation. (Ref: Para. A196 and A197–A199)

<sup>8</sup> ISA 330, *The Auditor’s Response to Assessed Risks*, paragraphs 25–26, A62–A64

Group engagements (conforming amendment)

29. The IAASB added a requirement in ISA 600 (Revised)<sup>9</sup> for the group auditor to take responsibility for obtaining an understanding of identified or suspected fraud. This was on the basis that it does not matter who identifies a fraud, the group auditor still takes responsibility for understanding those matters. The response may be delegated to the component auditor to obtain the understanding. (approved text below)

44A. In applying ISA 240 (Revised), the group auditor shall take responsibility for obtaining an understanding of identified fraud or suspected fraud, including fraud or suspected fraud identified by the component auditor.

45. The group auditor shall request the component auditor to communicate matters relevant to the group auditor's conclusion with regard to the group audit. Such communication shall include: (Ref: Para. A144) ...

(h) Fraud or suspected fraud involving:

- (i) Component management,
- (ii) Employees who have significant roles in the group's system of internal control at the component; or
- (iii) Others, except for matters that are clearly inconsequential to the component financial information;

30. XRB staff are supportive of these changes.

<sup>9</sup> ISA 600 (Revised), *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*




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**Date:** 14 August 2025

**To:** Chair External Reporting Board

**From:** Mike Bradbury, Acting Chair NZAuASB

**Subject:** **Certificate Signing Memorandum:**  
ISA (NZ) 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*. Standard. 2025

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### Introduction

1. In accordance with the protocols established by the XRB Board, the NZAuASB seeks your approval to issue ISA (NZ) 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*. Standard.2025

### Background

2. High quality audits support the smooth functioning of capital markets, overall economic performance and financial stability. The public interest is best served when participants in the financial reporting system have confidence in audits. However, corporate failures and scandals across the globe in recent years brought the topic of fraud to the forefront and led to stakeholder questions around the role and responsibilities of the auditor on fraud in an audit of financial statements.
3. Internationally, the project objectives supporting the public interest included enhancing or clarifying the fraud standard to:
  - Clarify the roles and responsibilities of the auditor for fraud in an audit of financial statements;
  - Promote consistent behaviour and facilitate effective responses to identified risks of material misstatement due to fraud;
  - Reinforce the importance, throughout the audit, of the appropriate exercise of professional scepticism in fraud-related audit procedures; and
  - Enhance transparency on fraud-related procedures where appropriate, including strengthening communications with those charged with governance and the auditing reporting requirements.
4. We recommend adopting ISA 240 (Revised) in New Zealand to maintain alignment with international auditing standards.

### *International due process*

5. The IAASB issued its exposure draft (ED) of a revised fraud standard in February 2024.

6. The IAASB received 89 responses from a diverse range of stakeholder constituencies, including: Monitoring Group member respondents; regulators and audit oversight authorities; jurisdictional auditing standard setters (JSS); accounting firms; public sector organisations; member bodies and other professional organisations; academics and individuals; and investors and analysts.
7. Internationally, respondents were generally supportive of revisions to strengthen the fraud standard. Areas that generated mixed views related to:
  - The auditor's responsibilities relating to third party fraud, non-material fraud and how illegal acts like corruption, bribery and money laundering relate to fraud. In addition, the interaction between the fraud standard and the requirements for non-compliance with laws and regulations.
  - The risk identification and assessment, in particular the approach taken to integrate the fraud lens with the foundational requirements of ISA 315 (Revised 2019)<sup>1</sup> as it may result in duplication of effort in practice.
  - The approach to management override of controls.
  - A need for additional scalability and proportionality in the auditor's response to fraud or suspected fraud requirements.
  - Support for the proposal to enhance transparency about fraud-related matters in the auditor's report but mixed views on how to operationalise the approach.
8. The IAASB approved [ISA 240 \(Revised\)](#) at its March 2025 meeting. The final standard was published on 9 July 2025 following PIOB certification.

#### *Domestic due process*

9. We consulted concurrently in New Zealand. Our outreach included:
  - A discussion with XRAP.
  - A virtual feedback forum where we obtained feedback through polling and discussion. Twenty-eight participants, mostly practitioners, attended the feedback forum.
  - Discussions about fraud from the events with IAASB Chair, Tom Seidenstein, held in late February 2024.
10. We received no written responses to the consultation. Feedback received from the Audit Technical Reference Group was used to inform our [submission](#).
11. The main messages in the XRB submission are summarised below:
  - Overall support for clarifying the auditor's responsibility for fraud in an audit of financial statements and strengthening the auditor's consideration of fraud.
  - Concern that there may be some "scope creep" with regard to third-party fraud. The IAASB made targeted revisions in finalising the standard to help auditors identify

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<sup>1</sup> ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

relevant third parties when identifying and assessing the risk of material misstatement due to third-party fraud.

- Request for clarification whether mitigating controls can be taken into account in assessing fraud risks. Application material was added to clarify that inherent risk is assessed before consideration of controls.
- Concern about the practicality and scalability of the required response when the auditor identifies or suspects fraud, including allegations of fraud. Lack of any reference to materiality considerations in applying the requirement may lead the auditor to spend significant time investigating matters that are clearly inconsequential to the audit. The IAASB introduced a threshold that allows the auditor to exclude from further consideration, based on the understanding obtained of the matter, those instances of fraud or suspected fraud that are clearly inconsequential.
- Support for the use of the key audit matter mechanism for communicating fraud-related matters, noting however, that the ability to report fraud-related matters as key audit matters is already available to auditors but:
  - Concern that creating a separate subset of key audit matters may give fraud related matters greater prominence than is warranted. While we support enhancing transparency and the auditor's report highlighting fraud considerations more regularly within key audit matters, a heading that highlights "fraud" implies that key audit matters are about either fraud or not. In our view it is more likely that key audit matters will contain elements of both fraud and error.
  - Disagreement with including a statement that there are no key audit matters related to fraud. The IAASB removed the requirement to indicate that no KAMs related to fraud were identified.
  - The XRB recommendation to the IAASB was to retain the existing title "key audit matters" and to delete paragraphs 63 and 64 in the ED<sup>2</sup>. The IAASB removed the reference to fraud in the "Key Audit Matter" heading. Individual KAMs should still include a reference to "fraud" in the subheading, when appropriate.

12. At its [April 2025](#) meeting, the NZAuASB considered how the XRB's significant comments were addressed by the IAASB in finalising ISA 240 (Revised).
13. We believe that the changes made by the IAASB in finalising ISA 240 (Revised) are responsive to the XRB's comments and suggestions.
14. The NZAuASB have made our usual amendments to the standard to:

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<sup>2</sup> Paragraphs 63 and 64 of the ED proposed to require (63) an appropriate subheading that clearly describes that the matter relates to fraud and (64) when, depending on the facts and circumstances of the entity and the audit, the auditor determines that there are no key audit matters related to fraud to communicate, the auditor shall include a statement to this effect in the Key Audit Matters section of the auditor's report.

- 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 international standard to instead refer to FMC reporting entities considered to have a higher level of public accountability [bullet point to be updated subject to the related discussion on publicly traded entities].

These modifications are marked as NZ paragraphs.

- ISA (NZ) 240 (2025) also reflects NZ spelling and contextual changes.

#### **Timing of adoption and application, issue and gazetting**

15. At its June 2025 meeting, the NZAuASB considered and agreed that the revised going concern and fraud standards, together with the narrow scope public traded entity amendments once approved would be gazetted and issued at the same time and have the same application date. In addition, the Board agreed, due to the complexities in drafting legal application dates, not to permit early application.
16. Issuing these standards together will ensure that firms understand that they must be applied at the same time.
17. There are a number of conforming and consequential amendments that flow from the revised going concern and fraud standards. Along with the amendments from publicly traded entity project, the conforming and consequential amendments will change most of the ISAs (NZ), leaving only five of the ISAs (NZ) unchanged.
18. 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 18<sup>3</sup>.
  - Approving but not issuing the revised standards is efficient for the XRB as it avoids the need to make conforming amendments to the new standards before they become effective.
19. There is also an opportunity to simplify our secondary legislation. Rather than producing an amending standard that captures the conforming and consequential amendments from the fraud and going concern projects, along with the narrow scope Publicly Traded Entity amendments, and then needing to compile all of these standards, we propose to gazette refreshed principal standards for each of the ISAs (NZ) that are affected by the various amendments. In effect, we would revoke and replace the majority of our existing ISAs (NZ).

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<sup>3</sup> NZ IFRS 18 *Presentation and Disclosure in Financial Statements*

### Harmonisation with Australia

20. The AUASB approved, in principle, a revised ASA 240 at its July 2025 meeting. There are three Australian specific changes in the extant standard that will be carried forward to the new ASA 240. They relate to Corporations Act requirements on:

- Withdrawal/resignation from the appointment as auditor may require consent from Australian Securities and Investments Commission (ASIC)
- Auditor to maintain the confidentiality of information disclosed to the auditor under Protection for Whistleblowers section of the Act
- Notification to ASIC if the auditor is aware of certain circumstances

21. These paragraphs are not relevant for ISA (NZ) 240 (2025).

### Privacy

22. 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

23. 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

24. The adoption of ISA (NZ) 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements* (2025), 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

25. 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

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

### Attachments

- ISA (NZ) 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*. Standard. 2025
- Certificate of Determination
- Approval Certificate



Mike Bradbury

Acting Chair NZAuASB

DRAFT

## NZAuASB Board Meeting Summary Paper

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**Meeting date:** 13 August 2025  
**Subject:** Publicly Traded Entities (PIE Track 2)  
**Date:** 30 July 2025  
**Prepared By:** Anna Herlender

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☒ **Action Required**

☐ **For Information Purposes Only**

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### Agenda Item Objectives

1. The objective of this agenda item is for the Board to AGREE how to adopt recently approved international revisions in the auditing standards related to publicly traded entities (PTE) for the purpose of applying the differential auditing requirements in New Zealand in line with our harmonisation and convergence approach.

### Background

2. Previously the International Auditing and Assurance Standards Board (IAASB) required application of differential requirements in relation to audits of listed entities.
3. In June 2025, the IAASB approved narrow scope amendments to replace the term “listed entity” with “publicly traded entity.”
4. The objective of this project was to align to the greatest extent possible with recent revisions to the definition of public interest entity (PIE) in the Code of Ethics issued by International Ethics Standards Board for Accountants (IESBA). Following consultation, the IAASB agreed not to extend the differential requirements to all PIEs. Based on feedback received, the IAASB noted concerns that the proposals would be inoperable globally. The concern related to instances where jurisdictions have not adopted the IESBA PIE definition or have removed a mandatory PIE category from the definition.
5. The IAASB decided to monitor the uptake of the IESBA’s PIE definition globally, and to pursue expanding the differential requirements to PIEs when there is an established global baseline of jurisdictions that have adopted the IESBA’s PIE definition.
6. In the interim, the IAASB voted to adopt the term “publicly traded entity” to replace “listed entity”. This achieves alignment to the greatest extent possible at this time with the IESBA Code.
7. Additionally, local jurisdictions are able to clarify the meaning of a PTE in the local context.
8. These changes are effective for audits of financial statements for periods beginning on or after 15 December 2026. This aligns with the effective dates of the revised fraud and going concern standards.
9. The changes are still subject to certification by the PIOB. The next PIOB meeting is in August 2025.

### Domestic Matters

10. In New Zealand, the XRB has for many years had a compelling reason to extend the differential audit requirements to audits of FMC reporting entities considered to have a higher level of public accountability (FMC HLPAs) defined in FMC Act 2013 (i.e. in New Zealand we have been broader than the IAASB).

11. The Board considered an initial staff recommendation at its February meeting, as to whether New Zealand standards should include references to PTE. The Board requested staff to develop a further paper to confirm the rationale as to why the reference to FMC HLPAs in New Zealand context remains fit for purpose and is aligned with the [XRB's international conformance and harmonisation policy](#) of auditing and assurance standards. The Board also requested staff to consider alignment with Australia.

### **Recommendation**

12. The issues paper includes our analysis of what entities are PTEs in New Zealand and how the PTE definition should be applied in New Zealand, together with our alignment with Australia.
13. We considered two options:
- Option 1: Differential requirements should continue to apply only to FMC HLPAs
  - Option 2: Differential requirements should apply to both FMC HLPAs and all PTEs.
14. The mark up of the standards reflects how the amendments would be operationalised in New Zealand standards:
- Part 1 includes mark up of the IAASB text relating to rationale, definition and application material. Strikethrough and underlines show our amendments to the IAASB text. Highlighted text is relevant only for Option 2 (under Option 1 it would be deleted)
  - Part 2 includes mark up of extracts from selected New Zealand standards that include specific differential requirements. Strikethrough and underlines show changes to the existing New Zealand requirements. Highlighted text is relevant for Option 2 (under Option 1 it would be deleted).
15. We recommend that differential auditing requirements in New Zealand apply to both FMC HLPAs and all PTE (Option 2).
16. If the Board agrees with the staff recommendations, we plan to bring a number of standards to the October meeting for approval to reflect these, together with conforming amendments from the fraud and going concern projects as a complete package.

### **Material Presented**

Agenda item	Board Meeting Summary Paper
Agenda item	Issues paper
Agenda item	Extracts of marked up standards to show the drafting implications

## Issues Paper: Publicly Traded Entities Amendments

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### Context

1. The purpose of this paper is to consider how the XRB might adopt the IAASB's publicly traded entity (PTE) definition for differential auditing requirements in New Zealand, to ensure we remain internationally aligned.
2. The differential requirements do not change the audit undertaken by the auditor. Instead, they relate to:
  - increased transparency in audit reports through inclusion of key audit matters (KAMs), other information paragraph and name of signing partner in audit reports
  - additional communication with those charged with governance
  - mandatory engagement quality review.
3. In New Zealand under the extant auditing standards, differential requirements apply to audits of FMC reporting entities that are considered to have a higher level of public accountability (FMC HLPAs). FMC HLPAs include listed issuers, registered banks, licensed insurers and other entities in accordance with Financial Markets Conduct Act 2013<sup>1</sup>.
4. The XRB has adopted the term PTE in PES 1<sup>2</sup>, consistent with the changes made by the International Ethics Standards Board for Accountants (IESBA).

### IAASB definition of Publicly Traded Entity

5. IAASB defines PTE as:
 

*"An entity that issues financial instruments that are transferrable and traded through a publicly accessible market mechanism, including through listing on a stock exchange. A listed entity as defined by relevant securities law or regulation is an example of a publicly traded entity".*

### Analysis of New Zealand markets

6. Staff performed research to understand what entities may meet the PTE definition in New Zealand.
7. We identified the following markets operating in New Zealand and assessed whether entities trading on these markets would be PTEs:

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<sup>1</sup> Financial Markets Conduct Act 2013, section 461K

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

Market identified	Preliminary assessment
<b><i>Licensed markets</i></b>	
NZX Limited	<p>This is the main New Zealand stock exchange.</p> <p>Entities trading on the NZ stock exchange are listed entities and meet the IAASB definition of PTEs.</p> <p>Differential requirements already apply to audits of these entities in New Zealand.</p>
Catalyst Markets Limited <a href="#">Catalist website</a>	<p>Catalist is a market for small to medium-size growth entities that operates under a license issued by FMA.</p> <p>We consider entities trading on this market meet the definition of a PTE as they are trading their instruments through a publicly accessible market mechanism.</p> <p>Under FMC (Catalist Public Market) Regulations 2021, issuers on Catalist market are not FMC reporting entities solely because they are issuers on Catalist.</p> <p>Differential requirements do not currently apply to audits of these entities.</p>
<b><i>Prescribed exempt markets</i></b>	
Unlisted Market <a href="#">Unlisted website</a>	<p>Unlisted is a market for small to medium sized companies which is not licensed under the FMC Act 2013. This is a prescribed exempt market, which means that investor protection mechanisms of FMC Act 2013 do not apply to Unlisted.</p> <p>We consider entities issuing on this market meet the definition of a PTE because they are trading their instruments through a publicly accessible market mechanism.</p> <p>FMC (Unlisted Market) Regulations 2015 do not specify (as opposed to Catalist Regulations) whether the entities trading on this market are FMC reporting entities.</p> <p>Whether differential requirements are applied in the audit of these entities will depend on individual circumstances, for example, an entity trading on this market may be a FMC HLPAs entity. .</p>

8. For completeness purposes, our research of markets regulated or exempted by FMA identified other markets, however they are not relevant to our discussion:
- oversees market – licenced by FMA so that New Zealand entities can trade derivatives on these markets (Singapore Exchange Derivatives Trading Limited, Australian Securities Exchange Limited, ICE Futures Europe)

- markets with individual exemptions (BGC Partners (Australia) Pty Limited, Marex NZ Limited)– the conditions of the exemption include that all participants on the market are wholesale investors. Entities whose securities are offered only to institutional investors do not meet the definition of PTE (based on FAQ published by the IESBA).
9. Based on our understanding the entities that are trading either on Catalist Market or Unlisted Market:
- meet IAASB’s definition of PTE, as their financial instruments are traded through publicly available market mechanism
  - are small or medium entities, less regulated than NZX
  - the legislation/Issuers Rules require both Catalist and Unlisted issuers to produce financial statements and have them audited.
  - currently differential requirements do not apply to audits of these entities only because they are issuers on these specific markets (i.e. the fact that they are issuers on these markets does not automatically mean they are FMC reporting entities or FMC HLPAs).
10. As at July 2025, there are 16 entities trading on Unlisted. Annual reports of entities trading on Unlisted are publicly available. We have reviewed annual reports of all entities trading on Unlisted market. All entities report under Tier 1 Accounting Standards Framework and all but two included audit reports with KAMs. All but two entities identified themselves as FMC reporting entities, which means, that in accordance with FMC requirements, their audits are already subject to engagement quality reviews.
11. As at July 2025, there are 3 entities available to public trading on Catalist. Our understanding is that annual reports of entities trading on Catalist are available only to those who are registered on the Catalist platform (registration to the platform is available to everyone in New Zealand subject to identification, for example through providing New Zealand driving licence details).

### Application of PTE in New Zealand

12. In finalising the amending standard, the IAASB clarified, in the amendments to ISQM 1<sup>3</sup> and ISA 200<sup>4</sup>, that local jurisdictions may define PTEs more explicitly:
- “If law, regulation or professional requirements define more explicitly a publicly traded entity in a specific jurisdiction, the auditor applies that more explicit definition. For example, law, regulation or professional requirements may define publicly traded entities for purposes of defining entities that are considered public interest entities, by making reference to specific public markets for trading securities, incorporating exemptions for specific types of entities, or setting size criteria.”*

<sup>3</sup> International Standard on Quality Management (ISQM 1) *Quality management for firms that perform audits or reviews of financial statements, or other assurance or related services engagements*

<sup>4</sup> International Standard on Auditing ISA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

*When terms other than publicly traded entity are applied to entities by law, regulation or professional requirements to meet the purpose described in paragraphs 5A and 5B<sup>5</sup>, such terms are regarded as equivalent to “publicly traded entity”.*

13. The February Board Paper initially explored two options for New Zealand:

- Option 1: Differential requirements should continue to apply only to FMC HLPAs
- Option 2: Differential requirements should apply to both FMC HLPAs and all PTEs

14. Staff had recommended continuing with FMC HLPAs, however the Board had asked staff to explore how this harmonises and converges with international standards and the AUASB approach.

15. In order to determine whether the XRB should define PTEs more specifically in New Zealand, and whether Catalist and Unlisted entities should be included in the PTE definition, we have considered the following factors:

- Significance of public interest

The differential requirements in the IAASB standards are premised on the basis of public interest. Approved amendments to ISA 200 and ISQM 1<sup>6</sup> state, “Stakeholders have heightened expectations regarding an audit engagement for a publicly traded entity because of the significance of the public interest in the financial condition of the entity. The purpose of the requirements in the ISAs that apply to audits of financial statements of publicly traded entities is to meet these expectations, thereby enhancing stakeholders’ confidence in the entity’s financial statements that can be used when assessing the entity’s financial condition.”

Users will place trust in the audit of these entities financial statements to inform investment decisions.

Entities listed on Catalist and Unlisted have not been classified by the Financial Market Authority as entities with a higher level of public accountability.

- Costs for entities

Differential requirements may increase audit costs.

Arguably the cost may be minimal as the majority of these audit reports already include KAMs and many of these audits would already have an engagement quality review. (Based on our analysis of entities trading on Unlisted and Catalist, we note that the potential increased costs of these requirements would only relate to 5 entities at the moment. Our analysis of the audit reports show that differential requirements are already being applied to the remaining entities).

- Benefits for users

Expanding the scope of the differential requirements to include PTEs, would result in more information in audit reports for shareholders and increased confidence in audit engagement due to mandatory quality reviews.

<sup>5</sup> Amendments to ISQM 1, paragraphs 5A and 5B

<sup>6</sup> Amendments to ISA 200, paragraph 9B and ISQM 1, paragraph 5B

- Future proofing

Although the current impact on the market would not be significant (5 entities), there might be more entities issuing their instruments in the future and/or there could be new markets. Adopting a definition that captures current and future PTEs would result in more future proof standards.

- Alignment with ethical standards in New Zealand

In PES 1, PTEs are included in the stricter public interest entity (PIE) independence requirements. Applying the differential audit requirements to all PTEs would result in alignment between auditing and ethical standards for PTEs in New Zealand.

- Alignment with IAASB definition

Without any modification or specification to the IAASB's PTE definition, entities listed on Catalist and Unlisted may meet the definition. This approach will result in straight alignment with the IAASB definition.

We considered ways to refine the New Zealand PTE definition, as described by the IAASB: *"by making reference to specific public markets for trading securities, incorporating exemptions for specific types of entities, or setting size criteria"*. If Catalist and Unlisted are scoped out, the resulting refinement of the PTE category may be in line with the allowed refinement specific for jurisdictional context. A way to do this is explored in the mark ups. In this case, a New Zealand refinement could clarify that only those PTE that meet definition of FMC HLPAs are deemed to be PTE in New Zealand.

- Alignment with Australia

Our understanding is that the AUASB will adopt the PTE definition as defined by the IAASB, without further restrictions specific to Australian market. Based on our discussion with AUASB and APESB staff, our understanding is that the change from "listed" to PTE does not have any significant consequences for Australia. This is because Australian entities are already captured within the definition of listed entities: entities trading on other markets than Australian Stock Exchange, for example National Stock Exchange or Cboe, are considered listed entities.

16. When comparing the two options, the main advantage of Option 1 is that it captures only entities that the FMA has designated as having higher levels of public accountability for New Zealand (capturing entities having significant public interests is at the core of the IAASB changes). The advantage of Option 2 is that it is future proof and allows alignment of PTE definition between auditing and ethical standards (alignment between auditing and ethical standards is the aim of IAASB changes).

## Recommendation

17. Overall, considering the above factors, we recommend that Option 2 is adopted in New Zealand: differential requirements apply to both FMC HLPAs and all PTE. Currently there is limited number of entities that would be impacted by this option and the additional cost of this option is minimal.
18. Recognising that Option 1 is also a viable option for New Zealand, we have included examples of drafting of the amendments for New Zealand under both options in the attached paper "Publicly



Traded Entities – proposed New Zealand drafting”. This would allow the Board to compare how both options would be applied in New Zealand context:

- Under Option 1 – the text would refer to FMC HLPAs entities plus there would be clarification of PTE definition that it relates to FMC HLPAs in New Zealand
  - Under Option 2 – the text would refer to both PTE and FMC HLPAs.
19. The attached paper “Publicly Traded Entities – proposed New Zealand drafting” has the following structure:
- Part 1 – mark up of the IAASB text relating to rationale, definition and application material. This general text is to be added to current ISA (NZ) 200<sup>7</sup> and PES 3<sup>8</sup>.
  - Part 2 – mark up of extracts from selected New Zealand standards that include specific differential requirements so that the Board could see how the differential requirements would apply to entities under each of the options.

**Does the Board agree with the recommendation that differential requirements should apply to both FMC HLPAs and all PTEs in New Zealand?**

<sup>7</sup> ISA (NZ) 200 Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (New Zealand)

<sup>8</sup> PROFESSIONAL AND ETHICAL STANDARD 3 Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements

## NZAuASB Board Meeting Summary Paper

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Meeting date: 14 August 2025  
Subject: Technology  
Date: 29 July 2025  
Prepared By: Thinus Peyper

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☒ Action Required

☐ For Information Purposes Only

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### Agenda Item Objectives

1. The Objective of this agenda item is to:
  - a. Provide the Board with an update of:
    - i. what the IAASB, IESBA, and other standard setters and regulators are doing because of technological developments; and
    - ii. the XRB's initial domestic approach and engagement on technology.
  - b. Outline the Audit and Assurance team's proposed technology plan for the financial year.
  - c. Obtain the Board's input on activities to prioritise and the work effort under each activity.

### Background

2. The external reporting and assurance landscape continues to change. The XRB's statement of intent (SOI) (under "Our strategic context"), highlights that new and emerging technologies, such as AI, are fuelling these changes. Evolving technology is changing the reporting processes of entities and the way in which assurance engagements are performed.
3. The XRB's "Fit for purpose standards" strategic priority, highlights technology under the "Staying abreast of trends, risks and opportunities" key focus area, as follows:

"We will continue to proactively consider emerging global and domestic trends and the risks and opportunities for external reporting and assurance, such as digital reporting, use of AI and other technologies."
4. The international standard setting boards have also identified developments in technology as a key strategic theme and have started working on how best to respond. They were encouraged by the Stakeholder Advisory Council to assess the potential impact of technology on their standard-setting activities and that all avenues should be explored to respond on a timely basis. For example, developing non-authoritative guidance and keeping their work plans flexible.
5. The "Technology update related to standard setting and guidance" paper provides more information on their work, which the Audit and Assurance team continues to influence as part of the XRB's "Supporting adoption and implementation [of auditing, assurance, ethical and quality management standards]" strategic priority.
6. The paper further outlines what other standard setters and regulators are doing because of technological developments, which we have used to inform the "Proposed technology plan for the financial year".

**To consider**

7. How to prepare for the discussion:
- Read the technology update related to standard setting and guidance.
  - Consider the Audit and Assurance team's proposed actions and how these have been incorporated into the proposed technology plan for the financial year.
  - Share views and thoughts on the actions that should be prioritised, amended, or included (i.e. are we focussing on the right activities and are our proposed actions / work effort appropriate).

**Recommendation**

8. We recommend that the Board NOTE:
- a. That the Audit and Assurance team does not believe there is an urgent need to develop New Zealand specific guidance for the current financial year.
  - b. That the Audit and Assurance team will share existing information and guidance with auditors, as appropriate, and monitor developments on an ongoing basis.

**Material Presented**

Agenda item	Technology update related to standard setting and guidance (For discussion)
Agenda item	Proposed technology plan for the financial year (For discussion)

## Subject: Technology update related to standard setting and guidance

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### Objective

1. The objective of this paper is to provide the Board with an overview of the international standard setters' (IAASB and IESBA) technology initiatives, the Audit and assurance team's initial domestic approach and engagement on technology, and what other standards setters and regulators are doing because of technological developments:
  - A. IAASB initiatives;
  - B. IESBA initiatives;
  - C. Domestic engagement; and
  - D. Other standards setters' and regulators' approaches (not a complete repository).
2. We included links to documents we referred to in this paper for the Board's easy access. However, we do not expect the Board to read the details of those documents.

### A. IAASB initiatives

#### A.1 Technology position statement

3. The IAASB is moving away from a neutral stance on the use of technology in its standards.
4. A [technology position statement](#) has been developed, which says:
 

"...the IAASB is committed to actively facilitat[e] and ... encourag[e] the appropriate use of technology in engagements and systems of quality management through developing new and revised standards ... non-authoritative materials and foster ongoing engagement ... about ... the use of technology with ... stakeholder[s]..."
5. There are 8 guiding actions that direct the IAASB in delivering on their position:
  - Embrace technology-driven innovations relevant to financial and other external reporting environments and the IAASB's mandate.
  - Identify and remove barriers in the standards that may deter practitioners from adopting technology-enabled procedures, while preserving core foundational audit and assurance concepts and principles.
  - Explore and then introduce, as appropriate, principles-based requirements and application material.
  - Evaluate whether (and in what format) enhancements are needed to assist auditors as a result of reporting entities' increased use of sophisticated technologies.
  - Strike the appropriate balance in standards and other non-authoritative materials when describing the opportunities and risks associated with technology.
  - Coordinate with IESBA, to align technology-related concepts and principles
  - Ensure that practitioners and firms have the flexibility to determine the necessity and extent of use of technology in engagements and systems of quality management, tailored to their unique needs.
  - Maintain ongoing dialogue with stakeholders and monitor the effectiveness of technology-related revisions to its standards.

6. The IAASB's position therefore affects their current projects and future initiatives (see sections A.2 to A.4 below).

## A.2 Current projects and those on the horizon

### Audit evidence and risk response

7. The following International Standards on Auditing (ISAs) are being considered concurrently when making revisions for both technology and other reasons:
  - ISA 330 *The Auditor's Responses to Assessed Risks*
  - ISA 500 *Audit Evidence*
  - ISA 520 *Analytical Procedures*
8. High priority technology-related issues (see section A.4) that are being considered, include:
  - Exploring introducing explicit requirements and application material about determining whether technology-enabled procedures are required to achieve engagement objectives;
  - Challenges to using technology-enabled procedures that arise because of how data is produced and maintained by entities;
  - Identifying, assessing, and responding to risks arising from the use of IT by entities;
  - Documentation requirements when performing technology-enabled procedures;
  - The impact of using technology-enabled procedures on the exercise of professional scepticism; and
  - Evaluating the work of a management's expert.
9. The IAASB is expected to approve an exposure draft on these ISAs in March 2026. Discussions of issues will continue at the IAASB September 2025 meeting.

### Modernising ISA 500 series

10. Information is currently being gathered to inform the modernisation of the standards listed below. Information-gathering covers high priority technology-related issues (see section A.4) and other specific matters of modernisation.

#### **ISA 501, *Audit Evidence – Specific Considerations for Selected Items (with a focus on inventory)***

- Different methods to obtain evidence regarding the existence and condition of an entity's inventory.
- Appropriate use of technology-enabled procedures in inventory counts.

#### **ISA 505, *External Confirmations***

- New and innovative external confirmation processes and revisiting the extant concepts of positive and negative confirmations.
- Appropriate use of technology-enabled procedures for confirmations.

#### **ISA 530, *Audit Sampling***

- Reflect current audit practices and technological developments, particularly the increasing use of technology and data analysis tools to facilitate audit sampling.
- Applying audit sampling when investigating exceptions identified from interrogating or analysing entire populations with Automated Tools and Techniques (ATTs).

11. The IAASB is expected to approve a project proposal on these ISAs in March 2026.

## Quality management

12. The IAASB is exploring whether the principles of ISQM 1<sup>1</sup> and ISA 220<sup>2</sup> remain resilient to the adoption and usage of more sophisticated technology in engagements and systems of quality management.
13. High priority technology-related issues (see section A.4) that will be considered, include:
  - Firm-level approval of technological resources used in engagements.
  - Engagement-level approval of technological resources.
  - Technological resources used in engagements which are developed by service providers.
14. Information is currently being gathered through global roundtables to understand:
  - how relevant quality management principles in ISQM 1 are being applied at the firm level; and
  - stakeholder views about the need for any additional principles or guidance to support quality management in addressing the risks and opportunities associated with emerging technologies (e.g., the clarity, relevance and consistency of firm level quality management considerations).
15. The IAASB is expected to receive an update on these roundtables at its September 2025 meeting. An IAASB roundtable in Auckland is being planned for November 2025. The NZAuASB can expect a discussion at the October 2025 meeting ahead of the event.
16. Greg Schollum, supported by Misha Pieters as technical advisor, participates in IAASB discussions on the above-mentioned projects. The Audit and Assurance team obtains quarterly input from the Audit Advisory Group (AAG), to inform these discussions. We also provide our own technical views to Greg and IAASB staff, as necessary.

## Non-authoritative guidance

17. The IAASB has issued FAQs and guidance on a number of topics that would be helpful to auditors:
  - [FAQs](#) on investigating exceptions and relevance of performance materiality when using ATTs.
  - [Non-authoritative support material](#): Audit planning when using ATTs.
  - [FAQ](#): Addressing risk of overreliance on technology arising from the use of ATTs and from information produced by an entity's systems.
  - [Non-authoritative support material](#): Using ATTs when identifying risks of material misstatement.
  - [Non-authoritative support material](#): Using ATTs in performing audit procedures.
  - [Non-authoritative support material](#): Audit documentation when using ATTs
18. The Audit and Assurance team plans to make the guidance available to auditors through a Technology webpage.

## A.3 Monitoring emerging technologies

19. The IAASB monitors emerging technologies that are being adopted by reporting entities and practitioners on an ongoing basis to identify emerging trends in technology. The IAASB has issued 'market scans' from its monitoring that would be of interest to auditors (see list below). This information is used to consider whether the IAASB's technology position and standards remain relevant and effective (or has to be adapted).
  - [Internet of things technologies](#)

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<sup>1</sup> International Standard on Quality Management 1, *Quality management for firms that perform audits or reviews of financial statements, or other assurance or related services engagements*

<sup>2</sup> International Standard on Auditing 220 (Revised), *Quality management for an audit of financial statements*

- [Digital assets](#)
  - [Robotic process automation](#)
  - [Homomorphic encryption for analysing encrypted data](#)
  - [Natural language processing](#)
  - [API access to external data sources for enriched analysis](#)
  - [Data standardisation platforms for enabling data access](#)
  - [Artificial Intelligence—A primer](#)
20. The Audit and Assurance team plans to make the market scans available to auditors through a Technology webpage.
21. The IAASB's monitoring includes:
- General and project-specific outreach;
  - Input from Technology Consultation Group, Digital Advisory Group, Technology Advisory Network (TAN);
  - Input from the Stakeholder Advisory Council;
  - Input from Jurisdictional Standard Setters (JSS); and
  - Media.
22. The Audit and Assurance team is a participant in the above-mentioned TAN and meetings of the JSS. To provide input from practitioners, we established a Technology Monitoring Reference Group. We also ask the existing Audit Advisory Group members for input on specific JSS agenda items.

#### A.4 Catalogue of issues and proposed action

23. The IAASB performed a gap analysis with the information obtained from the above-mentioned monitoring activities and prepared a [catalogue of issues](#) with possible actions. The catalogue is a living document and will be updated as needed (at least half-yearly).
24. Project teams (current or future projects) will use the catalogue to extract relevant information and insights to inform their projects.
25. Technology-related issues from the catalogue which are not already described in the current projects and those on the horizon (see section A.2), include:
- More clarity (and consistency) about the meaning of technology-related terms used in standards and non-authoritative materials.
  - Impact on the audit when entities use service organisations that use emerging technologies.
  - Evaluating the work of an auditor's expert.
  - Monitor emerging issues with respect to professional scepticism, which may inform ongoing or future standard-setting projects.
26. The Audit and Assurance team is monitoring updates to the catalogue. The IAASB is expected to receive an update of the catalogue for discussion at its September 2025 meeting.

## B. IESBA initiatives

### B.1 IESBA technology initiatives

27. Prior to 2022 a working group of IESBA gathered information about the ethics implications of innovative technologies. A [Phase 2 Report](#) was published, which included ten recommendations for

the IESBA to consider. Below are two key pieces of work that was issued as a result of the report. (Phase 1 Report 2020/21 has not been considered)

#### Technology related revisions to the Code ([issued April 2023](#))

28. Technology-related revisions were made to guide the ethical mindset and behaviour of assurance practitioners as they take advantage of the opportunities created by technology and adapt to new technology.
29. The Audit and Assurance team has already incorporated these revisions into PES 1 with a mandatory date of 15 December 2024.

#### Practical guidance for auditors in technology-related scenarios ([issued July 2023](#))

30. The document describes the ethical considerations under 3 scenarios.
31. The key provisions from the Code that are illustrated in these scenarios are:
  - Prohibition on assuming management responsibilities, including certain IT systems services
  - Providing non-assurance services to an audit client, including certain IT systems services
  - Dependency on, and frequency of providing services and insights to a client using technology
  - Confidentiality of client information when using technology
32. The Audit and Assurance team believes the guidance would be helpful to assurance practitioners and plans to make it available through a Technology webpage.

### B.3 Monitoring

33. The IESBA monitors technology developments through:
  - Internal board education;
  - Environmental scanning informed by the IESBA's Technology Experts Group;
  - Ad-hoc analysis of technology impacts on other workstreams, as needed; and
  - Facilitating the implementation of the Phase 2 Report recommendations.
34. IESBA staff also attends the IAASB's TAN discussions.
35. The Audit and Assurance team does not believe that there is information from the IESBA's monitoring that should be shared with auditors through a Technology webpage, at this stage.

## C. Domestic engagement

### C.1 Technology Monitoring Reference Group

36. An XRB assurance technology monitoring reference group (TMRG) was established in the first quarter of 2025 to:
  - Monitor technological developments that impact assurance practitioners.
  - Engage in discussions to explore the use and impact of technology within the assurance profession.
  - Provide input to the IAASB's technology project and their global monitoring efforts.
  - Support the XRB in staying updated with technological advancements.
37. Below are the key messages we have heard so far:



### Client's emerging technologies

- Clients' use of emerging technologies varies significantly (depending on size, complexity, and sector).
- At present, there is little evidence that automation technologies are used to prepare financial statements.
- However, automation technologies are used to assist accounting divisions with their tasks.
- Challenges or areas of improvement include:
  - Monitoring and oversight of the tools in use, and whether these tools are being used for their intended purpose.
  - Depending on the tools being used, there may not always be a visible audit trail.

### Use of generative AI in audits

- Firms' use of generative AI in audits vary significantly (depends on firm size, network firm's investment in global technologies, and the sector being audited)
- The tools used range from bespoke tools, internally developed AI or off the shelf products

### Quality management

- In keeping with PES 1 and 3, and ISA (NZ) 220, firms follow quality management processes to develop, implement and maintain their tools.

38. From the discussion, the Audit and Assurance team did not identify an urgent need for New Zealand specific guidance.
39. We plan to hold meetings with the group on a half-yearly basis, and to have one-on-one discussions to obtain detailed information on specific topics, as needed. We will also request input from the group to inform our involvement in the IAASB's TAN.

## C.2 FMA

40. The Audit and Assurance team has regular discussions with the FMA.
41. We also monitor annual audit quality reports to identify whether there is a need for amendments to the standards or additional guidance.
42. We plan to apply a technology lens to our monitoring of the annual audit quality reports.
43. No technology related issues were described in the FMA's [Audit Quality Monitoring Report 2024](#). The report positively describes that audit firms in New Zealand spent considerable time and resource to implement PES 3 and that the systems of quality management varied based on each firm's size and complexity, and the resources available.
44. The FMA issued an [Occasional Paper](#) on understanding AI in financial services. We considered the topics described in the report and did not identify information that should be considered from an audit guidance perspective. The report has been shared with the Accounting team.

## C.3 CAANZ

45. The Audit and Assurance team has regular discussions with CAANZ.
46. CAANZ issued an [Audit and Technology playbook](#), which explores technology trends, how they work and are being used in business settings, and what skills auditors are required to have when interacting with them.

47. It describes how small and medium-sized audit practices can benefit, including practical examples for journal entry and revenue testing:
  - Audit software for increased efficiency
  - Data analytics tools for greater auditor insight
  - GenAI for assistance with research and compliance
  - Cloud computing for collaboration
48. It also provides five considerations to guide firms on their digital transformation journey:
  - Develop your technology strategy and infrastructure
  - Develop a change management program
  - Invest in continuous skills development
  - Focus on your talent pipeline
  - Set guidelines and governance standards
49. The Audit and Assurance team believes the guidance would be helpful to auditors and plans to make it available through a Technology webpage.

#### C.4 Audit firm transparency reports

50. The Audit and Assurance team plans to apply a technology lens to our monitoring of audit firm transparency reports as they are made available.

## D. Other standards setters and regulators approaches

51. We considered the guidance and information that other standard setters and regulators have recently issued to determine whether New Zealand specific guidance is needed.
52. Below is a summary of what we considered (not a complete review of all standard setters and regulators).

### D.1 Other standard setters

53. The AUASB issued an information page which outlines high-level considerations for auditors when they use AI audit tools in an audit, or when an audited entity used AI to prepare material information that supports the financial statements.
54. JICPA issued a research report which provides information on:
  - Issues with the use of AI in audits related to development, usage and adoption.
  - Examples of AI audit tools currently being used (and potential future uses) for data analysis and automation of audit procedures to improve efficiency.
  - AI governance guidelines for ways to mitigate information security risks associated with generative AI.
55. CPAB issued information on matters to consider when obtaining, developing, implementing and maintaining an IT application. They also describe the audit firm-level and auditor-level roles and responsibilities including risks, when AI-enabled tools are used.
56. The Audit and Assurance team does not intend to make other standard setters' information available to auditors through a Technology webpage. This is based on what we heard from the TMRG (see section C.1) and the FMA's feedback on audit firms' systems of quality management (see section C.2).

Roundtables will be held (including in Auckland) on quality management as it relates to technology, after which the need for guidance could be further considered.

57. Sources:

- [AUASB Information - Impact of AI on auditors](#)
- [JICPA Technology Committee Research Report](#)
- [CPAB 2024 Use of AI in audit](#)
- [CPAB 2023 audit risk alert](#)

## D.2 Other regulators

58. IFIAR describes the technology-related inspection findings that are more frequently identified by its member regulatory bodies:

- Insufficient testing of exceptions.
- ATTs not used in accordance with its intended objective.
- Underlying data not tested appropriately (accuracy and completeness).
- Insufficient analysis of the results produced by the use of an ATT.
- Over-reliance on ATTs and weaker exercise of professional judgment and scepticism.
- Insufficient testing of IT general controls to support the integrity of data used by an ATT, where this was required.

59. The Audit and Assurance team does not intend to make this information available to auditors through a Technology webpage. The FMA, who is a member of IFIAR, has not communicated these findings in their 2024 Audit Quality Monitoring report.

60. The FRC issued documentation guidance on audit tools that use AI. This is from a central and audit file perspective. The FRC also describes audit firms' 'common practice' related to quality management and gives 'good practice' examples when developing and implementing audit tools that use AI. The information is helpfully structured under:

- Planning and needs analysis
- Design or selection
- Certification and implementation
- Maintenance and monitoring

61. The Audit and Assurance team believes the guidance would be helpful to audit firms, but cautions against making it available through a Technology webpage. This is based on the reasons described in paragraph 56 above.

62. Sources:

- [IFIAR observations 2025](#)
- [IFIAR observations 2024](#)
- [FRC common and good practice](#)
- [FRC documentation requirements](#)
- [FRC publishes landmark guidance providing clarity to audit profession on the uses of AI](#)

\*\*\*END\*\*\*

## Technology plan for the financial year

Strategic Priority & Focus		Timeframe	Activities
Fit for purpose standards	Staying abreast of trends, risks and opportunities and sharing output	<i>Technology webpage on XRB website</i>	
		Sep'25	Make the " <a href="#">Technology</a> " section under the "Support and Resources" webpage more visible. Replace existing content with: <ul style="list-style-type: none"> <li>• Links to IAASB technology webpage which contains non-authoritative guidance and market scans.</li> <li>• Links to IESBA technology webpage which contains non-authoritative guidance.</li> <li>• Links to information, as appropriate.</li> </ul>
		Oct'25-Jun'26	<ul style="list-style-type: none"> <li>• Consider webpage updates required at least monthly.</li> </ul>
		<i>Articles and blogs</i>	
		Dec'25	<ul style="list-style-type: none"> <li>• Write a blog on the Nov'25 roundtable discussion.</li> </ul>
		Jan'26-Jun'26	<ul style="list-style-type: none"> <li>• Encourage volunteers to write 1 article and 1 blog (topics TBC).</li> </ul>
		<i>'Need to know' webinar</i>	
		14 Oct'25	<ul style="list-style-type: none"> <li>• 'Coming up' time slot of the session to focus on technology.</li> </ul>
		Apr'26	<ul style="list-style-type: none"> <li>• TBC</li> </ul>
Supporting adoption and implementation [of our standards]	Ensuring the local relevance of our standards	<i>Engagement with auditors</i>	
		Half yearly	<ul style="list-style-type: none"> <li>• Technology Monitoring Reference Group (TMRG) discussions on emerging technologies and the IAASB catalogue of issues.</li> </ul>
		As needed	<ul style="list-style-type: none"> <li>• Schedule one-on-one discussions with TMRG participants to obtain information on specific matters discussed in IAASB agenda items.</li> </ul>
		Standing agenda item	<ul style="list-style-type: none"> <li>• Provide the NZAuASB with technology updates and obtain views on proposed related actions, if any.</li> </ul>
		Oct'25	<ul style="list-style-type: none"> <li>• Obtain input from the NZAuASB on the Nov'25 IAASB roundtable on quality management.</li> </ul>
		As applicable	<ul style="list-style-type: none"> <li>• XRAP discussions.</li> </ul>
	[Providing guidance and] Collaborating	<i>National regulators, professional bodies and others, including other standards setters and regulators</i>	
		Quarterly	<ul style="list-style-type: none"> <li>• Discussions with FMA and CAANZ.</li> </ul>
		Quarterly	<ul style="list-style-type: none"> <li>• AUASB discussions.</li> </ul>
		Ongoing	<ul style="list-style-type: none"> <li>• Monitor what other standards setters and regulators are issuing.</li> </ul>
		As applicable	<ul style="list-style-type: none"> <li>• Discussions with other standards setters and regulators.</li> </ul>

Strategic Priority & Focus		Timeframe	Activities
Supporting adoption and implementation [of our standards]	Influencing international standard setting Ensuring the local relevance of our standards	<b>IAASB – Current projects and those on the horizon</b>	
		<i>Audit evidence and risk response</i>	
		Quarterly	<ul style="list-style-type: none"> <li>Obtain Audit Advisory Group input prior to IAASB meetings.</li> <li>Provide Audit and Assurance team views to Greg Schollum and Misha Pieters or IAASB staff, as necessary.</li> <li>Greg, supported by Misha as technical advisor, participates in IAASB discussions.</li> </ul>
		Mar'26	<ul style="list-style-type: none"> <li>Discuss the exposure draft with the NZAuASB.</li> <li>Issue exposure draft locally for consultation.</li> </ul>
		<i>Modernising ISA 500 series</i>	
		Quarterly	<ul style="list-style-type: none"> <li>Obtain Audit Advisory Group input prior to IAASB meetings.</li> <li>Provide Audit and Assurance team views to Greg and Misha or IAASB staff, as necessary.</li> <li>Greg, supported by Misha as technical advisor, participates in IAASB discussions.</li> </ul>
		Mar'26	<ul style="list-style-type: none"> <li>Discuss project proposal with the NZAuASB and obtain views on Audit and Assurance team proposed actions.</li> </ul>
		<i>Quality management</i>	
		13 Nov'25	<ul style="list-style-type: none"> <li>Host IAASB roundtable on quality management as it relates to technology.</li> </ul>
		<b>IAASB monitoring activities</b>	
		<i>Meetings of the JSS</i>	
		Annually	<ul style="list-style-type: none"> <li>Participate in discussions.</li> <li>Obtain input from relevant stakeholders as applicable.</li> </ul>
		<i>Technology Advisory Network</i>	
		Quarterly	<ul style="list-style-type: none"> <li>Obtain input from the TMRG on agenda items to be discussed.</li> <li>Research NZ developments on agenda items to be discussed.</li> <li>Participate in discussions / provide input via email (depending on the timing of the meetings).</li> </ul>
		<b>IESBA technology initiatives</b>	
		Quarterly	<ul style="list-style-type: none"> <li>Monitor IESBA meeting agendas for technology related discussions.</li> </ul>
		Ongoing	<ul style="list-style-type: none"> <li>Have discussions with IESBA staff.</li> </ul>

## NZAuASB Board Meeting Summary Paper

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**Meeting date:** 14 August 2025  
**Subject:** ISA (NZ) for LCE – Implementation Plan  
**Date:** 28 July 2025  
**Prepared By:** BM

☐ **Action Required**

☒ **For Information Purposes Only**

### Agenda Item Objective

1. The objective of this agenda item is for the Board to DISCUSS the implementation plan to raise awareness and support implementation of the *International Standard on Auditing (New Zealand) for Audits of Financial Statements of Less Complex Entities* (ISA (NZ) for LCE).

### Background

2. In June 2025, the XRB issued the [ISA \(NZ\) for LCE](#).
3. At the June NZAuASB meeting, staff highlighted that clear communication will be required to support the adoption and implementation of the standard in New Zealand, and to manage the risks identified through the project. To this end, we have started planning out various communication activities to promote awareness of this standard and support and monitor implementation, together with key messages to mitigate risks.
4. The ISA (NZ) for LCE is a stand-alone auditing standard available for auditors to use when auditing less complex entities. The standard is available for use and only applicable if the entity being audited meets the criteria of a less complex entity set out in the standard.

### Matters to Consider

5. The following agenda item sets out a summary of:
  - (a) What actions we have done to date to publish and promote awareness of this standard – such as launching a dedicated webpage, started posting short videos to assist with implementation.
  - (b) What actions to promote awareness and support implementation that we are planning to do before the application date of periods beginning on or after 15 December 2025 – such as further videos, webinars, and guidance.
  - (c) Long term plans to monitor implementation and identify what further guidance may be needed.
  - (d) Maintenance plans for the ISA (NZ) for LCE.
6. We welcome any further suggestions for possible actions to take.

### Material Presented

Board Meeting Summary Paper

ISA (NZ) for LCE Adoption and implementation Plan

## ISA (NZ) for LCE: Adoption and implementation Plan

1. The objective of this plan is to raise awareness of the ISA (NZ) for LCE and support practitioners with successful implementation by providing timely, accessible, and practical resources that reflect the clear, concise and understandable nature of the standard. Our planned activities and key messages will aim to try to mitigate the risks that have been identified.

Our planned activities and key messages will manage the identified risks

2. As part of our planned activities, we will look to manage the risks identified in the [explanation for decisions](#) made and our suggested key messages to mitigate those risks.

Risk	Description	Mitigations
Perception of Reduced Audit Quality	Risk of a 'two-tier' perception that ISA (NZ) for LCE is a lower-quality audit.	Emphasise that the level of assurance is the same. Emphasise that this standard is specific for audits of less complex entities, not a lesser audit, but tailored specifically for the needs of audits of LCEs. This will be reinforced in our videos.
Timing of the maintenance	The ongoing maintenance of the ISA for LCE by the IAASB will create a time lag between updates to the ISAs and the ISA for LCE.	The IAASB's first-time implementation guide and FAQs set out the maintenance plan for this standard. Detailed plans will be discussed at the September IAASB meeting.
Specialisation Risk	Auditors may limit themselves to LCE audits only.	Acknowledge existing market specialisation. Monitor implementation.
Education and Training Costs	Two frameworks may increase training burden.	Mitigate through guidance, videos, and feedback channels.
Audit Fee Pressure	Expectation that audits under ISA (NZ) for LCE will be cheaper or lesser cost.	Clarify that tailored requirements do not imply reduced work effort or fees. This will be reinforced in our videos.
Misclassification Risk or Complexity assessment risk.	Entities may be incorrectly assessed as LCEs.	Highlight 'If in doubt, you are out' and develop and promote authority guidance. The IAASB has issued guidance to assist in a transition to the full ISAs mid-engagement if it were to occur – in the first-time implementation guide. This message will be reinforced in our videos and the authority guidance.

### 3. Summary of key messages:

- The standard has been issued: Available for use when auditing LCEs, from periods beginning on or after 15 December 2025.
- Same Assurance, Tailored Approach: ISA (NZ) for LCE provides the same level of assurance as full ISAs (NZ) but is proportionate to LCEs.
- If in doubt, you are out: Part A sets out the specific prohibitions and qualitative characteristics to consider if the entity is a LCE.
- Optional Use: The standard is not mandatory but available for use when auditing LCEs; auditors must assess eligibility using Part A.
- Internationally aligned, locally relevant: Includes Part 11 for auditing service performance information.
- Support Available: Dedicated webpage, guidance documents, and videos are available to assist implementation.

### Raising awareness of the new standard

#### 4. So far, we have undertaken the following to publish and promote awareness of this standard:

- (a) A dedicated ISA (NZ) for LCE web page has been launched: [www.xrb.govt.nz/isa-for-lce](http://www.xrb.govt.nz/isa-for-lce) This page includes the standard, explanation for decisions made and links to the HTML version in the [standard navigator](#), relevant IAASB guidance, and our videos.
- (b) Launch communicated in the Audit and Assurance Alert: 19 June 2025
- (c) CAANZ For-purpose special interest group event: 24 June – Misha presented an introduction to the standard, targeted at governance and user/preparers.
- (d) LinkedIn promotion: 26 June 2025
- (e) Short video/s posted on the ISA (NZ) for LCE web page (discussed below): ongoing. The first video describing the what the standard is, why it was developed and when it can be used is on the ISA (NZ) for LCE web page.

5. CAANZ and CPA Australia have mentioned the new standard in their newsletters. We've also been in touch with other stakeholders to let them know that this standard has been issued. Feedback thus far has been positive. Audit Assistant has published an article on the new standard in their [blog](#).

6. We consider it important to encourage practitioners to engage with the new standard as a first step to implementation. The IAASB has issued a number of resources (including first time implementation guides, videos, FAQs, etc.) So as not to replicate this effort we have included links to these materials on our website.

### Next steps: implementation support and further awareness raising activities

#### 7. Activities and approximate timing for the rest of 2025:

- (a) Series of short videos covering various aspects of the standard. These videos will also be used as a tool to communicate the benefits and mitigate the risks of adoption. The risks and key messages are discussed in para. 2. above.
- (b) Deep dive: planned for 6 October. This will cover selected aspects of the standard and will conclude with a question and answer session.
- (c) Assurance need-to-know: planned for 23 October. This will cover: The structure and scope of the ISA (NZ) for LCE, when the standard can be used, and key features of the standard



- (d) Further promotion in the alerts, XRB Update newsletter, and on LinkedIn.
  - (e) Informal engagement with auditors and other stakeholders (such as CAANZ, CPA Australia, OAG).
8. To assist with implementation, we are developing guidance on:
- The authority of the standard – this guidance will support auditors in applying Part A, *Authority*. This is where auditors determine whether or not an entity is a less complex entity and thus if they can apply the ISA (NZ) for LCE.
  - This will be based on the IAASB guidance and updated for the NZ specific changes that the board made to Part A (being the prohibition on FMC reporting entities with higher levels of public accountability)
  - Auditor reporting – this guidance will supplement the two illustrative audit reports already in the ISA (NZ) for LCE – with illustrations for modified audit reports, illustrations for unmodified and modified audit reports for group financial statements, and illustrations for modified audit reports over financial reports that include service performance information.
  - Service performance information (flowchart, similar to [NZ AS 1 \(Revised\)](#))
9. We will also update the auditors' responsibilities pages on our website to enable auditors to link to our website from their audit report prepared in accordance with the ISA (NZ) for LCE. This will be published by September.

#### Long term plans: promotion, awareness and monitoring

10. We are also planning longer term promotion and awareness activities for 2026.
11. Given the standard applies for periods beginning on or after 15 December 2025, we anticipate that in late 2026/ early 2027 to hold a virtual round table event and/or one-on-one calls with auditors will be planned with the objective of participants sharing their experiences of:
- What went well?
  - What were the challenges?
  - How did you overcome challenges?
  - What other guidance is needed?
12. We are also currently considering what other mechanisms we can use to gain feedback to enable us to monitor how implementation is going. For now, auditors are encouraged to provide feedback via our contact page on our website.
13. These initiatives will help inform us on who is using the standard, enable us to share success stories or implementation challenges and find out what area's practitioners need further support in the way of FAQ resources and other guidance on the standard, etc.
14. As part of our long term plan, we are also considering additional education or guidance around the use of reviews or agreed-upon procedures for charities. With charities now being required to review their constitution and other governance procedures every 3 years, there is an opportunity for charities (with total expenditure under \$1.1 million) to reconsider whether audit is the right product or whether a review or agreed-upon procedure could be a better fit. This exercise could also look at updating the current guidance: [Assurance for not-for-profits](#) and [EG Au3 applying the auditing standards on audits of smaller entities](#).

## Plans for maintenance of the standard

15. In the latest [FAQ document](#), the IAASB has provided an update on their maintenance plans, saying that the IAASB is committed to maintain the ISA for LCE for changes in the audit environment and is of the view that the ISA for LCE must remain up to date and, to the greatest extent possible, consistent with the ISAs.
16. To avoid having to discuss the same issues twice (e.g., when revising an ISA and when revising the ISA for LCE), the IAASB decided to start working on revising the ISA for LCE after the finalisation of an ISA related project. Under this approach, the effective date of the revised ISA for LCE is likely to be at least one year later than the effective date of the revised or new ISA. This provides auditors who use the ISA for LCE with more time to prepare for the changes.
17. After the ISA for LCE becomes applicable on December 15, 2025, there will be an initial period of stability of at least three years. Meaning any possible future revisions to the ISA for LCE would not become effective before December 15, 2028. This initial period of stability will provide stakeholders with time to adopt and implement the standard before introducing any possible revisions.
18. The IAASB will discuss the approach to maintenance at its September meeting.

## NZAuASB Board Meeting Summary Paper

**Meeting date:** 14 August 2025  
**Subject:** Plan for greenhouse gas emissions guidance  
**Date:** 23 July 2025  
**Prepared By:** Karen Tipper

☐ **Action Required**

☒ **For Information Purposes Only**

### Agenda item objectives

1. The objective of this agenda item is to inform and update the board about our proposed plan to support implementation of XRB's assurance standards related to Greenhouse Gas (GHG) assurance.

### Background

2. The assurance team have been monitoring the GHG mandatory assurance regime and are committed to holding workshops and issuing guidance as needed to support the implementation of New Zealand Standard on Assurance Engagements 1, *Assurance Engagements over Greenhouse Gas Emissions Disclosures* (NZ SAE 1).
3. We tested key messages at a workshop session that was held with assurance practitioners in August 2024. As a result of this session, we received clear support that additional guidance in certain areas was needed to support the regime and to promote consistency of practice.
4. Since then, we have been continuing to interact with stakeholders to discuss questions that are arising as engagements are being performed, and practice is emerging. These conversations have informed our plan and the key messages that we want to share, or want to explore sharing with our stakeholders.
5. In 2025 we have issued:
  - A [GHG Report Explainer](#)
  - A [snapshot](#) of the assurance obtained over GHG disclosures lodged by 31 May 2025. We intend to issue this quarterly as the climate statements and assurance reports are lodged with Companies' Office
  - [Joint guidance](#) for preparers and assurance practitioners on GHG emissions data uncertainties and estimations.

### Next Steps

6. We continue to monitor the assurance reports over the GHG disclosures in the climate statements and intend to update our GHG snapshot with this information quarterly.
7. We are working closely with the sustainability team and have developed a holistic and comprehensive plan for GHG staff guidance. This has been designed to:
  - address the concerns that we have heard from both preparers and assurance practitioners
  - address the needs of different stakeholders

- improve consistency in reporting and assurance practices
  - provide clarity on what is expected to meet requirements of New Zealand Climate Standards (NZ CS) and NZ SAE 1.
8. A current topic that we continue to hear questions about from an assurance perspective is materiality. As discussed, and agreed with the Board in our June meeting, we intend to issue guidance based on the application material in ISAE (NZ) 3410, *Assurance Engagements on Greenhouse Gas Statements*. This guidance will address whether it is appropriate to consider more than one materiality for the GHG emissions disclosures in the climate statements. This guidance is intended to promote consistency across all assurance practitioners.
  9. Jointly with the sustainability team, we are considering exploring the interaction between the materiality judgements made by the preparer in the preparation of the climate statements and the materiality judgements made by the assurance practitioner in the context of the limited scope assurance engagement over the GHG disclosures in the climate statements.
  10. Another topic we are thinking about addressing is restatements for GHG emissions disclosures. We are currently exploring various possibilities including:
    - what is required from an assurance practitioner (mandatory assurance) for errors (mandatory restatement) and other restatements?
    - what information is required to be contained within the assurance report when a disclosure is restated.

Does the Board have any other questions that they think that we should address as part of our staff implementation guidance for NZ SAE 1?

### **Next steps**

11. We are planning a workshop with assurance practitioners as part of the outreach for our sustainability, ethics and independence and using the work of an external expert consultation. We will use this workshop to understand any further implementation challenges that are being experienced and to identify any areas that may benefit from additional guidance.
12. We also continue to monitor the availability of “one-to-many” reports to facilitate the reporting and assurance of scope 3 GHG emissions.

### **Recommendation**

13. We recommend that the Board NOTE this proposed plan.

### **Material Presented**

Agenda item

Board Meeting Summary Paper

## NEW ZEALAND GAZETTE

**International Standard on Auditing (New Zealand) for Audits of Financial Statements of Less Complex Entities (ISA (NZ) for LCE) (Notice No. 241)**

Notice is hereby given, pursuant to the Legislation Act 2019, that the New Zealand Auditing and Assurance Standards Board of the External Reporting Board has issued International Standard on Auditing (New Zealand) for Audits of Financial Statements of Less Complex Entities (ISA (NZ) for LCE).

The ISA (NZ) for LCE:

- applies to audit engagements performed in accordance with XRB Standards;
- is published on 19 June 2025 and takes effect on the 28th day after the date of its publication under the Legislation Act 2019 and commences to apply as set out below; and
- is secondary legislation for the purposes of the Legislation Act 2019.

**Commencement and application****When standard takes effect (section 27 Financial Reporting Act 2013)**

1. This standard takes effect on the 28th day after the date of its publication under the Legislation Act 2019.

**Accounting period in relation to which standards commence to apply (section 28 Financial Reporting Act 2013)**

2. The accounting periods in relation to which this standard commences to apply are:

- (a) for an **early adopter**, those accounting periods, following and including, the **early adoption accounting period**
- (b) for any other auditor, those accounting periods following, and including, the first accounting period that begins on or after the **mandatory date**.

3. In paragraph 2:

**early adopter** means an auditor that applies this standard for an early adoption accounting period.

**early adoption accounting period** means the accounting period:

- (a) that begins before the mandatory date but has not ended or does not end before this standard takes effect (and to avoid doubt, that period may have begun before this standard takes effect); and
- (b) for which the early adopter:
  - i. first applies this standard for an audit engagement of a less complex entity; and
  - ii. discloses in the auditor's report for that accounting period that this standard has been applied for that period.

**mandatory date** means 15 December 2025.

Copies of the standard may be inspected free of charge at the offices of the External Reporting Board (XRB), Level 6, 154 Featherston Street, Wellington. Copies are also available on the XRB's website at [www.xrb.govt.nz](http://www.xrb.govt.nz).

Dated this 19th day of June 2025.

MARJE RUSS, Chair, New Zealand Auditing and Assurance Standards Board.



## NZAuASB Board Meeting Summary Paper

**AGENDA ITEM NO.** 13.1  
**Meeting date:** 14 August 2025  
**Subject:** Correspondence Register  
**Date:** July 2025

☐ Action Required

☒ For Information Purposes Only

### Agenda Item Objective

1. The objective of this agenda item is for the Board to note the inwards and outwards correspondence since the last meeting.

### Correspondence Register

<i>Inwards Correspondence</i>	<b>Agenda Item</b>
<i>Nil</i>	
<i>Outwards Correspondence</i>	<b>Agenda Item</b>
<a href="#"><i>Submission to IAASB: Use of experts Narrow scope amendments</i></a> (17 July 2025) <a href="#"><i>IESBA Collective Investment Vehicles and Pension Funds – Auditor Independence</i></a> (30 June 2025)	



## NZAuASB Board Meeting Summary Paper

**AGENDA ITEM NO.** 13.2  
**Meeting date:** 14 August 2025  
**Subject:** Communications from the Assurance Standards Team of the XRB  
**Date:** 26 June 2025

☐ **Action Required**

☒ **For Information Purposes Only**

### Agenda Item Objective

1. The objective of this agenda item is for the Board to NOTE the following communications to constituents from the XRB (in relation to the work of the Assurance Standards team) since the previous NZAuASB meeting.

### Communications Register

2. The following e-newsletters have been issued:

9 June	<a href="#">Audit and Assurance Alert</a>
21 July	<a href="#">Audit and Assurance Alert</a>
30 July	<a href="#">Audit and Assurance Alert</a>

### LinkedIn Posts

3. The following posts have been made on LinkedIn. Please like, share or comment:

<a href="#">IESBA consultation paper on CIV's</a>
<a href="#">ISA (NZ) for LCE issued</a>
<a href="#">Open Consultations</a>
<a href="#">Consultation on reporting and assurance of service performance information</a>



## NZAuASB Board Meeting Summary Paper

**AGENDA ITEM NO.** 13.3  
**Meeting date:** 14 August 2025  
**Subject:** Speaking register  
**Date:** 7 July 2025

☐ Action Required

☒ For Information Purposes Only

### Agenda Item Objectives

1. The objective of this agenda item is for the Board to NOTE the XRB speaking engagements related to assurance, since the last update, and planned future speaking engagements.

### Speaking Register

Presenter	Date	Topic	Presenting to
Michelle Lombaard, Misha Pieters	24 June 2025	Accounting & Audit - An Update from the XRB	CAANZ members are mostly CAs either in public practice or working for charities and other For Purpose organizations
Nimash Bhikha, Karen Tipper	6-8 July	Accounting and Finance Association of Australia and New Zealand Annual Conference	Accounting and finance academics from across all Australian and New Zealand Universities
Carly Berry, Leana van Heerden, Nimash Bhikha	10 July 2025	Need to Know - Accounting update for Tier 1 and 2 not-for-profit entities	
Nimash Bhikha, Jamie Cattell, Michelle Lombaard, Misha Pieters, Lisa Thomas, Thinus Peyper	17 July - 28 August	SPI Outreach x8 online drop in sessions	
Nimash Bhikha, Jamie Cattell,	26-27 August	SPI Outreach in person workshops in Auckland	Health sector not-for-profit entities, assurance practioners



Michelle Lombaard, Misha Pieters, Lisa Thomas, Thinus Peyper			and education sector not-for-profit entities
Nimash Bhikha, Jamie Cattell, Michelle Lombaard, Misha Pieters, Lisa Thomas, Thinus Peyper	14-15 August	SPI Outreach in person workshops in Wellington	Social services sector not-for-profit entities and funders and users of service performance information
Nimash Bhikha, Jamie Cattell, Michelle Lombaard, Misha Pieters, Lisa Thomas, Thinus Peyper	11-19 August	SPI Outreach x4 online workshops	Social services sector not-for-profit entities, education sector not-for-profit entities, funders and users of service performance information and health sector not-for-profit entities
Jeremy Nicholls	27 August	True and fair presentation with Jeremy Nicholls	Accounting team and various board members
Karen Tipper	19 June 2025	Accounting and auditing standards update	IoD members
Michelle Lombaard, Misha Pieters	24 June 2024	Accounting & Audit - An Update from the XRB	CAANZ members are mostly CAs either in public practice or working for charities and other For Purpose organizations
Nimash Bhikha, Karen Tipper	6-8 July	Accounting and Finance Association of Australia and New Zealand Annual Conference	Accounting and finance academics from across all Australian and New Zealand Universities
Nimash Bhikha, Jamie Cattell, Michelle Lombaard, Misha Pieters, Lisa Thomas, Thinus Peyper	17 July - 28 August	SPI Outreach x8 online drop in sessions	
Nimash Bhikha, Jamie Cattell, Michelle Lombaard, Misha Pieters, Lisa	26-27 August	SPI Outreach in person workshops in Auckland	Health sector not-for-profit entities, assurance practioners and education sector not-for-profit entities

Thomas, Thinus Peyper			
Nimash Bhikha, Jamie Cattell, Michelle Lombaard, Misha Pieters, Lisa Thomas, Thinus Peyper	14-15 August	SPI Outreach in person workshops in Wellington	Social services sector not-for-profit entities and funders and users of service performance information
Nimash Bhikha, Jamie Cattell, Michelle Lombaard, Misha Pieters, Lisa Thomas, Thinus Peyper	11-19 August	SPI Outreach x4 online workshops	Social services sector not-for-profit entities, education sector not-for-profit entities, funders and users of service performance information and health sector not-for-profit entities
Misha Pieters and assurance team	27 August	Deep dive sustainability assurance	Jeremy Nicholls
Darby Healey Misha Pieters	5 September	Audit and accounting standard update	Directors
Bruce McNiven	23 October	Deepdive - ISA (NZ) for LCE	Audit practitioners
Thinus Peyper, Misha Pieters, Greg Schollum	13 November	Australia-New Zealand Roundtable for IAASB's Technology QM Workstream	IAASB and assurance practitioners
Amelia Sharman	16 July 2025	CPA - Future Focus Conference - Auckland	150+ accounting finance and business leaders, mid-career professional. The conference theme is 'What's coming next,' and the program is designed to provide accounting, finance, and business professionals with key updates in areas of importance to the accounting profession plus the opportunity for hands-on learning through a range of masterclasses and workshops. I have a 1-hour spot on the program for an ESG reporting or standards update session, and we would like to

			work with you to create the most appropriate session, considering the general theme of the conference
Amelia Sharman	22 July 2025	NZ Taxonomy TEG meeting #9	
Amelia Sharman	24 July 2025	KPMG Adaptation breakfast	
Amelia Sharman	13 August 2025	Future-Proof Planning: Integrating Climate, Nature and Te Ao Māori in Sector Scenarios	
Amelia Sharman, Rikki Owen and various members of sustainability team	27 August	Deep dive He Tauira with Jeremy Nicholls	Jeremy Nicholls
Amelia Sharman	9 September 2025	Climate Change & Business Conference 2025	SBC, CLC, EDS
Amelia Sharman	10 September 2025	FSC25 Conference: Transforming for Tomorrow	FSC
Amelia Sharman	18 September 2025	RIAA Conference Aotearoa NZ 2025	